Iona Energy Inc.
Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of Iona Energy Inc. ("Iona" or "the Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Interim Condensed Financial Statements and comparative information that have been prepared in accordance with IFRS 1, *first time adoption of IFRS*, and International Accounting Standard 34, *Interim Financial Statements,* and the Joint Information Circular and Proxy Statement relating to the proposed amalgamation of Northern Lights Acquisition Corp. and Iona dated April 30, 2011 available on Sedar. The Company adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Previously, Iona prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Company has provided IFRS accounting policies and prepared reconciliations between Canadian GAAP and IFRS in Notes 3 and 12 of its September 30, 2011 Interim Condensed Financial Statements. Further information on the IFRS impacts is provided in the Change in Accounting Policies Section of this MD&A.

This MD&A is dated November 25, 2011. All currency amounts are expressed in Canadian Dollars ("$") unless otherwise stated.

Statements throughout this MD&A that are not historical facts may be considered "forward-looking statements." These forward-looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company's objectives, goals or future plans are forward-looking statements. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties and actual results could differ materially from those currently anticipated. These risks and uncertainties include, but are not limited to, changes in market conditions, law or government policy, operating conditions and costs, operating performance, demand for oil and gas and related products, price and exchange rate fluctuations, commercial negotiations or other technical and economic factors. Forward-looking statements are based on current expectations, estimates and projections of future production and capital spending as at the date of this MD&A and the Company assumes no obligation to update or revise forward-looking statements to reflect new events or circumstances, except as required by law.

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed course of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Formation of the Company

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

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.

Business of the Company

Iona is an oil and natural gas acquisition, appraisal, and development corporation active through its 100% wholly owned United Kingdom subsidiary Iona Energy Company (UK) Ltd. in the United Kingdom's Continental Shelf ("UKCS"). On May 27, 2011, Iona and Northern Lights Acquisition Corporation amalgamated to form Iona Energy Inc. with the Company's shares listing for trading on the TSX Venture Exchange on September 8, 2011 under the symbol "INA."

In early 2008, Iona (through its subsidiary, Iona Energy Company (US) Limited participated in Alaska's offshore land sale 193 and was successful in acquiring Block 6767 located within the Chukchi Sea. The block, owned 100% by Iona, is proximal to the Burger Gas Discovery currently held under license by Shell. Iona maintains a work program on the block through license rental and a security treasury bond of $52,000 lodged with the regulatory body.

On March 31, 2010, Iona was awarded two offshore exploration blocks in the UK¹s 25th Seaward Licensing Round. Blocks 112/13 &14 are owned 100% by Iona Energy Company (UK) Limited and lie within the East Irish Sea and are held under a Promote License through to 2014. The work program includes an obligation to obtain the existing seismic within the blocks and to elect to a well commitment if the Company wishes to convert the Promote License to a traditional license in 2012. The Company's portion of license rentals are less than $10,000 USD per annum.

Over the last year, the Company has continued its efforts to acquire strategically aligned assets for its UK portfolio. Iona seeks low-cost, proven undeveloped acquisition targets that are proximate to infrastructure willing and able to accept its production, and where sub-sea tiebacks can be utilized. Employing this strategy facilitates the Company's pursuit of profitable oil and gas production through the effective management of finding and development costs, initial capital expenditure, and lower long-term per barrel operating expenditure and tariffs. To date in 2011, the Company closed the following two transactions:

Orlando – A proven undeveloped oil discovery

In December 2010, the Company signed a Sale and Purchase Agreement with Wintershall (E&P) Limited ("Wintershall") to acquire their entire 35% equity interest in UKCS License P1606, Block 3/3b (An oil discovery referred to as "Orlando" located in the North Viking Graben area of the UK North Sea) with the transaction closing on March 14, 2011. The consideration payable to Wintershall for the Orlando acquisition is USD$3,000,000 and the Company will fund the respective commitment well to the extent of 42.5% (approximately USD$11,050,000) to earn a 35% equity interest. The Orlando drilling program is operated by MPX North Sea Limited (with a 30% working interest) with Iona and Sorgenia E&P (UK) Ltd. as partners (each with a 35% working interest).

