A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada, other than Québec, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any applicable state securities laws, and may not be offered or sold in the United States (as defined in Regulation S under the U.S. Securities Act) except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".*

*This document is only being and may only be distributed to and directed at: (i) persons outside the United Kingdom; or (ii) persons in the United Kingdom who are: (a) a "qualified investor" within the meaning of Section 86(7) of the United Kingdom Financial Services and Markets Act 2000, as amended (the "**FSMA**"), acting as principal or in circumstances where Section 86(2) of FSMA applies; and (b) also within the categories of persons referred to in Article 19 (investment professionals) or Article 49 (high net worth companies, unincorporated associations, etc.) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**") (all such persons together being referred to as "relevant persons"). The securities being offered hereunder are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document contains no offer of transferable securities to the public in the United Kingdom within the meaning of sections 85(1) and 102B of the FSMA. This document is not a prospectus for the purposes of Section 85(1) of the FSMA. Accordingly, this document has not been examined or approved as a prospectus by the United Kingdom Financial Services Authority (the "**FSA**") under Section 87A of the FSMA or by the London Stock Exchange and has not been filed with the FSA pursuant to the rules published by the FSA implementing the Prospectus Directive (2003/71/EC) (as amended by Directive 2010/73/EU) (the "**United Kingdom Prospectus Rules**") nor has it been approved by a person authorized under the FSMA, for the purposes of Section 21 of the FSMA*.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated by reference herein may be obtained on request without charge from the Chief Financial Officer of Iona Energy Inc. at Suite 1000, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5 (Telephone 403.444.5416) and are also available electronically at www.sedar.com. See "Documents Incorporated By Reference".*

PRELIMINARY SHORT FORM PROSPECTUS

New Issue February 28, 2012

Minimum Offering: ● Common Shares at $● per Common Share ($60,000,000)

Maximum Offering: ● Common Shares at $● per Common Share ($80,000,000)

Iona Energy Inc. ("**Iona**" or the "**Corporation**") is engaged in oil and natural gas acquisition, exploration, development and production internationally. Iona's principal business and head office is located at Suite 1000, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5. Iona's registered office is located at 1600, 333 - 7th Avenue S.W., Calgary, Alberta, T2P 2Z1.

This short form prospectus qualifies the distribution (the "**Offering**") of a minimum of ● common shares in the capital of the Corporation ("**Common Shares**") and a maximum of ● Common Shares at a price of $● per Common Share. The Offering is subject to minimum gross subscription proceeds in the amount of $60,000,000 (the "**Minimum Offering**") and maximum gross subscription proceeds in the amount of $80,000,000 (the "**Maximum Offering**"). The Common Shares qualified hereunder are referred to herein as the "**Offered Shares**".

	Price to the Public(1)	**Agents' Commission(2)**	**Net Proceeds to the Corporation(3)**
Per Common Share	$●	$●	$●
Minimum Offering	$60,000,000	$3,600,000	$56,400,000
Maximum Offering(4)	$80,000,000	$4,800,000	$75,200,000

Notes:

(1) The offering price of $● per Common Share was determined through negotiation between the Corporation and the lead agent, Casimir Capital Ltd., on its own behalf and on behalf of Clarus Securities Inc., Mackie Research Capital Corporation, AltaCorp Capital Inc. and National Bank Financial Inc. (collectively, the "**Agents**").

(2) The Agents will receive a commission of 6% of the gross proceeds from sales of Offered Shares, which commission will be paid upon closing of the Offering. The Agents will also be reimbursed for their legal and certain other expenses.

(3) Before deducting: (i) the Agents' expenses; and (ii) the other expenses of the Offering, together estimated to be $300,000, which will be paid from the proceeds of the Offering.

(4) The Corporation has also granted to the Agents an option (the "**Over-Allotment Option**") to place up to an additional 15% of the number of Common Shares issued pursuant to the Offering on the same terms and conditions of the Offering, to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option is exercisable by the Agents, in whole or in part, at any time up until 30 days following the Closing (as defined below). The Over-Allotment Option and the Common Shares issuable on exercise thereof are qualified for distribution under this short form prospectus (and where the context requires, references to the "Offering" and to the "Offered Shares" include the Common Shares issuable pursuant to the Over-Allotment Option). A purchaser who acquires Common Shares issuable on exercise of the Over-Allotment Option acquires those Common Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the total Offering, the Agents' commission and the net proceeds to the Corporation, excluding the Agents' expenses, will be $92,000,000, $5,520,000 and $86,480,000, respectively. See "*Plan of Distribution*".

