ANNUAL INFORMATION FORM

YEAR ENDED

DECEMBER 31, 2014

APRIL 28, 2015

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ABBREVIATIONS

Oil and Natural Gas Liquids		Natural Gas	
bbls	Barrels	mcf	thousand cubic feet
Mbbls	thousand barrels	mcf/d	thousand cubic feet per day
MMbbls	million barrels	scf	standard cubic foot
bbls/d	barrels per day	MMscf	millions of standard cubic feet
bopd	barrels of oil per day	MMscf/d	millions of standard cubic feet per day
NGLs	natural gas liquids	Bscf	billion cubic square feet

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

Note:

(1) The term "boe" may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

CONVERSIONS

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

To Convert From	To	Multiply By
mcf	Cubic metres	28.317
Cubic metres	Cubic feet	35.315
Cubic metres	Barrels	6.289
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471
Gigajoules	MMBTU	0.948
MMBTU	mcf	0.970

FORWARD LOOKING STATEMENTS

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

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

- the quality of and future net revenues from the Corporation's reserves;
- oil, NGLs and natural gas production levels;
- the Corporation's development plans for its properties;
- commodity prices, foreign currency exchange rates and interest rates;
- capital expenditure programs and other expenditures;
- the sale, farming in, farming out or development of certain properties using third party resources;
- supply and demand for oil, NGLs and natural gas;
- the Corporation's ability to raise capital;
- the Corporation's future obligations under existing contracts with industry participants, future obligations under hedging arrangements, and future obligations under the Payment Swap (as defined herein) and the Amended and Restated Bond Agreement (as defined herein);
- the Corporation's acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the Corporation's ability to continually add to reserves;
- schedules and timing of certain projects and the Corporation's strategy for growth;
- the Corporation's future operating and financial results;
- the ability of the Corporation to optimize operations and reduce operational expenditures;
- treatment under governmental and other regulatory regimes and tax, environmental and other laws;
- production rates and targeted production levels;
- timing and cost of the development of the Corporation's reserves; and
- estimates of production volumes and reserves.

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

- the Corporation's ability to obtain additional drilling rigs and other equipment in a timely manner, as required;
- access to third party hosts and associated pipelines can be negotiated and accessed within the expected timeframe;
- the timely receipt of regulatory approvals and the terms and conditions of such approvals;
- the Corporation's development plan for its properties will be implemented as planned;
- the Corporation's ability to access the full amount of the proceeds from the Amended and Restated Bond Agreement as required (see "*General Development of the Business - Recent Developments*");

- reserves volumes assigned to the Corporation's properties;
- ability to recover reserves volumes assigned to the Corporation's properties;
- revenues do not decrease below anticipated levels and operating costs do not increase significantly above anticipated levels;
- future oil, NGL and natural gas production levels from the Corporation's properties and the prices obtained from the sales of such production;
- the level of future capital expenditure required to exploit and develop reserves;
- that commodity prices will not deteriorate significantly;
- the Corporation's ability to obtain financing on acceptable terms;
- the Corporation's reliance on partners and their ability to meet commitments under relevant agreements; and
- the state of the debt and equity markets in the current economic environment.

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

- risks associated with the exploration for and development of oil, NGL and natural gas reserves in the North Sea;
- risks associated with offshore development and production including offshore production and access to transport facilities, such as the risk that developments may be delayed or development plans may change based on circumstances outside the control of the Corporation;
- risks associated with operational delays, which may substantially increase the capital required to develop the Corporation's properties as anticipated;
- operational risks and liabilities that are not covered by insurance;
- volatility in market prices for oil, NGLs and natural gas;
- the ability of the Corporation to fund its substantial capital requirements and operations;
- risks associated with ensuring title to the Corporation's properties;
- changes in environmental, health and safety or other legislation applicable to the Corporation's operations, and the Corporation's ability to comply with current and future environmental, health and safety and other laws;
- the accuracy of oil and gas reserves estimates and estimated production levels as they are affected by the Corporation's exploration and development drilling and estimated decline rates;
- the Corporation's success at acquisition, exploration, exploitation and development of reserves;
- the Corporation's reliance on key operational and management personnel;
- the ability of the Corporation to obtain and maintain all of its required permits and licenses;
- competition for, among other things, capital, drilling equipment, acquisitions of reserves, undeveloped lands and skilled personnel;
- changes in general economic, market and business conditions in Canada, North America, the United Kingdom, Europe and worldwide, specifically being the availability of the debt and equity markets to the Corporation;
- actions by governmental or regulatory authorities including changes in income tax laws or changes in tax laws, royalty rates and incentive programs relating to the oil and gas industry;
- adverse regulatory rulings, orders and decisions;
- the Corporation's ability to obtain access to sub-sea or floating facilities including transportation and production storage offshore providers;
- the Corporation's ability to meet its obligations under the Amended and Restated Bond Agreement and other financing arrangements;
- risks associated with the nature of the Common Shares (as defined herein); and
- the Corporation's continued ability to access the proceeds from the Amended and Restated Bond Agreement and access necessary capital as required.

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

EXCHANGE RATES AND CURRENCY

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

	Year ended December 31		
	2014	2013	2012
	$	$	$
Low for the period	1.7432	1.5263	1.5601
High for the period	1.8594	1.7639	1.6071
Rate at the end of period	1.8071	1.7627	1.6178
Average noon spot rate for the period	1.8190	1.5839	1.5839

On April 28, 2015, the Bank of Canada noon spot rate of exchange was £1.00=$1.8423.

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

	Year ended December 31		
	2014	**2013**	**2012**
	US$	**US$**	**US$**
Low for the period	1.0614	0.9348	0.9576
High for the period	1.1643	1.0164	1.0371
Rate at the end of period	1.1601	0.9402	1.0051
Average noon spot rate for the period	1.1045	0.9996	0.9996

On April 28, 2015, the Bank of Canada noon spot rate of exchange was US$1.00=$1.2021.

