Iona Energy Inc.
Formerly Northern Lights Acquisition Corp.
Interim Condensed Consolidated Financial Statements
June 30, 2011
(Unaudited)

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Interim Condensed Consolidated Financial Statements

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Iona Energy Inc.
Condensed Consolidated Statements of Financial Position
(Unaudited)

$Cdn	Notes	June 30, 2011	December 31, 2010	January 1, 2010
Assets				
Current				
Cash		$ 52,676,196	$ 1,155,386	$ 64,539
Accounts receivable		181,946	280,008	-
Cash calls		4,322,873	-	-
Prepaid expenses		181,296	18,402	
		57,362,311	1,453,796	64,539
Restricted cash	4	552,517	52,007	52,007
Exploration and evaluation assets	5	8,398,590	1,472,231	1,451,849
Property and equipment	6	6,253	-	-
		$ 66,319,671	$ 2,978,034	$ 1,568,395
Liabilities				
Current				
Accounts payable and accrued liabilities		$ 1,299,254	$ 243,138	$ 192,364
Shareholders' Equity				
Share capital	7	69,920,898	3,780,224	1,635,743
Contributed surplus		1,015,670	-	-
Accumulated other comprehensive income		(1,451,541)	-	-
Deficit		(4,464,610)	(1,045,328)	(259,712)
		65,020,417	2,734,896	1,376,031
		$ 66,319,671	$ 2,978,034	$ 1,568,395
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The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Iona Energy Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

$Cdn	Notes	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Expenses					
General and administrative		$ **2,361,317**	61,536	$ 2,896,032	79,093
Pre-license costs	**5**	**171,222**	154,610	364,443	154,610
Foreign exchange loss		**167,469**	-	165,241	-
		2,700,008	216,146	3,425,716	233,703
Other item					
Finance income		**5,748**	9	6,434	17
Net loss for the period		**2,694,260**	216,137	3,419,282	233,686
Foreign currency translation adjustment		**1,334,124**	-	1,451,541	-
Comprehensive loss for the period		$ **4,028,384**	216,137	$ 4,870,823	233,686
Net loss per share - basic and diluted		$ **0.0193**	**0.0188**	$ 0.0362	0.0204
Weighted average shares outstanding - basic and diluted [(1)]		**139,732,836**	**11,473,047**	94,348,871	11,473,047

(1) Options and warrants have been excluded from the diluted loss per share computation as they are anti-dilutive

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Iona Energy Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

$Cdn	Share Capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total Equity
Balance January 1, 2011	$ 3,780,224	$ -	$ -	$ (1,045,328)	$ 2,734,896
Net loss for the period	-		-	(3,419,282)	(3,419,282)
Stock option expense		1,015,670			1,015,670
Foreign currency translation	-	-	(1,451,541)	-	(1,451,541)
Issue of shares (net of issue costs)	65,060,428	-	-	-	65,060,428
Issued on the acquisition of Northern Lights Acquisition Corp. (Note 1)	1,080,246	-	-	-	1,080,246
Balance June 30, 2011	$ 69,920,898	$ 1,015,670	$ (1,451,541)	$ (4,464,610)	$ 65,020,417

	Share Capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total Equity
Balance January 1, 2010	$ 1,635,743	$	$ -	$ (259,712)	$ 1,376,031 -
Net loss for the period	-	-	-	(233,686)	(233,686)
Issue of shares (net of issue costs)	352,172	-	-	-	352,172
Balance June 30, 2010	$ 1,987,915	$ -	$	$ (493,398)	$ 1,494,517

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Iona Energy Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

$Cdn	Six Months Ended June 30	
	2011	2010
Cash flows from (used in) operating activities		
Net loss for the period	$ **(3,419,282)**	$ (233,686)
Items not involving cash		
Depreciation	**1,274**	-
Unrealized foreign exchange loss	**125,000**	
Excess of consideration over net assets acquired on capital transaction (Note 1)	**525,341**	-
Share based payments	**1,015,670**	-
	(1,751,997)	(233,686)
Changes in non-cash working capital balances:		
Accounts receivable	**(181,946)**	-
Prepaid expenses	**(162,894)**	-
Accounts payable and accrued liabilities	**540,897**	(128,304)
Cash flow used in operating activities	**(1,555,940)**	(361,990)
Cash flows from (used in) financing activities		
Issue of common shares, net of issue costs	**65,060,428**	352,172
Cash acquired on capital transaction (Note 1)	**554,905**	-
Changes in non-cash working capital balances	**280,008**	-
Cash flow from financing activities	**65,895,341**	352,172
Cash flows from (used in) investing activities		
Changes in non-cash working capital balances	**515,219**	-
Cash calls	**(4,322,873)**	-
Expenditures on property and equipment	**(7,527)**	-
Expenditures on exploration and evaluation	**(7,024,599)**	(8,730)
Restricted cash	**(500,510)**	-
Cash flow provided by (used in) investing activities	**(11,340,290)**	(8,730)
Effect of exchange rate changes on cash	**(1,478,301)**	-
Increase (decrease) in cash	**51,520,810**	(18,548)
Cash, beginning of period	1,155,386	64,539
Cash, end of period	$ **52,676,196**	$ 45,991
Supplemental information		
Interest paid	$ **-**	$ -
Taxes paid	$ **-**	$ -

