

**STATEMENT OF RESERVES DATA AND OTHER OIL AND
GAS INFORMATION OF IONA ENERGY INC.
FORM 51-101F1**

PART 1 DATE OF STATEMENT

Item 1.1 Relevant Dates

This Statement of Reserves Data and Other Oil and Gas Information (the "**Statement**") is dated April 30, 2012. The effective date of the information provided in this Statement is December 31, 2011 and is based on information in the GCA Report (as defined herein), except where otherwise indicated. The preparation date of the information in the Statement is April 15, 2012. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. The information is presented on a consolidated basis for Iona Energy Inc. ("**Iona**") and its wholly-owned subsidiaries, Iona Energy Company (UK) Limited ("**Iona UK**") and Iona Energy Company (US) Limited.

PART 2 DISCLOSURE OF RESERVES DATA

Gaffney, Cline & Associates Ltd. ("**GCA**") prepared a report dated April, 2012 (the "**GCA Report**"), in which it evaluated, as at December 31, 2011, the oil and natural gas reserves attributable to the principal properties of Iona.

The GCA Report also presents the estimated net value of future revenue of Iona's properties before and after taxes, at various discount rates. Assumptions and qualifications relating to costs, prices for future production and other matters are summarized in the notes to the following tables.

The extent and nature of all information supplied by Iona and/or the operator of its properties, which may have included ownership data, well information, geological information, reservoir studies, timing and future production, gas sales contract information, current product prices, operating cost data, capital budget forecasts and future operating plans, have been relied upon by GCA in preparing the GCA Report and were accepted as represented without independent verification. In the absence of such information, GCA relied, with the approval of Iona, upon its opinion of reasonable practice in the industry. All information provided to GCA was as at December 31, 2011 and, accordingly, certain of such information may not be representative of current conditions.

The definitions of the various categories of reserves and expenditures are those set out in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**").

Barrels of oil equivalent or "boes" may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

It should not be assumed that the present worth of estimated future net revenue represents the fair market value of the reserves. There is no assurance that the escalating price and cost assumptions contained in the GCA Report will be attained and variances could be material. The reserve and revenue estimates set forth below are estimates only and the actual reserves and realized revenue may be greater or less than those calculated.

Additionally, "possible reserves" as disclosed herein are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Item 2.1 Reserves Data - Forecast Prices and Costs

The following table discloses, in the aggregate, Iona's gross and net proved reserves, proved plus probable reserves and proved plus probable plus possible reserves, estimated using forecast prices and costs, by product type. "Forecast prices and costs" means future prices and costs used by GCA in the GCA Report that are generally accepted as being a reasonable outlook of the future, or fixed or currently determinable future prices or costs to which Iona is bound.

Table 2.1.1
Summary Oil and Gas Reserves
As of December 31, 2011
Forecast Prices and Costs

Reserves Categories	Reserves									
	Light and Medium Oil		Heavy Oil		Natural Gas Associated and Non-Associated		Coalbed Methane		Natural Gas Liquids	
	Gross Mbbbl ⁽¹⁾	Net Mbbbl ⁽²⁾	Gross Mbbbl ⁽¹⁾	Net Mbbbl ⁽²⁾	Gross MMscf ⁽¹⁾	Net MMscf ⁽²⁾	Gross Mbbbl ⁽¹⁾	Net Mbbbl ⁽²⁾	Gross Mbbbl ⁽¹⁾	Net Mbbbl ⁽²⁾
Proved										
Developed Producing	-	-	-	-	4,411	4,411	-	-	3	3
Developed Non-Producing	-	-	-	-	-	-	-	-	-	-
Undeveloped Reserves	2,380	2,380	-	-	-	-	-	-	-	-
Total Proved	2,380	2,380	-	-	4,411	4,411	-	-	3	3
Probable	1,488	1,488	-	-	7,956	7,956	-	-	3	3
Total Proved Plus Probable	3,868	3,868	-	-	12,367	12,367	-	-	6	6
Possible	1,809	1,809	-	-	2,596	2,596	-	-	6	6
Total Proved Plus Possible Plus Probable	5,677	5,677	-	-	14,963	14,963	-	-	12	12

Notes:

- (1) "Gross Reserves" are Iona's working interest share of remaining reserves before deduction of royalties.
- (2) "Net Reserves" are Iona's working interest share of remaining reserves less all crown, freehold and overriding royalties and interests owned by others.
- (3) May not add due to rounding.