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

GLOSSARY

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

"**ABCA**" means the *Business Corporations Act* (Alberta), including the regulations promulgated thereunder;

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

"**Amended and Restated Bond Agreement**" means the amended and restated agreement dated April 17, 2015 amending the Bond Agreement and governing the Secured Bonds;

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

"**Bond Agreement**" means the agreement entered into by Iona UK dated September 26, 2013 governing the Secured Bonds;

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

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

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

"**Credit Facility**" means the senior secured reserve-base borrowing facility of Iona UK for up to US$250 million with a group of three banks led by Bank of America Merrill Lynch, Lloyds TSB Bank and BNP Paribas, as further described in this AIF;

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

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

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

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

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

"**GCA Report**" means the independent reserves report of GCA in relation to the crude oil and natural gas reserves of Iona's interests as at December 31, 2014;

"**Huntington Acquisition**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Year Ended December 31, 2013*;

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

"**Iona Developments**" means Iona UK Developments Co. Limited;

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

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

"**Iona Huntington**" means Iona UK Huntington Ltd. (formerly Carrizo UK Huntington Ltd.), a corporation incorporated in England under the laws of England and Wales and a wholly-owned subsidiary of Iona UK;

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

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

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

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

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

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

"**NI 51-102**" means National Instrument 51-102 *Continuous Disclosure Obligations;*

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

"**Payment Swap**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Year Ended December 31, 2013*;

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

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

"**Secured Bonds**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Year Ended December 31, 2013*";

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

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

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

"**Trent & Tyne Assets**" means certain offshore gas assets, related facilities and infrastructure located in the UK North Sea region, which assets were originally acquired by Iona in 2011;

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

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

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

"**US$**" means United States dollars;

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

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

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

Unless otherwise specified, information in this AIF is given as at the end of the Corporation's most recently completed financial year, being December 31, 2014.

IONA ENERGY INC.

General

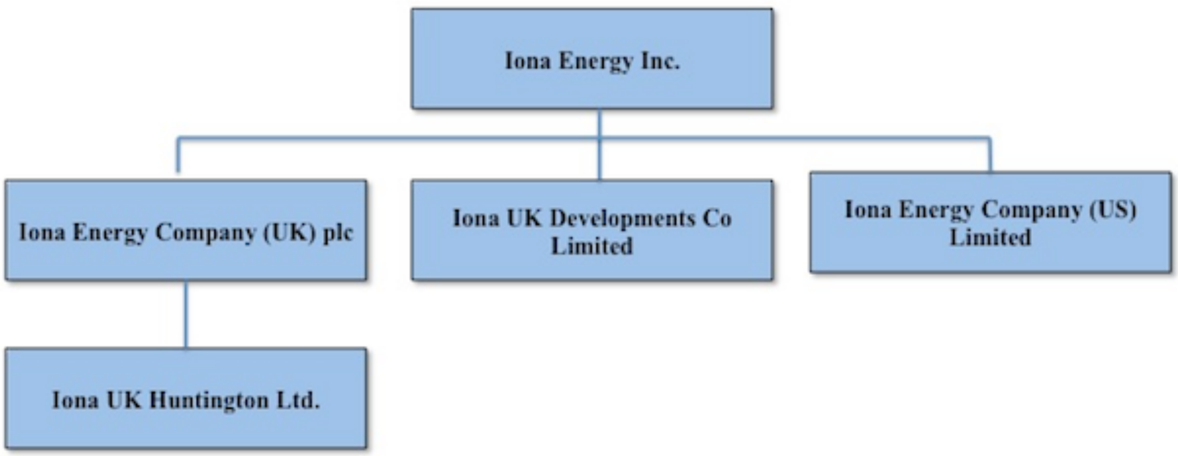
Iona is an oil and gas exploration and production company focused on acquisition, appraisal, and development of oil and gas discoveries in well-known established basins. Iona is active (through its subsidiaries) in the United States (Alaska) and the UK North Sea, with its focus currently primarily on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

Iona has two offices, its registered offices in Calgary, Canada and its head office in Aberdeen, Scotland. The Corporation's registered office is located at Suite 1600, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, and its head office in Aberdeen is located at 20 Queens Road, Aberdeen, United Kingdom, AB 15 4ZT.

Intercorporate Relationships

Iona has three wholly-owned subsidiaries, Iona UK, Iona US and Iona Developments. Iona UK was incorporated in Scotland under the laws of Scotland and Iona US was incorporated in Delaware under the laws of Delaware. Iona Developments was incorporated under the laws of Scotland. Additionally, Iona UK owns a 100% interest in Iona Huntington, a corporation incorporated under the laws of England and Wales.

All of Iona's current properties are held in Iona UK, Iona Huntington and Iona US.



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Year Ended December 31, 2012

On January 30, 2012, Iona completed the acquisition of the Kells Assets. Under the terms of the sale and purchase agreement, Iona reimbursed Fairfield on closing for $8.5 million in pre-development expenditures related to the Kells field. In addition, upon the approval by DECC of an FDP in respect of Kells, Iona would be obligated to make a cash payment of $5.0 million to Fairfield and pay a net price of $2.50/bbl of production commencing upon first oil from Kells.

On February 3, 2012, Iona UK signed a binding purchase and sale agreement to complete the acquisition from Centrica of the West Wick Assets. Under the terms of such agreement, Iona UK agreed to pay Centrica a deposit of $3.2 million, with an additional payment of $5 million to follow upon completion of the acquisition.

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

On April 11, 2012, Iona closed a public offering of Common Shares for gross proceeds of $92.0 million (the "**2012 Offering**"). A total of 184,000,000 Common Shares were issued at a price of CAD$0.50 per share, including Common Shares issued on the exercise in full of a 15% over-allotment option granted to the agents retained by the Corporation for purposes of the 2012 Offering.

On July 6, 2012, Iona, through Iona UK, completed the purchase of the interests of its partners, MPX (30%) and Sorgenia (35%), in the Orlando Assets in exchange for the obligation to pay certain historical costs and future payments out of production. The DECC approved the assignment of working interest and operatorship. Iona received final FDP approval for the field in the third quarter of 2012. The total cost of the acquisition involves payments of $29.0 million in aggregate over three years following first production from the Orlando Assets.

On September 17, 2012, Iona, through Iona UK, closed the acquisition from Centrica of an operated 58.73% interest in UK Block 13/21a containing the West Wick Assets. The DECC also approved the license assignment. Under the terms of the sale and purchase agreement, Iona made a $5.1 payment to Centrica.