Agents' Position	**Maximum size or number of securities held**	**Exercise Period**	**Exercise Price**
Over-Allotment Option	15% Common Shares issued under the Offering	30 days following Closing	$● per Common Share

The Agents conditionally offer the Offered Shares for sale, on a commercially reasonable efforts basis, if, as and when issued by the Corporation in accordance with the conditions contained in the Agency Agreement (as defined herein) referred to under "*Plan of Distribution*" and subject to approval of certain legal matters relating to the qualification for distribution of the Offered Shares on behalf of the Corporation by Burstall Winger LLP and on behalf of the Agents by Gowling Lafleur Henderson LLP.

Subject to applicable laws, the Agents may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

Subscriptions for the Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The subscription funds will be held by the Agents in trust, pending closing of the Offering. If the Offering does not close, the subscription proceeds will be returned to the subscribers, without interest or deduction, unless such subscribers have otherwise directed the applicable Agent, provided that the Minimum Offering has been subscribed for. It is expected that certificates for the Offered Shares will be available for delivery on the closing of the Offering, which, provided that the Minimum Offering has been subscribed for, is expected to occur on or about March 27, 2012 (the "**Closing**"), or on such other date as the Corporation and the Agents may agree upon, but in any event not later than 90 days following the date that a receipt for the short form prospectus is issued by the applicable securities commissions, subject to the termination rights described under the heading "*Statutory Rights of Withdrawal and Rescission*". **Closing of the**

Offering is subject to the Corporation receiving Final Credit Committee Approval (as defined below) from the Banking Group (as defined below) for the Credit Facility (as defined below) and certain other standard conditions. Should Closing occur in respect of the Minimum Offering, one or more additional Closings, if necessary, may occur until the earlier of the Offering being fully subscribed and the expiry of the 90 day period.

Except in certain limited circumstances, including with respect to Offered Shares issued pursuant to Regulation D under the U.S. Securities Act, which will be represented by definitive, physical certificates: (i) Offered Shares will be represented by a global certificate issued in registered form to the CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee under the book-based system administered by CDS or will be deposited directly with CDS; (ii) no certificates evidencing Offered Shares will be issued to purchasers of Offered Shares; and (iii) purchasers of Offered Shares will receive only a customer confirmation from the Agents or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Shares is purchased.

Subject to applicable laws, the Agents may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

The outstanding Common Shares in the capital of the Corporation are listed and posted for trading on the TSX Venture Exchange (the "**TSXV**") under the trading symbol "INA". The closing price of the Common Shares on February 27, 2012, the last trading day prior to the public announcement of the Offering and the filing of this short form prospectus, was $0.58 on the TSXV. See "*Trading Price and Volume*".

The Corporation has applied to list the Offered Shares distributed under this short form prospectus on the TSXV. Listing will be subject to the Corporation fulfilling the applicable listing requirements of the TSXV in accordance with TSXV Policy 4.2.

An investment in the securities of the Corporation is highly speculative due to the nature and stage of the Corporation's business, including the nature of the Corporation's involvement in the exploration for and the acquisition, development and production of oil and natural gas internationally and offshore. An investment in the Offered Shares should only be made by those persons who can afford the loss of their entire investment. Prospective investors should carefully consider the risk factors described in this short form prospectus under "*Risk Factors*", as well as the risk factors contained in the Annual Information Form (as defined herein), which is incorporated by reference in this short form prospectus, as well as the note regarding "Forward-Looking Statements" included herein.

Investors should rely only on the information contained in this short form prospectus or incorporated by reference herein. The Corporation has not authorized anyone to provide investors with different or additional information. The Corporation is not offering the Offered Shares in any jurisdiction in which the Offering is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date on the front of this short form prospectus.

