Annual Information Form

Year Ended

December 31, 2011

April 30, 2012

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SCHEDULE "A" – AUDIT COMMITTEE CHARTER A–1

ABBREVIATIONS

Oil and Natural Gas Liquids	
bbls	barrels
Mbbls	thousand barrels
MMbbls	million barrels
bbls/d	barrels per day
bopd	barrels of oil per day
NGLs	natural gas liquids

Natural Gas	
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
scf	standard cubic foot
MMscf	millions of standard cubic feet
MMscf/d	millions of standard cubic feet per day
Bscf	billion cubic square feet

Other	
boe[1]	barrel of oil equivalent of crude oil and natural gas on the basis of 1 bbl of crude oil for 6 mcf of natural gas
boe/d	barrel of oil equivalent per day
mboe/d	thousand barrels of oil equivalent per day
WTI	West Texas Intermediate
API	a measure established by the American Petroleum Institute of the density or gravity of liquid petroleum products derived from a specific gravity
m	metres
km	kilometres
km^2	square kilometres

Note:

(1) The term "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.

CONVERSION

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units) or vice versa.

To Convert From	To	Multiply By
mcf	Cubic metres	28.317
Cubic metres	Cubic feet	35.315
Cubic metres	Barrels	6.289
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471
Gigajoules	MMBTU	0.948

MMBTU	mcf	0.970

FORWARD LOOKING STATEMENTS

This annual information form (the "**AIF**") and any documents incorporated by reference herein contain certain forward-looking statements and forward-looking information which are based on the Corporation's internal expectations, estimates, projections, assumptions and beliefs as at the date of such statements or information, including, among other things, assumptions with respect to production, future capital expenditures and cash flow. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "plan", "should", "believe", "could", "scheduled", "targeted" and similar expressions are intended to identify forward-looking statements and forward-looking information. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements or information. The Corporation believes that the expectations reflected in those forward-looking statements and information are reasonable but no assurance can be given that these expectations, or the assumptions underlying these expectations, will prove to be correct and such forward-looking statements and information included in this AIF and any documents incorporated by reference herein should not be unduly relied upon. Such forward-looking statements and information speak only as of the date of this AIF and any documents incorporated by reference herein, as the case may be, and the Corporation does not undertake any obligation to publicly update or revise any forward-looking statements or information, except as required by applicable laws.

In particular, this AIF and any documents incorporated by reference herein, contains specific forward-looking statements and information pertaining to the following:

- the quality of and future net revenues from the Corporation's reserves;
- oil, NGLs and natural gas production levels;
- the ability to close the Credit Facility and all other required regulatory approvals on a timely basis and on satisfactory terms. See "*General Development of the Business – Three Year History - Recent Developments*";
- the acquisition of the West Wick assets and realization of the anticipated benefits therefrom. See "*General Development of the Business – Three Year History - Recent Developments*" and "*Reserves Data and Other Oil and Gas Information – Recent Developments*";
- commodity prices, foreign currency exchange rates and interest rates;
- capital expenditure programs and other expenditures;
- the sale, farming in, farming out or development of certain exploration properties using third party resources;
- supply and demand for oil, NGLs and natural gas;
- the Corporation's ability to raise capital;
- the Corporation's future obligations under existing contracts with industry participants;
- the Corporation's acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the Corporation's ability to continually add to reserves;
- schedules and timing of certain projects and the Corporation's strategy for growth;
- the Corporation's future operating and financial results;
- the ability of the Corporation to optimize operations and reduce operational expenditures;
- treatment under governmental and other regulatory regimes and tax, environmental and other laws;
- production rates and targeted production levels;
- timing and cost of the development of the Corporation's reserves; and
- estimates of production volumes and reserves in connection with acquisitions.

With respect to forward-looking statements contained in this AIF and any documents incorporated by reference herein, the Corporation has made assumptions regarding, among other things:

- the Corporation's ability to obtain additional drilling rigs and other equipment in a timely manner, as required;
- access to third party hosts and associated pipelines can be negotiated and accessed within the expected timeframe;
- the timely receipt of regulatory approvals and the terms and conditions of such approvals including FDP approval for the Kells Assets and for the Orlando Assets;
- the Corporation's development plan for its properties will be implemented as planned;

- the Corporation's ability to access the full amount of the Credit Facility as required. See "*General Development of the Business – Three Year History - Recent Developments*";
- reserves volumes assigned to the Corporation's properties;
- ability to recover reserves volumes assigned to the Corporation's properties;
- revenues do not decrease below anticipated levels and operating costs do not increase significantly above anticipated levels;
- future oil, NGLs and natural gas production levels from Iona's properties and the prices obtained from the sales of such production;
- the level of future capital expenditure required to exploit and develop reserves;
- that commodity prices will not deteriorate significantly;
- the Corporation's ability to obtain financing on acceptable terms;
- the Corporation's reliance on partners and their ability to meet commitments under relevant agreements; and
- the state of the debt and equity markets in the current economic environment.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements and information as a result of assumptions proving inaccurate and of both known and unknown risks, including the risk factors set forth under "*Risk Factors*" in this AIF and the documents incorporated by reference herein and those set forth below:

- risks associated with the exploration for and development of oil and natural gas reserves in the North Sea;
- risks associated with offshore development and production including offshore production and transport facilities;
- operational risks and liabilities that are not covered by insurance;
- volatility in market prices for oil, NGLs and natural gas;
- the ability of the Corporation to fund its substantial capital requirements and operations;
- risks associated with ensuring title to the Corporation's properties;
- changes in environmental, health and safety or other legislation applicable to the Corporation's operations, and the Corporation's ability to comply with current and future environmental, health and safety and other laws;
- the accuracy of oil and gas reserve estimates and estimated production levels as they are affected by the Corporation's exploration and development drilling and estimated decline rates;
- the Corporation's success at acquisition, exploration, exploitation and development of reserves;
- the Corporation's reliance on key operational and management personnel;
- the ability of the Corporation to obtain and maintain all of its required permits and licenses;
- competition for, among other things, capital, drilling equipment, acquisitions of reserves, undeveloped lands and skilled personnel;
- changes in general economic, market and business conditions in Canada, North America, the United Kingdom, Europe and worldwide, specifically being the availability of the debt and equity markets to the Corporation;
- actions by governmental or regulatory authorities including changes in income tax laws or changes in tax laws, royalty rates and incentive programs relating to the oil and gas industry;
- adverse regulatory rulings, orders and decisions;
- the Corporation's ability to obtain access to sub-sea or floating facilities including transportation and production storage offshore providers;
- risks associated with the nature of the Common Shares; and
- the Corporation's ability to close the Credit Facility and access necessary capital as required.

Statements relating to reserves are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future. Many of these risk factors, other specific risks, uncertainties and material assumptions are discussed in further detail throughout the AIF and in the MD&A. Readers are specifically referred to the risk factors described in the AIF under "*Risk Factors*" and in other documents the Corporation files from time to time with securities regulatory authorities. Copies of these documents are available without charge from the Corporation or electronically on the internet on Iona's SEDAR profile at www.sedar.com.

EXCHANGE RATES AND CURRENCY

The following table reflects the low and high rates of exchange for one pound sterling, expressed in Canadian dollars, in effect during the periods noted, the rates of exchange at the end of such periods and the average rates of exchange during such periods, based on the Bank of Canada average noon spot rate of exchange.

	Year ended December 31		
	2011	**2010**	**2009**
	$	**$**	**$**
Low for the period	1.5297	1.4876	1.6368
High for the period	1.6332	1.7268	1.9148
Rate at the end of period	1.5799	1.5513	1.6918
Average noon spot rate for the period	1.5861	1.5918	1.7804

On April 27, 2012, the Bank of Canada noon spot rate of exchange was £1.00=$1.5925.

The following table reflects the low and high rates of exchange for one United States dollar, expressed in Canadian dollars, in effect during the periods noted, the rates of exchange at the end of such periods and the average rates of exchange during such periods, based on the Bank of Canada average noon spot rate of exchange.

	Year ended December 31		
	2011	**2010**	**2009**
	US$	**US$**	**US$**
Low for the period	0.9449	0.9946	1.0292
High for the period	1.0604	1.0778	1.3000
Rate at the end of period	0.9833	0.9946	1.0466
Average noon spot rate for the period	0.9891	1.0299	1.1420

On April 27, 2012, the Bank of Canada noon spot rate of exchange was US$1.00=$0.9807.

In this AIF, all dollar amounts are expressed in Canadian dollars, unless otherwise noted.

GLOSSARY

In this AIF, unless the context otherwise requires, the following words and phrases shall have the meaning set forth below:

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**AIF**" means this Annual Information Form;

"**Board of Directors**" or "**Board**" means the Board of Directors of the Corporation, as constituted from time to time;

"**Centrica**" means Centrica North Sea Oil Limited;

"**Common Shares**" means one or more common shares in the capital of the Corporation;

"**CPC Policy**" means Policy 2.4 – *Capital Pool Companies* of the TSXV;

"**DECC**" means the Department of Energy and Climate Change, an organization responsible for all aspects of managing UK energy policy and the tracking of global climate change on behalf of the UK;

"**Directors**" means the directors of Iona Energy Inc. and a "**Director**" means any one of them;

"**ESP**" means electrically submersible pump;

"**ETS Joint Operating Agreement**" means a joint operating agreement relating to the Eagles Transportation System, which is expected to be utilized by Iona in respect of gas production transported from the Trent & Tyne Assets;

"**Fairfield**" means Fairfield Cedrus Limited;

"**FDP**" means field development plan;

"**GCA**" means Gaffney, Cline & Associates Ltd., independent geological and petroleum engineering consultants with offices in Alton, Hampshire, United Kingdom;

"**GCA Report**" means the independent reserves report prepared by GCA in April of 2012 in relation to the crude oil and natural gas reserves of Iona's interests as at December 31, 2011;

"**Iona**" or the "**Corporation**" means Iona Energy Inc., a corporation amalgamated in Alberta under the ABCA, and to the extent the context requires, its wholly-owned subsidiaries, Iona UK and Iona US;

"**Iona Energy**" means Iona Energy Company Limited, a corporation incorporated in Alberta under the ABCA and the predecessor to the Corporation;

"**Iona Energy Common Shares**" means one or more common shares in the capital of Iona Energy;

"**Iona UK**" means Iona Energy Company (UK) Limited, a corporation incorporated in Scotland under the Companies Act 1985 and a wholly-owned subsidiary of Iona;

"**Iona US**" means Iona Energy Company (US) Limited, a corporation incorporated in Delaware under the laws of the State of Delaware and a wholly-owned subsidiary of Iona;

"**Kells Assets**" means certain offshore oil and gas assets, related facilities and infrastructure acquired by Iona in 2012 located in the UK North Sea region which were formerly known as the Staffa assets;

"**MPX**" means MPX North Sea Limited or its successors or assignees;

"**NGLs**" or "**Natural Gas Liquids**" means those hydrocarbon components that can be recovered from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of non-hydrocarbons;

"**NI 51-101**" means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

"**Northern**" means Northern Lights Acquisition Corp., a capital pool company incorporated in Alberta under the ABCA and predecessor to the Corporation;

"**Northern Shares**" means one or more common shares in the capital of Northern;

"**Orlando Assets**" means certain offshore oil assets, related facilities and infrastructure acquired by Iona in 2011 located in the UK North Sea region;

"**Perenco**" means Perenco UK Limited;

"**Pounds Sterling**" or "**£**" means British Pounds Sterling;

"**Promoter**" shall have the meaning ascribed to it in the *Securities Act* (Alberta);

"**Qualifying Transaction**" means a transaction where a capital pool company acquires by way of purchase, amalgamation, merger or arrangement with another company, one or more assets or businesses which, when purchased, optioned or otherwise acquired by the capital pool company together with any other concurrent transaction, would result in the capital pool company meeting the minimum listing requirements of the TSXV;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Sorgenia**" means Sorgenia E&P (UK) Ltd.;

"**Trent/Tyne JOA**" means the joint operating agreement entered into upon closing of Iona's acquisition of the Trent & Tyne Assets, among Iona and its partners with respect to Licence P.685 Block 43/24 and Licence P.609 Block 44/18a;

"**Trent & Tyne Assets**" means certain offshore gas assets, related facilities and infrastructure located in the UK North Sea region acquired by Iona;

"**TSXV**" or "**Exchange**" means the TSX Venture Exchange Inc.;

"**UK**" or "**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland;

"**UKCS**" means the United Kingdom Continental Shelf;

"**Venture**" means Venture North Sea Oil Limited;

"**West Wick Assets**" means a 100% legal interest and a 58.73016% beneficial interest in United Kingdom Seaward Production Licence P.185 to the extent it relates to Block 13/21a; and

"**Wintershall**" means Wintershall E&P Limited.