On October 30, 2012, the DECC awarded Iona, through Iona UK, three UK North Sea blocks at 100% working interest, including two oil discoveries located in the northern North Sea, to the south-west of the Ninian field and immediately adjacent to Iona's 100% Block 3/8d which includes the Kells Assets and the "Ossian" Oil discovery. In keeping with Iona's development focus, these newly awarded blocks contain two adjacent undeveloped oil discoveries referred to by Iona as "Ronan" and "Oran".

On December 13, 2012, Iona UK entered into a definitive agreement for the sale of a 25% non-operated working interest in each of its 100% owned Orlando and Kells fields. Volantis Exploration Limited ("**Volantis**"), a wholly owned subsidiary of Atlantic Petroleum P/F ("**Atlantic**") agreed to pay Iona a $3.4 million deposit immediately and a base payment of $30.6 million upon closing. Consequent to completion of the transaction, Atlantic informed Iona that Atlantic would commit to *pro rata* funding of the Orlando and Kells developments commensurate with its 25% working interest and would provide the necessary financial assurances to the DECC enabling the joint venture partners to obtain final FDP approvals. In addition, pursuant to the definitive agreement, Atlantic committed to pay: (1) $1.25 million upon Kells FDP approval; (2) staged payments commencing six months after first production from Orlando of $1.8 million, $1.8 million, $1.8 million, $0.925 million and $0.925 million every six months thereafter, respectively; and (3) a proportionate share of royalties payable to Fairfield, the previous owner of the Kells field.

On December 28, 2012, Iona entered into a definitive sale and purchase agreement with Carrizo Oil & Gas, Inc. to acquire the entire share capital of its wholly owned subsidiary, Carrizo UK Huntington Ltd. ("**Carrizo UK**"), including its interest in License P1114 of UK North Sea Block 22/14b, including the near-producing Huntington oil field development (the "**Huntington Acquisition**"). Iona subsequently changed the name of Carrizo UK Huntington Ltd. to Iona UK Huntington Ltd.

Year Ended December 31, 2013

On February 21, 2013, the Corporation closed a brokered private placement of 41,818,600 Common Shares at a price of CAD$0.55 per share (the "**2013 Offering**"), which included the exercise in full of the 15% over-allotment option granted to the underwriters of the 2013 Offering. Aggregate gross proceeds of $22.4 million were raised pursuant to the 2013 Offering.

Also on February 21, 2013, Iona UK entered into the Credit Facility. The Credit Facility was scheduled to mature on the earlier of: (i) the date which is five years from the closing date of the Credit Facility; and (ii) the date on which the remaining oil and gas reserves (as determined by management) associated with the borrowing base assets falls below 25% of the initial oil and gas reserves (as determined by management) attributed to the borrowing base assets (being Iona UK's Huntington assets and the Trent & Tyne Assets). Amounts drawn under the Credit Facility bear interest at a rate equal to the London Interbank Offered Rate plus a margin of 3.20% to 3.95% per annum plus an additional rate to compensate the lenders for certain costs of compliance with UK or European regulatory requirements, if any. In conjunction with the Credit Facility, the Corporation provided a guarantee of Iona UK's obligations under the Credit Facility. The lenders under the Credit Facility were also granted a first-ranking charge against the shares and assets of Iona UK. The Credit Facility contains terms customary in respect of UK North Sea reserve-based borrowing facilities, including various representations and warranties, covenants, negative covenants and events of default relating to Iona's business activities and properties. In conjunction with the Credit Facility, Iona UK also entered into hedging arrangements with the three banks for a total of 1,330,791 barrels of oil over the period of April 1, 2013 to March 31, 2014 at a strike price of $100/bbl.

Also on February 21, 2013, Iona completed a structured energy derivative transaction whereby Iona received $60 million in exchange for granting Britannic Trading Ltd., a subsidiary of BP International Limited, the option to purchase 8.1 MMbbls of Brent blend crude from Iona's Orlando, Kells and Huntington fields for a period of five years at an average price of $95.84 per barrel (the "**Payment Swap**"). In conjunction with the Payment Swap, Iona also entered into a marketing and offtake agreement with BP Oil International Ltd. in respect of certain quantities of oil expected to be produced from the Iona's Orlando and Kells properties.

On February 21, 2013, Iona also completed the sale of a 25% working interest in its UK North Sea Orlando and Kells fields to Volantis for total gross proceeds of $34 million on closing and a *pro rata* 25% share of future staged payment obligations relating to the Orlando and Kells properties.

On February 22, 2013, Iona completed the Huntington Acquisition. Under the Huntington Acquisition, Iona acquired: (i) a 15% non-operated working interest in License P1114 of UK North Sea Block 22/14b covering the near-producing Huntington oil field development; (ii) royalties equivalent to 2.55% of total gross oil and gas production payable to Carrizo UK from the other Huntington Joint Venture Partners; (iii) a 100% interest in that part of Block 22/14d that contains the 3D seismically mapped extension of the Jurassic discovery which underlies Huntington; and (iv) Carrizo UK's ring-fenced tax losses totaling approximately $125 million. Under the terms of the Huntington Acquisition, Iona paid $172.6 million to the vendor on closing and a further $18 million following receipt of first oil revenues from Huntington.

On February 22, 2013 Iona made full payments to MPX and Sorgenia in respect to the combined total adjusted deferred consideration, interest and fees of $46.8 million related to the sale and purchase agreement dated June 7, 2012 in respect of the Orlando Assets.

On September 27, 2013, Iona UK issued $275 million of senior secured bonds (the "**Secured Bonds**") and fully repaid the Credit Facility. The Secured Bonds will mature on September 27, 2018 after their five-year term. The Secured Bonds carry an annual coupon rate of 9.5% payable semi-annually, were issued at 97.5% of par and are callable in whole or in part at the option of Iona UK at any time. Commencing 30 months after the settlement date, the Secured Bonds will amortize 15% of the issue amount every six months with a 25% final payment at maturity. The amortizations will be performed at the prevailing call option prices of 105%, 104%, 104%, 103% and 103% or par value with the residual amount payable at 102% of par value.

Year Ended December 31, 2014

On January 7, 2014, the TSXV approved Iona's application to graduate to Tier 1 of the TSXV.

On March 21, 2014, the Secured Bonds commenced trading on the Nordic ABM under the ticker IECO1 PRO.