The Company engaged Gaffney, Cline & Associates Ltd. ("GCA"), an independent reserve auditor of oil and gas resources, to provide a reserve audit and production estimate on the Orlando asset (the "GCA Reserve Report"). The GCA Reserves Report estimates proven reserves net to Iona of 2.8 MMbbls ("1P"), proven plus probable reserves of 4.1 MMbbls ("2P"), and proven plus probable plus possible reserves of 6.2 MMbbls ("3P"). Drilling activities on Orlando are underway. Production processing is planned for CNRL International's Ninian platform, where a per-barrel tariff has been negotiated at USD $5.50/bbl.

The Company spudded the Orlando appraisal well, 3/3b-13, on November 2, 2011. The semi-submersible drilling rig Awilco WilHunter is anticipated to be on location for approximately 45 days, drilling a deviated well which will be suspended for a future re-entry and conversion to a producing well once the Orlando development commences. The total depth is anticipated to be 14,245 feet or approximately 12,000 feet vertically. The well is targeting a producing Brent horizon that flowed at 2,800 barrels of oil per day in the discovery well 3/3b-11.

Trent & Tyne gas production

In November 2010, the Company signed a Letter of Intent with Perenco UK Limited ("Perenco") regarding Iona's acquisition of a 20% working interest in two producing UK Southern North Sea gas fields, the Trent Field (Block 43/24 - License P685) and the Tyne Field (Block 44/18 - License P609) (herein referred to as "Trent & Tyne") with the transaction closing on May 31, 2011. Pursuant to the agreement, Iona committed to fund up to GBP£21,200,000 for the drilling of a production well on the Tyne Field. The planned work program is comprised of a re-entry into the existing T5 well and sidetrack to an up-dip location (the "T5

Sidetrack Well"), intended by Perenco to be drilled in 2012. The Company's financial exposure will be cost-capped such that, in the event the T5 Sidetrack Well exceeds the GBP£21,200,000, any additional costs related to the well will be borne 100% by Perenco. Additionally, with respect to an area known as Tyne North West, Iona will have the option to increase its working interest in Trent & Tyne by a further 17.5% (37.5% in total), by committing to fund the drilling of a second well with Perenco as Operator. Again, this drilling program is cost-capped to Iona at GBP£24,650,000, such that any cost overrun beyond this amount will be borne 100% by Perenco.

As with Orlando, the Company contracted GCA to assess Trent & Tyne's reserve base and production profile. GCA's Reserve Report estimates 1P reserves of 6.1Bcf, 2P reserves of 24.4 Bcf, and 3P reserves of 37.3Bcf, net to Iona. Furthermore, with the successful completion of Tyne North West, a 2C contingent resource, GCA projects 19.6Bcf will be added to the Company's net recoverable reserves.

The Trent & Tyne agreement with Perenco is dated effective September 1, 2010, therefore Iona will receive production revenue and pay its share of production related costs associated with approximately 4MMscfd of net gas production as a result of its 20% working interest. The Company anticipates drilling the "T5 Sidetrack Well" during the second quarter of 2012, initially increasing Iona's net Trent & Tyne production to 8MMscfd (20% WI), and furthering this to 14.2MMscfd (37.5% WI) with their commitment to drill Tyne North West. A successful completion of Tyne North West, which the Company hopes to drill and tie back by the first quarter of 2013, has the potential to increase production by an incremental 11MMscfd.

Staffa – Redevelopment of a proven field

Subsequent to the quarter ending, the Company signed a Sale and Purchase Agreement with Fairfield Cedrus Ltd., for a 100% interest in U.K. block 3/8d containing the Staffa oil field. The transaction is subject to approval of the U.K's Department of Energy and Climate Change (DECC).

Under the terms of the agreement, Iona shall reimburse Fairfield in cash for pre-development expenditures related to the Staffa oil field including, but not limited to, cash deposits on subsea wellheads, production trees and associated equipment, a pipeline route survey, an advanced field development plan (FDP), predevelopment engineering studies, and reservoir optimization modelling and engineering. These expenditures have been determined at GBP£5,372,358. In addition, upon FDP approval by DECC, Iona shall make a cash payment of USD$5,000,000 to Fairfield and pay a net royalty of USD$2.50 per barrel of production commencing upon first oil from Staffa.