Certain other terms used herein but not defined herein are defined in NI 51-101 or in the Glossary to NI 51-101 (contained in Canadian Securities Administrators Staff Notice 51-324 ("**CSA Notice 51-324**")) and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 or in CSA Notice 51-324, as applicable. CSA Notice 51-324 incorporates by reference certain definitions set out in the COGE Handbook.

Unless otherwise specified, information in this AIF is given as at the end of the Corporation's predecessors' most recently completed financial year, being December 31, 2011.

Information has been incorporated by reference in this AIF from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference herein may be obtained on request without charge from the Chief Financial Officer of the Corporation at Suite 1000, 888 – 3 Street SW, Calgary, Alberta, T2P 5C5 (Telephone (403) 444-5416). These documents are also available through the internet on SEDAR which can be accessed at www.sedar.com.

The following documents, which have been filed with the securities commission or similar authority in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador are specifically incorporated by reference in, and form an integral part of, this AIF:

1. the material change report of the Corporation dated January 30, 2012 relating to the Corporation's wholly owned subsidiary Iona UK's acquisition of the Kells Assets (formerly the Staffa field) (the "**January 2012 MCR**");

2. the material change report of the Corporation dated February 10, 2012 related to Iona UK's entrance into a binding purchase and sale agreement to complete the West Wick acquisition (the "**West Wick MCR**");

3. the Corporation's Form 51-101F1 - *Statement of Reserves Data and Other Oil & Gas Information* dated effective December 31, 2011;

4. the Corporation's Form 51-101F2 - *Report on Reserves Data by Qualified Reserves Evaluator or Auditor* dated April 30, 2012; and

5. the Corporation's Form 51-101F3 - *Report of Management and Directors on Oil and Gas Disclosure* dated April 30, 2012.

THE CORPORATION

General

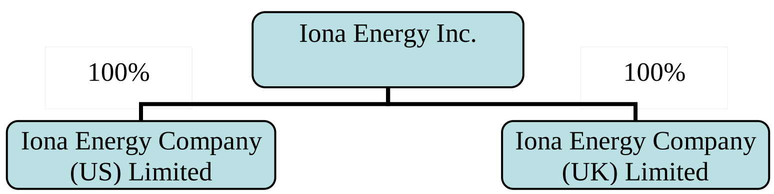
Iona Energy Inc. is an oil and gas exploration and production company focused on acquisition, appraisal, and development of oil and gas discoveries in well-known established basins. Iona is active (through its subsidiaries) in the United States (Alaska) and the UK (North Sea) with its focus currently primarily on the North Sea. Iona was amalgamated under the ABCA on May 27, 2011.

Iona Energy was incorporated pursuant to the ABCA on January 16, 2008. On August 5, 2010, Iona Energy amended its articles to consolidate the Iona Energy Common Shares on a two for one basis. Northern was incorporated pursuant to the ABCA on August 4, 2009 to be a capital pool company with the primary business goal of finding assets or a business to complete a Qualifying Transaction. On May 27, 2011, Iona Energy amalgamated with Northern pursuant to the ABCA to form Iona, which completed Northern's Qualifying Transaction. On June 8, 2011, Iona's Common Shares began trading on the TSXV under the symbol "INA".

Iona has two offices, one in Calgary, Canada and the other in Aberdeen, Scotland. The Corporation's business and head office is located at Bankers Hall, West Tower, Suite 1000, 888 - 3rd Street S.W., Calgary, Alberta T2P 5C5 and its registered office is located at Suite 1600, 333 – 7th Avenue S.W., Calgary, Alberta, Canada, T2P 2Z1.

Intercorporate Relationships

Iona has two wholly-owned subsidiaries, Iona UK and Iona US. Iona UK was incorporated in Scotland under the laws of Scotland and Iona US was incorporated in Delaware under the laws of Delaware. All of the Corporation's current properties are held in Iona UK and Iona US.



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Year Ended December 31, 2009

Iona Energy

During 2009, Iona Energy focused on evaluating oil and gas assets in the UK North Sea for potential acquisition and partnership opportunities and, in parallel, were exploring, with the DECC, the possible relinquishment of certain oil and gas assets which could present near-term development prospects. Additionally, Iona Energy maintained relationships with private equity firms with the intention of funding any acquisitions or partnerships which came to fruition.

Northern

Northern was incorporated under the ABCA on August 4, 2009, with the principal objective being to identify and evaluate specific assets or entire businesses with a view to completing a Qualifying Transaction approved by the TSXV in accordance with the CPC Policy.

Year Ended December 31, 2010

Iona Energy

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

In the second quarter of 2010, Iona Energy raised $931,894 through the private placement financing of 9,388,938 Iona Energy Common Shares.

On August 5, 2010, Iona Energy consolidated the Iona Energy Common Shares on a 2 for 1 basis resulting in 13,839,574 Iona Energy Common Shares outstanding.

On October 21, 2010, Iona Energy (through its subsidiary, Iona UK) entered into a letter of intent with Wintershall for the purchase of a 35% equity interest in the UKCS Licence P.1606, Block 3/3b (the "**Orlando Licence**") for consideration of US$ 3,000,000. The 35% equity interest represented Wintershall's entire interest in the Orlando Licence and obligations relating to the Orlando Licence, and included an obligation to fund a commitment well in respect of the Orlando Licence and other interests to the extent of 42.5% of the cost of that well to earn a 35% equity interest in the Orlando Licence.

In the third quarter of 2010, Iona Energy raised $1,667,100 through the private placement financing of 7,577,727 Iona Energy post-consolidation Iona Energy Common Shares at $0.22 per share and also issued 264,500 broker warrants each exercisable for $0.22 for a period of 3 years after the closing date of the financing.

In the fourth quarter of 2010, Iona Energy raised $254,708 through the private placement financing of 1,157,763 Iona Energy post-consolidation Iona Energy Common Shares.

On November 8, 2010, Iona Energy (through its subsidiary, Iona UK) entered into a letter agreement with Perenco for a 20% interest in Trent Field Block 43/24 Licence P.685, a 20% interest in Tyne Field Block 44/18 Licence P.609, together with certain assets and facilities relating thereto, as well as a right of first refusal to certain assets, in exchange for Iona Energy agreeing to fund a work program on the Trent & Tyne Assets in an aggregate amount of up to £20,000,000.

Iona Energy entered into a letter agreement with Northern dated December 13, 2010, as amended on February 8, 2011, pursuant to which Iona Energy and Northern intended to complete a business combination contemplated to be the Qualifying Transaction for Northern pursuant to the TSXV CPC Policy, and to be effected by way of an amalgamation pursuant to the ABCA.

On December 17, 2010, Iona Energy entered into a sale and purchase agreement for the Orlando Assets (including the Orlando License), which superseded the earlier letter agreement entered into with Wintershall.

Northern

Iona Energy entered into a letter agreement Northern with dated December 13, 2010, as amended on February 8, 2011, pursuant to which Northern and Iona Energy intended to complete a business combination contemplated to be the Qualifying Transaction for Northern pursuant to the TSXV CPC Policy, and to be effected by way of an amalgamation pursuant to the ABCA.

Year Ended December 31, 2011

Northern and Iona Energy

On March 10, 2011, Iona Energy completed a private placement financing of 116,485,090 subscription receipts at a price of $0.60 per subscription receipt for gross proceeds of $69,891,054. The gross proceeds of the private placement were then placed into escrow, subject to release in two tranches, with $23,000,000 subject to escrow conditions related to the closing of Iona Energy's acquisition of the Orlando Assets, and $46,891,054 subject to escrow conditions related to the closing of Iona's acquisition of the Trent & Tyne Assets. On March 10, 2011, Iona Energy completed the acquisition of the Orlando Assets. In conjunction with Iona Energy's acquisition of the Orlando Assets, 38,333,333 subscription receipts were automatically converted into 38,333,333 Iona Energy Common Shares and 7,666,667 liquidity rights pursuant to the terms of the subscription receipts and the proceeds of $23,000,000 were released from escrow. The proceeds of $46,891,054 for the unconverted 78,151,757 subscription receipts remained in escrow until May 31, 2011, and were released upon the completion of Iona's acquisition of the Trent & Tyne Assets (as described below).

On April 15, 2011, Iona Energy (through its subsidiary, Iona UK) entered into a sale and purchase agreement for the Trent & Tyne Assets, which superseded and confirmed the material terms of the earlier November 8, 2010 letter agreement.

On April 15, 2011, Iona UK entered into an option agreement with Venture for the right for Iona UK to purchase the West Wick Assets in the UK North Sea region, being a 100% legal interest and a 58.73016% beneficial interest in United Kingdom Seaward Production Licence P.185 to the extent it relates to Block 13/21a. Pursuant to the agreement, Iona UK paid a non-refundable deposit of US$3,150,000 to Venture.

On April 19, 2011, Iona Energy and Northern entered into an amalgamation agreement dated April 19, 2011 (the "**Amalgamation Agreement**") pursuant to which Iona Energy and Northern agreed to amalgamate under the provisions of the ABCA to form Iona. Pursuant to the Amalgamation Agreement, on May 27, 2011, Iona issued one (1) Common Share for each one (1) Iona Energy Common Share held by an Iona Energy shareholder and 0.342935528 Common Shares for each one (1) Northern Share held by a Northern shareholder. An aggregate of 60,908,398 Common Shares were issued to former Iona Energy shareholders (in exchange for the 60,908,398 outstanding Iona Energy Common Shares) and an aggregate of 1,800,412 Common Shares were issued to Northern shareholders (in exchange for the 5,250,000 outstanding Northern Shares), all at a deemed price of $0.60 per Common Share.

The amalgamation constituted the Qualifying Transaction of Northern pursuant to the CPC Policy of the TSXV. Additionally, upon the Amalgamation, (i) 78,151,757 replacement subscription receipts in the capital of Iona were issued to holders of outstanding Iona Energy subscription receipts, having substantially identical terms as the Iona Energy subscription receipts, (ii) 300,000 agent warrants of Northern were replaced with 102,881 share purchase warrants of Iona with identical terms; (iii) 264,500 agent warrants of Iona Energy were replaced with 264,500 agent warrants of Iona with identical terms; and (iv) 525,000 stock options of Northern were replaced with 180,041 stock options of Iona with an exercise price of $0.58 per Common Share and substantially identical terms.

On May 31, 2011, Iona completed the acquisition of the Trent & Tyne Assets (which was not a significant acquisition for Iona). In connection with the completion of the amalgamation on May 27, 2011 and the completion of certain conditions relating to the acquisition of the Trent & Tyne Assets on May 31, 2011, gross proceeds of $46,891,054 were released from escrow to Iona, the 78,151,757 replacement subscription receipts in the capital of Iona were automatically converted into 78,151,757 Common Shares, and all of the liquidity rights were cancelled. On May 31, 2011, Iona also announced that pursuant to the terms of its stock option plan, the Board of Directors approved the granting of options to purchase an aggregate of 9,550,000 Common Shares at a price of $0.60 per share.