On April 16, 2014, Iona's subsidiary, Iona UK, summoned a meeting of the holders of Secured Bonds (the "**Bondholders**") to be held on May 6, 2014 to consider amendments to certain terms in the Bond Agreement. 94.23% of the Bondholders in attendance at the Bondholders meeting voted in favour of the amendment to certain terms in the Bond Agreement clarifying the definition of "Cash and Cash Equivalent".

On April 29, 2014, Iona's subsidiary, Iona Developments, entered into a sale and purchase agreement with Perenco (the "**SPA**") pursuant to which, subject to completion of certain conditions, Iona Developments would acquire the remaining 80% working interest in the Trent & Tyne Assets. The conditions included payment of the full purchase price of $20 million and certain regulatory approvals, and were required to be satisfied by October 28, 2014.

On September 2, 2014, Iona announced the appointment of Mr. Iain McKendrick as Executive Chairman and Director of Iona and the appointment of Mr. Tom Reynolds as Chief Executive Officer, President and Director. Mr. Neill Carson resigned as Chief Executive Officer and President of Iona effective September 1, 2014.

On September 2, 2014 Iona completed a non-brokered private placement of 3,750,000 units of Iona (the "**Units**") at a price of CAD$0.40 per Unit (the "**Unit Private Placement**"). Each Unit comprised of one Common Share and one common share purchase warrant of the Corporation. Proceeds from the Unit Private Placement were used for general corporate purposes. The warrants have a term of five years and have an exercise price of CAD$0.48 in the first year and an exercise price of CAD$0.58, CAD$0.69, CAD$0.83 and CAD$1.00 in each year thereafter. Iona provided loans to two members of senior management evidenced by demand promissory notes for a total amount of $480,000 bearing interest at 3.25% and secured by a portion of the securities issued under the Unit Private Placement.

On October 8, 2014, Iona announced that a full suite of offtake agreements had been signed with CNR International (U.K.) Limited securing the offtake arrangements for the Orlando Assets.

On October 8, 2014, Iona announced that the SPA with Perenco to acquire the remaining 80% interest of the Trent and Tyne Assets would not complete due to certain conditions not being fulfilled in accordance with the SPA. Perenco alleged breach of contract, and a right to retain the deposit of $2 million and reserving its rights to claim damages. Iona strongly believes that it has complied with its obligations under the SPA and accordingly is entitled to the repayment of the deposit and continues to robustly defend any action raised by Perenco.

On November 3, 2014, Iona announced the appointment of Mr. Robert Gair as Chief Financial Officer of Iona and that Messrs. Graham Heath, Robin Baxter and David Sherrard would be leaving Iona as executive officers.

Further information regarding the Corporation's oil and gas properties is contained in the Corporation's Form 51-101F1 *Statement of Reserves Data and Other Oil & Gas Information* for the year ended December 31, 2014, which is available under the Corporation's profile on SEDAR (www.sedar.com).

Recent Developments

On March 5, 2015, Iona announced that based on unaudited management accounts for the financial year-ended December 31, 2014, it would be in breach of one or more of its covenants under the Bond Agreement.

On March 12, 2015, Iona UK published a summons to a Bondholder meeting proposing to the Bondholders a range of amendments to the terms of the Bond Agreement governing the Secured Bonds. The key amendments and waivers proposed included, among other things:

- Full relief from financial covenant testing until the first full quarter after first production from the Orlando Assets
- Payment-in-kind interest ("**PIK**") instead of cash interest on the Secured Bonds until the earlier of first oil on the Orlando Assets and December 31, 2016
    - Interest rate increased to 12.5% for PIK interest payments
    - PIK interest payments to be made in newly issued Bonds
- Repayment schedule revised to:
    - $41.25 million to be repaid on the later of (i) the date falling 90 days after first oil from the Orlando Asset and (ii) March 27, 2017, provided that in any event the payment shall be made no later than June 27, 2017
    - $41.25 million to be repaid on September 27, 2017
    - $41.25 million to be repaid on March 27, 2018
    - Remaining Secured Bonds to be repaid at maturity date of September 27, 2018
- Fee
    - In consideration of approving the amendments, a waiver fee payable to bondholders in the form of non-transferable warrants representing 10% of Iona's existing Common Shares
    - The warrants shall have a strike price of $0.05 and be exercisable until September 27, 2018
- Review process
    - Iona to commence a review process to consider a range of alternatives to enable the Corporation to (i) fully fund Orlando and/or (ii) refinance the Secured Bonds
    - A proposal needs to be presented to the Bondholders by the end of June 2015 and, subject Bondholders' approval, implemented by the end of September 2015

(collectively, the "**Bond Amendments**")

On March 27, 2015, Iona announced that all of the Bond Amendments proposed to Bondholders at the Bondholder meeting had been approved.

On April 9, 2015, Iona announced the resignations of Mr. Richard Ames and Mr. Roger Laing as directors of Iona and the appointment of Mr. Bill McCall as an independent director of Iona. Mr. McCall is currently a principal of McCall & Partners, a strategic corporate finance advisory business and has extensive experience as an independent director. He is a Fellow of the Chartered Banker Institute, a Chartered Banker, and Chartered Fellow of the Chartered Institute of Securities and Investment.

On April 21, 2015, Iona announced that it had entered into an amended and restated bond agreement among Iona UK, Iona Huntington and Nordic Trustee ASA, as bond trustee setting out the terms and conditions of the Bond Amendments governing the Secured Bonds (the "**Amended and Restated Bond Agreement**").

Iona expects that, in accordance with the Amended and Restated Bond Agreement, an aggregate of 37,058,086 non-transferable common share purchase warrants of Iona will be issued pro-rata to Bondholders in May 2015 as a waiver fee relating to the Bond Amendments (the "**Bond Warrants**"). Each Bond Warrant will entitle the holder thereof to purchase one Common Share at a price of $0.05 per share until the earlier of September 27, 2018 and the date that the Secured Bonds are repaid in full (subject to early termination in certain circumstances).

DESCRIPTION OF THE BUSINESS AND OPERATIONS

Overview

Iona is an oil and natural gas production, appraisal and development corporation focused on the UKCS.