The Staffa oil field is located in block 3/8d in the U.K. North Sea and lies approximately 14 kilometres southeast of the producing Ninian Central platform. The Staffa field also lies due south of the Orlando oil discovery within block 3/3b in which a 35% working interest is held by Iona. The Staffa field is a three-way fault closed structure approximately four km long by two km wide and has a 489-foot (true vertical thickness) oil column in the Upper Brent sandstone reservoirs. The Staffa field produced at rates of between 10,000 and 5,800 barrels of oil per day (bopd) between the years 1992 and 1994 and ceased production when the Brent crude oil price was approximately $13 to $15 per barrel.

West Wick – Oil Discovery

On April 15th, 2011, Iona Energy Company (UK) Limited entered into an option agreement with Venture North Sea Oil Limited ("Venture") for the right by Iona Energy Company (UK) Limited to purchase a 58.73016% working interest in an oil discovery contained in UK Block 13/21a. Pursuant to the original agreement, Iona Energy Company (UK) Limited paid a non-refundable deposit of US$3,150,000 to Venture and had until October 31st, 2011 to give notice of its intent to deliver additional monetary consideration to Venture in order to complete the purchase. On October 31st, 2011, Iona requested and was granted an extension until December 31st, 2011 to give notice of its intent to close. If Iona Energy Company (UK) Limited delivers notice to Venture by December 31st, 2011, the transaction remains subject to other conditions precedent, including the payment of the full purchase price and approval of DECC to the transaction. If Iona Energy Company (UK) Limited does not deliver the notice by December 31st, 2011, the agreement will terminate without further obligation to either party in accordance with its terms.

The Company is currently reviewing its portfolio of assets, both in terms of managing its forward risks and as a means of realizing value to fund ongoing appraisal and development. The review may result in farm-outs, project financing or divestitures of certain assets.

General and Administrative

General and administrative	For the three months ended September 30, **2011**	2010	For the nine months ended September 30, **2011**	2010
Consulting fees / wages	**335,651**	2,552	**775,825**	70,117
Professional fees	**13,695**	19,157	**546,771**	19,157
Stock option expense	**338,203**	-	**1,353,873**	-
Bank charges	**1,854**	727	**4,009**	934
Office and other	**40,832**	2,153	**113,296**	7,899
Travel	**101,983**	5,467	**313,005**	9,660
NLAC acquisition charge	**-**	-	**525,341**	-
Other	**27,393**	678	**123,523**	1,928
Total	**$859,611**	$30,734	**$3,755,643**	$109,695

General and administrative costs for the first three and nine month periods ended September 30, 2011 has increased compared to the comparative periods of 2010 as a result of professional costs with respect to increased operations, the Company's public listing on the TSX Venture Exchange, financing, option grants and a one-time charge related to the NLAC acquisition. Costs will continue to increase as the Company continues to staff up its operations.

The stock option charge represents the fair value of the Company's stock options amortized over the respective vesting period via the graded vesting method. Options granted under the current plan vest as follows: ¼ immediately and ¼ vesting on the first, second and third anniversary dates. All unvested options vest upon the change of control of the Company. The options are non-transferable. The minimum exercise price is based on trading price of the Company's common shares on the date prior to the day of the grant less any applicable discount permitted by the TSX Venture Exchange. The future expense will vary as it is dependent on the number and vesting provisions of future stock option grants.

During the three and nine month periods ended September 30, 2011, the Company was charged $14,725 and $454,289, 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. Included in accounts payable and accrued liabilities as at September 30, 2011 is $149,995 related to the legal fees incurred. The related party transactions are in the normal course of operations and measured at exchange amounts which are incurred under the same terms or conditions with other third parties.

