

IONA ENERGY INC. ANNOUNCES 2014 FIRST QUARTER FINANCIAL RESULTS

FOR IMMEDIATE RELEASE

CALGARY, ALBERTA, May 21, 2014 – Iona Energy Inc. (“Iona” or the “Company”) (TSX-V: INA) announces its financial results for the three months ended March 31, 2014.

FINANCIAL & OPERATING HIGHLIGHTS

(in United States dollars (tabular amounts in thousands) except as otherwise noted)

	Three months ended March 31,		
	2014	2013	Change
Financial			
Crude oil and natural gas revenues	\$ 35,648	\$ 1,858	1,819%
Cost of sales	(6,508)	(796)	(718%)
Depletion, Depreciation & Amortization	(18,928)	(966)	(1,859%)
Gross Profit	10,212	96	10,538%
Gross Profit before DD&A	29,140	1,062	2,641%
Income (loss) Before Tax	717	(22,163)	103%
Income (loss) After Tax	(338)	(11,945)	97%
Per share – basic (\$)	(0.00)	(0.03)	
Per share – diluted (\$)	(0.00)	(0.03)	
Funds Flow ⁽¹⁾	27,088	(9,664)	381%
Per share – basic (\$)	0.07	(0.03)	
Per share – diluted (\$)	0.07	(0.03)	
Adjusted EBITDA ⁽¹⁾	27,143	3,281	790%
Per share – basic (\$)	0.07	0.01	
Per share – diluted (\$)	0.07	0.01	
		March 31,	December 31,
		2014	2013
Cash and cash equivalents	\$ 34,713		\$ 19,808
Restricted cash		81,997	85,114
Working capital surplus ⁽¹⁾		88,776	79,075
Secured bonds		263,629	\$ 262,450
Common shares, end of period		366,831	366,831
Fully diluted, end of period ⁽¹⁾		366,831	369,225
Weighted average common shares - basic		366,831	360,849
Weighted average common shares—fully diluted		366,831	363,078
		Three months ended	Three months ended
		March 31,	December 31,
		2014	2013
			Change
Operational			
Crude oil and natural gas production (boepd) ⁽²⁾			
Crude oil	3,475	2,585	34%
Natural Gas	680	765	(11%)
Total	4,155	3,350	24%
Realized sales prices			
Crude oil (\$/boe)	107.87	112.15	(4)%
Natural Gas (\$/mmcf) ⁽³⁾	12.04	12.88	(7)%
Average (\$/boe)	101.59	103.84	(2)%

Operating costs ⁽¹⁾⁽⁴⁾ (\$/boe)	\$ 20.01	\$ 24.94	(20)%
Netback ⁽¹⁾ (\$/boe)	\$ 81.58	\$ 78.90	3%

(1) Non-GAAP measure – see “non-IFRS Measures” section within MD&A.

(2) Based on 17.55% economic interest of volumes from Huntington.

(3) \$916,000 of Q3 revenue, which had been understated in Q3, has been included in the Company’s Q4 revenue. Realized sales prices have been normalized. Revenue numbers for Q3 2013 have not been restated.

(4) \$2.1 million of operating costs, which had been understated in Q3, has been included in the Company’s Q4 operating costs. Realized operating costs have been normalized. Operating costs for Q3 have not been restated.

FINANCIAL

- Iona reached a new corporate quarterly average production record of 4,155 boepd across Q1 2014, as Huntington produced at 3,896 boepd.
- The Company realized record quarterly revenue of \$35.6 million (Q1 2013 - \$1.9 million) (Q4 2013 - \$33.8 million) for the three month period ended March 31, 2014.
- Revenues of \$35.6 million for the three months ended March 31, 2014 consisted of \$28.9 million (Dec 31, 2013 - \$25.2 million) from oil production, \$4.3 million (March 31, 2013 - \$1.9 million) (Dec 31, 2013 – \$5.5 million) from gas production and \$2.4 million (Dec 31, 2013 - \$3.1 million) from the Company’s royalty interest at Huntington.
- The average realized oil price for the three month period ended March 31, 2014 was \$107.87 per barrel and the average realized gas price for the three month period ended March 31, 2014 was \$12.04 per mcf.
- Record netbacks of \$81.58/boe for the first quarter ended March 31, 2014.
- First quarter 2014 funds flow of \$27.1 million.
- The Company has corporate tax pools of approximately \$331 million and does not expect to pay UK taxes until 2017 or later.
- The Company’s current production is not subject to any crown or third party royalties on any revenues, now or in the foreseeable future.

CORPORATE

- The TSX Venture Exchange approved Iona’s application to graduate to Tier 1 of the TSX Venture Exchange and Iona commenced trading as a Tier 1 issuer on Wednesday, January 8, 2014.
- Iona was included in the 2014 TSX Venture 50®, a ranking reserved for the strong performing companies listed on the TSX Venture Exchange.
- On March 21, 2014 the Company’s Bonds commenced trading on the Nordic ABM under the ticker IEC01 PRO.