Neill Carson, Chief Executive Officer, President and a Director of the Corporation, resides outside of Canada. Although Mr. Carson has appointed Burstall Winger LLP as his agent for service of process in Alberta, it may not be possible for investors to enforce judgments obtained in Canada against Mr. Carson.

All references herein to $ are to Canadian dollars unless otherwise stated. All references herein to £ are to British pounds sterling unless otherwise stated. All references herein to US$ are to United States dollars unless otherwise stated.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS 1
NON-GAAP AND NON-IFRS MEASURES 3
ABBREVIATIONS 3
CONVERSION 3
NOTES ON RESERVES DATA 4
DOCUMENTS INCORPORATED BY REFERENCE 4
EXCHANGE RATES 5
BUSINESS OF THE CORPORATION 6
RECENT DEVELOPMENTS 6
USE OF PROCEEDS 7
PLAN OF DISTRIBUTION 8
RISK FACTORS 10
CONSOLIDATED CAPITALIZATION 12
DESCRIPTION OF COMMON SHARES 12
PRIOR SALES 13
TRADING PRICE AND VOLUME 13
PRINCIPAL SECURITYHOLDERS 13
ELIGIBILITY FOR INVESTMENT 14
AUDITORS, REGISTRAR AND TRANSFER AGENT 14
INTEREST OF EXPERTS 14
STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION 15
AUDITOR'S CONSENT 16
AUDITOR'S CONSENT 17

CERTIFICATE OF THE CORPORATION C-1
CERTIFICATE OF THE AGENTS C-2

FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference herein contain certain forward-looking statements and forward-looking information which are based on the Corporation's internal expectations, estimates, projections, assumptions and beliefs as at the date of such statements or information. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "plan", "should", "believe" 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 short form prospectus and the 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 short form prospectus and the 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 short form prospectus and the documents incorporated by reference contain forward-looking statements which include, but are not limited to, statements and information pertaining to the following:

- the use of the net proceeds from the Offering;
- obtaining Final Credit Committee Approval;
- obtaining the Credit Facility (as defined herein) on substantially the terms negotiated;
- the performance characteristics of the Corporation's properties and assets;
- acquisition of West Wick assets and realization of anticipated benefits therefrom;
- the size of oil, natural gas liquids ("**NGLs**") and natural gas reserves attributable to the Corporation's properties;
- the quality of and future net revenues from the Corporation's reserves;
- planned development of the Corporation's future oil and gas properties;
- oil, NGLs and natural gas production levels;
- commodity prices, foreign currency exchange rates and interest rates;
- capital expenditure programs and other expenditures, including the use of the net proceeds from the Offering;
- supply and demand for oil, NGLs and natural gas;
- expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions and development;
- schedules and timing of certain projects and the Corporation's strategy for growth;
- the Corporation's future operating and financial results; and
- treatment under governmental and other regulatory regimes and tax, environmental and other laws.

The forward-looking statements contained in this short form prospectus are based on and have been developed with reference to certain factors and assumptions which include, but are not limited to, the following:

- the ability of Iona to add production and reserves at a consistent rate;
- that commodity prices will not deteriorate significantly;
- the ability of Iona to engage drilling and other service contractors and to obtain and transport equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out exploration, development and exploitation activities;
- the ability of Iona to market and transport its oil, NGLs and natural gas;
- prevailing governmental and other regulatory regimes and tax, environmental and other laws;
- the timely receipt of regulatory approvals and the terms and conditions of such approvals;
- the ability of the Corporation to realize drilling success consistent with management's expectations;
- financial information including expected cash flow from operations, production numbers, future capital expenditures, debt levels, expenses and cash flows;
- the Corporation's ability to obtain financing on acceptable terms, in particular the Credit Facility, as required;

- the success of the Corporation's operations and exploration and development activities;
- future capital expenditures;
- the impact of increasing competition;
- the conditions in general economic and financial markets;
- the availability of capital to fund future expenditures;
- the availability of skilled labour;
- royalty rates; and
- the future operating costs and cash flow of the Corporation.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements and information as a result of both known and unknown risks, including the risk factors set forth under "*Risk Factors*" in this short form prospectus and in the Annual Information Form, and those set forth below:

- risks associated with the exploration for and development of oil and natural gas reserves;
- 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;
- changes or fluctuations in oil, NGLs and natural gas production levels, changes in foreign currency exchange rates and interest rates;
- risks associated with ensuring title to the Corporation's properties;
- uncertainties associated with estimating oil, NGL and natural gas reserves;
- incorrect assessments of the ability to complete and/or the value of acquisitions and exploration and development programs and the failure to realize the anticipated benefits of acquisitions;
- geological, technical, drilling and processing problems;
- changes in environmental or other legislation applicable to the Corporation's operations, and the Corporation's ability to comply with current and future environmental and other laws;
- uncertainties associated with oil and gas reserve estimates and estimated production levels as they are affected by Iona's exploration and development drilling and estimated decline rates, in particular the future production rates at the Orlando, Trent & Tyne and Kells (formerly the Staffa field) fields in the UK North Sea;
- the Corporation's success at acquisition, 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, and worldwide;
- actions by governmental or regulatory authorities including changes in income tax laws or changes in tax laws and incentive programs and royalties relating to the oil and gas industry;
- Iona's ability to obtain access to sub-sea or floating facility including transportation and production storage offshore providers;
- the Corporation's reliance on industry partners for the development of some of its properties; and
- the Corporation's ability to obtain financing on acceptable terms, in particular the Credit Facility, as required.

Statements relating to "reserves" and "resources" are deemed to be forward looking statements. The estimates of remaining recoverable prospective resources have been risked for chance of discovery, but have not been risked for chance of development. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development.

Many of these risk factors and other specific risks and uncertainties are discussed in further detail throughout the Annual Information Form. Readers are specifically referred to the risk factors described in the Annual Information Form 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. **Readers are cautioned that the foregoing list of risk factors is not exhaustive. The forward-looking statements and forward-looking information contained in this short form prospectus, and the documents incorporated by reference herein, are expressly qualified by this cautionary**

statement. Except as required under applicable securities laws, Iona undertakes no obligation to publicly update or revise any forward-looking statements.

NON-GAAP AND NON-IFRS MEASURES

Certain terms used herein and in documents incorporated by reference contain terms such as "cash flow from operations", "cash flow from operations per share", "netback" and "EBITDA" do not have standard meanings under generally accepted accounting principles ("**GAAP**") or international financial reporting standards ("**IFRS**") and may not be comparable to those reported by other companies. Iona utilizes cash flow from operations and netbacks to assess operational and financial performance, to allocate capital among alternative projects and to assess the Corporation's capacity to fund future capital programs. Netbacks are equal to oil and gas revenue less royalties, export tax, and operating expenses, calculated on a commodity and barrel of oil equivalent ("**boe**") basis.

Cash flow from operations is defined as cash flow from operating activities before changes in working capital. Cash flow from operations per share is calculated as cash flow from operations divided by the weighted-average number of outstanding shares. Cash flow from operations should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with GAAP or IFRS as an indicator of the Corporation's performance.

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 standard cubic feet

Other	
boe(1)	barrel 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	barrel of oil equivalent per day
mboe/d	thousand barrels of oil equivalent per day
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 "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.

CONVERSION

The following table sets forth certain standard conversions from Standard Imperial Units to 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

NOTES ON RESERVES DATA

All oil and natural gas reserve information contained in this short form prospectus and the documents incorporated by reference herein have been prepared and presented in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). In the disclosure contained in this short form prospectus and in the documents incorporated by reference herein: (a) the discounted and undiscounted net present value of future net revenues attributable to reserves do not represent fair market value; (b) 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; and (c) the Corporation has adopted the standard of 6 Mcf:1 boe when converting natural gas to barrels of oil equivalent. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

*"**Contingent Resources**" is defined in the Canadian Oil and Gas Evaluation Handbook as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent resources are further classified in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.*

The contingent resources estimates disclosed in the January 2012 MCR (as defined below), including the corresponding estimates of before tax present value estimates, are estimates only and the actual results may be greater than or less than the estimates provided therein. There is no certainty that it will be commercially viable or technically feasible to produce any portion of the resources.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference herein may be obtained on request without charge from the Chief Financial Officer of the Corporation at Suite 1000, 888 – 3 Street SW, Calgary, Alberta, T2P 5C5 (Telephone 403.444.5416). These documents are also available through the internet on the System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com.