Exploration and Evaluation

During the three and nine month periods ended September 30, 2011, $11,375,168 and $18,399,767, respectively of exploration and evaluation assets were capitalized. Details of the Company's properties (Orlando and Trent & Tyne) have previously been discussed under the heading *Development of Business.* The costs incurred in the current quarter relate to the commencement of construction of two production subsea trees, one for the Orlando project and one for potential use on the Orlando field or other development candidates and preliminary costs for the drilling of the Orlando appraisal well in 3/3b with the well being spud on November 2nd. A semi-submersible drilling rig is anticipated to be on location for approximately 45 days, drilling a deviated well which will be suspended for a future re-entry and conversion to a producing well once the Orlando development commences. The total depth is anticipated to be 14,245 feet or approximately 12,000 feet vertically with an estimated net cost of $11,427,900 (US$11,000,000) to Iona. The well is targeting a producing Brent horizon that flowed at 2,800 barrels of oil per day in the discovery well 3/3b-11.

As at September 30, 2011 and as of the date of this MD&A no costs are considered to be impaired, however, the areas have not yet determined to be technically feasible and commercially viable.

During the three and nine month periods ended September 30, 2011, $31,360 and $395,803 respectively of pre-license costs were incurred of which $193,221 of costs were incurred with respect to the Orlando and Trent & Tyne property acquisitions in the first three month of 2011.

Foreign exchange

A portion of the Company's working capital is denominated in British Pound Sterling and US dollars. The fluctuating exchange rate between these currencies and the Canadian dollar created exchange gains and losses during the period. During the three and nine months ended September 30, 2011 the Company experienced a foreign exchange loss of $272,933 and $107,692 (2010 losses of $835 and $835 for the respective three and nine month periods). The gains are primarily a result of the strengthening of the Canadian dollar against the other currencies.

Income Taxes

Presently the Company does not expect to pay current taxes into the foreseeable future based on existing tax pools, planned capital activities and current forecasts of taxable income. However, the current tax horizon will ultimately depend on several factors including commodity prices, future production, corporate expenses, and both the type and amount of capital expenditures incurred during future reporting periods.

Liquidity and Capital Resources

As at September 30, 2011, Iona has a working capital surplus of approximately $45.7 million. The Company considers itself to be in the development stage, as it is in the process of exploring its petroleum and natural gas licenses and has not yet determined whether they contain reserves that are economically recoverable. The success of the Company's exploration and development of its petroleum and natural gas licenses will be influenced by significant financial risks, legal and political risks, fluctuations in commodity prices and currency exchange rates, varying levels of taxation and the ability of the Company to discover economically recoverable reserves and to bring such reserves into production on an economic basis. The Company will be required to obtain additional financing to develop its properties. While the Company seeks to manage these risks, many of these factors are beyond its control. The Company presently does not have a loan facility available. Although management's efforts to raise capital and complete accretive asset acquisition have been successful in past endeavors, there is no certainty that they will be able to do so in the future. Iona will endeavor to use equity issues to fund its near term exploration program.

The Company has the following contractual obligations as at September 30, 2011.

	As at September 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

Financial Instruments

Crude oil and natural gas operations involve certain risks and uncertainties. These risks include, but are not limited to, commodity prices, foreign exchange rates, credit, operational and safety.

Operational risks are managed through a comprehensive insurance program designed to protect the Company from significant losses arising from risk exposures. Risks associated with commodity prices, interest and exchange rates are generally beyond the control of the Company; however, various hedging products may be considered to reduce the volatility in these areas.

Safety and environmental risks are addressed by compliance with government regulations as well as adoption and compliance of the Company's safety and environmental standards policy.

The Company is exposed to concentration of credit risk as substantially all of the Company's accounts receivable will be with joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company mitigates this risk by entering into transactions with long-standing, reputable counterparts and partners. If significant amounts of capital are to be spent on behalf of a joint venture partner, the partner is "cash called" in advance of the capital spending taking place.