The following table discloses, in the aggregate, the net present value of Iona's future net revenue attributable to the reserves categories in the previous table, estimated using forecast prices and costs, before and after deducting future income tax expenses, and calculated without discount and using discount rates of 5%, 10%, 15% and 20%.

Table 2.1.2
Summary of Net Present Values of
Future Net Revenue
As of December 31, 2011
Forecast Prices and Costs (U.S.\$ MM)

	Net Present Values of Future Net Revenue ⁽¹⁾⁽²⁾										Before Tax Net Value at 10% (\$/boe)
	Before Income Taxes Discounted at (%/Year)					After Income Taxes Discounted at (%/Year)					
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%	
Proved:											
Developed Producing	13.81	13.76	13.47	13.04	12.56	4.17	4.44	4.54	4.52	4.44	18.32
Developed non-Producing	-	-	-	-	-	-	-	-	-	-	-
Undeveloped	111.59	76.15	49.72	29.73	14.42	62.03	40.19	23.53	10.69	0.66	20.89
Total Proved:	125.40	89.91	63.19	42.77	26.98	66.20	44.63	28.01	15.21	5.10	20.29
Total Probable:	184.83	147.25	119.50	98.62	82.61	74.51	60.61	50.33	42.51	36.46	42.42
Total Proved + Probable:	310.23	237.16	182.69	141.39	109.59	140.71	105.24	78.40	57.72	41.56	30.78
Total Possible:	197.88	117.39	73.80	48.99	34.16	74.28	44.20	27.93	18.70	13.20	32.83
Total Proved + Probable + Possible:	508.11	354.55	256.49	190.38	143.75	214.99	149.44	106.33	76.42	54.76	31.34

Notes:

- (1) May not add due to rounding.
(2) Net present value of future net revenue includes all resource income, appropriate income tax calculations and prior tax pools.

The following table discloses, in aggregate, certain elements of Iona's future net revenue attributable to its proved reserves, its proved plus probable reserves, and its proved plus probable plus possible reserves estimated using forecast prices and costs, and calculated without discount.

Table 2.1.3
Future Net Revenue
Undiscounted
As of December 31, 2011
Forecast Prices and Costs (U.S.\$ MM)⁽¹⁾

	Revenue	Royalty	Operating Costs	Development Cost	Abandonment and Reclamation Costs	Pre-tax Future Net Revenue	Future Income Tax	Post-tax Future Net Revenue
Total Proved	299.07	-	52.83	108.00	12.86	125.40	59.19	66.20
Total Proved plus Probable	537.22	-	83.06	126.45	17.48	310.23	169.53	140.71
Total Proved plus Probable plus Possible	779.71	-	125.63	126.45	19.53	508.11	293.13	214.99

Note:

- (1) Totals may not add due to rounding.

This table discloses, by production group, the net present value of Iona's future net revenue attributable to its proved reserves, its proved plus probable, and its proved plus probable plus possible reserves, before deducting future income tax expenses, estimated using forecast prices and costs, and calculated using a 10% discount rate.

Table 2.1.3c
Net Present Value of Future Net Revenue
by Production Group
as of December 31, 2011
Forecast Prices and Costs

Reserve Category	Production Group	Future Net Revenue Before Income Tax (Discounted at 10% per year) (M\$)	Unit Value Before Income Tax (Discounted at 10% per year) (\$/boe)
Proved	Light and Medium Crude Oil (including solution gas and associated by-products)	69.28	29.07
	Heavy Oil (including solution gas and associated by-products)	-	-
	Natural Gas (including associated by-products)	(6.09)	(8.28)
	Coalbed Methane (including associated by-products)	-	-
Proved plus Probable	Light and Medium Crude Oil (including solution gas and associated by-products)	141.97	36.65
	Heavy Oil (including solution gas and associated by-products)	-	-
	Natural Gas (including associated by-products)	40.72	19.76
	Coalbed Methane (including associated by-products)	-	-
Proved plus Probable plus Possible	Light and Medium Crude Oil (including solution gas and associated by-products)	202.06	35.52
	Heavy Oil (including solution gas and associated by-products)	-	-
	Natural Gas (including associated by-products)	54.43	21.83
	Coalbed Methane (including associated by-products)	-	-

*Includes corporate capital G&A, if applicable
Unit values are based on net reserve volumes

PART 3 PRICING ASSUMPTIONS

Item 3.2 Forecast Prices Used in Estimates

The forecast reference prices used in preparing Iona's reserves data are provided in the below table.