KEY PROJECT HIGHLIGHTS

Huntington (17.55% Economic Interest)

- Iona's Q1 2014 average production including royalties at Huntington increased 30% over Q4 2013, from 2,998 boepd to 3,896 boepd, as operational and weather-related downtime at the field continued to improve. Further, cargo schedule optimization has increased oil liftings, taking advantage of good weather windows as and when available. Huntington production for February and March was relatively unfettered with only minor interruptions due to weather and a planned maintenance related two-day shutdown of CATS.
- On March 1, 2014, the Voyageur FPSO passed its Performance & Reliability Test and as of March 31, 2014, the field had produced 4.5 million barrels of oil equivalent, with Iona’s net share of production totalling 0.7 million barrels of oil equivalent.
- On April 12, 2014, Huntington production was suspended as work commenced to replace a number of straub couplings that are part of the inert gas system on the floating production, storage and offloading (“FPSO”) facility. On April 24, 2014, the Operator, E.ON E&P UK Ltd, informed the partners that the replacement work had been

completed ahead of schedule and that production restart had commenced. However, on April 26, 2014 the Huntington partnership was advised that due to an unplanned shutdown issue involving the Central Area Transmission System ("CATS") riser system, multiple fields producing through the system were shut in until May 10, 2014.

- As of May 9, 2014, Huntington has offloaded 24 cargos and produced 5.6 million barrels of oil equivalent with Iona's net share of production being above 1.0 million barrels of oil equivalent. The Huntington partnership continues to realize Brent prices, with an average price to date of USD\$108/bbl, and gas prices, which remain robust in the UK, above USD\$10.00/mcf.
- Since May 11, 2014, the FPSO and the Huntington reservoir have been producing, hitting gross production of 30,000 boe/d on May 14, 2014.

Trent & Tyne (20% Working Interest)

- The net average daily production rate from Trent & Tyne to Iona during the three months ended March 31, 2014 was 1.6 MMcf/d compared to 2.1 MMcf/d average during the three months ended December 31, 2013. Trent & Tyne production continues to be severely reduced due to the intermittent performance of the fresh water maker at Tyne. On April 16, 2014 the Tyne 44/18-T6 ("T6") well resumed production at 13 MMcf/d. The well has been subsequently choked back to 3 MMscfd in order to manage salt deposition. Iona is currently investigating mitigation measures.
- In the operating envelope of the Tyne field, and in particular the T6 well, salt deposition in the wellbore tubulars is a significant risk to production. As super-saline formation water enters the wellbore tubulars it experiences a drop in both temperature and pressure. This causes salt to drop out of solution and deposit in the well. It is a well-known issue in the gas fields of the UK Southern Gas Basin and elsewhere with highly saline formation waters. Standard industry practice is to install a water washing system to the wells. Fresh water is pumped down the wells and this washes salt deposits to surface. A water maker takes seawater and, by reverse osmosis, generates fresh water for the water washing system. Salt build-up is sufficiently quick to preclude producing wells such as T6 without continual water washing. It is routine procedure to suspend production while the water maker is out of commission. Operational improvements to enhance the performance and reliability of the Tyne water maker are being implemented and should be rectified during the second half of 2014.
- Subsequent to the quarter end the Company, through its wholly owned UK subsidiary, Iona UK Developments Co Limited, entered into a Sale and Purchase Agreement ("SPA") with Perenco UK Limited ("Perenco"), to purchase Perenco's remaining 80% working interest, rights, and obligations in the Trent & Tyne fields (including the Trent East Discovery Area).

Orlando (75% Working Interest)

- Subsequent to March 31, 2014, the Company has determined that some items required to deliver Orlando first oil in 2015 will not be completed during 2014 and 2015, and Iona now aims to achieve first oil from Orlando as early as possible in 2016. Iona continues to be in discussion with the Operator of the Ninian Central Platform and DECC regarding specific timing of infrastructure access which drives the timing of first oil delivery.
- The manufacture of line pipe and Xmas trees is substantially complete. The copper cores for the umbilical are also complete and delivered to the umbilical assembly plant. Manufacture of the control system is ongoing and contractual arrangements for the balance of the project supply chain are in the process of being finalized. Additionally, piping tie-ins to the NCP have now been completed.

Highlights Subsequent to the Quarter End

Subsequent to the quarter end the Company, through its wholly owned UK subsidiary, Iona UK Developments Co Limited, entered into a Sale and Purchase Agreement ("SPA") with Perenco UK Limited ("Perenco"), to purchase Perenco's remaining 80% working interest, rights, and obligations in the Trent & Tyne fields (including the Trent East Discovery Area).

Upon satisfaction of certain conditions as set out in the SPA, the Company shall pay to Perenco the sum of \$20,000,000, as adjusted pursuant to any adjustments as per the SPA and assume all decommissioning liabilities in relation to Licenses being purchased. Payment shall be made no later than six (6) calendar months after the date of the SPA or on such later date as agreed in writing. For further information please see the Company's April 29, 2014 news release, available on the Company's website and SEDAR.