The following documents, which have been filed with the securities commission or similar authority in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador are specifically incorporated by reference in, and form an integral part of, this short form prospectus:

(a) the annual information form of the Corporation for the year ended December 31, 2010 dated December 6, 2011 (the "**Annual Information Form**");

(b) the joint management information circular (the "**Information Circular**") of Iona Energy Company Limited ("**Former Iona**") and Northern Lights Acquisition Corp. ("**Northern Lights**") dated April 19, 2011 prepared in connection with the annual general and special meetings of the shareholders of Former Iona and Northern Lights held on May 27, 2011, relating to, among other things, the amalgamation of Former Iona and Northern Lights to form the Corporation;

(c) the audited annual consolidated financial statements of Former Iona as at December 31, 2010 and 2009 and for each of the three years in the three year period ended December 31, 2010, together with the notes thereto and the independent auditor's report thereon (as contained in the Information Circular);

(d) management's discussion and analysis of the financial condition and results of operations of Former Iona for the year ended December 31, 2010 (as contained in the Information Circular);

(e) the unaudited interim condensed consolidated financial statements of the Corporation as at and for the period ended September 30, 2011, together with the notes thereto;

(f) management's discussion and analysis of the financial condition and results of operations of the Corporation as of September 30, 2011 and for the three and nine months ended September 30, 2011 and 2010;

(g) notes 3 and 12 of the unaudited interim condensed consolidated financial statements of Former Iona as at March 31, 2011 and for the period ended March 31, 2011;

(h) the material change report of the Corporation dated June 9, 2011 relating to the amalgamation of Former Iona and Northern Lights;

(i) the material change report of the Corporation dated January 30, 2012 relating to the Corporation's wholly owned subsidiary Iona Energy Company (UK) Limited's ("**Iona UK**") acquisition of the Kells field (formerly the Staffa field) (the "**January 2012 MCR**"); and

(j) the material change report of the Corporation dated February 10, 2012 related to Iona UK's entrance into a binding purchase and sale agreement to complete the West Wick acquisition (the "**West Wick MCR**").

Any documents of the type required by National Instrument 44-101 - *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any material change reports (excluding confidential reports), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms and business acquisition reports filed by the Corporation with the securities commissions or similar authorities in Canada after the date of this short form prospectus and before the termination of the distribution of the Offered Shares hereunder, are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it is made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

EXCHANGE RATES

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		
	2011	2010	2009
	$	$	$
Low for the period	1.5297	1.4876	1.6368
High for the period	1.6332	1.7268	1.9148
Rate at the end of period	1.5799	1.5513	1.6918
Average noon spot rate for the period	1.5861	1.5918	1.7804

On February 27, 2012, the Bank of Canada noon spot rate of exchange was £1.00=$1.5817.

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		
	2011	2010	2009
	US$	US$	US$
Low for the period	0.9449	0.9946	1.0292
High for the period	1.0604	1.0778	1.3000
Rate at the end of period	0.9833	0.9946	1.0466
Average noon spot rate for the period	0.9891	1.0299	1.1420

On February 27, 2012, the Bank of Canada noon spot rate of exchange was US$1.00=$0.9992.

BUSINESS OF THE CORPORATION

The Corporation is a company engaged in the business of oil and natural gas, acquisition, exploration, development and production in various international jurisdictions. See "*Recent Developments*" below, and see "*The Corporation*", "*General Development of the Business*", "*Description of the Business and Operations*" and "*Reserves Data and Other Oil and Gas Information*" in the Annual Information Form incorporated by reference in this short form prospectus.

RECENT DEVELOPMENTS

On October 12, 2011, Iona entered into a letter agreement with Fairfield Centrus Limited ("**Fairfield**") to purchase a 100% interest in Block 3/8d containing the Kells oil field (formerly the Staffa oil field) which is located in Block 3/8d in the UK North Sea approximately 14 kilometres south-east of the producing Ninian Central Platform. On November 4, 2011, Iona entered into a definitive sale and purchase agreement with Fairfield in respect of Block 3/8d and subsequently completed the acquisition on January 30, 2012. Please refer to the January 2012 MCR (which is incorporated by reference herein) for further details.