Summary of Pricing and Inflation Rate Assumptions As of December 31, 2011 Forecast Prices and Costs				
Year	Brent Price (US\$/bbl)	UK Gas Price (US\$/Mscf)	Inflation Rate	Exchange Rate (US\$/£UK)
2011	95.02	9.03	2%	1.58
2012	105.61	9.09	0%	1.60
2013	101.36	10.18	2%	1.60
2014	97.23	10.26	2%	1.60
2015	97.41	10.26	2%	1.60
2016	101.42	10.26	2%	1.60
2017	103.37	10.29	2%	1.60
Thereafter	+2.0% pa	+2.0% pa	2%	1.60

The above table quotes GCA's standard price scenario effective December 31, 2011 and reflects the prices used in the GCA Report. GCA is a qualified reserves evaluator under the definitions of NI 51-101 and is independent of Iona. In the GCA Report, the Exchange Rate for all years shown in the table above is assumed to be US\$1.60/£UK and all future operating and capital costs are assumed to escalate at 2% per year starting on January 1, 2013.

PART 4 RECONCILIATION OF CHANGES IN RESERVES AND FUTURE NET REVENUE

Item 4.1 Reserves Reconciliation

The following table provides a reconciliation of Iona's gross reserves based on forecast prices and costs.

**Reconciliation of Iona's Gross⁽¹⁾ Reserves (Before Royalty)
by Principal Product Type
As of December 31, 2011
Forecast Prices and Costs**

Factors	Light and Medium Oil			Heavy Oil			Natural Gas (Associated and Non-Associated)			Natural Gas Liquids		
	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)
December 31, 2010	-	-	-	-	-	-	-	-	-	-	-	-
Extensions	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	-	0.3	0.3	-	-	-	1.0	1.7	2.7	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	2.4	1.2	3.6	-	-	-	6.0	6.6	12.6	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	(1.4)	(0.3)	(1.7)	-	-	-
Production	-	-	-	-	-	-	(1.2)	-	(1.2)	-	-	-
December 31, 2011	2.4	1.5	3.9	-	-	-	4.4	8.0	12.4	-	-	-

Note:

(1) Gross Reserves means Iona's working interest reserves before calculation of royalties, and before consideration of Iona's royalty interests.

Reference: Item 4.1 of Form 51-101F1

PART 5 ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Item 5.1 Undeveloped Reserves

**Table 5.1.1
Proved Net Undeveloped Reserves
Most Recent Three Years
Forecast Prices and Costs**

	Light & Medium Oil		Natural Gas ⁽²⁾		Natural Gas Liquids	
	First Attributed or Reduced (Mbbl)	Cumulative at Year-End ⁽¹⁾ (Mbbl)	First Attributed or Reduced (MMscf)	Cumulative at Year-End ⁽¹⁾ (MMscf)	First Attributed or Reduced (Mbbl)	Cumulative at Year-End ⁽¹⁾ (Mbbl)
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	2,400 ⁽³⁾	-	-	-	-

Notes:

- (1) Cumulative at Year End = Residual Cumulative of Previous Year plus First Attributed.
(2) Includes Associated and Non-Associated Gas.
(3) 2.4 MMbbls of proven oil reserves attributed to Orlando.

**Table 5.1.2
Probable Net Undeveloped Reserves
Most Recent Three Years
Forecast Prices and Costs**

	Light & Medium Oil		Natural Gas ⁽²⁾		Natural Gas Liquids	
	First Attributed or Reduced (Mbbl)	Cumulative at Year-End ⁽¹⁾ (Mbbl)	First Attributed or Reduced (MMscf)	Cumulative at Year-End ⁽¹⁾ (MMscf)	First Attributed or Reduced (Mbbl)	Cumulative at Year-End ⁽¹⁾ (Mbbl)
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	1,500 ⁽³⁾	-	8,000 ⁽⁴⁾	-	-

Notes:

- (1) Cumulative at Year End = Residual Cumulative of Previous Year plus First Attributed.
(2) Includes Associated and Non-Associated Gas.
(3) 1.5 MMbbls of probable Oil Reserves attributed to Orlando.
(4) 8.0 Bcf of probable Natural Gas reserves attributed to Trent & Tyne.