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 September 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 September 30, 2011 would have impacted the income of the Company for the three and nine months periods ended September 30, 2011 by approximately $360,722 and $360,712, respectively (2010 - $Nil and $Nil). In addition at September 30, 2011, the Company held approximately $1,682,535 (£1,036,363) of accounts payable in Pound Sterling. Assuming all other variables remain constant, a 1% increase or decrease in foreign exchange rates as at September 30, 2011 would impact the income of the Company for the three and nine months periods ended September 30, 2011 by approximately $16,374 and $16,375 respectively (2010 - $Nil and $Nil).

Outstanding Share Data

The Company has authorized an unlimited number of Common shares, without nominal or par value and unlimited number of Preferred shares, issuable in series. The Company currently has 140,860,566 Common shares outstanding. The following details the share capital structure as of the date of this MD&A.

	Expiry Date	Exercise Price	Total Number
Common shares			140,860,566
Warrants	August 12, 2013	$0.22	137,300
	September 13, 2013	$0.22	127,200
Options	May 31, 2015	$0.60	9,550,000

Summary of Quarterly Results

($ thousands, except per share amounts)	Three months ended September 30, 2011	Three months ended June 30, 2011	Three months ended March 31, 2011	Three months ended December 31, 2010
Net earnings (loss)	(607)	(2,694)	(725)	(22)
Net and comprehensive income (loss)	1,892	(4,028)	(842)	-
Net capital expenditures (recovery)	11,992	2,854	3,648	-
Working capital surplus (deficiency)	45,709	56,063	17,372	1,211
Total assets	69,450	66,320	68,652	2,978

($ thousands, except per share amounts)	Three months ended September 30, 2010	Three months ended June 30, 2010	Three months ended March 31, 2010
Net earnings (loss)	(106)	(216)	(18)
Net and comprehensive income (loss)	-	-	-
Net capital expenditures (recovery)	12	-	8
Working capital surplus (deficiency)	1,439	(18)	(224)
Total assets	3,066	1,559	1,636

The increase in operations commencing in the first three quarters of 2011 is due to the completion of the $69 million financing in March, which allowed the Company to complete the Orlando and Trent & Tyne acquisitions and expand operations.

The increase in capital expenditures in the current quarter is primarily related to the preparation of the drilling of the Orlando well.

The decrease in the loss for the three month period ended September 30, 2011 compared to June 30, 2011 is primarily due to $1,015,670 of stock option expense and a one-time charge of $525,341 related to the NLAC transaction incurred in the 2nd quarter.

Quarterly information is not available other than aforementioned information disclosed, as the Company is a private Corporation whose shares are not listed for trading on a stock exchange.

Critical Accounting Estimates

A summary of the Company's significant accounting policies is contained in note 2 to the condensed unaudited consolidated financial statements. These accounting policies are subject to estimates and key judgements about future events, many of which are beyond Iona's control. The following is a discussion of the accounting estimates that are critical to the financial statements.

Crude oil and natural gas assets - reserves estimates
Iona will retain a qualified engineer to evaluate its crude oil and natural gas reserves, prepare an evaluation report, and report to the Reserves Committee of the Board of Directors. The process of estimating crude oil and natural gas reserves is subjective and involves a significant number of decisions and assumptions in evaluating available geological, geophysical, engineering and economic data. These estimates will change over time as additional data from ongoing development and production activities becomes available and as economic conditions affecting crude oil and natural gas prices and costs change. Reserves can be classified as proved, probable or possible with decreasing levels of likelihood that the reserves will be ultimately produced.

Reserve estimates will be a key input to the Company's depletion calculations and impairment tests. Property, plant and equipment within each area will be depleted using the unit-of-production method based on proved reserves using estimated future prices and costs. In addition, the costs subject to depletion include an estimate of future costs to be incurred in developing proved reserves. A revision in reserve estimates or future development costs could result in the recognition of higher depletion charged to net income.

Under the IFRS, the carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the estimated recoverable amount is calculated. 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 (the “cash-generating unit” or “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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. E&E assets are allocated to the related CGU“s to assess 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, plant and equipment). An impairment loss is recognized in income if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Reserve, revenue, royalty and operating cost estimates and the timing of future cash flows are all critical components of the impairment test. Revisions of these estimates could result in a write-down of the carrying amount of crude oil and natural gas properties.