On November 2, 2011, MPX North Sea Limited ("**MPX**") commenced drilling well 3/3b-13 (the "**Well**") on the Corporation's Orlando property with the Awilco WilHunter semi-submersible rig (the "**Rig**"). The Corporation is responsible for funding 42.5% of the cost for the Well which is the first of the development wells planned for the Orlando property which will be operated by MPX. Since November 2, 2011 and as at the date hereof, a 9-5/8 inch casing has been successfully set at 11,230 feet, from which point an 8-1/2 inch hole has continued to a current measured depth of 13,206 feet, putting the well approximately 50 feet above the targeted Brent reservoir within the planned trajectory for the development well. Since November 2, 2011, drilling of the well has been curtailed by both severe weather and mechanical delays. Drilling was suspended on January 18, 2012 due to a failure of the travelling block on the Rig. Since January 18, 2012, both the Rig and the contract for operating the Rig have been in repair mode pursuant to which there shall only be a nominal cost to the Corporation during the period. Efforts are underway to repair the travelling block, to remove a stuck 'fish' from within the blow out preventer (the "**BOP**"), to restore and test the BOP, to re-latch the Rig to the drill pipe and to enable drilling to resume. MPX, acting on its own behalf and on behalf of the Corporation, has been in consultation with Awilco Drilling PLC ("**Awilco**"), the owner of the Rig, regarding the integrity of the Rig and the

BOP and MPX and Awilco have agreed that key equipment associated with the Rig and the BOP will be inspected and tested to the satisfaction of MPX, acting on its own behalf and on behalf of the Corporation. In the event that the BOP does not pass to the requirements of the test, a suspension of the Well may occur. In the event the Well is suspended, the Corporation plans to complete the well with an alternative drilling rig in 2013.

On February 3, 2012, Iona's wholly owned subsidiary, Iona UK, signed a binding purchase and sale agreement with Centrica North Sea Oil Limited ("**Centrica**") to complete, by May 31, 2012, the acquisition from Centrica of a 58.73% interest in Block 13/21a containing the West Wick Oil Field. The transaction remains subject to the approval of the United Kingdom's Department of Energy and Climate Change. Please refer to the West Wick MCR (which is incorporated by reference herein) for further details.

During February 27 and February 28, 2012, Iona reached an agreement in principle with a syndicate of lenders comprised of The Royal Bank of Scotland PLC, Lloyds Banking Group and a third U.S. bank (collectively, the "**Banking Group**"), for the purposes of providing a $130 million secured reserve based credit facility (the **"Credit Facility"**). The lenders have delivered to Iona an indicative term sheet and final credit approval has been obtained from Lloyds Banking Group and first stage credit approval has been obtained from The Royal Bank of Scotland and the U.S. bank based on terms and conditions within the term sheet in the usual manner. Final credit approval from The Royal Bank of Scotland and the U.S. bank ("**Final Credit Committee Approval**") is anticipated to be obtained on or about March 27, 2012. **Closing of the Offering is conditional on the Corporation receiving Final Credit Committee Approval for the Credit Facility prior to the date of the Closing.**

USE OF PROCEEDS

In the event of the Minimum Offering, the net proceeds to the Corporation from the sale of the Common Shares offered under this short form prospectus are estimated to be $56,100,000 after deducting the commission payable to the Agents of $3,600,000 and the expenses of the Offering, estimated to be $300,000. In the event of the Maximum Offering, the net proceeds to the Corporation from the sale of the Common Shares offered under this short form prospectus hereunder (assuming that no Common Shares are issued pursuant to the Over-Allotment Option) are estimated to be $74,900,000 after deducting the commission payable to the Agents of $4,800,000 and the expenses of the Offering estimated to be $300,000.

The estimated net proceeds will be used to fund the Corporation's exploration programs in the North Sea and for general working capital purposes, as follows:

Nature of Expense	**Minimum Offering**[(1)]	**Maximum Offering**[(1)]
Development of the Kells Assets (formerly the Staffa Assets)	$43,310,000	$55,340,000
Development Engineering of the Orlando Field	$6,650,000	$7,770,000
Acquisition of the West Wick Assets[(2)]	$5,000,000	$5,000,000
General and Administrative Expenses	$1,140,000	$1,140,000
Unallocated Working Capital	$0	$5,650,000
Total	**$56,100,000**	**$74,900,000**

Notes:

(1) Before exercise of the Over-Allotment Option. In the event the Over-Allotment Option is exercised in full, the additional net proceeds of $11,280,000 will be used for working capital and general corporate purposes.