Human Resources

As at the date hereof, Iona has a total of 14 full-time employees and also utilizes the services of several professionals on a part-time contract or consulting basis. Six of Iona's employees are senior managers with specific expertise in geology, geophysics, reservoir and petroleum engineering, development, commercial negotiations, finance and administration. Iona seeks to employ individuals and utilize the services of consultants who have extensive oil and gas experience as needed.

Marketing and Other Commitments

Iona is party to a marketing and offtake agreement with BP Oil International Ltd. in respect of certain quantities of oil expected to be produced from the Iona's Orlando Assets and Kells Assets. Iona is also party to a common sales agreement in respect of its share of oil and gas produced from the Huntington field.

Competitive Conditions

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

Seasonality

Operations in the UK North Sea are affected by weather conditions and certain activities can be more challenging in winter months. See "*Risk Factors – Cyclical and Seasonal Impact of Industry*".

Environmental Requirements

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

The Corporation estimates decommissioning obligations resulting from its ownership interests in oil and natural gas assets, including well sites and facilities, in accordance with applicable legislation. The total decommissioning obligation is estimated based on the Corporation's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Corporation has estimated the net present value of its decommissioning obligations as at December 31, 2014 to be $36.2 million, based on an undiscounted total future liability of $39.5 million. These payments are expected to be incurred over the life of the reserves. The discount factor, being the risk-adjusted rate related to the liability, is 1.16% to 2.36% and the inflation rate is 2.00%.

Foreign Operations

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

Revenue Sources

For the years ended December 31, 2014 and December 31, 2013, approximately 11% and 22%, respectively of the revenue from the Corporation's properties before royalties was derived from natural gas, approximately 78% and 68%, respectively was derived from oil and NGLs, and approximately 11% and 10%, respectively from royalty interests from the Huntington joint venture partnership.

RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The Corporation's Form 51-101F1 *Statement of Reserves Data and Other Oil & Gas Information* dated effective December 31, 2014, Form 51-101F2 *Report on Reserves Data by Qualified Reserves Evaluator or Auditor* dated April 28, 2015, and Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure* dated April 28, 2015 are available under the Corporation's profile on SEDAR at www.sedar.com.

RISK FACTORS

Iona and its business are subject to the following risks:

Risks Related to the Secured Bonds

During the lifetime of the Secured Bonds, Iona will be required to make payments on the Secured Bonds. Additionally, Iona is required to undertake certain other actions under the terms of the Bond Amendments. The ability to generate cash flow from operations and to make scheduled payments on indebtedness, including the Secured Bonds, will depend on future financial performance. The future performance of Iona will be affected by a range of economic, competitive, governmental, operating and other business factors, many of which cannot be controlled, such as general economic and financial conditions in the industry or the economy at large. A significant reduction in operating cash flows resulting from changes in economic conditions, increased competition or other events could increase the need for additional or alternative sources of liquidity and could have a material adverse effect on the business, financial condition or results of operations, as well as Iona's ability to service its debt, including the Secured Bonds, and other obligations. If Iona is unable to service its indebtedness or fulfil its other obligations under the Amended and Restated Bond Agreement, it will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing indebtedness or seeking equity capital. In addition, any failure to make scheduled payments of interest and principal on outstanding indebtedness is likely to result in a reduction of credit rating, which could harm the ability to incur additional indebtedness on acceptable terms. Iona cannot assure investors that any of these alternative strategies could be effected on satisfactory terms, if at all, or that they would yield sufficient funds to make required payments on the Secured Bonds and our other indebtedness.

In connection with the Bond Amendments, Iona is required to commence a review process to enable the Corporation to (i) fully fund Orlando and/or (ii) refinance the Secured Bonds. If the Corporation does not provide a proposal to the Bondholders under the review process or the proposal is not supported by the Bondholders then Iona shall use its reasonable endeavors to arrange for the issue of a new super senior debt funding (the "Super Senior Funding") to be made available by no later than September 30, 2015. Both implementation of the Proposal and the Super Senior Funding are subject to Bondholder approval at a Bondholders' meeting. There can be no guarantee that Bondholders will vote in favour of either the proposal or the Super Senior Funding. If neither the proposal nor the Super Senior Funding are supported by Bondholders then Iona will likely default under the terms of the Bonds during 2015. In an event of default, Bondholders could require immediate repayment of the Bonds. These conditions indicate the existence of a material uncertainty which would cast significant doubt as to Iona's ability to continue as a going concern and Iona might be unable to realize its assets and discharge its liabilities in the normal course of business.

In addition, if the Issuer defaults on its obligations to make payments in respect of the Secured Bonds, the amount of proceeds that ultimately would be distributed in respect of the Secured Bonds upon a foreclosure or other enforcement action may not be sufficient to satisfy the obligation under the Bonds. There can be no assurance that the proceeds from any sale or liquidation of the collateral used to secure the Secured Bonds will be sufficient to meet the obligations under the Secured Bonds. If the proceeds of any sale of collateral are not sufficient to repay all amounts due on the Secured Bonds, the holders of the Secured Bonds (to the extent not repaid from the proceeds of the sale of the collateral) would have only a senior unsecured claim against any remaining assets of Iona UK.

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. There continue 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 is also dependent upon continued access to the proceeds of the offering of the Secured Bonds to fund its development projects. An inability to access the proceeds of such offering for any reason, including non-compliance with the operating covenants contained in the Amended and Restated Bond Agreement may have a material adverse effect on Iona and its operations.

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

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

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

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 crude oil reference price UK Brent. Adjustments are made to the reference price to reflect quality differentials and transportation. UK Brent and other reference prices are affected by numerous and complex worldwide factors such as supply and demand fundamentals, economic outlooks, production quotas set by 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 economics 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.

Production Concentration

The Corporation's anticipated revenue for 2015 is dependent upon production rates from the Huntington and Trent & Tyne fields as well as prevailing oil and natural gas prices in the UK marketplace. The Corporation is dependent upon revenue from these fields to service future obligations, including future obligations relating to the Secured Bonds. The Corporation's current production is concentrated in a limited number of wells which are tied back to two production platforms (one for Huntington production and one for Trent & Tyne production). A decrease in production from the Huntington field for any reason, including if the actual reserves associated with such field are lower than the Corporation's estimated reserves for such field, could have an adverse impact on the Corporation's operating results, financial position or ability to service its obligations. Additionally, issues at the Huntington production platform which constrain, delay or limit production, including, without limitation, unanticipated delays, shutdowns, mechanical problems, extreme weather conditions or production curtailments by the facility operators, could also have an adverse impact on the Corporation's operating results, financial position or ability to service its obligations.