On June 8, 2011, Iona's Common Shares began to trade on the TSXV under the symbol "INA".

On October 12, 2011, Iona entered into a letter of intent with Fairfield to purchase a 100% interest in Block 3/8d containing the Staffa oil field (now known as the Kells Assets) which is located in the UK North Sea approximately 14 kilometres south-east of the producing Ninian Central platform. The letter of intent was superceded by a definitive sale and purchase agreement between Iona and Fairfield on November 4, 2011.

On November 2, 2011, an appraisal well was spudded on Iona's Orlando property. See "*Principal Properties – Orlando (35% Working Interest) - Development*" for further details.

Recent Developments

On January 30, 2012, Iona completed the acquisition of the Kells Assets. Please refer to the January 2012 MCR (which is incorporated by reference herein) which is available on SEDAR at www.sedar.com for further details.

On February 3, 2012, Iona's wholly owned subsidiary, Iona UK, signed a binding purchase and sale agreement with Centrica North Sea Oil Limited ("**Centrica**") and expects to complete the acquisition from Centrica of the West Wick Assets being a 58.73% interest in Block 13/21a containing the West Wick oil field by May 31, 2012. The transaction remains subject to the approval of the United Kingdom's DECC. Please refer to the West Wick MCR (which is incorporated by reference herein) which is available on SEDAR at www.sedar.com for further details.

On February 13, 2012, Iona's UK subsidiary, Iona UK, entered into an agreement with Diamond Offshore Drilling (UK) Limited for the provision of its semi-submersible drilling rig, the Ocean Nomad, for the drilling of one well within the Kells oil field in Block 3/8d of the UK North Sea. The well is scheduled to begin in August of 2012.

On March 2, 2012, Mr. Alan Curran was appointed as Chief Operating Officer of the Corporation effective March 1, 2012.

On April 5, 2012, Iona received final credit approval from a banking group for a USD$130 million secured reserve based credit facility (the "**Credit Facility**"). The banking group is comprised of Lloyds Banking Group, Royal Bank of Scotland PLC, Credit Suisse AG and a U.S. bank. The Credit Facility is subject to ongoing and customary due diligence as well as completion of definitive agreements.

On April 11, 2012, Iona closed a public offering of Common Shares for gross proceeds of $92 million. A total of 184,000,000 Common Shares were issued at a price of $0.50 per share, including shares issued on the exercise in full of a 15% over-allotment option granted to the agents retained by the Corporation for purposes of the offering.

On April 13, 2012, Iona's Board of Directors approved the granting of options, pursuant to the terms of Iona's stock option plan, to purchase an aggregate of 17,070,000 Common Shares at a price of $0.57 per share, of which, 15,650,000 options were granted to insiders. The options will have a term of five years and time vesting provisions with 25% vesting immediately and a further 25% vesting on the first, second and third anniversaries of the date of grant.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

Overview

The primary business objective of Iona is to develop existing discoveries, explore for new discoveries and acquire assets. Iona's strategy is to acquire existing production or discoveries by purchase, farm-in or acquiring new licenses; use modern seismic, drilling and production technologies, which management expects will increase reserves and provide income potential; use management's technical knowledge to generate and acquire exploration prospects; and use management's commercial skills to finance the exploitation of its exploration and development prospects through farmouts, joint ventures and other financing techniques.

Iona's management team includes experienced oil and gas industry professionals with extensive international experience. Utilizing their mature-basin experience, deal-screening capabilities and financing skills, Iona intends to acquire producing properties, exploit undeveloped discoveries by bringing them into production, and engage in high-impact exploration on acreage acquired.

Iona has initially, through its subsidiary, Iona UK, been focusing its efforts on offshore exploration and development in the UK North Sea region. Iona's management believe the UK North Sea offers superior opportunities to invest in targeted (based on technical quality, execution, value growth potential) commercial deals to acquire significant working interest in projects from willing sellers, which may include both independent and major oil and gas producers. Management believes that within the UK North Sea sellers are motivated by a lack of access to internal capital, and as such Iona has potential to be a strategic capital partner. Iona management aspires to mature the company as a focused operator and consolidator thereby positioning the company for the acquisition of a portfolio of multiple producing and development ready projects.

Focus for 2012

Iona's focus for the remainder of 2012 is to aggressively and safely develop its portfolio of assets, continue to grow the Corporation's reserve base, and to increase production from current levels. To accomplish this, Iona will work with the DECC to obtain FDP approval for the Kells Assets while remaining focused on the contract and acquisition of critical services and equipment. In addition, Iona will work with partners MPX and Sorgenia to prepare Orlando's FDP for submission. Management will seek approval from the DECC for Iona's intended acquisition of a 58.73% operated interest in the West Wick Assets from Centrica, thereby removing any impediments to closing the proposed transaction and increasing Iona's net proven and probable reserves by 9.71 million barrels (please refer to the West Wick MCR which is incorporated by reference herein). In quarter three, Iona will work to increase operating income from its 20% working interest in the Trent & Tyne Assets through a sidetrack of the formerly producing T5 well, a drilling programme operated by Iona's partner, Perenco. These efforts, in conjunction with the financial resources now available to fund Iona's growth strategy, are expected to position Iona to meet its 2012 and 2013 development schedules at Kells, Orlando, and Trent & Tyne.

Human Resources

As at April 30, 2012, Iona had a total of eleven (11) full-time employees and also utilizes the services of several professionals on a part-time contract or consulting basis. Eight (8) of Iona's employees are senior managers with specific expertise in geology, geophysics, reservoir and petroleum engineering, development, commercial negotiations, finance and administration. Iona seeks to employ individuals and utilize the services of consultants who have extensive oil and gas experience as needed.

Marketing and Other Commitments

As at December 31, 2011, Iona was not acting as operator of any of its oil and gas assets and did not have any marketing or other sales commitments. Pursuant to the acquisition of the Kells Assets, Iona became an operator of the Kells oil field but has not yet entered into any marketing and sales agreements**.**

Competitive Conditions

The oil and natural gas industry is intensely competitive in all its phases. Iona competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Iona's competitors include resource companies which have greater financial resources, staff and facilities than those of Iona. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Iona believes that its competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development. See "*Risk Factors – Competition*".

Seasonality

Sub-sea tiebacks in the UK North Sea, while common, are affected by weather conditions in the UK North Sea, and potential pipeline tie-back installations can be more challenging in winter months. See "*Risk Factors – Cyclical and Seasonal Impact of Industry*".

Environmental Requirements

United Kingdom environmental legislation provides for restrictions and prohibitions on releases or emissions and regulation on the storage and transportation of various substances produced or utilized in association with oil industry operations, and can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, legislation requires that well and facility sites are abandoned and reclaimed to the satisfaction of regulatory authorities. Applicable environmental laws may impose remediation obligations with respect to property designated as a contaminated site upon certain responsible persons, which include persons responsible for the substance causing the contamination, persons who caused the release of the substance and any past or present owner, tenant or other person in possession of the site. Compliance with such legislation can require significant expenditures and a breach of such legislation may result in the suspension or revocation of necessary licences and authorizations, civil liability for pollution damage, the imposition of fines and penalties or the issuance of clean-up orders. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards and enforcement and in more stringent fines and penalties for non-compliance. Environmental assessments of existing and proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditures, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations and associated activities. See "*Risk Factors – Environmental Risk and Regulations*" and "*Risk Factors – Climate Change Impacts*".

The Corporation estimates decommissioning obligations resulting from its ownership interests in oil and natural gas assets including well sites and facilities in accordance with applicable legislation. The total decommissioning obligation is estimated based on the Corporation's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Corporation has estimated the net present value of its decommissioning obligations to be $6 million as at December 31, 2011, based on an undiscounted total future liability of $12.9 million. These payments are expected to be made over the next 10 to 15 years with the majority of costs to be incurred between 2022 and 2025. The discount factor, being the risk-adjusted rate related to the liability, is 10% and the inflation rate is 2%.

Foreign Operations

Iona is engaged in oil and gas exploration and development in the UK North Sea and is dependent on such operations. See "*Description of the Business and Operations – Overview*" and "*Risk Factors – Foreign Operations*".

RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Reference is made to the Corporation's Form 51-101F1 - *Statement of Reserves Data and Other Oil & Gas Information* dated effective December 31, 2011, Form 51-101F2 - *Report on Reserves Data by Qualified Reserves Evaluator or Auditor* dated April 30, 2012, prepared by GCA, and Form 51-101F3 - *Report of Management and Directors on Oil and Gas Disclosure* dated April 30, 2012 each of which was prepared pursuant to NI 51-101 and filed on SEDAR on April 30, 2012, and which are available on the SEDAR website at www.sedar.com and are incorporated by reference herein.

Recent Developments

Since December 31, 2011, Iona has acquired an interest in the Kells Assets (formerly the Staffa oil field) and has entered into a binding purchase and sale agreement with Centrica to complete the acquisition of an interest in the West Wick oil field.

On January 30, 2012, Iona completed the acquisition of the Kells Assets. Please refer to the January 2012 MCR (which is incorporated by reference herein) for further details, including details regarding the potential change to Iona's reserves and related future net income.

On February 3, 2012, Iona's wholly owned subsidiary, Iona UK, signed a binding purchase and sale agreement with Centrica and expects to complete the acquisition from Centrica of a 58.73% interest in Block 13/21a containing the West Wick oil field by May 31, 2012. The transaction remains subject to the approval of the United Kingdom's DECC. Please refer to the West Wick MCR (which is incorporated by reference herein) for further details, including details regarding the potential change to Iona's reserves and related future net income.

RISK FACTORS

Iona and its business are subject to the following risks:

Foreign Operations

Presently, all of Iona's oil and gas operations and assets are located in foreign jurisdictions. As a result, Iona is subject to political, economic and other uncertainties, including but not limited to changes, sometimes frequent and applied retroactively, in energy policies or the personnel administering them, nationalization, expropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, royalty and tax increases, and other risks arising out of foreign governmental sovereignty over the areas in which Iona's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerilla activities and insurrections. Changes in legislation may affect Iona's oil and natural gas exploration and production activities. Iona's international operations may also be adversely affected by laws and policies of Canada as they pertain to foreign trade, taxation and investment.

In the event of a dispute arising in connection with its foreign operations, Iona may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or enforcing Canadian judgments in foreign jurisdictions. In addition, Iona's existing joint ventures and its subsidiaries were formed pursuant to, and their operations are governed by, a number of complex legal and contractual relationships. The effectiveness of and enforcement of such contracts and relationships with parties in these jurisdictions cannot be assured. Consequently, Iona's foreign exploration, development and production activities could be substantially affected by factors beyond Iona's control, any of which could have a material adverse effect on Iona.

Stage of Development

An investment in the Corporation is subject to certain risks related to the nature of the Corporation's business in the acquisition, exploration, development and production of oil and natural gas and its early stage of development. The Corporation has a limited history of operations and earnings generation and there can be no assurance that the

Corporation's business will continue to be successful or profitable.

The Corporation generated net losses in the years to the end of 2010. No assurance can be given that the Corporation will not experience operating losses in the future.

The Corporation may be subject to growth-related risks, capacity constraints and pressure on its internal systems and controls, particularly given the early stage of the Corporation's development. The ability of Iona to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Iona to deal with this growth could have a material adverse impact on its business, operations and prospects.

Credit Facility and Other Financial Risks

The Credit Facility may not be closed on a timely basis, on the terms negotiated or at all. In the event that the Credit Facility financing is not closed on a timely basis, the Corporation may face a funding shortfall in meeting its scheduled capital expenditure program. Risks to closing the Credit Facility include settlement of final documentation, the lenders being satisfied with the underlying commercial agreements and associated legal due diligence.