Development Plans

Orlando (35% Working Interest)

The appraisal element of Orlando targeting the Brent Tarbert and Ness development location and Etive potential updip closure has been drilled by the Awilco WilHunter semi-submersible rig. The well penetrated the primary targets, the Tarbert and Ness horizons of the Brent formation, at the southern end of the structure. The well also penetrated the un-drilled underlying Etive horizon to evaluate the possibility of an additional reservoir at that level and met the commitment well obligations. The appraisal well was spudded on November 2, 2011, and joint venture drilling operations finished on March 30, 2012. During the remainder of 2012, it is expected that the well will be re-entered and drilled as a 3000 foot horizontal producer toward the 3/3-11 discovery well location. The well will be completed with dual ESPs. In early 2013, a subsea pipeline, power supply and control umbilical are expected to be laid between the well-head and the Ninian Central platform approximately 10

kilometres ("**km**") to the south west. Engineering modifications will be completed at Ninian allowing tie-in and first production shortly after completing the development well. First oil from Orlando is currently expected in mid 2013.

Trent & Tyne (20% Working Interest)

The T5 Sidetrack Well is currently expected to spud in July 2012 (with tie-in expected in September 2012). Additionally, and following a seismic acquisition program in summer 2011, Perenco UK Limited ("**Perenco**"), the Operator, has 45 days from completion of the seismic processing and interpretation to send an AFE to Iona with respect to the drilling of the Tyne North West prospect. This decision is expected early in the fourth quarter of 2012 with drilling in 2013, if the option is elected. Furthermore, Perenco is currently assessing a short sidetrack of the T1Z well to unlock a lower high-pressure zone. Iona expects this work to be appended to the rig activity in 2013.

Item 5.2 Significant Factors or Uncertainties Affecting Reserves Data

The reserve data included herein are expressions of judgment based on knowledge, experience and industry practice. In general, estimates of economically recoverable oil and natural gas reserves and the future net revenue there from are based upon a number of variable factors and assumptions, such as expected reservoir characteristics based on geological, geophysical and engineering assessments; ultimate reserve recovery; timing and amount of capital expenditures; future production rates based on historical performance and expected future operating and investment activities; future oil and natural gas prices and quality differentials; marketability of oil and gas; royalty rates; assumed effects of regulation by governmental agencies; and future development and operating costs, all of which may vary materially from actual results. It should not be assumed that estimated future net revenue is representative of the fair market value of Iona's properties. In addition, estimated reserves may change from time to time based on new or reprocessed information or new interpretations of existing or new information.

Iona's future crude oil and natural gas reserves and production, and therefore its operating cash flows and results of operations, are highly dependent upon Iona's success, and the success of their joint venture partners, in exploiting the current reserve base and acquiring or discovering additional reserves. Without reserve additions through exploration, acquisition or development activities, Iona's reserves and production will decline over time as reserves are produced. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent cash flows from operations are insufficient and external sources of capital become limited or unavailable, the ability to make the necessary capital investments to maintain and expand Iona's oil and natural gas reserves will be impaired.

Item 5.3 Future Development Costs

The following table provides information regarding the development costs deducted in the estimation of future net revenue attributable to Iona's reserves, as reflected in the GCA Report.

Table 5.3
Future Development Costs⁽¹⁾
Forecast Prices and Costs

Year	For Proved Reserves (US\$ MM)	For Proved + Probable Reserves (US\$ MM)
2012	72.1	72.1
2013	35.9	54.4
2014	-	-
2015	-	-
2016	-	-
Other	-	-
Total	108.0	126.5
Undiscounted	108.0	126.5
Discounted at 10%/Yr	95.2	110.5

Note:

(1) Future Development Costs shown are associated with booked reserves in the GCA Report and do not necessarily represent Iona's full exploration and development budget.

Iona expects that the funds required for future development costs will be obtained from the combination of positive working capital, internally-generated cash flow, credit facilities and equity financing. There can be no guarantee that funds will be available or that Iona will allocate funding to develop all of the reserves attributed in the GCA Report. Failure to develop those reserves would have a negative impact on future cash flow.

Interest and other costs of external funding are not included in the future net development costs of the reserves or in the future net revenue estimates, and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. Iona does not anticipate that interest or other funding costs would make development of any property uneconomic.