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Corporate Information

Iona Energy Inc. ("Iona" or "the Company") is a publicly traded junior oil and gas Company on the TSX Venture Exchange ("TSX-V") under the symbol INA engaged in the evaluation, acquisition, exploration and development of oil and gas properties in the United Kingdom's North Sea and in Alaska.

On April 19, 2011, the Company and Northern Lights Acquisition Corp. ("Northern") entered into an amalgamation agreement. Pursuant to the exchange ratio in the amalgamation agreement the Northern shareholders will hold 1,800,412 shares of the amalgamated company and Iona shareholders will hold 139,060,155 shares of the amalgamated company. The proposed amalgamation agreement was subject to the TSX Venture Exchange and shareholders approvals which was received on May 27, 2011. The Company's shares commenced trading on the TSX Venture Exchange on June 8, 2011.

Iona was formed under the *Business Corporations Act* (Alberta) on May 27, 2011 via the amalgamation of Iona Energy Company Limited ("IECL") and Northern, a TSX-V Capital Pool Company which had no operations and therefore does not constitute a business. IECL was incorporated under the *Business Corporations Act* (Alberta) on January 16, 2008 and accordingly, the transaction has been accounted for as a capital transaction with IECL being the continuing entity. The condensed consolidated financial statements of the combined entity are issued under the name of the amalgamated entity, being Iona, but are a continuation of the historical financial statements of IECL. The deemed acquisition of Northern acquired on May 27, 2011 included the following:

Net assets acquired:	
Cash	$ 554,905
Consideration:	
1,800,411 common shares	$ 1,080,246
Excess of consideration over net assets acquired included in statement of operations	$ 525,341

The head office of Iona is located at Bankers Hall, West Tower, Suite 1000, 888 - 3rd Street S.W., Calgary, Alberta, T2P 5C5. The registered office of the Company is located at 1600, 333-7th Avenue S.W., Calgary, Alberta T2P 2Z1.

The following sets out the subsidiaries of the Company and the Company's ownership interest in those subsidiaries:

Name of Subsidiary	Jurisdiction of Incorporation	Ownership
Iona Energy Corporation (US) Limited	Delaware, USA	100%
Iona Energy Corporation (UK) Limited	United Kingdom	100%

2. Basis of Presentation

Statement of compliance

In conjunction with the Company's annual audited Consolidated Financial Statements to be issued under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2011, these interim Condensed Consolidated Financial Statements present Iona's initial financial results

2. Basis of Presentation - continued

of operations and financial position under IFRS as at and for the three and six months ended June 30, 2011, including 2010 comparative periods. As a result, they have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). These interim Condensed Consolidated Financial Statements do not include all the necessary annual disclosures in accordance with IFRS. Previously, the Company prepared its interim and annual Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles ("previous GAAP"). These financial statements should be read in conjunction with the year end financial statements for the year ended December 31, 2010 and the interim financial statements for the three months ended March 31, 2011 filed by the Company on SEDAR (www.sedar.com).

The preparation of these interim Condensed Consolidated Financial Statements resulted in selected changes to Iona's accounting policies as compared to those disclosed in the Company's annual audited Consolidated Financial Statements for the period ended December 31, 2010 issued under previous GAAP. A summary of the significant changes to Iona's accounting policies is disclosed in Note 12 along with reconciliations presenting the impact of the transition to IFRS as at January 1, 2010, June 30, 2010, and December 31, 2010.

A summary of Iona's significant accounting policies under IFRS is presented in Note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1 as disclosed in Note 12.

These Interim Condensed Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors on August 29, 2011.

Functional and presentation currency
These condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of Iona Energy Inc. The functional currencies of the Company's foreign subsidiaries are US dollars for Iona Energy Corporation (US) Limited and British Pound Sterling ("GBP") for Iona Energy Corporation (UK) Limited.

Basis of measurement
The interim unaudited condensed consolidated financial statements have been prepared on a going concern basis, under the historical cost convention.