There is a risk that the equity funding tests are not adopted as currently expected by the Corporation, and that, if such tests are adopted in a stricter form, the Corporation may not be able to meet the conditions precedent for a full drawdown on the Credit Facility. Even if the equity funding tests are adopted as currently expected by the Corporation, in the event there are insufficient funds deposited by the Corporation under the Credit Facility requirements, the Credit Facility will not be available for drawdown against the relevant assets, and the development of the relevant assets may be delayed. See "*General Development of the Business – Three Year History - Recent Developments*".

A failure to access adequate capital to continue its expenditure program may require that the Corporation meet any liquidity shortfalls through the selected divestment of its portfolio or delays to the existing development programs.

Financing Requirements and Liquidity

It may take many years and substantial cash expenditures to pursue exploration activities on Iona's existing undeveloped properties. Accordingly, Iona is likely to need to raise additional funds from outside sources in order to explore and develop its properties in a timely manner.

Iona's financing risk relates to the availability and cost of equity or debt financing and is affected by many factors, including world and regional economic conditions, the state of international relations, the stability and the legal, regulatory, fiscal and tax policies of various governments in areas of operation, fluctuations in the world and regional price of oil and gas and in interest rates, the outlook for the oil and gas industry in general and in areas in which Iona has or intends to have operations, and competition for funds from possible alternative investment projects. Although there have been improvements in the global economy and financial markets in recent months, there continues to be restrictions on the availability of credit which may limit Iona's ability to access debt or equity financing for its development projects.

Potential investors and lenders will be influenced by their evaluations of Iona and its projects, including their technical difficulty, and comparison with available alternative investment opportunities.

Iona continuously monitors its cash position, capital commitments and future capital requirements in order to ensure sufficient liquidity and capital resources are available. Failure to obtain additional financing on a timely basis could cause the Corporation to scale back, forfeit its interest in certain properties or projects, miss certain acquisition opportunities, and reduce or terminate its operations. If additional financing is raised by the issuance of shares from treasury, control of Iona may change and shareholders may suffer dilution.

Iona will also require substantial capital expenditures for the exploration, development and production of its oil and natural gas reserves and the acquisition of additional oil and gas properties. The Corporation's reserves are categorized by GCA as proved, probable and possible. As a result, obtaining future production from these reserves is conditional on the continued availability of financing to fund the expenditures necessary to develop the reserves. The development of the Corporation's properties and the acquisition of additional properties may depend upon the Corporation's ability to obtain financing through the joint venture of projects, farmouts, equity financing, debt financing or other means. Such financing may not be available on favorable terms or at all. In addition, the continued macro-economic debt situation may affect the industry's access to debt financing.

Any future revenues from the Corporation's reserves may not provide the necessary capital for the Corporation to replace its reserves or to maintain its production. If the Corporation's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements on favourable terms or at all. Any additional equity financing may be dilutive to existing shareholders and debt financing, if available, may involve restrictions on financing and operating activities.

Global Financial Crisis

The credit and capital markets, particularly in Europe, have recently experienced and continue to experience adverse conditions in 2012. As a result, access to financing remains uncertain. This condition could have an adverse effect on the industry in which Iona operates its business including future operating results. Certain customers could become unable to pay suppliers, including Iona, in the event they are unable to access the capital markets to fund their business operations. Such risks, if realized, could have a material adverse effect on Iona's business, financial condition, results of operations and cash flows.

The global financial crisis and severe recession experienced in 2008 and 2009, which included disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, caused significant volatility to commodity prices and a loss of confidence in the broader U.S. and global credit and financial markets, resulting in the collapse of some, and government intervention in many, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, increased credit losses and tighter credit conditions. Notwithstanding various actions taken by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially (although credit markets and stock markets subsequently improved). These factors negatively impacted company valuations and are expected to continue to impact the performance of the global economy going forward.

Volatility of Crude Oil and Natural Gas Prices

Crude oil and natural gas are commodities that are sensitive to numerous worldwide factors, which are beyond Iona's control, and are generally sold at contract or posted prices. Changes in world crude oil and natural gas prices may significantly affect Iona's results of operations and cash generated from operating activities. Consequently, such prices may also affect the value of Iona's oil and gas properties and the level of spending for oil and natural gas exploration and development.

Iona's crude oil prices are based on various reference prices, primarily the WTI crude oil reference price and other reference prices such as UK Brent Light. Occasionally a differential in price exists between WTI and UK Brent Light. Adjustments are made to the reference price to reflect quality differentials and transportation. WTI and other reference prices are affected by numerous and complex worldwide factors such as supply and demand fundamentals, economic outlooks, production quotas set by the Organization of Petroleum Exporting Countries ("**OPEC**") and political events. Occasionally quality differentials are affected by local supply and demand factors.

Any material declines in prices could result in a reduction of Iona's net production revenue. The economies of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of Iona's reserves and Iona limiting or abandoning an exploration program on its undeveloped properties. Iona might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Iona's net production revenue. All of Iona's expenditures are subject to the effects of inflation and prices received for the product sold are not readily adjustable to cover any increase in expenses from inflation.

Exploration, Drilling and Operational Risks

The Corporation's oil and natural gas exploration and development activities are focused on existing producing or discovered oil and natural gas fields. The business of exploration and production of oil and gas involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not be able to prevent. Few properties that are explored are ultimately developed into producing oil and gas fields. The Corporation will have no earnings to support it should the wells drilled or its properties prove not to be commercially viable.

The Corporation's rights to exploit its oil and gas assets are limited in time. There is no guarantee or assurance that such rights can be extended or that new rights can be obtained to replace any rights that expire.

Significant expenditure is required to establish the extent of oil and gas reserves through seismic surveys and drilling and there can be no certainty that oil and gas reserves will be found.

There are numerous risks inherent in drilling and operating wells, many of which are beyond the Corporation's control. The Corporation's exploration, development and operations of oil and gas assets may be curtailed, delayed or cancelled as a result of unusual and unexpected geological, formation pressures, oceanic conditions, weather conditions, environmental hazards, industrial accidents, occupational and health hazards, technical or operational failures, shortage or delays in the delivery of rigs and/or other equipment, labour disputes and compliance with governmental requirements.

It is difficult to project the costs of implementing drilling programs due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior wells or additional seismic data and interpretations thereof.

Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though yielding some petroleum, are not sufficiently productive to justify commercial development or cover operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity, or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

The Corporation does not currently operate the majority of its production and other companies may operate some or all of the Corporation's oil and natural gas properties. To the extent that the Corporation does not operate all of its oil and natural gas properties, the Corporation may have limited ability to exercise influence over the operation of these assets or their associated costs, which could adversely affect the Corporation's financial performance. The Corporation's return on assets operated by others will therefore depend upon a number of factors that may be outside of the Corporation's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology, and risk management practices.

Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Corporation’s ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Corporation’s control, including the availability of drilling and related equipment; the availability and proximity of pipeline capacity; the availability of processing capacity; the availability and productivity of skilled labor; the effects of inclement weather; unexpected cost increases; currency fluctuations; the supply of and demand for oil and natural gas; the availability of alternative fuel sources; accidental events; and regulation of the oil and natural gas industry by various levels of government and governmental agencies. Because of these factors, the Corporation could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it hopes to produce.

Offshore Exploration

Iona faces additional risks when conducting offshore activities. In particular, drilling conditions, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity, or other geological and mechanical conditions. Sub-sea tiebacks in the UK North Sea, while common, are also affected by weather conditions. Potential pipeline tie-backs can only be conducted from April to late September. Due to general industry response to the BP Macondo Gulf of Mexico, it may be that extra delays in permitting and increased costs with respect to insured operations, oil spill mitigation and clean up will be incurred.

The Corporation's offshore production facilities are also subject to hazards inherent in marine operations, such as capsizing, sinking, grounding, collision and damage from severe weather or tidal conditions. These hazards can cause substantial damage to facilities and interrupt production. Further, the Corporation has a relatively small number of production facilities and operational problems in any one facility could have a materially adverse effect on the Corporation. Offshore oil and gas activities can also be affected by ocean phenomena arising from occurrences such as hurricanes and tsunamis.

Access to facilities to process field production is an important consideration when developing fields in the North Sea. Such access is not guaranteed and directly affects the economics of a project. The UK government with the assistance of the DECC has a policy which has been adopted by the major operators of facilities in the North Sea that allows access to facilities to be negotiated at a reasonable rate. These types of initiatives are intended to ensure that reserves that cannot support stand-alone facilities can be developed.

Reserves and Production Risks

Classifications of reserves are only attempts to define the degree of speculation involved. They are therefore imprecise and depend to some extent on interpretations, which may prove to be inaccurate. The nature of reserve quantification studies means that there can be no guarantee that estimates of quantities and quality of oil and gas disclosed will be available for extraction. Estimates that were reasonable when made may change significantly when new information from additional analysis and drilling becomes available.

Estimates for reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be substantial, in the estimated reserves.

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery, and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, cash flows, taxes, royalties and development and operating expenditures may vary from these estimates. Such variances may be material.

Maintenance of or a future increase in the Corporation's reserves will depend not only on the Corporation's ability to develop any properties it has from time to time, but also on its ability to select and acquire suitable producing properties or prospects.

The reserve and resource 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.

The resources estimates provided herein are estimates only. The estimate of remaining recoverable resources includes contingent resources that have not been adjusted for risk based on the chance of development. It is not an estimate of volumes that may be discovered. Actual recovery may be less. The estimate of remaining recoverable resources includes prospective resources that have been risked for chance of discovery, but have not been risked for chance of development. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development.

Need to Replace Reserves

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 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. There can be no assurance that the Corporation's exploration, development, production and acquisition efforts will result in the discovery and development of commercial accumulations of oil and natural gas.

Availability of Drilling Equipment and Access Restrictions

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Iona and may delay exploration and development activities. Iona is subject to the relatively limited availability of offshore drilling rigs to proceed with its UK North Sea drilling program.

Access to Production Facilities and Pipelines

Access to facilities and pipelines to process field production is an important consideration when developing fields in the North Sea. Such access is not guaranteed and directly affects the economics of a project. The United Kingdom government with the assistance of DECC has introduced a policy which has been adopted by the major operators of facilities in the North Sea that should allow access to facilities at a reasonable rate.

These types of initiatives are intended to ensure that reserves that cannot support facilities on a stand-alone basis can be developed.

Write-Off of Unsuccessful Properties and Projects

In order to realize the carrying value of its oil and gas properties and ventures, Iona must produce oil and gas in sufficient quantities and then sell such oil and gas at sufficient prices to produce a profit. Iona has a number of non-producing oil and gas properties. The risks associated with successfully developing such oil and gas properties are even greater than those associated with successfully continuing development of producing oil and gas properties, since the existence and extent of commercial quantities of oil and gas in unevaluated properties have not been fully established. Iona could be required to write-off some or all of its non-producing oil and gas properties if such projects prove to be unsuccessful.

Reliance on Key Executives and Personnel

The success of Iona will be largely dependent upon the performance of its management and key employees. Failure by Iona to retain or to attract and retain additional key employees with necessary skills could have a materially adverse impact upon Iona's growth and profitability. Iona has limited key person insurance for its management and none for other key employees. These individuals, and the contributions they will make, are important to the future operations and success of Iona.

The loss of the services of any of the senior management or key personnel may have an adverse impact on the Corporation. There is significant demand for management and employees skilled in the areas of the exploration, development, production and acquisition of oil and natural gas reserves, and the Corporation may not be able to attract or retain qualified individuals, or its key personnel, in the future.

Conflicts of Interest

Certain of the Directors and officers of the Corporation are also directors and officers of other companies involved in oil and natural gas exploration, development, production and acquisition, and conflicts of interest may arise between their duties as officers and Directors of the Corporation and as officers and directors of such other companies. Situations may arise where Directors or officers of the Corporation will be in direct competition with the Corporation. Conflicts, if any, in respect of the Corporation and its Directors and officers must be disclosed in accordance with, and will be subject to the procedures and remedies under the ABCA. Conflicts, if any, in respect of Iona UK and its directors and officers will be subject to the procedures and remedies under the UK Companies Act 2006 and, in respect of Iona US, under applicable Delaware legislation.