On April 29, 2014, Iona appointed Mr. Richard Ames as the Company's Executive Vice President.

On May 6, 2014 the bondholders voted in favour of amending the bond agreement to include restricted cash within the definition of cash and cash equivalents. The amendment is applied retroactively from the date of issue so that the amendment applies to the covenant calculation as at March 31, 2014 and December 31, 2013.

CHANGE IN PRESENTATION CURRENCY

This press release is presented in United States dollars ("US dollars"). In 2013, the Company changed its presentation currency from the Canadian dollars ("CAD") to the US dollar. The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the oil and gas industry. In making this change to the US dollar presentation currency, the Company followed the guidance in IAS 21 The Effects of Changes in Foreign Exchange Rates and have applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the new US dollar presentation currency. For the 2013 comparative balances, assets and liabilities have been translated into the presentation currency (US dollars) at the rate of exchange prevailing at the reporting date. Items impacting income (loss) or comprehensive income (loss) were translated at the average exchange rates for the reporting period, or at the exchange rates prevailing at the date of transactions.

NON-GAAP FINANCIAL MEASURES

Throughout this press release, the Company uses the terms "funds flow", "funds flow per share - basic", "funds flow per share - diluted", "Adjusted EBITDA", "Adjusted EBITDA per share - basic", "Adjusted EBITDA per share - diluted", "working capital" and "operating netback". These terms do not have any standardized meaning as prescribed by IFRS and, therefore, may not be comparable with the calculation of similar measures presented by other issuers. Management uses working capital and operating netback measures. Working capital is calculated as current assets less current liabilities, and is used to evaluate the Corporation's financial leverage. Operating netback is a benchmark common in the oil and gas industry and is calculated as total petroleum and natural gas sales, less production and transportation expenses, calculated on a per barrel equivalent ("boe") basis of sales volumes using a conversion. Operating netback is an important measure in evaluating operational performance as it demonstrates field level profitability relative to current commodity prices. Working capital and operating netback as presented do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities.

Funds flow is calculated based on cash flow from operating activities before changes in non-cash working capital. Adjusted EBITDA is calculated as net income before finance costs, derivative gains and losses, taxes, depletion, depreciation and amortization. Funds flow or Adjusted EBITDA per share - basic and funds flow or Adjusted EBITDA per share - diluted are calculated as funds flow or Adjusted EBITDA divided by the number of weighted average basic and diluted shares outstanding, respectively. Management utilizes funds flow and Adjusted EBITDA as key measures to assess the ability of the Company to finance dividends, operating activities, capital expenditures and debt repayments. Funds flow and Adjusted EBITDA as presented are not intended to represent cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

Notes:

Further details on the above are provided in the Consolidated Financial Statements and Management's Discussion and Analysis for the quarter ended March 31, 2014 and the year and quarter ended December 31, 2013, which have been filed with securities regulatory authorities in Canada. These documents are available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and on the Company's website: www.ionaenergy.com.

Iona is an oil and natural gas acquisition, appraisal, and development corporation active through its 100% wholly owned United Kingdom subsidiary, Iona Energy Company (UK) Ltd. in the United Kingdom's Continental Shelf ("UKCS").

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Forward-looking statements

Some of the statements in this announcement are forward-looking, including statements regarding Iona's plans for the development of its properties, statements regarding acquisitions, estimated production levels, anticipated effects of the UK small field allowance, and estimates of the net present value of future net revenue of proved and probable reserves from Iona's properties. Forward-looking statements include statements regarding the intent, belief and current expectations of Iona Energy Inc. or its officers with respect to various matters, including assumptions regarding Huntington production rates. When used in this announcement, the words "expects," "believes," "anticipate," "plans," "may," "will," "should", "scheduled", "targeted", "estimated" and similar expressions, and the negatives thereof, whether used in connection with estimated production levels and future activity or otherwise, are intended to identify forward-looking statements. Such statements are not promises or guarantees, and are subject to risks and uncertainties that could cause actual outcome to differ materially from those suggested by any such statements, including without limitation, the risk that Iona's development plans change as a result of new information or events or the risk that proposed transactions are not completed. These forward-looking statements speak only as of the date of this announcement. Iona Energy Inc. expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based except as required by applicable securities laws.

Note: "Boe" means barrel of oil equivalent on the basis of 6 mcf of natural gas to 1 bbl of oil. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

It should not be assumed that the present worth of estimated future net revenue represents the fair market value of the reserves disclosed in this press release. The reserve and related revenue estimates set forth in this press release are estimates only and the actual reserves and realized revenue may be greater or less than those calculated. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. As used in this press release, "possible reserves" are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Additionally, this press release uses certain abbreviations as follows:

Oil and Natural Gas Liquids

bbls	barrels
Mbbls	thousand barrels
MMbbls	million barrels
bbls/d	barrels per day
bopd	barrels of oil per day
NGLs	natural gas liquids

Natural Gas

mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
MMcf	millions of cubic feet
MMcf/d	millions of cubic feet per day
Bcf	billion cubic feet

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