Exploration, Development, Drilling and Operational Risks

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

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

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

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

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

Unexpected delays may result in significant increases in the capital expenditures required to develop projects.

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

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

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

Reserves and Production Risks

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

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

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

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

The reserves 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.

Stage of Development

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

The Corporation generated net losses in the years to the end of 2014. No assurance can be given that the Corporation will not experience operating losses in the future.

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

Reliance on Key Executives and Personnel

The success of Iona will be largely dependent upon the performance of its management and key employees. Failure by Iona to retain or to attract and retain additional key employees with necessary skills could have a materially adverse impact upon Iona's growth and profitability.

These individuals, and the contributions they will make, are important to the future operations and success of Iona.

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

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 the DECC, has introduced a policy which has been adopted by the major operators of facilities in the North Sea that should allow access to facilities at a reasonable rate.

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

Write-Off of Unsuccessful Properties and Projects

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

Acquisition Risks

The Corporation intends to acquire additional oil and gas properties. Although the Corporation 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, the Corporation 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. The Corporation may be required to assume pre-closing liabilities, including environmental liabilities, and may acquire interest in properties on an "as is" basis.

Common Share Price Volatility

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

Conflicting Interests with Partners

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

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

Market Risk

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

Changes to Development Plan

Development plans for the Corporation's properties are based on management's estimates as of the date of this AIF. Development plans may change as a result of new information, events or as a result of business decisions. Any such changes could have a material effect on the Corporation's proposed capital expenditures and the timelines associated with the development of the Corporation's properties.

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. 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.

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

Hedging

From time to time the Corporation 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, the Corporation will not benefit from such increases.

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. See "*Description of the Business and Operations – Foreign Operations*".

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 reserves additions through exploration, acquisition or development activities, Iona's reserves and production will decline over time as reserves are produced. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent cash flows from operations are insufficient and external sources of capital become limited or unavailable, the ability to make the necessary capital investments to maintain and expand Iona's oil and natural gas reserves will be impaired. There can be no assurance that the Corporation's exploration, development, production and acquisition efforts will result in the discovery and development of commercial accumulations of oil and natural gas.

Availability of Drilling Equipment and Access Restrictions

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

Conflicts of Interest

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

Competition

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

Licensing and Title Risks

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

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

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

Foreign Currency Rate Risk

A significant portion of Iona's activities are transacted in or referenced to United States dollars, Canadian dollars or 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 Pounds Sterling against the US dollar, and each of those currencies against any other local currencies in jurisdictions where properties of Iona are located, could result in unanticipated fluctuations in Iona's financial results which are denominated in Canadian dollars. Iona has not entered into any risk management contracts to hedge its exposure to foreign exchange rates.

Governmental Regulation

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

The UK oil and gas regulatory regime is changing in 2015. The existing regulatory, DECC, will be replaced by the Oil and Gas Authority ("OGA"). It is unclear at this stage whether this will have any significant impact on operating conditions in the UK North Sea.

The UK government does not assess a crown royalty against production. The current tax regime in the UK is favorable 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 favorable 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 from 20% to 32%. As a result, the effective combined base and supplementary tax rate rose from 50% to 62%.

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

Subsequent to December 31, 2014 the UK Government amended the tax legislation to decrease the supplemental tax rate applicable to Oil and Gas companies to 20% effective January 1, 2015 and also to introduce a new investment allowance (the "Investment Allowance") to reduce the amount of adjusted ring fence profits subject to the supplementary charge. The portion of profits reduced by the allowance will be dependent on a company's investment expenditure and will be generated at 62.5% of that spend. The Investment Allowance will replace the small field allowance and brown field allowance. These changes to the fiscal regime are expected to be enacted during 2015.

Environmental Risks and Regulations

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

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

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

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

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. This ranges from potential impacts from emissions restrictions, carbon taxes and other government policy initiatives to changes in weather patterns that may affect operations. Although Iona is not a large emitter of greenhouse gases, these forms of legislation may have an impact on both revenues and cost structures at a future undetermined time.

Cyclical and Seasonal Impact of Industry

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

Operations in the UK North Sea, while common, are affected by weather conditions and certain activities can be more challenging in winter months. See "*Description of the Business and Operations - Seasonality*".

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 material adverse effect on the business, financial condition and results of operations of Iona. Moreover, there can be no assurance that Iona will be able to maintain adequate insurance in the future at rates that it considers reasonable.

Reliance on Industry Partners

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

Regulatory Approvals

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

Force Majeure

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

Dilution from Further Equity Issuances

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

Dividends

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

Strategic Partnerships

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

DIVIDEND POLICY

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

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

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

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series (the "**Preferred Shares**"). As at December 31, 2014, there were 370,580,868 Common Shares and no Preferred Shares issued and outstanding. As at the date of this AIF, there are 370,580,868 Common Shares and no Preferred Shares issued and outstanding.

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

Common Shares

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

Preferred Shares

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

Secured Bonds

On September 27, 2013, Iona's wholly-owned subsidiary, Iona UK, issued the Secured Bonds (which remain outstanding as of December 31, 2014 and as of the date of this AIF). The Secured Bonds are senior secured obligations of Iona UK and are guaranteed by Iona and Iona Huntington. The Secured Bonds will mature on September 27, 2018 after their five year term. The Secured Bonds currently trade on the Nordic ABM under the ticker IECO1 PRO.

On April 17, 2015, Iona entered into the Amended and Restated Bond Agreement. See "*General Developments of the Business - Recent Developments*".

At issuance, the Secured Bonds carried an annual coupon rate of 9.5% payable semi-annually and were issued at 97.5% of par value and were callable in whole or in part at the option of Iona UK at any time.

At issuance, the maturity schedule commenced 30 months after September 30, 2013, and envisaged the Bonds being repaid at 15% of the face value every six months with a 25% final payment at maturity plus a specified premium. The Bonds contain certain early redemption options under which Iona UK has the option to redeem all or a portion of the Bonds at various redemption prices, which include the principal amount plus accrued and unpaid interest, if any, to the applicable redemption date.