PART 6 OTHER OIL AND GAS INFORMATION

Item 6.1 Oil and Gas Properties and Wells

The following is a description Iona's principal properties on production or under development. Estimates of Reserves for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Orlando (35% Working Interest)

The Orlando oil discovery and 3/3-11 well was drilled by a Chevron operated group in 1989 and subsequently relinquished by Chevron. Block 3/3b was applied for and awarded to a group led by MPX North Sea Limited ("MPX") through the 25th Licencing Round in 2009 as Traditional Licence P1606 and held with a work program that includes a commitment to drill an appraisal well to target the Brent Reservoir before the end of 2012.

Iona currently holds a 35% non-operated working interest in Block 3/3b and is obligated to pay 42.5% of the cost of the appraisal leg in the first well. The Orlando Oil Field is a three-way fault closed structure approximately 2.5 km long by 0.5 km wide stratigraphically positioned within Upper Jurassic Brent Group Reservoirs beneath the Base Cretaceous Unconformity. The structure is covered by 3D seismic data (shot in 1993), which confirms the presence of an up thrown Jurassic fault block sealed by overlying Heather and Kimmeridge Clay Formations. The Base Cretaceous unconformity, Top Brent and Near Top Etive horizons have been seismically mapped across the Orlando time structure. A seven layered V0 K depth conversion was performed to generate the depth structure maps.

Exploration well 3/3-11 discovered oil bearing Upper Jurassic Tarbert and Ness sandstone reservoirs. Both these Brent reservoirs are completely overlain by the sealing Upper Jurassic shales. The well found a 70 foot section of relatively clean Tarbert sandstone formation. Beneath this lies a 492 foot section of Ness sandstone of which the upper 135 feet is considered clean reservoir sand. This 135 foot section is sub-divided by 14 feet of shale interval into an Upper Ness reservoir and Lower Ness reservoir units of approximately 70 feet and 50 feet respectively. The well tested 2,850 bopd of 32 degree API oil.

The Tarbert Formation is a stacked, tidally influenced shallow marine sandstone that generally has constant thickness and is evenly distributed spatially. The Ness Formation reservoir is comprised of marginal marine and non-marine deposits containing good reservoir quality channel sands. The operator, MPX, has built a stochastically populated geocellular model in Petrel, which has been used for simulation purposes. The Petrel model has been built on a fine scale of 25 m by 25 m grid cells and populated stochastically with rock type, porosity and saturation regions. The population is based on all the available data from well 3/3-11.

The largest uncertainty in the in-place volumetric estimate is the GRV due to the uncertainty caused in the depth oil-water contact ("OWC"). An OWC of -11,670 ft TVDss is interpreted in well 3/3-11. However, from the pressure data, there could be potential for a deeper contact at -11,730 ft TVDss. A low side OWC of 11,655 ft TVDss was applied.

Trent & Tyne (20% Working Interest)

On April 15, 2011, Iona entered into a definitive sale and purchase agreement and completed the acquisition of the Trent & Tyne Assets on May 31, 2011. Through the agreement Iona acquired a 20% interest in Licences P685 and P609 with the potential to increase the interest to 37.5%, a 20% interest in the Trent and Trent Facilities, with the potential to increase the interest to 37.5%, and a 2.5% interest in the in the export pipeline under the ETS Joint Operating Agreement, with the potential to increase the interest to 4.6875%.

The Tyne Field is located offshore in Block 44/18 of the southern North Sea and is comprised of Carboniferous reservoirs within a setting of five fault blocks. Four of these fault blocks have been drilled; Tyne North, Tyne South, Tyne West and Tyne East, the remaining fault block, Tyne North West, has not been drilled.

The entire Tyne Field is covered by eight exploration and appraisal wells all of which are suspended or abandoned and five production wells of which two are currently producing. The gas from the Tyne Field is piped to the Trent Field which supports three further wells, of which two are producing. In order to acquire its interest, Iona agreed to pay up to a cost-capped amount of £21.2 MM to drill a sidetrack to Tyne well T5. Iona has an option to increase its equity interest in the fields to 37.5% should Iona elect to pay for a well to test the Tyne North West prospect. Perenco holds the balance of the interest in these fields.