Decommissioning liabilities
The Company will recognize the estimated fair value of the decommission liability in the period in which it is incurred, and records a corresponding increase in the carrying value of the related asset. The future asset retirement obligation is an estimate based on the Company’s ownership interest in wells and facilities and reflects estimated costs to complete the abandonment and reclamation as well as the estimated timing of the costs to be incurred in future periods. Estimates of the costs associated with abandonment and reclamation activities require judgement concerning the method, timing and extent of future retirement activities. The capitalized amount will be depleted on a unit-of-production method over the life of the proved and probable reserves. The liability amount is increased each reporting period due to the passage of time and this accretion amount is charged to earnings in the period, which is included as a financing expense. Actual costs incurred on settlement of the decommissioning liability are charged against the liability. Judgements affecting current and annual expense are subject to future revisions based on changes in technology, abandonment timing, costs, discount rates and the regulatory environment.

Share based payments
Stock options issued to employees and directors under the Company’s stock option plan are accounted for using the fair value method of accounting for stock-based compensation. The fair value of the option is recognized as a share based payment and contributed surplus over the vesting period of the option. Share based payment is determined on the date of an option grant using the Black-Scholes option pricing model. The Black-Scholes pricing model requires the estimation of several variables including estimated volatility of Iona’s stock price over the life of the option, estimated option forfeitures, estimated life of the option, estimated risk-free rate and estimated dividend rate. A change to these estimates would alter the valuation of the option and would result in a different related share based payment.

Income taxes
Iona follows the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Current tax is the expect tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting period, and any adjustment to tax payable in respect to previous periods. Tax interpretations and legislation in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty and interpretations.

Adoption of International Financial Reporting Standards (“IFRS”)
The Condensed Interim Consolidated Financial Statements and comparative information have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and presented in Canadian dollars. The Company adopted IFRS on January 1, 2011. Previously, Iona prepared its Interim

Consolidated Financial Statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Company has provided IFRS accounting policies and prepared reconciliations between Canadian GAAP and IFRS in Notes 3 and 12 of its September 30, 2011 Condensed Interim Financial Statements. The adoption of IFRS did not have an impact on the Company's operations, cash flow and capital expenditures.

Accounting Policy Changes

The following discussion illustrates the significant differences between Canadian GAAP and the accounting policies applied by the Company under IFRS. IFRS 1 *First-time adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from retrospective application of certain IFRS. IFRS policies have been retrospectively applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS. The following adjustments were made to the financial statements upon conversion to IFRS from Canadian GAAP:

Exploration and Evaluation

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, $1,472,231 at September 30, 2010 and $1,472,231 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 nine month period ended September 30, 2010 and the year ended December 31, 2010, $230,032 and $423,552, respectively, was expensed as it related to pre-license costs.

Foreign Currency Translation

Under Canadian GAAP all foreign currency translation gains or losses, were recorded in the consolidated statement of net income (loss). IFRS requires that the functional currency of each entity in a consolidated group be determined separately and the translation gain or loss be recorded in the entity.

For consolidation purposes each entity whose functional currency is different from the presentation currency are translated as follows, assets and liabilities are translated at the current period end rate and revenue and expenses are translated at the period average rate. The resulting translation gains or losses is recorded as a foreign currency translation adjustment in shareholders' equity and included in the consolidated statement of comprehensive income (loss). Under Canadian GAAP non-monetary assets and liabilities were consolidated using historical rates.

Accounting Pronouncements Not Yet Adopted

In November 2009, the IASB published IFRS 9, "Financial Instruments," which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to a company's own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively. The Company is currently evaluating the impact of adopting IFRS 9.

IFRS 7 *Financial Instruments* includes amendments issued by the IASB on *Disclosures – Transfers of Financial Assets* that increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosure where transfers of financial assets are not evenly distributed throughout the period. These amendments are effective for annual periods beginning on or after July 1, 2011. Early application of the amendments is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 11 *Joint Arrangements* will apply to interests in joint arrangements where there is joint control. IFRS 11 would require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation would be removed, equity accounting would be required. Venturers would transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item. These amendments are effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the consolidated financial statements.