Use of estimates and judgments
The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these interim consolidated financial statements are as follows:

The operations of the Company are complex, and regulations and legislation affecting the Company are continually changing. With respect to the Trent & Tyne transaction, the Company determined that the risks and rewards of ownership do not pass until it fulfills its contractual drilling obligation to the vendor and at that point in time the Company will record its share of net production revenues during the reporting year.

2. Basis of Presentation - continued

Amounts that will be recorded for depletion and depreciation and amounts used for impairment calculations are based on estimates of petroleum and natural gas reserves. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related future cash flows, are subject to measurement uncertainty. Accordingly, the impact to the consolidated financial statements in future periods could be material.

Compensation costs recognized for share based compensation plans are subject to the estimation of what the ultimate payout will be using pricing models such as Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term. These are recognized over the vesting term and the underlying options.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such income taxes are subject to measurement uncertainty.

Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The accounting policies have been applied consistently by Company's entities.

Basis of consolidation:

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of closing. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill when a business is acquired. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of operations and comprehensive loss.

(ii) Jointly controlled operations and jointly controlled assets:

Many of the Company's oil and natural gas activities involve jointly controlled assets. The interim consolidated financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

(iii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income or loss arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

3. Summary of Significant Accounting Policies - continued

Financial instruments:

(i) Financial instruments:

Financial instruments comprise of cash, restricted cash, accounts receivables, cash calls, and accounts payable and accrued liabilities. These financial instruments are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

Financial assets at fair value through earnings:
An instrument is classified at fair value through earnings if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through earnings if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in earnings when incurred. Financial instruments at fair value through earnings are measured at fair value, and changes therein are recognized in earnings.

Other:
Other financial instruments, such as cash, restricted cash, cash calls, accounts receivable, and accounts payable and accrued liabilities are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments:

The Company may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices or foreign exchange. These instruments are not used for trading or speculative purposes. The Company does not intend to designated its financial derivative contracts as effective accounting hedges, and thus will not apply hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through earnings and are recorded on the statement of financial position at fair value. Transaction costs are recognized in earnings when incurred.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through earnings. Changes in the fair value of separable embedded derivatives are recognized immediately in earnings.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Property and equipment and exploration and evaluation assets:

Exploration and evaluation expenditures (E&E):
Pre-license costs are recognized in the statement of operations and comprehensive loss as incurred. E & E costs, including the costs of acquiring undeveloped land and drilling costs are initially capitalized until the drilling of the well is complete and the results have been evaluated. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved or probable reserves are determined to exist. If proved and or probable reserves are found, the drilling costs and associated undeveloped land are transferred to property and equipment after completing an impairment assessment. The cost of undeveloped land that expires or any impairment of capitalized

3. Summary of Significant Accounting Policies - continued

E & E expenditures recognized during a period is charged to the statement of operations and comprehensive loss.

E & E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units ("CGU's").

Development and production assets:
Items of property and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The cost of development and production assets includes; transfers from exploration and evaluation assets, which generally include the cost to drill the well and the cost of the associated land upon determination of technical feasibility and commercial viability; the cost to complete and tie-in the wells; facility costs; the cost of recognizing provisions for future restoration and decommissioning; geological and geophysical costs; and directly attributable overheads.

Development and production assets are grouped into CGU's for impairment testing. The Company has grouped its exploration and evaluation assets into the following two CGU's: Alaska, USA and Orlando offshore (United Kingdom) as at June 30, 2011.

When significant parts of an item of property, and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in the statement of operations and comprehensive loss.

Subsequent costs:
Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in operating expenses as incurred.

Depletion and depreciation:
The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the period to the related estimate of recoverable reserves, taking into account estimated future development costs necessary to bring those reserves into production and the estimated salvage value of the assets at the end of their useful lives. Future development costs are estimated taking into account the level of development required to produce the reserves.

Recoverable reserves are estimated annually by independent qualified reserve evaluators and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. For interim financial statements internal estimates of changes in reserves and future development costs are used for determining depletion for the period.

Leased assets will be depreciated over the shorter of the lease term and their useful lives unless it

3. Summary of Significant Accounting Policies - continued

is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statement of operations and comprehensive loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the statement of operations and comprehensive loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and other intangible assets that have indefinite lives or that are not yet available for use an impairment test is completed annually. Exploration and evaluation assets are assessed for impairment when they are transferred to property and equipment, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell of oil and gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU.

Value in use is determined as the net present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and can only take into account approved future development costs. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices and expected production volumes. The latter takes into account assessments of field reservoir performance and includes expectations about proved and unproved volumes, which are risk-weighted utilizing geological, production, recovery and economic projections.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the CGU's that are expected to benefit from the synergies of the combination.

3. Summary of Significant Accounting Policies - continued

Exploration and evaluation assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (oil and natural gas interests in property and equipment).