Competition

The oil and gas industry is highly competitive particularly as it pertains to the search for and development of new sources of crude oil and natural gas reserves, the construction and operation of crude oil and natural gas pipelines and facilities, and the transportation and marketing of crude oil, natural gas, sulphur and other petroleum products. Iona's competitors include major integrated oil and gas companies and numerous other independent oil and gas companies, some of which have greater financial and other resources than Iona. Many such companies not only explore for and produce oil, natural gas and NGLs, but also carry on refining operations and market petroleum and other products on a world-wide basis. There is also competition between the petroleum industry and other industries supplying energy and fuel to industrial, commercial and individual customers. Such competition may result in the Corporation being unable to secure or develop new exploration areas or recruit and retain staff. The oil and natural gas industry is intensely competitive and Iona must compete in all aspects of its operations with a substantial number of other companies which have greater technical or financial resources. Substantially all of Iona's revenues are derived from oil and natural gas sales in the UK North Sea. There is no assurance that Iona will be able to successfully compete against its competitors. However, Iona strives to be competitive by maintaining a strong financial position and by using its network of international contacts and relationships to source and secure appropriate investment opportunities.

Commodity Prices

The profitability and cash flow of the Corporation's operations will be dependent upon the market price of oil and gas. This has fluctuated widely, particularly in recent years. Crude oil and natural gas are commodities that are generally sold at contract or posted prices. Iona's crude oil prices are based on various reference prices, primarily the WTI crude oil reference price and other reference prices such as UK Brent Light. Adjustments are made to the reference price to reflect quality differentials and transportation. Quality differentials are affected by local supply and demand factors.

UK Brent Light and other oil and gas indices are affected by numerous factors beyond the Corporation's control, including economic and political conditions, levels of supply and demand, the policies of OPEC, currency exchange rates and the availability of alternative fuel sources. If the price of oil and gas products should drop significantly, the economic prospects of the projects in which the Corporation has an interest could be significantly reduced or rendered uneconomic, leading to a reduction in the volume of oil and natural gas reserves. Also, the operator or the Corporation might elect not to produce from certain wells at lower prices, or to explore on or develop certain properties.

All of these factors could result in a material decrease in the Corporation's future net production revenue, causing a reduction in its oil and gas acquisition, exploration, development and production activities. In addition, bank borrowings available to the Corporation are in part determined by the borrowing base of the Corporation. A sustained material decline in prices from historical average prices could limit or reduce the Corporation's borrowing base, therefore reducing the bank credit available to the Corporation.

Volatility in the oil price also affects the ability of asset transactions to complete as value expectations between sellers and buyers may differ substantially.

Market Risk

The marketability of any oil and gas which may be produced or acquired by the Corporation will be affected by numerous factors beyond the control of the Corporation. These factors include market fluctuations, proximity and capacity of oil and gas pipelines and processing equipment, availability of transportation capacity, and government regulations including regulations relating to price, taxation, royalties, production levels, imports and exports, land tenure and the environment, the effect of which cannot be accurately predicted. The Corporation will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil that may in the future be produced by the Corporation. The Corporation has no direct experience in the marketing of oil and natural gas.

Commodity Price Risk

From time to time Iona may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, Iona would not benefit from such increases.

Concentration of Oil and Gas Assets

In the event of exploration success, the Corporation's prospective production will come from its interests in oil or gas fields and will remain dependent on a relatively small number of fields. Operational problems in any one field could have a materially adverse effect on the Corporation.

Licensing and Title Risks

Iona's properties are generally held in the form of licences, concessions, permits and regulatory consents (the "**Authorizations**"). Iona's activities are dependent upon the grant and maintenance of appropriate Authorizations, which may not be granted; may be made subject to limitations which, if not met, will result in the termination or withdrawal of the Authorization; or may be otherwise withdrawn. Also, in the majority of its Authorizations, Iona is a joint interest-holder with another third party over which it has no control. An Authorization may be revoked by the relevant regulatory authority if the other interest-holder is no longer deemed to be financially credible. There can be no assurance that any of the obligations required maintaining each Authorization will be met. Although Iona believes that the Authorizations will be renewed following expiry or granted (as the case may be), there can be no assurance that such Authorizations will be renewed or granted or as to the terms of such renewals or grants. The termination or expiration of Iona's Authorizations may have a material adverse effect on Iona's results of operations and business.

In addition, the areas covered by the Authorizations are or may be subject to agreements with the proprietors of the land. If such agreements are terminated, found void or otherwise challenged, Iona may suffer significant damage through the loss of opportunity to identify and extract oil or gas.

Title to oil and natural gas interests is often not determinable without incurring substantial expense. In accordance with industry practice, Iona will conduct such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties. The actual interest of Iona in certain properties may vary from its records.

Foreign Currency Rate Risk

A significant portion of Iona's activities are transacted in or referenced to United States dollars, Canadian dollars or British pounds sterling. Iona's operating costs and certain of Iona's payments, in order to maintain property interests, are incurred in the local currency of the jurisdiction where the applicable property is located. As a result, fluctuations in the Canadian dollar and British pounds sterling against the US dollar, and each of those currencies against any other local currencies in jurisdictions where properties of Iona are located, could result in unanticipated fluctuations in Iona's financial results which are denominated in Canadian dollars. Iona has not entered into any risk management contracts to hedge its exposure to foreign exchange rates.

Governmental Regulation

The petroleum industry is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection and pollution controls, health and safety aspects of on and off shore drilling activity, control over the development, decommissioning and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights. As well, governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for natural gas and crude oil, increase costs and may have a material adverse impact on Iona. Export sales are subject to the authorization of provincial and federal government agencies and the corresponding governmental policies of foreign countries. Development of reserves and rates of return are also susceptible to changes in national fiscal policy.

The current tax regime in the UK is favourable to companies of Iona's size in that it allows full deductions of appraisal and development expense before any tax is payable. As of January 1, 2006, the supplementary tax rate applicable to North Sea oil and gas companies was a tax of 30% of profits after all capital and operating costs have been recovered, and an effective supplementary rate of 20% on profits after all capital and operating costs (excluding finance costs) have been recovered, resulting in an effective combined base and supplementary tax rate of no less than 50%. In 2009, a number of reforms were introduced to the North Sea fiscal regime aimed at fostering developments in smaller fields as well as more complex high pressure/high temperature and heavy oil fields. The smaller field relief is granted in respect of fields less than 20 mmbbls and is a potential benefit to Iona. Further favourable tax reforms were announced in January 2010 in which the additional tax allowances were extended to gas fields in frontier areas.

On March 24, 2011, the supplementary tax rate applicable to North Sea oil and gas companies increased unexpectedly from 20% to 32%. As a result, the effective combined base and supplementary tax rate has risen from 50% to 62%. On March 21, 2012, the small field allowance available to North Sea oil and gas companies increased, both in the amount of total allowance and the eligible field size, taking the overall allowance from £75MM to £150MM and the field size from 26MMbbls to 50MMbbls. Based on Iona's present stage of development, Iona is able to avail itself of tax efficiencies with respect to tax pools and small field allowances and therefore expects the net effect of the supplementary tax rate changes and the small field allowance increases to have a small but negative impact on the present net worth of Iona's reserves. Any further changes to these laws would impact the net present worth of Iona's reserves. No assurances can be given that such an event would not re-occur.

Environmental Risks and Regulations

All phases of the oil and gas industry present environmental risks and are subject to environmental regulation pursuant to a variety of international conventions, federal, regional, national, state and local laws and regulations. Such legislation provides for, among other things, restrictions and prohibitions on spills, the release or emissions and discharges of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites are operated, maintained, decommissioned, abandoned and reclaimed to the satisfaction of applicable authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability for pollution damage, and the imposition of fines and penalties which may be material. Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditure, restrictions and delays in the activities of the Corporation, the extent of which cannot be predicted. Before exploration and/or production activities can commence, the Corporation must obtain regulatory approval and relevant licenses and there is no assurance that such approvals or licenses will be obtained.

Environmental legislation and enforcement policy is evolving in a manner expected to result in more onerous and stricter requirements, standards and enforcement, larger fines and greater liability and potentially increased capital expenditures and operating costs. While the Directors believe that the Corporation's current provision for compliance with environmental laws, regulations and liabilities (including decommissioning) in the countries in which it operates is reasonable, no assurance can be given that new rules and regulations will not be enacted or existing legislation, rules and regulations will not be applied in a manner which could limit or curtail the Corporation's production or development or result in increased liabilities or result in a material increase in the costs of acquisition, exploration, development or production activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

The Corporation is committed to meeting its responsibilities to protect the environment wherever it operates and procedures are in place to ensure utmost care is taken in the day-to-day management of its properties. The Corporation believes in well abandonment and site restoration in a timely manner to ensure minimal damage and overall costs to the Corporation.

Climate Change Impact

Iona faces a variety of uncertainties related to climate change. The oil and gas industry is subject to extensive environmental regulation pursuant to legislation in the United Kingdom. These range from potential impacts from emissions restrictions, carbon taxes and other government policy initiatives, to changes in weather patterns that may affect operations. Although Iona is not a large emitter of greenhouse gases, these forms of legislation may have an impact on both revenues and cost structures at a future undetermined time.

Cyclical and Seasonal Impact of Industry

Iona's operational results and financial condition are dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by global supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions most of which are beyond Iona's control. A decline in oil and natural gas prices could have an adverse effect on Iona's financial condition.

Sub-sea tiebacks in the UK North Sea, while common, are affected by weather conditions in the UK North Sea, and potential pipeline tie-back installations can be more challenging in winter months.

Conflicting Interests with Partners

Joint venture, acquisition, financing and other agreements and arrangements must be negotiated with independent third parties and, in some cases, must be approved by governmental agencies. These third parties generally have objectives and interests that may not coincide with Iona's interests and may conflict with Iona's interests. Unless the parties are able to compromise these conflicting objectives and interests in a mutually acceptable manner, agreements and arrangements with these third parties will not be consummated or maintained.

In certain circumstances, the concurrence of co-venturers may be required for various actions. Other parties influencing the timing of events may have priorities that differ from Iona's, even if they generally share Iona's objectives. Demands by or expectations of governments, co-venturers, customers, and others may affect Iona's strategy regarding the various projects. Failure to meet such demands or expectations could adversely affect Iona's participation in such projects or its ability to obtain or maintain necessary licences and other approvals.

Insurance

Iona's operations are subject to the risks normally associated with the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, blowouts, cratering and fires, all of which could result in personal injuries, loss of life and damage to the property of Iona and others. In accordance with customary industry practice, Iona is not fully insured against all of these risks, nor are all such risks insurable. Damages and losses occurring as a result of such risks may give rise to claims against Iona.

Although Iona believes that it, or where applicable the operator, will carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances Iona's, or where applicable the operator's, insurance may not cover or be adequate to cover the consequences of such events. The payment of such uninsured liabilities would reduce the funds available to Iona. The occurrence of a significant event that is not covered or not fully covered by insurance, or the insolvency of the insurer of such event, could have a materially adverse effect on the business, financial condition and results of operations of Iona. Moreover, there can be no assurance that Iona will be able to maintain adequate insurance in the future at rates that it considers reasonable.

Reliance on Industry Partners

The Corporation relies on industry partners with respect to the evaluation, acquisition and development of, and future production from, its properties and a failure or inability to perform by such partners could materially affect the prospects of the Corporation.

Regulatory Approvals

The further development of Iona's properties requires the approval of applicable regulatory authorities to the plans of Iona with respect to the drilling and development of such properties. A failure to obtain such approval on a timely basis or material conditions imposed by such authority in connection with the approval would materially affect the prospects of Iona.

