



Shares - 8th January 2009



Lip service: Iofina makes iodine for use in many products such as cosmetics

Iodine producer looks strong on rising prices and regulatory changes

Double boost for Iofina

Tom Sieber

Aspirating iodine producer **Iofina (IOF:AIM)** is worth buying with the price of the element likely to be driven higher by regulatory changes in the US and first output due at the end of January.

Iofina, which at 31.5p has already begun to see a recovery in its share price in 2009, operates a unique proprietary technology that can extract iodine at a third of the cost of the two other main producers. The £27 million market cap's acreage is in Montana and the group announced the successful completion of a drilling programme on its Atlantis prospect last month.

In addition to iodine the company will also produce natural gas, offering a dual revenue stream and there are indications flow rates could be higher than anticipated. The company has no debt and cash in the bank of £12 million and therefore requires no further funding to become cash generative.

The positive outlook for Iofina is further reinforced by iodine prices, which have already risen 20% since September and are likely to be driven higher with the US environmental protection agency (EPA) sanctioning its use in pesticides as an alternative to methyl bromide - which has been banned due to its environmental impact. This will increase demand for iodine which is also used for pharmaceutical manufacturing, liquid crystal display screens, x-rays, cosmetics and paints. Iodine is a rare element produced in just a few countries, with 89% of global production in Chile (60%) and Japan (29%). Since both Europe and the US are major net importers the price should be resilient in the wake of a global economic slowdown.

Shares says: + Buy



Month	Iofina (IOF:AIM) Price (pence)	FTSE AIM SS Oil & Gas Price (pence)
JUL	75	75
AUG	65	65
SEP	55	55
OCT	45	45
NOV	35	35
DEC	35	25