An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in depletion and depreciation expense in the statement of operations and comprehensive loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date, if facts and circumstances indicate that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

Share based compensation:
The Company has established a share based compensation plan (the "Plan") comprised of a Stock Option Plan (refer to note 7 (c) for further details of the Plan). The Company uses the fair value method for valuing share based compensation. Under this method, the compensation cost attributed to stock options granted are measured at the fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of option or units that vest. Upon the settlement of the stock options the previously recognized value in contributed surplus is recorded as an increase to shareholders' capital.

Provisions:
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax "risk-free" rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning obligations:
The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of abandonment and site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation as at the reporting date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion (within finance expense) whereas increases/decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

Foreign currencies:
The functional currency for each entity is the currency of the primary economic environment in which it operates. Foreign currency denominated transactions are translated into the entity's functional currency as follows; monetary items denominated in foreign currencies are translated into its functional currency at the rates of exchange at the period end date. Non-monetary items are

3. Summary of Significant Accounting Policies - continued

translated to the functional currency at the historical exchange rate. Any gains or losses are recorded in the consolidated statement of net income (loss).

For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Canadian dollars. For the accounts of foreign operations, assets and liabilities are translated to Canadian dollars at rates prevailing at the period end date. Revenues and expenses are translated to Canadian dollars using the average rate over the period. Translation gains or losses relating to the foreign operations are included in the consolidated statement of comprehensive income (loss) and accumulated in shareholders' equity on the balance sheet.

Unearned revenue:
Unearned revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership transfer from the seller to the buyer. The significant risks relating to Trent and Tyne production have not transferred to the buyer as of June 30, 2011 (Note 5).

Income tax:
Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the statement of operations and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings per share:
Basic earnings per share is calculated by dividing the net earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the net earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted.

Future Changes in Accounting Policies:
As part of our transition to IFRS, we will adopt all IFRS accounting standards in effect on December 31, 2011.

The following standards and interpretations have not been adopted as they apply to future periods.

3. Summary of Significant Accounting Policies - continued

They may result in future changes to our existing accounting policies and other note disclosures. We are currently evaluating the impact that these standards will have on our results of operations and financial position:

IFRS 9 *Financial Instruments* – in November 2009, the International Accounting Standards Board (IASB) issued IFRS 9 to address classification and measurement of financial assets. In October 2010, the IASB revised the standard to include financial liabilities. The standard is required to be adopted for periods beginning January 1, 2013. Portions of the standard remain in development and the full impact of the standard will not be known until the project is complete.

IFRS 10 *Consolidated Financial Statements* – in May 2011, the IASB issued IFRS 10 which provides additional guidance to determine whether an investee should be consolidated. The guidance applies to all investees, including special purpose entities. The standard is required to be adopted for periods beginning January 1, 2013. We are evaluating the impact that this standard may have on our results of operations and financial position.

IFRS 11 *Joint Arrangements* – in May 2011, the IASB issued IFRS 11 which presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method. An entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. The standard is required to be adopted for periods beginning January 1, 2013. We are evaluating the impact that this standard may have on our results of operations and financial position.

IFRS 12 *Disclosure of Interests in Other Entities* – in May 2011, the IASB issued IFRS 12 which aggregates and amends disclosure requirements included within other standards. The standard requires a company to provide disclosures about subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is required to be adopted for periods beginning January 1, 2013. We are evaluating the impact that this standard may have on our results of operations and financial position.

IFRS 13 *Fair Value Measurement* – in May 2011, the IASB issued IFRS 13 to provide comprehensive guidance for instances where IFRS requires fair value to be used. The standard provides guidance on determining fair value and requires disclosures about those measurements. The standard is required to be adopted for periods beginning January 1, 2013. We are evaluating the impact that this standard may have on our results of operations and financial position.

IAS 1 Presentation of Items of Other Comprehensive Income – in June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to split items of other comprehensive income (OCI) between those that are reclassed to income and those that do not. The standard is required to be adopted for periods beginning on or after July 1, 2012. We are evaluating the impact that this standard may have on our results of operations and financial position.

IAS 19 Employee Benefits – in June 2011, the IASB issued amendments to IAS 19 to revise certain aspects of the accounting for pension plans and other benefits. The amendments eliminate the corridor method of accounting for defined benefit plans, change the recognition pattern of gains and losses, and require additional disclosures. The standard is required to be adopted for periods beginning on or after January 1, 2013. We are evaluating the impact that this standard may have on our results of operations and financial position.

4. Restricted Cash

(a) At December 31, 2010 and June 30, 2011, the Company had $52,007 of cash held as deposits for work commitment guarantees contained in exploration contracts in Alaska.