Common Share Price Volatility

The market price of the Common Shares could be subject to wide fluctuations in response to Iona's results of operations, changes in earnings estimates by analysts, changing conditions in the oil and gas industry, or changes in general market, economic or political conditions.

Acquisition Risks

The Corporation intends to acquire additional oil and gas properties. Although Iona performs a review of properties prior to acquiring them that it believes is consistent with industry practice, such reviews are inherently incomplete. It is generally not feasible to review in depth every practice and every individual property involved in each acquisition. Generally, Iona will focus its due diligence efforts on higher valued properties and will sample the remainder. However, even an in-depth review of all properties and records may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Iona may be required to assume pre-closing liabilities, including environmental liabilities, and may acquire interest in properties on an "as is" basis.

Force Majeure

Iona's projects may be adversely affected by risks outside the control of Iona including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Dilution from Further Equity Issuances

If Iona issues additional equity securities to raise additional funding or as consideration for the acquisition of a company or assets, as the case may be, such transactions may substantially dilute the interests of Iona shareholders and reduce the value of their respective investment.

Dividends

Iona has not paid dividends prior to the date hereof and there can be no assurance that Iona will pay dividends in the future. Dividend payments are at the discretion of the Board of Directors and depend on the financial condition of Iona and other factors.

Strategic Partnerships

As part of its development plan in the North Sea, Iona may consider the formation of strategic partnerships, potentially sharing development costs and, where appropriate, the acquisition or exchange of working interests. There is no assurance that any such strategic transaction will be entered into. If such strategic transaction is entered into, there is no assurance that such transaction will be successful.

DIVIDEND POLICY

The declaration and payment of dividends on the Common Shares is at the discretion of the Board. It is the Board of Director's present policy to re-invest any net earnings to finance the growth and expansion of the Corporation's business and accordingly it is not intended that the Corporation shall pay any dividends in the foreseeable future.

Any declaration and payment of dividends by the Corporation will be dependent upon the Corporation's consolidated results, financial position, cash requirements, future prospects, profits available for distribution and other factors regarded by the Directors as relevant at the time.

The Corporation has not paid any dividends on the Common Shares since its incorporation to the date hereof.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series (the "**Preferred Shares**"). As at December 31, 2011, there were 140,860,568 Common Shares and no Preferred Shares are issued and outstanding. As the date of this AIF, there are 324,860,568 Common Shares and no Preferred Shares are issued and outstanding.

The following is a summary of the rights, privileges, restrictions and conditions attaching to each class of shares of the Corporation.

Common Shares

The holders of Common Shares are entitled to: (i) receive notice of and to vote at every meeting of shareholders of Iona and shall have one vote thereat for each such Common Share so held; (ii) receive any dividend declared on the Common Shares by Iona, subject to the rights of the holders of Preferred Shares; and (iii) subject to the rights, privileges, restrictions and conditions attached to the Preferred Shares, receive the remaining property of Iona on dissolution, liquidation or winding up.

Preferred Shares

Preferred Shares may, from time to time, be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be fixed by the Directors of Iona. The Directors may additionally determine the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares, including, without limiting the generality of the foregoing, the rate or amount of preferential dividends and the date of payment thereof, the redemption purchase and/or conversion price and conditions of redemption, purchase and/or conversion, if any, and any sinking fund purchase fund or other provisions. The Preferred Shares rank in priority to the Common Shares as to payment of dividends and the distribution of assets in the event of dissolution, liquidation or winding-up.

MARKET FOR SECURITIES

Prior to the Qualifying Transaction of Iona Energy and Northern Lights that created Iona, the Northern Shares of Northern Lights were listed for trading on the TSXV under the symbol "NLC.P". Between January 2011 and June 8, 2011, trading of the Northern Shares was halted pending a review of a reserves report regarding the properties held by Iona Energy and the filing of all of the documents required by the TSXV.

The Common Shares of Iona began trading on the TSXV under the symbol "INA" on June 8, 2011. The following chart shows trading information for the Common Shares for each month during the most recently completed financial year where the Common Shares were traded on the TSXV, as reported by the TSXV:

	Price Range ($)		
2011	**High**	**Low**	**Trading Volume**
June (8-30)	$0.60	$0.45	5,523,756
July	$0.53	$0.42	3,339,387
August	$0.46	$0.38	1,137,890
September	$0.43	$0.30	1,975,278
October	$0.46	$0.31	3,867,109
November	$0.43	$0.35	2,305,524
December	$0.42	$0.31	10,049,311

Prior Sales

In the financial year ended December 31, 2011, Iona, and its predecessors, issued the following Common Shares and securities convertible into Common Shares:

Date of Issuance	Number and Type of Securities(1)	Issue Price Per Security
November 25, 2011	350,000 stock options to purchase Common Shares	$0.60
May 31, 2011	78,151,757 Common Shares(4)	See below
May 27, 2011	9,550,000 stock options to purchase Common Shares	$0.60
May 27, 2011	62,708,810 Common Shares(3)	$0.60
March 10, 2011	38,333,333 common shares of Former Iona(2)	See below
March 10, 2011	116,485,090 subscription receipts(2)	$0.60

Notes:

(1) There have been no sales of preferred shares during the most recently completed financial year ended December 31, 2011.

(2) On March 10, 2011, Iona Energy issued 116,485,090 subscription receipts (the "**Subscription Receipts**") at a price of $0.60 per Subscription Receipt. The Subscription Receipts were convertible into common shares of Iona Energy Common Shares based on the completion by Iona Energy of certain events. On March 10, 2011, 38,333,333 of such Subscription Receipts automatically converted into Iona Energy Common Shares in accordance with their terms as a result of Iona Energy's completion of the acquisition of the Orlando Assets.

(3) On May 27, 2011, Iona Energy completed the Qualifying Transaction with Northern to form the Corporation, resulting in the issuance of 62,708,810 Common Shares to the former shareholders of Iona Energy and Northern and the issuance of 78,151,757 replacement subscription receipts (the "**Replacement Subscription Receipts**") containing substantially similar terms as the Subscription Receipts to the former holders of Subscription Receipts.

(4) On May 31, 2011, the 78,151,757 Replacement Subscription Receipts automatically converted into Common Shares in accordance with their terms as a result of Iona's completion of the acquisition of the Trent & Tyne Assets.

ESCROWED SECURITIES

Class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of Class
Common Shares	11,079,296[(1)(2)(3)(4)(5)]	3.3%[(5)]
Preferred Shares	Nil	Nil

Notes:

(1) This includes the number of Common Shares subject to the Northern Escrow Agreement (as defined below) after giving effect to the amalgamation and the number of Common Shares escrowed pursuant to the requirements of the Exchange.

(2) As required by the Exchange, the holders of 14,000,785 Common Shares entered into an escrow agreement with Olympia Trust Company and Iona (the "**Iona Escrow Agreement**") pursuant to which they deposited the Common Shares received upon closing of the amalgamation into escrow with Olympia Trust Company. The Iona Escrow Agreement is time based and 10% of the 14,000,785 escrowed Common Shares subject to the Iona Escrow Agreement were released upon issuance of the Final Exchange Bulletin dated June 6, 2011 (the "**Final Exchange Bulletin**") approving the Qualifying Transaction of Iona and Northern and accepting the Common Shares for trading on the Exchange and an additional 15% were released on December 6, 2011. An additional 15% of the Common Shares escrowed pursuant to the Iona Escrow Agreement will be released upon the dates which are 12, 18, 24, 30 and 36 months after the date of issuance of the Final Exchange Bulletin.

(3) Pursuant to the Iona Escrow Agreement, the Exchange Escrowed Shares can only be transferred in accordance with the Exchange policies. The numbers shown above include securities held by spouses or holding companies of the persons listed in the above table.

(4) Under the escrow agreement between Northern, certain Northern shareholders and Olympia Trust Company (the "**Northern Escrow Agreement**"), 10% of the 771,607 escrowed Common Shares subject to the Northern Escrow Agreement were released from escrow on the issuance of the Final Exchange Bulletin and an additional 15% were released on December 16, 2011. An additional 15% of the remaining Common Shares subject to the Northern Escrow Agreement will be released on the dates which are 12, 18, 24, 30 and 36 months following the date of issuance of the Final Exchange Bulletin.

(5) As at the date of this AIF.

DIRECTORS AND EXECUTIVE OFFICERS

Background Information

The following table sets forth the names, municipalities and country of residence, positions with Iona, time served as a Director of Iona (if applicable) and the principal occupation during the last five years of the Directors and executive officers of Iona. Directors are elected at the annual meetings of shareholders and serve until the next annual meeting or until a successor is elected or appointed.

Name, Municipality of Residence and Position with Iona	Director Since	Principal Occupation in the Last Five Years
Neill A. Carson[(3)] Aberdeen, United Kingdom Chief Executive Officer, President and a Director	May 2011	Chief Executive Officer and Director of Iona since January 2008. Prior thereto, President, Chief Operations Officer, and Director of Ithaca Energy Inc. from April 2004 until August 2007.
Brad G. Gunn[(4)] Calgary, Alberta Chief Financial Officer and a Director	May 2011	Chief Financial Officer and a Director of Iona since January 2008. Prior thereto, Chief Financial Officer of Ithaca Energy Inc. from April 2004 until January 2008 (and as a director from January 2005 until January 2008).
Alan Curran Aberdeenshire, United Kingdom Chief Operating Officer	N/A	Chief Operating Officer of Iona since March 2012. Prior thereto, Chief Executive of Wood Group (John) plc's North Sea subsidiary since March 2009. Prior to that, Managing Director of Lundin Britain Ltd.
Donald B. Copeland[(1)(2) (3)(4)] Calgary, Alberta Director	May 2011	President of Pangman Resource International Ltd., a private investment and consulting company, since 1992.

Name, Municipality of Residence and Position with Iona	Director Since	Principal Occupation in the Last Five Years
Roger Laing[(2)(4)] Calgary, Alberta Director	May 2011	Business Unit Leader with RLG International, an international performance consulting firm since 1988.
Rod Maxwell[(1)(3)] Calgary, Alberta Director	May 2011	Managing Director of StoneBridge Merchant Capital Corp. since 1997.
Jay M. Zammit[(1)(2)(4)] Calgary, Alberta Director	May 2011	Partner with Burstall Winger LLP (Barristers and Solicitor) and acted as Managing Partner from 2001 to 2003 and in 2005.
David Sherrard Braemar, United Kingdom VP Developments	N/A	VP Developments of Iona UK since December 2010**.** Prior to joining Iona, David was a founding partner of and held various positions with Senergy Group Limited between 2004 and 2010. Most recently as International Director.
Graham Heath Calgary, Alberta VP Corporate Development	N/A	VP Corporate Development of Iona since December 2010. Prior thereto, IT consultant within the Alberta oil and gas industry working with Colt Engineering, PanCanadian Petroleum, EnCana Corporation, and Cenovus Energy.
Robin Baxter Aberdeen, United Kingdom VP Business Development	N/A	VP Business Development and prior thereto, Chief Commercial Officer of Iona UK since September 2009. Director of Business Development of Maersk Oil from 2005 until 2008. Prior thereto, Legal Director and Company Secretary of Kerr-McGee (UK).
Adrian Harvey Calgary, Alberta Corporate Secretary	N/A	Associate with Burstall Winger LLP (Barristers and Solicitors) since June 2010. Prior thereto, associate with Blake, Cassels & Graydon LLP (Barristers and Solicitors).

Notes:

(1) Member of the Corporation's Audit Committee of which Rod Maxwell is Chair.
(2) Member of the Corporation's Compensation Committee of which Roger Laing is Chair.
(3) Member of the Corporation's Reserves Committee of which Neill A. Carson is Chair.
(4) Member of the Corporation's Corporate Governance and Nominating Committee of which Jay M. Zammit is Chair.