On March 27, 2015 Bondholders approved a range of amendments to the Bond Agreement which provide Iona with significant additional financial flexibility including:

- Full waiver of financial covenants through to first oil at Orlando including net debt / EBITDA and minimum capitalization ratios.
- Conversion of interest payments to payment-in-kind (i.e. added to principal, therefore non-cash) for 2015 and 2016. Payment-in-kind interest rate to increase to 12.5%.
- Scheduled 2016 amortization payments ($85 million in aggregate) deferred until bond maturity in September 2018.
- New independent director to be appointed to the Board of Iona, which is anticipated to be reduced to not more than six directors.
- Bondholders to receive a fee in the form of non-transferable warrants to purchase common shares of Iona representing in aggregate 10% of the existing common shares of the Company. The warrants shall have an exercise price of CAD$0.05 per warrant. The warrants shall be exercisable until September 27, 2018 (subject to early termination in certain circumstances).
- Iona also to commence a review process to consider a range of alternatives to enable Iona to (i) fully fund Orlando and/or (ii) refinance the Secured Bonds. A proposal needs to be presented to the Bondholders by the end of June 2015 and, subject Bondholders' approval, implemented by the end of September 2015.

MARKET FOR SECURITIES

Trading Price and Volume

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

	Price Range ($)		
2014	**High**	**Low**	**Trading Volume**
January	$0.65	$0.58	10,773,264
February	$0.58	$0.53	7,538,592
March	$0.55	$0.50	10,216,344
April	$0.55	$0.50	6,968,125
May	$0.53	$0.50	7,839,041
June	$0.53	$0.485	8,692,017
July	$0.495	$0.445	5,148,965
August	$0.485	$0.39	8,192,451

September	$0.42	$0.30	11,709,733
October	$0.24	$0.14	59,960,836
November	$0.15	$0.115	23,268,391
December	$0.12	$0.055	26,037,521

Prior Sales

In the financial year ended December 31, 2014, Iona, and its predecessors, issued the following Common Shares and securities issuable into Common Shares:

Date of Issuance	Number and Type of Securities[(1)]	Issue Price Per Security
April 30, 2014	1,350,000 options to purchase Common Shares	$0.54
July 1, 2014	750,000 options to purchase Common Shares	$0.49
September 2, 2014	3,750,000 Common Shares[(2)]	$0.40
September 2, 2014	4,500,000 options to purchase Common Shares	$0.40.
September 2, 2014	3,750,000 Warrants[(2)]	See note (2) below.

Notes:

(1) There have been no sales of preferred shares during the most recently completed financial year ended December 31, 2014.

(2) Issued pursuant to the Unit Private Placement.

ESCROWED SECURITIES

The following table sets forth the number of securities of each class of shares of Iona held in escrow or that are subject to a contractual restriction on transfer as of the date of this AIF.

Class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of Class
Common Shares	Nil[(1)]	Nil[(1)]
Preferred Shares	Nil	Nil

Note:

(1) On January 8, 2014, Iona graduated to Tier 1 on the TSXV. Upon such graduation, all previously escrowed Common Shares were released.

DIRECTORS AND EXECUTIVE OFFICERS

Background Information

The following table sets forth the names, municipalities and country of residence, positions with Iona, time served as a Director (if applicable) and the principal occupation during the last five years of the Directors and executive officers of Iona as at the year-ended December 31, 2014. Directors are elected at the annual meetings of shareholders and serve until the next annual meeting or until a successor is elected or appointed.

Name, Municipality of Residence and Position with Iona	Director Since	Principal Occupation in the Last Five Years
Iain McKendrick Aberdeen, United Kingdom *Executive Chairman and Director*	September 2014	Executive Chair of Iona since September 2014. Chief Executive Officer of Ithaca Energy Inc. from December 2008 to October 2013. Previously with Total S.A. from 1991 to 2008.
Tom Reynolds Aberdeen, United Kingdom *Chief Executive Officer, President and Director*	September 2014	Chief Executive Officer of Iona since September 2014. Deputy Chief Executive Officer and Chief Executive Officer of Bridge Energy ASA from April 2010 to November 2013. Prior thereto, Managing Director of Silverstone Energy Ltd. since 2008.

Name, Municipality of Residence and Position with Iona	Director Since	Principal Occupation in the Last Five Years
Robert Gair Edinburgh, United Kingdom *Chief Financial Officer*	N/A	Chief Financial Officer of Iona since November 2014. Corporate development Manager of Trinity Exploration & Production since January 2012. Previously Vice-President with RBC Capital Markets from 2007 to 2011.
Richard M. Ames(2)(3)(5) Johns Island, SC, United States of America *Director*	October 2013	President of Castine Consulting Co since June 2011 and formerly Vice-President and Chief Information Officer of TNK-BP from September 2003 to December 2010.
Donald B. Copeland(1)(2) Calgary, Alberta *Director*	May 2011	President of Pangman Resource International Ltd., a private investment and consulting company, since 1992.
J. Roger Laing(2)(4)(5) Calgary, Alberta *Director*	May 2011	Business Unit Leader with RLG International, an international performance consulting firm since 1988.
Rod Maxwell(1)(3) Calgary, Alberta *Director*	May 2011	Managing Director of StoneBridge Merchant Capital Corp. since 1997.
Jay M. Zammit(1)(4) Calgary, Alberta *Director*	May 2011	Partner with Burstall Winger Zammit LLP (Barristers and Solicitors) and acted as Managing Partner from 2001 to 2003 and in 2005.
Adrian Harvey Calgary, Alberta *Corporate Secretary*	N/A	Associate with Burstall Winger Zammit LLP (Barristers and Solicitors) since June 2010. Prior thereto, associate with Blake, Cassels & Graydon LLP (Barristers and Solicitors).

Notes:

(1) Member of the Corporation's Audit Committee, of which Rod Maxwell is Chair.
(2) Member of the Corporation's Compensation Committee, of which Roger Laing is Chair.
(3) Member of the Corporation's Reserves Committee, of which Richard Ames is Chair.
(4) Member of the Corporation's Corporate Governance and Nominating Committee, of which Jay M. Zammit is Chair.
(5) Messrs. Ames and Laing resigned as directors of Iona effective April 9, 2015.