As of June 30, 2011, the Company had $500,510 of restricted cash relating to net production revenues from the Trent & Tyne properties which will be held in trust until the Company completes its drilling commitment (Note 5).

5. Exploration and Evaluation Assets

Balance, January 1, 2010	$	1,451,849
Additions		20,382
Balance, December 31, 2010		1,472,231
Additions		7,024,599
Effect of changes in exchange rate		(98,240)
Balance June 30, 2011	$	8,398,590

The Company's exploration and evaluation assets consist entirely of costs pertaining to the Alaska, USA and Orlando offshore (United Kingdom) licenses. During the first quarter of 2011 no costs were considered to be impaired, however, the areas have not yet determined to be technically feasible and commercially viable. During three and six month periods ended June 30, 2011, the Company expensed $171,222 and $364,443, respectively (2010 - $154,610 and $154,610) related to pre-license costs.

On March 14, 2011, the Company acquired a 35% working interest in the non-producing Orlando lease located in the United Kingdom via the payment of US$3.0 million and assumption of a US$11 million work commitment (Note 9).

On May 27, 2011, the Company closed the Trent & Tyne field cost-capped work commitment of $32,851,520 (£21,200,000) with Iona earning a 20% non-operated working interest in the field upon the completion of the work commitment by Iona. Also, Iona shall assume its share of related Trent and Tyne field decommissioning liabilities upon completion of the work commitment. The effective date of the transaction is September 1, 2010. The net production from the effective date of September 1, 2010 until completion of the work commitment by Iona will be paid to Iona by the operator upon completion of the work commitment. As of June 30, 2011, net production revenue and related value added tax of $500,300 is being held in trust by the Company's United Kingdom legal counsel and has been deferred and included in accounts payable and accrued liabilities.

The primary segment reporting format has been determined to be the geographical segments according to the location of the asset. The Company has one class of business, being the exploration for, and development of, oil and gas reserves. There are two geographical reporting segments.

		United Kingdom		United States		Consolidated
E&E assets as at June 30, 2011	$	7,036,873	$	1,361,718	$	8,398,591
E&E assets as at December 31, 2010	$	Nil	$	1,472,231	$	1,472,231
E&E assets as at January 1, 2010	$	Nil	$	1,451,849	$	1,451,849
E&E additions for the three months ended June 30, 2011	$	7,024,599	$	Nil	$	7,024,599
E&E additions for the three months ended June 30, 2010	$	Nil		$8,730	$	8,730

6. Property and Equipment

Balance, January 1, 2010	$	-
Additions		-
Balance, December 31, 2010		-
Additions		7,527
Depreciation		(1,274)
Balance June 30, 2011	$	6,253

All of the Company's property and equipment consists of office equipment and is located in the United Kingdom.

7. Share Capital

(a) Authorized
Unlimited number of Common Shares without nominal or par value
Unlimited number of Preferred shares, issuable in series

(b) Issued

	2011			2010		
Common shares	**Shares**		**Amounts**	Shares		Amounts
Opening balance	**22,575,065**	**$**	**3,751,129**	9,145,105	$	1,119,035
Issued for cash *(i)*	**-**		**-**	9,085,491		1,998,808
Issued to settle debts and accounts payable *(ii)*	**-**		**-**	4,344,469		868,894
Conversion of subscription receipts net of issue costs *(iv)*	**116,485,090**		**65,060,428**	-		-
Issued on Northern amalgamation (Note 1)	**1,800,411**		**1,080,246**	-		-
Share issue costs	**-**		**-**	-		(235,608)
Balance end of period	**140,860,566**	**$**	**69,891,803**	22,575,065	$	3,751,129
Warrants						
Opening balance	**264,500**	**$**	**29,095**	-	$	-
Issued pursuant to a private placement *(iii)*	**-**		**-**	264,500		29,095
Balance end of period	**264,500**	**$**	**29,095**	264,500	$	29,095
Subscription Receipts						
Opening balance	**-**	**$**	**-**	-	$	-
Issued *(iv)*	**116,485,090**		**69,891,054**	-		-
Share issue costs	**-**		**(4,830,626)**	-		-
Converted into common shares *(iv)*	**(116,485,090)**		**(65,060,428)**	-		-
	-		**-**	-		-
		$	**69,920,898**		$	3,780,224

(i) *During 2010 the Company issued 9,085,491 shares pursuant to private placements at a price of $0.22 per share for gross proceeds of $1,998,808.*

(ii) *During the year ended December 31, 2010 the Company settled amounts owing to consultants of the Company by issuing 4,344,469 common shares for services rendered.*

