

**NOT FOR DISTRIBUTION TO UNITED STATES NEWS WIRE SERVICES OR  
DISSEMINATION IN UNITED STATES**

**Company Update**

**FOR IMMEDIATE RELEASE**

CALGARY, ALBERTA, March 05, 2015 - Iona Energy Inc. ("**Iona**" or the "**Company**") (TSX V: INA), a Canadian independent oil & gas company with assets in the UK North Sea wishes to provide the following update.

**Financial Update**

On September 27, 2013, Iona, via its UK subsidiary, Iona Energy Company (UK) plc, issued US\$275 million in senior secured bonds (the "**Bonds**").

As the Company reported on December 18, 2014, the rapid decline in oil prices and continued production interruptions at Huntington have negatively impacted projected cash flows and the Company reported at that time that it may breach certain of the Bond covenants during the next twelve month operating cycle.

Based on unaudited management accounts, it is highly likely that the Company will be in breach of one or more of its covenants upon publication of its annual financial statements for the year ended December 31, 2014. The Company's annual financial statements are scheduled to be published on April 29, 2015 including fully audited financial statements and final covenant calculations. It should be noted that two consecutive quarterly covenant breaches are required to constitute an event of default under the Bonds.

Constructive discussions are ongoing with certain of the Company's largest bondholders to increase financial flexibility for the Company. Such bondholders and the Company are aligned on the key principle that ensuring Orlando is brought on-stream gives all stakeholders the best opportunity to maximize value. Creating flexibility under the terms of the Bond to deliver the Orlando project also provides greater time for management to deliver its core strategy of refinancing the business in conjunction with an acquisition. It should be noted however that there is no guarantee that an agreement will be reached with the bondholders. Should no agreement be reached then this would have significant negative implications for the Company's ability to operate in its current form.

Iona is encouraged that certain bondholders have formed an informal committee and engaged FTI Consulting as their financial advisor and Akin Gump as legal advisors to move the bondholder discussions forward. The Company has engaged ABG Sundal Collier as its financial advisor and Thommessen as its legal advisor.

The financial and operational assumptions currently being utilized by the Company in conducting its financial planning and discussions with bondholders are as follows (all figures on an unaudited basis):

- Cash at December 31, 2014 of US\$99.5 million
  - US\$25.0 million unrestricted
  - US\$61.9 million short-term restricted (for Orlando spend and BP derivative settlement)
  - US\$8.6 million long-term restricted (letter of credit ("LoC") against Trent and Tyne decommissioning)
- Current cash of US\$71.5 million

- US\$10.9 million unrestricted
- US\$52.1 million short-term restricted <sup>(1)</sup>
- US\$8.5 million long-term restricted
- Huntington
  - 2015 average production is estimated by Iona at c. 11,500 boepd (gross), taking into account the fact that production has been constrained through January and February and expected maintenance during June and July
  - The Huntington field partners continue to review how to maximize recovery from the field. Subsurface studies are ongoing which may support further capital investment in the field in the form of either a new production well or a new or sidetracked water-injection well in 2016. Gross capex is estimated to be a maximum of £25 million
  - 2016 average production with no additional investment is estimated by Iona at c. 10,000 boepd (gross)
  - Further investment could increase the 2016 average rate to 11,000 to 13,000 boepd (assuming new production comes onstream during H2 2016)
  - The operator is required to assess on an annual basis whether the field partners need to make provision by way of posting a LoC for future abandonment costs. This process is undertaken during Q2 and any provision will need to be posted during Q4. Iona estimates that a provision in the range of US\$5-10 million (net to Iona) will be required through 2015 and 2016, however the exact provision is uncertain as it is dependent upon a range of factors including the prevailing oil price and future investment decisions relating to the field. The abandonment provision amount also remains subject to further discussion with the operator
- Orlando
  - The project remains on track for first production during Q4 2016
  - Iona's latest capex estimate for the project is US\$215 million (gross) for 2015-2016
  - Initial production rates from the field are estimated by Iona at c. 10,500 bopd (gross) with year 1 decline in the range of 50-60% and year 2 decline in the range of 30-40%
- G&A expenses
  - Iona has significantly reduced G&A expenditure with 2015 G&A forecast to be US\$5.2 million (after capitalized portion)

(1) An additional US\$13.25m is currently being held in a restricted account in the name of one of Iona's physical crude offtakers in relation to the retirement of certain call options. This party has agreed to consider restructuring this payment subject to the Company reaching a broader restructuring agreement with its bondholders

## Huntington

Production in January and February has averaged 8,549 boepd (gross), 1,282 boepd net to Iona (at 15.0% working interest). As previously reported, production during this period has been constrained by availability of the CATS gas export infrastructure driven by repairs to equipment on the CATS riser platform. Iona has been advised by the Huntington operator that repair work on the CATS riser platform is continuing and that normal service is anticipated to resume in the second half of March.