Ownership of Shares

As of the date hereof the Directors and executive officers, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 14,054,358 Common Shares representing approximately 4.3% of the Common Shares.

Cease Trade Orders

To the knowledge of management, other than as disclosed below, no Director or officer is, as of the date of this AIF, or was in the last ten years before the date hereof a director, chief executive officer or chief financial officer of any company, including Iona, that was subject to a cease trade order or similar order or an order that denied the issuer access to any exemptions under securities legislation, for a period of more than 30 consecutive days, that was issued (i) while the director was acting in that capacity; or (ii) after such person was acting such capacity and which resulted from an event that occurred while that person was acting in such capacity.

Neill Carson was a member of the board of directors of Qeva Group Inc. ("**Qeva**") from January 2004 to April 2004. Donald Copeland was also a member of the board of directors of Qeva from July 2003 to November 2006. Under an order of the British Columbia Securities Commission dated February 24, 2004 and an order of the Alberta Securities Commission dated March 12, 2004, Qeva was cease traded for failure to file financial statements (collectively, the "**Orders**"). At that time, Qeva was an inactive corporation. Messrs. Copeland and Carson joined the board of directors of Qeva to assist Qeva in formulating a business plan and strategy. The Orders were subsequently revoked pursuant to orders of the British Columbia Securities Commission and the Alberta Securities Commission dated June 9, 2005.

On August 30, 2005, Jay Zammit became a director of Marine Bioproducts International Corp. ("**Marine**"), a corporation listed on the NEX Board of the TSXV that was the subject of a cease trade order in British Columbia and Alberta prior to Mr. Zammit's appointment. Mr. Zammit was appointed to the board to assist in the reinstatement of Marine to good standing. The cease trade orders against Marine were subsequently lifted and Marine completed a plan of arrangement (the "**Plan**") with Phoenix Oilfield Hauling Ltd. on May 9, 2006. Mr. Zammit is no longer a director of Phoenix Oilfield Hauling Inc., the resulting corporation under the Plan.

Penalties or Sanctions

To the knowledge of management, no director or executive officer of Iona or shareholder holding a sufficient number of securities to materially affect the control of Iona has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Bankruptcy

To the knowledge of management, no director or executive officer of Iona or shareholder holding a sufficient number of securities to affect materially the control of Iona is, as of the date of this AIF, or has within the ten years prior to the date of this AIF, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that director, executive officer, or shareholder.

To the knowledge of management, other than as disclosed below, no director or executive officer of Iona, or shareholder holding a substantial number of securities to materially affect the control of Iona, is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company that, while that Director was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Rod Maxwell acted as a director of Patch International Inc. ("**Patch**") from January 2007 until April 2009. Patch's wholly-owned subsidiary, Patch Energy Inc. ("**Patch Energy**"), of which Mr. Maxwell was not a director or officer, filed a proposal (the "**Proposal**") to its creditors under the *Bankruptcy & Insolvency Act* (Canada) on August 20, 2009 which was accepted by creditors at a meeting held on September 9, 2009. Pursuant to the Proposal, Patch Energy subsequently sold all of its assets to its working interest partner and the working interest partner's joint venture partner. The ASC issued a cease trade order against Patch on October 2, 2009 for failing to make required annual continuous disclosure filings for its financial year ended May 31, 2009.

Mr. Jay Zammit was corporate secretary of Alternative Fuel Systems Inc. when it made an application under the *Companies Creditors Arrangement Act* (Canada) ("**CCAA**"). Alternative Fuel Systems Inc. completed a statutory plan of arrangement under the CCAA and the ABCA on June 30, 2004 whereby Alternative Fuel Systems Inc. was reorganized into two companies: Alternative Fuel Systems (2004) Inc. and AFS Energy Inc. AFS Energy Inc. remains listed on the TSXV, completed a transaction to convert to an oil and gas company and changed its name to Flagship Energy Inc. effective May 2005. Alternative Fuel Systems (2004) Inc. completed a private placement financing in the summer of 2005 and was listed on the TSXV. Mr. Jay Zammit was a director of Alternative Fuel Systems (2004) Inc. but is not associated with AFS Energy Inc. or successor companies to AFS Energy Inc. Alternative Fuel Systems (2004) Inc. was indirectly acquired by a wholly-owned subsidiary of Fuel Systems Solutions Inc. in May 2011. In connection with the transaction, Mr. Zammit resigned as a director.

Conflicts Of Interest

There are potential conflicts of interest to which the directors and officers of Iona or its subsidiaries may be subject to in connection with the operations of Iona or its subsidiaries. Some of the directors and officers are engaged and will continue to be engaged, directly or indirectly, in other businesses and situations may arise where some of the directors and officers will be in direct competition with Iona or its subsidiaries. Jay Zammit, a director of Iona, is a partner and Adrian Harvey, the Corporate Secretary of Iona, is an associate with Burstall Winger LLP, which provides legal services to Iona on a fee for services basis. Conflicts, if any, will be subject to the procedures and remedies under the ABCA.

Promoters

Neill Carson and Brad Gunn may be considered to be the Promoters of Iona as they took initiative in either founding, organizing or substantially reorganizing the business of Iona and/or its predecessors.

Neill Carson beneficially owns, directly or indirectly, exercises control or direction over 7,002,922 Common Shares 2.2%. Brad Gunn beneficially owns, directly or indirectly, exercises control or direction over 1,763,379 Common Shares 0.5%. Both Mr. Carson and Mr. Gunn act as executive officers of Iona and are compensated for acting in such capacities.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The full text of the Audit Committee's charter is included in Schedule "**A**" of this AIF.

Composition of the Audit Committee

The Audit Committee is currently comprised of three individuals, all of whom are financially literate and the majority of whom are considered independent under National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"). The current members of the Audit Committee are Rod Maxwell (Chair), Donald Copeland and Jay Zammit, as indicated in the table under the heading, "*Directors and Executive Officers*". Mr. Maxwell and Mr. Copeland are deemed to be independent directors. Mr. Zammit is a partner of Iona's primary external legal counsel and is therefore deemed to be not independent with respect to the composition of the Audit Committee. However, the Board of Directors considers Mr. Zammit to be independent for other purposes as his relationship as a partner of Iona's primary external legal counsel is not considered to reasonably interfere with the exercise of his independent judgment.

The relevant education and experience of each Audit Committee member is outlined below.

Rod Maxwell, Audit Committee Chair

Mr. Maxwell is Managing Director of StoneBridge Merchant Capital Corp. and has over 25 years of experience in the investment and financial advisory services industries. Prior to cofounding StoneBridge Merchant Capital Corp. in 1997, Mr. Maxwell was a Partner with KPMG LLP in the Corporate Finance/Business Valuations practice.

Mr. Maxwell holds a Bachelor of Commerce degree from the University of Calgary. He is a Chartered Accountant and is a member of both the Alberta and Canadian Institute of Chartered Accountants. In addition, Mr. Maxwell is a Chartered Business Valuator and is a member of the Canadian Institute of Chartered Business Valuators. Mr. Maxwell serves on the board of a number of private and public companies including the TSX-listed Cathedral Energy Services Ltd., TSXV-listed Hyperion Exploration Corp. and TSXV-listed Invicta Energy Corp.

Donald Copeland

Mr. Copeland has been involved in a senior management capacity with a number of companies and has been a co-founder of several exploration and production companies active in western Canada, South America and the U.K. sector of the North Sea. In 1986, Mr. Copeland became Senior Vice President of Trilogy Resource Corporation in charge of land, exploration and gas marketing. Trilogy grew to become a $200 million company.

Mr. Copeland has served as President of Pangman Resource International Ltd., a private investment and consulting company, since 1992. He has also held served on the board of directors of several oil and gas companies including: non-executive Chairman of the Board of Oilexco, a TSX listed company focused in the North Sea, Orca Petroleum, and Vision 2000 Exploration

Jay Zammit

Mr. Zammit is a Partner at Burstall Winger LLP and is a Director of Iona. Mr. Zammit practices in the areas of corporate finance and securities, advising on public and private financing matters as well as reorganizations, takeovers, mergers, shareholder disputes, acquisitions, dispositions and strategic relationships. Mr. Zammit serves on the boards of several public and private companies as well as several non-profit organizations.

Mr. Zammit attended the University of Manitoba and received a Bachelor of Commerce (Finance) in 1982, following which he served as a consultant to the International Air Transport Association. He obtained a Bachelor of Laws in 1987 from the University of Manitoba and was admitted to the Alberta Bar in 1988. In 1989, Mr. Zammit was seconded to the Alberta Securities Commission.

Pre-approval Policies

Under the charter of the Audit Committee, the Audit Committee shall approve all non-audit services to be provided by the independent auditor prior to the services being performed, including the amount of any related fees. To the extent deemed necessary by the Audit Committee, it shall have the authority to engage outside counsel and/or independent accounting consultants to review any matter under its responsibility.

External Auditor Service Fees (By Category)

The following table provides information about the fees billed to the Corporation for professional services rendered by Deloitte & Touche LLP, Chartered Accountants, which were paid or payable during the period from January 1, 2010 to December 31, 2011:

Deloitte & Touche LLP	**2011**	**2010**
Audit Fees(1)	$85,000	$57,904
Audit-Related Fees(2)	$9,000	Nil
Tax Fees(3)	$12,284	Nil
All Other Fees(4)	$95,740	Nil
Total(5):	$202,024	$57,904

Notes:

(1) Audit fees were for professional services rendered by Deloitte & Touche LLP, Chartered Accountants for the audit of the Corporation's annual financial statements as well as services provided in connection with statutory and regulatory filings.

(2) Audit-related fees are for services related to performance of limited procedures performed by the Corporation's auditors related to interim quarterly reports and IFRS transition activities.

(3) Professional services fee for tax compliance, tax advice and tax planning.

(4) All other fees performed by the Corporation's auditors, being primarily work associated with the issuing of new equity.

(5) These fees only represent professional services rendered and do not include any out-of-pocket disbursements or fees associated with filings made on the Corporation's behalf. These additional costs are not material as compared to the total professional services fees for each year.

The Audit Committee met four times in 2011 and two times thus far in 2012 to fulfill its mandate. The Audit Committee has discussions with the Corporation's auditors regularly, independent of management, and has direct communication channels with the external auditors to discuss and review specified issues as appropriate.

Audit fees consist of fees for professional services for the audit of Iona's annual financial statements, assistance with interim financial statements, and related matters. Audit-related fees consist of fees for professional services that are reasonably related to the performance of the audit or review of Iona's financial statements and which are not reported under "Audit Fees" above. Tax fees consist of fees for professional services for tax compliance, tax advice and tax planning. Other fees consist of fees for other services, including review of circulars and preparation of pro-forma statements, which are not reported as Audit fees, Audit-related fees and Tax fees.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of Iona is not aware of any existing or contemplated legal proceedings material to Iona, to which Iona, or any predecessor of Iona, is, or during the financial year ended December 31, 2011 was, a party or of which any of its property is, or during the financing year ended December 31, 2011 was, subject.

Management of Iona is not aware of any penalties or sanctions imposed against Iona, or any predecessor of Iona, by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2011 or any other penalties or sanctions imposed by a court or regulatory body against Iona, or any predecessor of Iona, that would likely be considered important to a reasonable investor in making an investment decision.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of the Corporation, or shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of voting securities of the Corporation, or associate or affiliate of any of the foregoing persons has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

Olympia Trust Company, 2300, 125 – 9th Avenue S.E., Calgary, Alberta T2G 0P6 is the transfer agent and registrar for the Common Shares.