(iii) *The Company also issued 264,500 warrants to brokers who assisted with the private placements in 2010. The warrants are exercisable into a common share of the Company at a strike price of $0.22 per warrant and expire in 2013. The warrants were valued at $29,095 using the Black Scholes option pricing model, recorded as a share issuance costs with the following assumptions: dividend yield – Nil, expected volatility 75%, risk free rate of return 1.53%, weighted average life – 3 years, for future rate – Nil.*

(iv) *On March 10, 2011, the Company entered into a Subscription Receipt Agreement (the "Agreement") to issue 116,485,090 subscription receipts for $69,891,054 less $4,830,626 of share issue costs, which were converted into common shares in conjunction with the Company completing its initial public offering. Under the terms of the Agreement, each subscription receipt will entitle the holder to 1 common share and 0.2 liquidity*

7. Share Capital - continued

warrants (assuming certain conditions are not met) where each liquidity warrant entitles the holder to receive 1 common share if the Corporation does not complete a going public transaction by June 30, 2011. Pursuant to the Agreement, $23,000,000 (net of share issue costs) was released and 38,333,333 subscription receipts were automatically converted into common shares upon closing of the acquisition of certain exploration rights in the North Sea (Note 5 - the non-producing Orlando lease) on March 10, 2011 with the remainder being released on May 31, 2011 and 78,151,757 subscription receipts being converted into common shares with the successful closing of the Trent and Tyne transaction (Note 5). The liquidity rights expired as a result of the closing of the Northern transaction (Note1).

(v) Effective August 5, 2010 the Directors of the Company passed a resolution to consolidate the Company's 27,679,147 issued and outstanding common shares on a 2 for 1 basis. These financial statements and related discussions reflect the rollback on a retroactive basis.

(c) Stock options

The Company has a stock option plan, approved by its Board of Directors on May 27, 2011, that provides for the issuance to its directors, officers, employees and consultants options to purchase from treasury a number of common shares not exceeding 10% of the common shares that are outstanding from time to time which is the number of shares reserved for issuance under the plan. The options are non-transferable if not exercised. The exercise price is based on the Company's common shares prior to the day of the grant, which may be different from the closing price of such shares on the day of grant for options granted to date. The options under the plan vest as follows: ¼ immediately and ¼ vesting on the first, second and third anniversary dates. A summary of the status of the Company's stock option plan as at June 30, 2011 and December 31, 2010 and changes during the respective periods ended on those dates is presented below.

	June 30, 2011			December 31, 2010		
Stock Options	**Number of options**		**Weighted average Exercise Price**	Number of Options		Weighted average exercise price
Beginning of period	**-**	**$**	**-**	-	$	-
Granted	**9,550,000**	**$**	**0.60**	-	$	-
Exercised	**-**	**$**	**-**	-	$	-
Forfeited	**-**	**$**	**-**	-	$	-
End of period	**9,550,000**	**$**	**0.60**	-	$	-
Exercisable, end of period	**2,387,500**	**$**	**0.60**	-	$	-

Date of Grant	**Number Outstanding**	**Exercise Price**	**Weighted Average Remaining Contractual Life**	**Date of Expiry**	**Number Exercisable June 30, 2011**
May 31, 2011	9,550,000	$0.60	4.98 years	May 31, 2016	2,387,500

The fair value of the options granted during the period was $0.31/option and was determined using Black Scholes model and the following assumptions: dividend yield – Nil, expected volatility 75%, risk free rate – 3.5%, expected life – five years and estimated forfeiture rate – 5%. The volatility was determined via a peer comparison due to the Company's limited trading history.

(d) Escrowed shares

Pursuant to an Escrow Agreement, all of the 14,000,785 common shares held by "principals" prior to the Northern transaction, were deposited in trust and held in escrow. 10% of these shares were released on May 27, 2011 upon completion of the Northern transaction and 15% will be released on each six month anniversary of that date. The Company has 12,600,707 common shares remaining in escrow on June 30, 2011.

8. Related Party Transactions

Except as disclosed elsewhere in these financial statements the Company had the following related party transactions:

(a) During the three and six month periods ended June 30, 2011, the Company was charged $166,162 (2010 - $Nil) and $439,564 (2010 - $Nil), respectively in legal fees of which $98,000 related to share issuance costs by a law firm where a director of the Company is a partner, of which $260,573 is included in accounts payable and accrued liabilities as at June 30, 2011.

(b) During the year ended December 31, 2010, $98,508 was loaned to an officer of the Company to purchase shares and included in accounts receivable. The amount was collected during the current period.

Except as disclosed all related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties.