Pursuant to the terms of the Trent & Tyne sale and purchase agreement, Perenco, the operator, has 45 days following the date that Perenco completes a seismic interpretation program regarding the properties of Licence P.685 and Licence P.609, to submit a work program to Iona regarding the drilling of the Tyne North West well. Iona then has 90 business days to decide whether to increase its interest in Licence P.685 and Licence P.609 to 37.5%. Any such increase would be subject to the approval of the Department of Energy and Climate Change (the "DECC") as well as confirmation that Iona has at least £22,000,000 in funds which can be allocated to Iona's contribution to the Tyne North West well.

Location of Production

Presently there are four wells on stream, two wells producing from the Trent Field, P2 and P4Z, and two wells producing from the Tyne Field, T2 and T3A.

In the GCA Report, Proved reserves were assigned to the producing zones on the basis of decline analyses. All the wells, except P2 which was recently brought back on stream, show clear trends on plots of producing day rate versus cumulative production (see Figures 2.3, 2.4 and 2.5). By the end of 2011, the Tyne West Field, which includes the producing well T2, and the shut well T4, had produced 92.6 Bscf. Tyne North, which includes the T3A well and the T5 well, which watered out after producing 5.9 Bscf, had produced 31.3 Bscf, of the 36 Bscf estimated as the in-place volumes for the segment of Tyne North, accessed by the T3A well. Production from the P2 well and the P4Z well, reached 98.3 Bscf by the end of the year 2011

The Tors gas field is connected to the Trent and Tyne system. This generates processing income for the Trent and Tyne owners. The Tors owners pay a processing and transportation tariff to the Trent and Tyne owners. The tariff is based upon a nominated volume, which can change annually. The tariff fee amounts to US\$0.31 per Mscf, plus an annual charge of US\$2.09 MM. The Tors field is a mature gas field, and process revenues were included in the evaluation on the basis of some 36 Bscf being produced over the next eight years.

The latest reserve estimate for the Cygnus gas field amounts to 650 Bscf. This is the expected volume for Cygnus. The plan to produce this field will entail tying Cygnus into the Trent and Tyne system and then the volumes will flow into the Eagles Transportation System (ETS). The tariff for these volumes will amount to US\$0.26 per Mscf, with the Trent and Tyne owners receiving 25% of the revenues, with 75% of the revenues going to ETS. Since the Trent and Tyne partners own 12.5% of the ETS, the Trent and Tyne interest owners would be entitled to 34.375% of the Cygnus tariff stream. Production profiles for the Cygnus gas field were estimated by the Trent and Tyne operator, Perenco. Production was forecast to peak at 250 MMscf/d and continue over a period of approximately 16 years. Once Trent and Tyne become uneconomic and are shut, the revenue stream is reduced to the partners 12.5% interest of the ETS.

The Tors and Cygnus tariff streams were included in the Trent and Tyne cash flow analyses and served to lower operating costs and extend the lives of both fields. The Operator's production forecast was selected for this assessment, with 650 Bscf produced over the forecast period.

The following table shows information regarding Iona's wells at December 31, 2011.

Table 6.1.2

Oil and Gas Wells

Wells	Producing		Non-Producing	
	Gross⁽¹⁾	Net⁽²⁾	Gross⁽¹⁾	Net⁽²⁾
United Kingdom	3	0.6	6	1.35
Total	3	0.6	6	1.35

Notes:

- (1) "Gross" wells means the number of wells in which Iona has a working interest or a royalty interest that may be converted to a working interest.
- (2) "Net" wells means the aggregate number of wells obtained by multiplying each gross well by Iona's percentage working interests therein.

Item 6.2 Properties with No Attributed Reserves

The following table sets forth information respecting Iona's undeveloped lands as at December 31, 2011.

Location	Unproved Properties⁽¹⁾		2012 Expiring
	Gross Acreage	Net Acreage	Net Acreage
United Kingdom	83,275 ⁽²⁾	83,275 ⁽²⁾	83,275 ⁽²⁾
United States	2,304 ⁽³⁾	2,304 ⁽³⁾	-
Total	85,579	346.3	-

Notes:

- (1) Unproved properties have not attributed reserves as of December 31, 2011. Undeveloped acreage within properties where reserves have been booked as of December 31, 2011 has not been included.
- (2) Comprised of UK Block 112/13 (44,726 acres) and UK Block 112/14 (38,549 acres) within the East Irish Sea.
- (3) Comprised of U.S. Block 6767 (2,304 acres) in Alaska's Chukchi Sea.