The Huntington joint venture continues to progress self-help solutions including gas disposal and propane removal processing to mitigate against future CATS outages.

The Huntington field partners are reviewing the economic case for further capex on Huntington to increase production and extend the life of the field. As such, Iona has included in its 2015 and 2016 budget provision for a new well to optimize field recovery (either a sidetracked water injector or new producer) with maximum expected net cost of US\$5.8 million.

Tom Reynolds, Chief Executive Officer, commented:

“The discussions with bondholders have been open, frank and constructive and focused on the core principle of ensuring the Company can continue at pace to deliver first production at Orlando by the end of 2016. The Orlando project remains highly attractive even in today’s commodity price environment and presents the opportunity for all stakeholders to maximize value.

We are pleased to report that Huntington production has been stable through January and February and should restart at unrestricted rates shortly. The operating group continues to review alternatives to mitigate future CATS issues and importantly is assessing investment opportunities to maximize recoverable volumes at the Huntington field.”

**-Ends-**

### **Conference Call**

Tom Reynolds, CEO will be hosting a conference call for investors and analysts today at 14.00GMT (London) / 07.00MDT (Calgary) / 09.00ET (Toronto). To join the call please dial in 5-10 minutes prior to the start time using the information below.

Dial in details:

UK Toll-Free Number: 0808 237 0030  
Canada: +1 866 404 5783  
USA: +1 866 928 7517  
Participant Pin Code: 11633355#

*Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).*

### **For further information please contact:**

#### **Iona Energy Inc.**

Tom Reynolds, CEO +44 (0) 1224 228400  
Robert Gair, CFO +44 (0) 1224 228400

*Email: [info@ionaenergy.com](mailto:info@ionaenergy.com)*

#### **Camarco**

Billy Clegg / Georgia Mann +44 (0) 20 3757 4980

*Camarco is a financial public relations group assisting the Company with this press release.*

### **About Iona Energy:**

Iona is an oil and gas company with assets in the United Kingdom's North Sea.

### *Forward-Looking Statements*

Some of the statements in this announcement are forward-looking, including statements regarding business plans for Huntington and Orlando and the anticipated timing thereof, anticipated production rates, anticipated capital expenditures, potential breach of future bond covenants, and bondholder discussions. When used in this announcement, the words "expects," "believes," "anticipate," "plans," "may," "will," "should", "scheduled", "targeted", "estimated" and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Such statements are not promises or guarantees, are based on various assumptions by Iona's management, including assumptions such as future oil prices and decisions of joint venture partners which are beyond Iona's control, and are subject to risks and uncertainties that could cause actual outcomes to differ materially from those suggested by any such statements, including without limitation: the risk that the business plans of the Company described in this announcement are changed or delayed as a result of new developments or information or for any other reason, the risk that ongoing production rates for Huntington or initial production rates from Orlando are lower than anticipated, the risk that capital expenditures for the Company's projects are higher than anticipated, and the risk that bondholder discussions are not successful for any reason. Please refer to the Company's Annual Information Form for the year ended December 31, 2013 and available for viewing under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com), for a list of additional risk factors. These forward-looking statements speak only as of the date of this announcement.

Additionally, this announcement discloses the unaudited cash position of the Company (and components thereof) as at December 31, 2014 as well as anticipated G&A expenses for 2015, which may be considered future-oriented financial information ("FOFI"). Such items are estimates only and may not be indicative of the actual current assets of the Company as at December 31, 2014 or anticipated expenses in 2015. FOFI contained in this announcement was made as of the date hereof and was provided for the purpose of giving an estimate of the current financial position of the Company.

The Company disclaims any intention or obligation to update or revise any forward-looking statements or FOFI contained in this announcement, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

### *Oil and Gas Disclosure*

Barrel of oil equivalent ("**boe**") amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel of oil (1 bbl). Boe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 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. "**boepd**" refers to boe per day.

**Neither the TSX Venture Exchange Inc. nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.**