9. Commitments and Contingencies

Based on management's best estimate, the Company has the following contractual obligations:

	As at June 30, 2011				
	Payments Due in Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
U.S. Segment					
Exploration leases	**88,869**	11,109	22,217	22,217	33,326
UK Segment					
Drilling, completion, facility construction	**43,500,675**	43,500,675	-	-	-
Seismic	**24,108**	24,108	-	-	-
Total UK Segment	**$ 43,524,783**	$ 43,524,783	$ -	$ -	$ -
Contractual Obligations	**$ 43,613,652**	$ 43,535,892	$ 22,217	$ 22,217	$ 33,326

10. Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to, credit, and foreign exchange risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Commodity Price Risk
The Company will be subject to commodity price risk for the sale of its production. The Company may enter into contracts for risk management purposes only, in order to protect a portion of its future cash flow from the volatility of petroleum commodity prices. To date the Company has no production and has not entered into any forward commodity contracts.

10. Financial Instruments - continued

(b) Credit Risk
Credit risk is the risk that arises when a party to a financial instrument will be unable to discharge its obligations as they become due. The Company's financial assets exposed to credit risk are cash, restricted cash, accounts receivable, and cash calls. Cash is placed with major financial institutions. Cash calls are generated from conducting joint capital operations with joint venture partners and at June 30, 2011 are due to activities relating to the Company's Orlando offshore (United Kingdom) licenses. The maximum exposure to credit risk is approximate to the carrying value of such financial instruments.

(c) Interest Risk
Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company currently does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations.

Assuming all other variables remain constant, a 1% increase or decrease in interest rates would have impacted the cash flows of the Company for the three and six month periods ended June 30, 2011 by approximately $130,000 and $260,000, respectively (2010 - $230 and $115).

(d) Foreign Currency Exchange Risk
The Company operates on an international basis and therefore foreign exchange risk exposures arise from transactions denominated in currency other than the Canadian Dollar. The Company is exposed to foreign currency fluctuations as it holds cash and incurs expenditures in property and equipment in foreign currencies. The Company incurs expenditures in Pound sterling, Euros, United States dollars and Canadian dollars and is exposed to fluctuations in exchange rates in these currencies. There are no exchange rate contracts in place as at or during the period ended June 30, 2011, December 31, 2010, or thereafter.

Assuming all other variables remain constant, a 1% increase or decrease in foreign exchange rates on the foreign cash and restricted cash balances at June 30, 2011 would have impacted the income of the Company for the three and six months periods ended June 30, 2011 by approximately $233,353 and $411,912, respectively (2010 - $Nil and $Nil).

In addition at June 30, 2011, the Company held approximately $350,561 (£225,800) of accounts payable in Pound Sterling. Assuming all other variables remain constant, a 1% increase or decrease in foreign exchange rates as at June 30, 2011 would impact the income of the Company for the three and six months periods ended June 30, 2011 by approximately $1,357 and $3,500 respectively (2010 - $Nil and $Nil).

(e) Fair Value of Financial Instrument
The Company classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instruments.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 2 – Valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

10. Financial Instruments - continued

- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

All financial assets are classified as loans and receivables and are accounted for on an amortized cost basis. All financial liabilities are classified as other liabilities. There have been no changes to the aforementioned classifications during the period ended June 30, 2011.

(f) Liquidity Risk
Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset.

The Company's operating cash requirements including amounts projected to complete the Company's existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to, oil production from existing wells, results from new wells drilled, commodity prices, cost overruns on capital projects and regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing.

11. Capital Risk Management

The Company manages its capital with the objective to continue as a going concern, create investor confidence, and meet its capital commitments and to strengthen its working capital position. The capital structure of the Company is primarily composed of shareholders' equity. The Company's strategy is to access capital, primarily through equity issuances, in order to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Company manages its capital structure and makes adjustments relative to changes in economic conditions and the Company's risk profile.

In order to maintain the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current working capital levels. Bank debt may be added in future periods. The Company is not currently subject to any externally imposed covenants.

The Company's capital includes the following:

	June 30, 2011	December 31, 2010
Shareholder's equity	**$ 65,020,417**	$ 2,734,896

12. Transition to IFRS

Iona's accounting policies under IFRS differ from those followed under previous GAAP as described in note 3. These accounting policies have been applied on the transition date, January 1, 2010 and as of December 31, 2010, the comparative information for the three and six months ended June 30, 2010 and the comparative information for the year ended December 31, 2010.

The adjustments arising from the application of IFRS to amounts on the statement of financial position on the transition date and on transactions prior to that date, were recognized as an

12. Transition to IFRS - continued

adjustment to the Company's opening deficit category on the statement of financial position when appropriate.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which Iona began applying IFRS was January 1, 2010 (the "transition date"). IFRS 1 requires that a first time adopter use the same accounting policies in its opening IFRS balance sheet and for all subsequent periods presented in its first IFRS financial statements. The adoption of IFRS includes full retrospective application of all IFRS standards which are effective at the end of its first IFRS reporting period, which for Iona will be December 31, 2011. In order to facilitate an effective adoption of IFRS there are a number of discretionary exemptions as well as mandatory exemptions from retrospective application of a number of IFRS standards. The exemptions used were:

Mandatory exemption with respect to estimates – Hindsight was not used to create or revise estimates. The estimates previously made by the Company under previous GAAP were not revised for the application of IFRS.