Ownership of Shares

As of the date hereof the Directors and executive officers, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 8,558,233 Common Shares representing approximately 2.3% of the Common Shares.

Cease Trade Orders

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

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

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

Penalties or Sanctions

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

Bankruptcy

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

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

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

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

Conflicts Of Interest

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

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The full text of the Audit Committee charter is attached hereto Schedule "A" to this AIF.

Composition of the Audit Committee

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

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

Rod Maxwell, Audit Committee Chair

Mr. Maxwell is Managing Director of StoneBridge Merchant Capital Corp. and has over 27 years of experience in the investment and financial advisory services industries. Prior to co-founding StoneBridge Merchant Capital Corp. in 1997, Mr. Maxwell was a Partner with KPMG LLP in the Corporate Finance/Business Valuations practice.

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

Donald Copeland

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

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

Mr. Copeland graduated from the University of McGill with a degree in Commerce in 1967.

Bill McCall

Bill McCall joined the audit committee following his appointment to the Board of Directors in 2015. Mr. McCall is currently a principal of McCall & Partners, a strategic corporate finance advisory business and has extensive experience as an independent director of both public and private companies. He is a Fellow of the Chartered Banker Institute, a Chartered Banker, and Chartered Fellow of the Chartered Institute of Securities and Investment.

Jay Zammit

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

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

Pre-approval Policies

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

External Auditor Service Fees (By Category)

The following table provides information about the fees billed to the Corporation for professional services rendered by Deloitte LLP, Chartered Accountants, which were paid or payable during the period from January 1, 2013 to December 31, 2014:

Deloitte LLP	**2014**	**2013**
Audit Fees(1)	$274,000	$294,000
Audit-Related Fees(2)	$ 74,500	$ 84,000
Tax Fees(3)	$ 43,500	$180,500
All Other Fees(4)	$ 23,000	$ 19,000
Total(5):	$415,000	$577,500

Notes:

(1) Audit fees were for professional services rendered by Deloitte LLP, Chartered Accountants for the audit of the Corporation's annual financial statements as well as services provided in connection with statutory and regulatory filings.
(2) Audit-related fees are for services related to performance of limited procedures performed by the Corporation's auditors related to interim quarterly reports.
(3) Professional services fee for tax compliance, tax advice and tax planning.
(4) All other fees performed by the Corporation's auditors, being primarily work associated with consultation services.
(5) These fees only represent professional services rendered and do not include any out-of-pocket disbursements or fees associated with filings made on the Corporation's behalf. These additional costs are not material as compared to the total professional services fees for each year.

The Audit Committee met four times in 2014 and has met twice thus far in 2015 to fulfill its mandate. The Audit Committee has discussions with the Corporation's auditors regularly, independent of management, and has direct communication channels with the external auditors to discuss and review specified issues as appropriate.

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of Iona is not aware of any existing or contemplated legal proceedings material to Iona, to which Iona, or any predecessor of Iona, is, or during the financial year ended December 31, 2014 was, a party or of which any of its property is, or during the financial year ended December 31, 2014 was, subject.

Management of Iona is not aware of any penalties or sanctions imposed against Iona, or any predecessor of Iona, by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2014 or any other penalties or sanctions imposed by a court or regulatory body against Iona, or any predecessor of Iona, that would likely be considered important to a reasonable investor in making an investment decision.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada, 8^{th} Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 is the transfer agent and registrar for the Common Shares.

MATERIAL CONTRACTS

The Corporation and its predecessors have not entered into any material contracts since January 1, 2015 or entered into any material contracts before January 1, 2015 that are still in effect, other than the Amended and Restated Bond Agreement and contracts entered into the ordinary course of business.

See "*General Development of the Business – Three Year History*".

INTERESTS OF EXPERTS

Deloitte LLP, Chartered Accountants (Calgary) were appointed as the auditors of the Corporation on May 27, 2011. Deloitte LLP, Chartered Accountants (Calgary), also acted as auditors of the Corporation's predecessor, Iona Energy Company Limited, since March 15, 2011. On January 7, 2015, the Corporation appointed Deloitte LLP, Chartered Accountants (Aberdeen), as the new auditors of the Corporation.

The Corporation's auditors Deloitte LLP, Chartered Accountants (Aberdeen), who prepared an independent auditors' report dated April 28, 2015 in respect of Iona's consolidated financial statements with accompanying notes as at December 31, 2014 and 2013 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended. Deloitte LLP has advised that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

GCA prepared the GCA Report which evaluated, as at an effective date of December 31, 2014, the oil and natural gas reserves attributable to Iona's interests. The partners, employees and consultants of GCA hold, directly or indirectly, in aggregate, less than 1% of any securities or other property of the Corporation or of one of its associates or affiliates either at the time of such reports or since that time.

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

ADDITIONAL INFORMATION

Additional information regarding Iona may be found on SEDAR at www.sedar.com. Additional information, including Directors' and officers' remuneration and indebtedness to Iona, principal holders of securities of the Corporation and securities authorized for issuance under equity compensation plans is contained in the management information circular prepared in connection with the 2014 annual and special meeting of the shareholders of Iona. Additional financial information is provided in Iona's financial statements for the financial year ended December 31, 2014, together with the accompanying report of the auditor and management's discussion and analysis, filed on SEDAR at www.sedar.com.

SCHEDULE "A"

IONA ENERGY INC.
AUDIT COMMITTEE CHARTER

ROLE AND RESPONSIBILITIES

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

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

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

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

MEMBERSHIP AND MEETINGS

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

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

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

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

SPECIFIC DUTIES AND RESPONSIBILITIES

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

1) Financial Reporting and Public Disclosure

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

(i) the independent external auditors annual audit plan;

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

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

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

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

(b) Review with management:

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

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

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

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

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

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

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

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

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

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

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

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

2) Independent External Auditor

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

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

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

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

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

(d) Review and evaluate:

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

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

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

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

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

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

3) Risk Assessment and Risk Management

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

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

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

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

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

4) Compliance with Relevant laws and regulations

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

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

5) Other Responsibilities

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

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

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

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

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

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

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

PROCEDURE GOVERNING ERRORS OR MISSTATEMENTS IN THE FINANCIAL STATEMENTS

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

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

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

LIMITATION ON COMMITTEE MEMBERS' DUTIES

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