IFRS 10 *Consolidated Financial Statements* 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. The Company has not determined the impact of the new standard on the consolidated financial statements.

IFRS 12 *Disclosure of Interests in Other Entities* 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. The Company has not determined the impact of the new standard on the consolidated financial statements.

IFRS 13 *Fair Value Measurement* provides 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. The Company has not determined the impact of the new standard on the consolidated financial statements.

Risks and Uncertainties

Management defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition and/or results of operations of Iona. The following section describes specific and general risks that could affect the Company. The following descriptions of risk do not include all possible risks as there may be other risks of which management is currently unaware. Moreover, the likelihood that a risk will occur or the nature and extent of its consequences if it does occur, are not possible to predict with certainty, and the actual effect of any risk or its consequences on the business could be materially different from those described below.

Reliance on Third Parties
To the extent Iona is not the operator of its oil and natural gas properties, Iona will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators including the operators with respect to the properties acquired in the Orlando Acquisition and the properties to be acquired in the Trent & Tyne Acquisition.

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.

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. If adequate funds are not available, Iona will be required to scale back or even relinquish certain projects. If additional financing is raised by the issuance of shares from treasury, control of Iona may change and shareholders may suffer dilution.

Loss from Operations
Iona has an accumulated deficit at December 31, 2010 of $1,045,328 and at September 31, 2011 of $5,071,456. No assurance can be given that Iona will not experience operating losses or write-downs of its oil and gas properties in the future.

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.

Reserves and Resource Risks
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.

Oil and Gas Activities Involve Risks, many of which are beyond Iona’s Control

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 enough to eliminate any amount of the risk. Few properties that are explored are ultimately developed into producing oil and gas fields.

Iona’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.

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.

Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. Iona's ability to execute projects and market oil and natural gas depends upon numerous factors beyond Iona'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, Iona 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. Offshore oil and gas activities can also be affected by extreme weather and ocean phenomena arising from occurrences such as hurricanes and tsunamis. 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.

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.

Licensing and Title Risks
Iona's properties are generally held in the form of licences, concessions, permits and regulatory consents ("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.

Reliance on Key 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.

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.

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.

Foreign Currency Rate Risk
A significant portion of Iona's activities is transacted in or referenced to United States dollars, Canadian dollars, 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.

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.

Marketability of Crude Oil and Natural Gas
The marketability and price of oil and natural gas produced and which may be acquired or discovered by Iona will be affected by numerous factors beyond the control of Iona. Iona will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil which are and may be produced by Iona. The ability of Iona to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Iona is also subject to market fluctuations in the prices of oil and natural gas, deliverability uncertainties related to the proximity of its reserves to pipeline and processing facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

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. A decline in oil and natural gas prices could have an adverse effect on Iona's financial condition.

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. 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.

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 controls, control over the development 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 the 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 rose from 10% to 20%. This change resulted in an effective rate of corporation 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%. 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 supplementary tax rate changes to have a small but negative effect 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 and local laws and regulations. Such legislation provides for, among other things, restrictions and prohibitions on the release or emission 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, 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. No assurance can be given that environmental legislation will not result in a curtailment of production or a material increase in the costs of exploration, development or production activities or otherwise adversely affect Iona's financial condition, results of operations or prospects.

Stage of Development
Iona may be subject to growth-related risks, capacity constraints and pressure on its internal systems and controls, particularly given the early stage of Iona's development. The ability of Iona to manage growth effectively will require it to continue to expand its operational and financial systems and to 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.

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.

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.

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.

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.

Acquisition Risks
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 labor unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Common Share Price Volatility
The market price of Iona's common stock 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.

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.

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
The Company has neither declared nor paid any dividends on its Ordinary Shares since the date of its incorporation. Any payments of dividends on the Ordinary Shares of the Company will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Company's board of directors may consider appropriate in the circumstance. It is unlikely that the Company will pay dividends in the immediate or foreseeable future.

Additional information relating to the Company is available on SEDAR at www.sedar.com.