In early 2008, Iona (through its subsidiary, Iona Energy Company (US) Limited) participated in Alaska's offshore land sale 193 and was successful in acquiring Block 6767 located within the Chukchi Sea. The block owned 100% by Iona and is proximal to the Burger Gas Discovery currently held under license by Shell. Iona maintains a work program on the block through license rental and a security treasury bond of \$50,000 lodged with the regulatory body.

On March 31, 2010, Iona was awarded two offshore exploration blocks in the UK's 25th Seaward Licensing Round. Blocks 112/13 & 14 are owned 100% by Iona UK and lie within the East Irish Sea and are held under a Promote License through to 2014. The work program includes an obligation to obtain the existing seismic within the blocks and to elect to a well commitment if the company wishes to convert the Promote License to a traditional license in 2012. Licence rentals due the company are less than \$10,000 per annum.

Item 6.2.1 Significant Factors or Uncertainties Relevant to Properties with no Attributed Reserves

The presence of economic quantities of hydrocarbons on lands with no attributed reserves is uncertain until drilled and tested. Beyond the need to drill and test exploration areas, additional factors may influence the Iona's ability to develop these lands, including escalation of capital costs and operating costs, the potential requirement to expand existing infrastructure and a material drop in commodities prices.

Item 6.3 Forward Contracts

Iona is not currently bound by any agreement (including a transportation agreement), directly or through an aggregator, under which it may be precluded from fully realizing, or may be protected from the full effect of, future market prices for oil or gas.

Item 6.4 Additional Information Concerning Abandonment and Restoration Costs

Table 6.4
Abandonment and Reclamation Costs
Forecast Prices and Costs
Total Abandonment and Reclamation Costs Including Well Abandonment and Disconnect Costs
(Millions of US\$)

	2011	2012	2013	2014	2015	2016	Remainder	Total	Discounted at 10%
Proved Producing	Nil	-	-	-	-	-	7.2 ⁽¹⁾	7.2 ⁽¹⁾	3.7
Total Proved	Nil	-	-	-	-	-	12.9 ⁽²⁾	12.9 ⁽²⁾	6.0 ⁽⁴⁾
Total Proved + Probable	Nil	-	-	-	-	-	17.5 ⁽³⁾	17.5 ⁽³⁾	6.5 ⁽⁵⁾

Notes:

- (1) Comprised of Proved Producing abandonment cost from Trent & Tyne of US\$ 7.2MM.
- (2) Comprised of Total Proved abandonment cost for Orlando of US\$ 5.5MM and for Trent & Tyne of US\$ 7.4MM.
- (3) Comprised of Total Proved + Probable abandonment cost for Orlando of US\$ 9.7MM and for Trent & Tyne of US\$ 7.8MM.
- (4) Comprised of a 10% discounted abandonment cost on Orlando of US\$ 2.3MM and on Trent & Tyne of US\$ 3.7MM.
- (5) Comprised of a 10% discounted abandonment cost on Orlando of US\$ 3.1MM and on Trent & Tyne of US\$ 3.4MM.

Iona estimates the costs associated with abandonment and reclamation for wells and facilities based on previous experience or by estimating such costs. The above table includes the abandonment costs with respect to the Orlando Asset for wells and facilities with reserves assigned at December 31, 2011 calculated both undiscounted and at a 10% discount rate. Iona currently anticipates incurring abandonment and reclamation costs on 0.35 net wells and on associated subsea infrastructure, being a subsea pipeline which ties back the well to a third party platform for processing. Iona estimates it will not incur any abandonment and reclamation costs in the next six financial years. Total abandonment costs in respect of development of the proved reserves of the Orlando Asset are estimated to be US\$15.7 MM, of which Iona's 35% share would be US\$5.5 MM.

The above table also includes the abandonment costs for wells and facilities of the Trent & Tyne Assets with reserves assigned at December 31, 2011 calculated both undiscounted and at a 10% discount rate. Iona currently anticipates incurring abandonment and reclamation costs on 1.6 net wells and on associated offshore infrastructure. The Trent & Tyne gas field developments consist of two lightweight jackets in approximately 80 feet of water with multiple wells tied back through multi-slot manifolds on the platforms. Iona estimates it will not incur any abandonment and reclamation costs in the next six financial years. Total abandonment costs in respect of development of the proved reserves of the Trent & Tyne Assets are estimated to be US\$36 MM, of which Iona's 20% share would be US\$7.2 MM.