Full Cost Accounting – IFRS 1 allows an entity that used full cost accounting under its previous GAAP to elect, at the time of adoption to IFRS, to measure oil and gas assets in the development and production phases by allocating the amount determined under the entity's previous GAAP for those assets to the underlying assets pro rata using costs incurred as of January 1, 2010 to allocate the costs of exploration and evaluation assets to CGUs.

The following provides summary reconciliations of Iona's Statement of Financial Position under Canadian GAAP and IFRS to illustrate the impact on adoption. Due to the limited activity and only one IFRS transition adjustment as discussed in footnote (a), the statement of operations and comprehensive loss for the three and six month periods ended June 30, 2010 was increased by $154,561 and $154,561, respectively, to expense costs that that were previously capitalized under previous GAAP. This adjustment of $154,561 also resulted in an increase to cash flows used in operating activities and a corresponding decrease to cash flows used in investing activities in the statement of cash flows for the three and six months ended June 30, 2010.

12. Transition to IFRS - continued

IFRS Opening Statement of Financial Position (Reconciliation of Equity) as at January 1, 2010:

As at January 1, 2010	Previous Canadian GAAP	Effect of Transition to IFRS	Note	IFRS
Assets				
Current				
Cash	$ 64,539			$ 64,539
Accounts receivable	-			-
Prepaid expenses and other	-			-
	64,539			64,539
Restricted cash	52,007			52,007
Exploration and evaluation assets	-	1,451,849	(a)	1,451,849
Property and equipment	1,451,849	(1,451,849)	(a)	-
	1,568,395	-		1,568,395
Liabilities				
Current				
Accounts payable and accrued liabilities	192,364			192,364
Shareholders' Equity				
Share capital	1,635,743			1,635,743
Deficit	(259,712)			(259,712)
	1,376,031			1,376,031
	$ 1,568,395	-		$ 1,568,395

12. Transition to IFRS - continued

Statement of Financial Position (Reconciliation of Equity) as at June 30, 2010:

As at June 30, 2010		Previous Canadian GAAP	Effect of Transition to IFRS	Note		IFRS
Assets						
Current						
Cash	$	45,991			$	45,991
Accounts receivable		-				-
Prepaid expenses and other		-				-
		45,991				45,991
Restricted cash		52,007				52,007
Exploration and evaluation assets		-	1,460,711	(a)		1,460,711
Property and equipment		1,615,272	(1,615,272)	(a)		-
		1,713,271	-			1,558,709
Liabilities						
Current						
Accounts payable and accrued liabilities		64,060				64,060
Shareholders' Equity						
Share capital		1,987,915				1,987,915
Deficit		(338,704)	(154,561)	(a)		(493,265)
		1,649,211				1,494,649
	$	1,713,271	-		$	1,558,709

12. Transition to IFRS - continued

Statement of Financial Position (Reconciliation of Equity) as at December 31, 2010:

As at December 31, 2010	Previous Canadian GAAP	Effect of Transition to IFRS	Note	IFRS
Assets				
Current				
Cash	$ 1,155,386			$ 1,155,386
Accounts receivable	280,008			280,008
Prepaid expenses and other	18,402			18,402
	1,453,796			1,453,796
Restricted cash	52,007			52,007
Exploration and evaluation assets	-	1,472,232	(a)	1,472,232
Property and equipment	1,895,783	(1,895,783)	(a)	-
	3,401,586	-		2,978,035
Liabilities				
Current				
Accounts payable and accrued liabilities	243,138			243,138
Shareholders' Equity				
Share capital	3,780,224			3,780,224
Deficit	(621,776)	(423,551)	(a)	(1,045,327)
	3,158,448			2,734,897
	$ 3,401,586	-		$ 2,978,035

(a) IFRS 1 election for full cost oil and gas entities: The Company elected to use an IFRS 1 exemption whereby the previous GAAP full cost pool was used to measure exploration and evaluation assets and development and production assets on transition to IFRS with the transfer of $1,451,849 at January 1, 2010, $1,460,711 at June 30, 2010 and $1,472,232 at December 31, 2010 to the exploration and evaluation assets which have been reclassified from the property, and equipment full cost pool to intangible exploration assets at the amount that was recorded under previous GAAP. In the six month period ended June 30, 2010 and the year ended December 31, 2010, $154,561 and $423,551, respectively, was expensed as it related to pre-license costs.