MATERIAL CONTRACTS

The Corporation and its predecessors have not entered into any material contracts since January 1, 2011 or entered into any material contracts before January 1, 2012 that are still in effect, other than contracts entered into the ordinary course of business, except as set forth below:

(1) the agency agreement dated effective as of January 28, 2011 among Wellington West Capital Markets Inc., Mackie Research Capital Corp., National Bank Financial Inc. and Iona Energy with respect to the Iona Energy private placement financing of 116,485,090 subscription receipts at a price of $0.60 per subscription receipt for gross proceeds of $69,891,054 (the "**Iona Energy Private Placement**");

(2) the Amalgamation Agreement; and

(3) the subscription receipt agreement dated March 10, 2011 among Wellington West Capital Markets Inc., Mackie Research Capital Corp., National Bank Financial Inc., Iona Energy and Olympia Trust Company with respect to the Iona Energy Private Placement.

INTERESTS OF EXPERTS

The Corporation's auditors are Deloitte & Touche LLP, Chartered Accountants, who prepared an independent auditors' report dated April 30, 2012 in respect of Iona Energy's consolidated financial statements with accompanying notes as at December 31, 2011 and consolidated statements of operations, comprehensive loss and deficit and cash flows for each of the three years ended December 31, 2011. Deloitte & Touche LLP has advised that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. PricewaterhouseCoopers LLP were the auditors of Northern.

GCA prepared the GCA Report dated April 2012 which evaluated as at an effective date of December 31, 2011, the oil and natural gas reserves attributable to Iona's interests. The partners, employees and consultants of GCA hold, directly or indirectly, in aggregate, less than 1% of any securities or other property of the Corporation or of one of its associates or affiliates either at the time of such reports or since that time.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Iona or any associate or affiliate of Iona.

ADDITIONAL INFORMATION

Additional information regarding Iona may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness to Iona, principal holders of securities of the Corporation and securities authorized for issuance under equity compensation plans is contained in the joint information circular prepared in connection with the 2011 annual and special meeting of shareholders of Iona Energy and Northern. Additional financial information is provided in Iona's financial statements for the financial year ended December 31, 2011, together with the accompanying report of the auditor and management's discussion and analysis filed on SEDAR at www.sedar.com.

SCHEDULE A - AUDIT COMMITTEE CHARTER

IONA ENERGY INC.
AUDIT COMMITTEE CHARTER

ROLE AND RESPONSIBILITIES

The Audit Committee ("**Committee**") is a committee of the Board of Directors (the **"Board"**, each member of the Board a "**Director**") to which the Board delegates its responsibility for oversight of Iona Energy Inc. (the "**Corporation**") financial reporting process.

The Committee shall assist the Board in fulfilling its responsibilities by:

- overseeing and monitoring the integrity of the Corporation's financial reporting processes, financial statements and system of internal controls regarding accounting and financial reporting and accounting compliance;
- evaluating the independent external auditors' qualifications, performance and independence;
- enhancing the independence of the independent external auditor;
- assessing the processes relating to senior management's determination and mitigation of financial risks and the maintenance of an effective control environment; and
- reviewing the processes to monitor the Corporation's compliance with legal and regulatory requirements.

The Committee has the authority to conduct any review or investigation appropriate to fulfilling its responsibilities. The Committee has the sole authority to approve any non-audit engagement by the Corporation's independent external auditors and to approve all audit engagement fees and terms. The Committee shall have unrestrictive access to personnel and information, and any resources necessary to carry out its responsibility.

MEMBERSHIP AND MEETINGS

The Committee shall be comprised of a minimum of three directors including a Committee Chair, and shall satisfy the independence and experience requirements applicable to the Corporation pursuant to National Instrument 52-110 *Audit Committees* (as implemented by the Canadian Securities Administrators and as amended from time to time). Each member of the Committee shall be financially literate, as defined in NI 52-110, and the Chair of the Committee shall have accounting or related financial managerial expertise. The members of the Committee and its Chair shall be appointed by the Board. Appointments shall be made in accordance with procedures established by the governance committee of the Board from time to time.

The Committee shall meet at least five times annually (for review of Q1, Q2 and Q3 interim reports as well as pre and post annual audit), or more frequently as circumstances dictate. The Committee shall report to the Board on its activities after each of its meetings. The Committee is expected to establish and maintain free and open communication among the independent external auditor and senior management and shall periodically meet separately with each of them. The President and Chief Executive Officer (collectively **"CEO"**) and the Chief Financial Officer are expected to be available to attend the Committee's meetings or portions thereof. The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution.

The Committee shall be empowered to retain, obtain advice or otherwise receive assistance from outside independent legal counsel, accountants or others to assist in the conduct of any investigation as it deems necessary in the course of fulfilling Committee duties. The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent external auditor for the purposes of issuing an audit report and to any advisors retained by the Committee.

On an annual basis, the Committee shall report to the Board on the Committee's performance against this Charter and the goals established annually by the Committee for itself. The Committee shall review and update the adequacy of this Charter periodically, and where necessary, recommend changes to the Board for its approval.

SPECIFIC DUTIES AND RESPONSIBILITIES

The duties and responsibilities of a member of the Committee are in addition to those duties set out for a member of the Board.

1) Financial Reporting and Public Disclosure

(a) Review, with management and the independent external auditor:

(i) the independent external auditors annual audit plan;

(ii) the Corporation's annual audited financial statements. In relation to the annual audited financial statements, review significant issues including accounting principles, practices and significant management estimates and judgments, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies;

(iii) the Corporation's annual management's discussion and analysis (**"MD&A"**);

(iv) the independent external auditors' audit examination of the annual financial statements and their report thereon; and

(v) all public disclosure documents containing audited or unaudited financial information before release, including, but not limited to, any prospectus, the Corporation's annual report, the Corporation's annual information form, the Corporation's management proxy circular and any press releases.

(b) Review with management:

(i) the Corporation's interim unaudited financial statements;

(ii) the Corporation's interim MD&A; and

(iii) any significant changes to the Corporation's accounting principles.

The Committee Chair, as a representative of the Committee, shall consult directly with the independent external auditor to obtain their comments with respect to interim reports including the related MD&A (as a result of their limited scope review of the interim reports).

(c) Oversee an investigation sufficient to provide reasonable grounds for believing that the financial statements and reports referred to in (a) and (b) above are complete in all material respects and consistent with the information known to Committee members, and assess whether the financial statements reflect appropriate accounting principles.

(d) Review with senior management and the independent external auditor, management's handling of any proposed audit adjustments identified by the independent external auditors.

(e) Meet with the independent external auditor to review the results of the audit examination of the financial statements and their report thereon, their judgments about the quality and appropriateness of the Corporation's accounting principles, and any audit problems or difficulties and management's response.

(f) Review and resolve any significant disagreement among the management and the independent external auditors encountered during the course of their audit or review, including any restrictions in the scope of the independent external auditor's work or access to required information.

(g) Review the integrity of the Corporation's internal and external financial reporting process, in consultation with the independent external auditors.

(h) Consider, evaluate and recommend to the Board such changes as are appropriate to the Corporation's auditing and accounting principles and practices as suggested by the independent external auditors or senior management.

(i) Review with the independent external auditors and senior management the extent to which changes and improvements in financial and accounting practices, as approved by the Committee, have been implemented.

(j) Formally recommend approval to the Board of the Corporation's annual financial statements, interim financial statements and reports referred to in (a) and (b) above. The annual audited financial statement review shall include a report from the independent external auditors about the quality of the most critical accounting policies upon which the Corporation's financial status depends, and involve the most complex, subjective or significant judgmental estimates, decisions or assessments.

2) Independent External Auditor

(a) Be directly responsible, in the Committee's capacity as a committee to the Board and subject to the rights of shareholders and applicable law, for the appointment, compensation, retention and oversight of the work of the independent external auditors for the purposes of preparing or issuing an audit report, or performing other audit, review, or attest services for the Corporation. The independent external auditors shall report directly to the Committee.

(b) At least annually, obtain and review a report by the independent external auditor describing:

(i) the independent external auditors' internal quality-control procedures; and

(ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent external auditors, and any steps taken to deal with any such issues.

(c) Confirm the independence of the independent external auditor by discussing and reviewing all significant relationships that the independent external auditors have with the Corporation and obtaining their assertion of independence in accordance with professional standards.

(d) Review and evaluate:

(i) the performance of the independent external auditor, and make a recommendation to the Board regarding the reappointment or discharge of the independent external auditors for presentation to the shareholders;

(iii) the terms of engagement, audit scope and audit plans of the independent external auditors together with their proposed fees; and

(iii) the engagement of the independent external auditors firm or affiliates to perform non-audit services, together with the fees thereof, and the impact thereof, on the independence of the independent external auditors.

(e) Approve all non-audit service with the Corporation's independent external auditors other than services related to limited scope reviews of interim reports and Canadian and US tax services.

(f) When there is to be a change in the independent external auditor, review all issues relating to the change to be included in the required notice to securities regulators of such change.

(g) Review and approve the hiring policies for the Corporation's hiring of employees or former employees of the present and any former independent external auditors.

3) Risk Assessment and Risk Management

(a) Discuss with senior management guidelines and policies governing the risk assessment and risk management processes.

(b) Review and discuss significant risks and exposures with senior management and the independent external auditors. Assess the steps management has taken to monitor, control, report and mitigate such risk to the Corporation, including insurance coverage.

(c) Evaluate whether senior management is adequately communicating the importance of internal control to all relevant personnel.

(d) Periodically privately consult with the independent external auditor about internal controls and the completeness and accuracy of the Corporation's financial statements. Any significant recommendation made by the independent external auditors for the strengthening of internal controls shall be reviewed and discussed with senior management.

(e) Review whether the internal control recommendations made by the independent external auditor are being implemented by senior management and, if not, why not.

4) Compliance with Relevant laws and regulations

(a) Periodically obtain updates from senior management regarding procedures and processes to ensure compliance with applicable laws and regulations (including but not limited to, securities, tax and environmental matters).

(b) Monitor and approve the Corporation's disclosure policy.

5) Other Responsibilities

(a) Review policies and procedures with respect to officers' and directors' expense accounts and perquisites, including the use of corporate assets. Review the CEO's expenses and perquisites at least once a year.

(b) Review all consulting fees paid by the Corporation to any organization where such fees exceed $20,000 annually.

(c) Institute special investigations, if necessary, and hire special counsel or experts to assist, into any matters which come under its scope of responsibilities.

(d) Review the procedures established for the receipt, retention, and treatment of complaints received by the Corporation of concerns regarding accounting, internal accounting controls, auditing or code of conduct matters and resolution of such concerns, if any.

(e) Review the procedures established allowing the confidential, anonymous submission by the Corporation's employees of concerns regarding questionable accounting or auditing matters and resolution of such concerns, if any.

(f) Review with the Board, any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements and the performance and independence of the Corporation's independent external auditors.

(g) Review and/or approve other financial matters delegated specifically to it by the Board.

PROCEDURE GOVERNING ERRORS OR MISSTATEMENTS IN THE FINANCIAL STATEMENTS

In the event a Director of the Corporation has reason to believe, after discussion with management, that a material error or misstatement exists in the Corporation's financial statements, that Director shall forthwith notify the Committee and the independent external auditor of the error or misstatement of which the Director becomes aware in a financial statement that the independent external auditor or a former independent external auditor has reported on.

If the independent external auditor or a former independent external auditor of the Corporation is notified or becomes aware of an error or misstatement in a financial statement on which the auditor or former auditor has reported, and if in the auditor's or former auditor's opinion the error or misstatement is material, the auditor or former auditor shall inform the Board and/or Committee accordingly.

When the Committee or the Board is made aware of an error or misstatement in a financial statement the Board shall prepare and issue revised financial statements or otherwise inform the shareholders and file such revised financial statements as required.

LIMITATION ON COMMITTEE MEMBERS' DUTIES

Nothing in this Charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard required by law. The purposes and responsibilities outlined in this charter are meant to serve as guidelines rather than inflexible rules and the Committee may adopt such additional procedures and standards it deems necessary from time to time to fulfill its responsibilities.