Item 6.5 Tax Horizon

Iona is subject to UK Ring Fence Corporation Tax at 30% of profits and a Supplementary Charge at 20% of profits. Subsequent to the year end the supplementary charge has been increased to 32%. The Supplementary Charge is calculated on the same basis as the Ring Fence Corporation Tax, but without deduction for finance costs. Iona's interests are not Petroleum Revenue Tax or Royalties paying. Iona was not required to pay trade-related income taxes for the year ended December 31, 2011. Based on the current stage of Iona's development, anticipated production and price assumptions and a continuing business model whereby Iona reinvests capital, incurs general, administrative and interest costs, together with the non-capital losses available to Iona, Iona does not expect to pay trade related cash income taxes before 2015.

Item 6.6 Costs Incurred

The following table summarizes certain expenditures for the Corporation during the year ended December 31, 2011.

Property Acquisition	Amount (US\$ Million)
Proved	5.9
Unproved	-
Capital Expenditures	
Exploration Costs	-
Development Costs	20.7
Total	26.6

Note:

- (1) All Capital Expenditure incurred in the year is classified as exploration in accordance with the Corporation's accounting policies and as disclosed in its year-end accounts. Costs will not be classified as development costs until projects receive Field Development Approval from the DECC.

Item 6.7 Exploration and Development Activities

As of December 31, 2011, Iona had not completed any oil or gas wells. However, as described elsewhere in this document, an appraisal well was spudded on Iona's Orlando property on November 2, 2011, and completed on March 30, 2012.

Iona's focus for the remainder of 2012 is to complete planned drilling operations, increase the Corporation's reserve and asset base, and to maintain current levels of production. To accomplish this, Iona will work with their partners, MPX and Sorgenia, to prepare Orlando's Field Development Plan ("**FDP**") for submission to the DECC in early 2012. Iona will also continue to receive steady operating income from its 20% working interest in the Trent & Tyne gas fields. These efforts, and the concurrent sourcing of financial resources to fund Iona's growth strategy, will appropriately position Iona for its 2012 development schedules for the Trent & Tyne Assets, specifically the T5Z side-track, and the Orlando Assets whereby Iona expects to achieve first oil in mid-2013.

Item 6.8 Production Estimates

The following table summarizes Iona's estimated average daily production volumes from total proved, total proved & probable reserves and total proved plus possible plus probable as at December 31, 2011 for each product type for 2012.

**Estimated Summary of Oil and Gas Production
Per Day for 2012⁽¹⁾**

Reserves Categories	Light and Medium Oil		Heavy Oil		Natural Gas (Associated and Non-Associated)		Coalbed Methane		Natural Gas Liquids	
	Gross Mbbl	Net Mbbl	Gross Mbbl	Net Mbbl	Gross MMscf	Net MMscf	Gross Mbbl	Net Mbbl	Gross Mbbl	Net Mbbl
Proved	-	-	-	-	11.20	2.24	-	-	9.37	1.87
Total Proved Plus Probable	-	-	-	-	11.30	2.26	-	-	9.84	1.97
Total Proved Plus Possible Plus Probable	-	-	-	-	14.23	2.85	-	-	9.96	1.99

Note:

(1) All of the data in the table is attributed to Iona's gas production at Trent & Tyne.

Item 6.9 Production History

The following table summarizes Iona's average daily production volumes, average prices and production costs in US dollars on a quarterly basis during 2011. All production indicated below is natural gas production from Iona's Trent & Tyne field.

**Table 6.9.1
Summary of UK Average Gas Production and Operating Income
from January 1, 2011 to December 31, 2011**

	Q1	Q2	Q3	Q4
Production Volume (Mscf/day)	2,194	2,573	1,887	2,417
Realized Price (US\$/Mscf)	8.91	8.97	8.59	8.49
Production Costs (US\$/Mscf)	5.58	4.33	4.65	7.94
Average Netback (US\$/Mscf)	3.33	4.64	3.94	0.55

The following table summarizes the Corporation's production volumes during the year ended December 31, 2011 for each field comprising in excess of 10 % of production and in total, by product type.

Table 6.9.2
Production History by Major Field in 2011
Summary of Production Volume from Trent & Tyne
since January 1, 2011

Month	Production (Mscf)
January	69,074
February	75,348
March	101,032
April	97,857
May	97,524
June	78,891
July	79,365
August	61,994
September	35,784
October	58,072
November	87,802
December	81,455