(2) For a description of the West Wick Assets, please refer to the West Wick MCR.

The significant milestones which must be reached to achieve production from the Kells assets (the "**Kells Assets**") and expenditure of all anticipated required funds set forth above include: (i) Field Development Plan ("**FDP**") approval (which the Corporation anticipates will be achieved in or around the first half of 2012); (ii) drilling and completion of the first production well (which the Corporation anticipates will be achieved in or around the second half of 2012) totalling $30 million; and (iii) subsea equipment installation and host facility modifications (which the Corporation anticipates will be achieved in or around the second half of 2012) totalling $110 million. The total expenditures required to develop the Kells Assets are anticipated to be approximately $140 million to first oil, inclusive of $10 million of pre-development expenditures to date. The balance of expenditures required for the Kells Assets are expected to be funded through the Credit Facility and cash flows. Management estimates that, with success at Kells and Trent & Tyne, the Corporation has the potential to exit 2012 at approximately 8,000 boe/d of production and with further activity and success at Orlando could exit 2013 at approximately 12,000 boe/d of production.

The specific business objectives that the Corporation intends to accomplish from the expenditures at Orlando set forth above include: (i) FDP approval (which the Corporation anticipates will be achieved in or around the second half of 2012); (ii) procurement of long lead items totalling $6.5 million through 2012; (iii) host modifications totalling $4.4 million (which the Corporation anticipates will be achieved in or around the second half of 2012); (iv) the funding of operator costs totalling $1.3 million through 2012; and (v) project management totalling $1 million through 2012. The balance of expenditures required at Orlando are expected to be funded through the Credit Facility and cash flows.

The remaining unallocated working capital will be employed to pursue existing and future oil and gas development opportunities.

In accordance with good industry practice, the Corporation may seek industry partners in respect to the drilling of the planned wells if it is opportunistic to do so based on acceptable terms. Should industry partners participate in the drilling of the planned wells, the Corporation intends to allocate any surplus funds to other exploration or appraisal drilling activity in its portfolio or to working capital.

The Corporation had negative operating cash flow for the nine months ended September 30, 2011 and for the financial year ended December 31, 2010. To the extent that the Corporation has negative operating cash flows in future periods, it may need to deploy a portion of the proceeds of the Offering and/or its existing working capital to fund such negative cash flow. See "*Risk Factors*".

Due to the nature of the oil and natural gas industry, budgets are regularly reviewed in light of the success of the expenditures and other opportunities which may become available to the Corporation. In addition, the ability of the Corporation to carry out operations will depend upon the decisions of other working interest owners in the properties. Accordingly, while the Corporation anticipates that it will spend the funds available to it as set forth above, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary. See "*Risk Factors*".

PLAN OF DISTRIBUTION

Pursuant to an agency agreement dated March ●, 2012 (the "**Agency Agreement**") among the Corporation and the Agents, the Agents have agreed to act, and have been appointed as, the exclusive agents of the Corporation to offer the Offered Shares for sale to the public at a price of $● per Offered Share on a "commercially reasonable efforts" basis, without underwriting liability. The offering price per Offered Share was determined by negotiation between the Corporation and the lead agent, Casimir Capital Ltd., on its own behalf and on behalf of the other Agents, in the context of prevailing market conditions. The Corporation has agreed to pay the Agents a fee equal to 6% of the gross proceeds of the Offering, being $● per Offered Share and the reasonable expenses of the Agents. All fees payable to the Agents will be paid on account of services rendered in connection with the Offering and will be paid from the gross proceeds of the Offering.

The Offering is subject to a minimum subscription condition of $60,000,000. The subscription funds will be held by the Agents in trust, pending Closing of the Offering. If the minimum amount is not received within the period of distribution or the Offering does not close for any other reason, the subscription proceeds will be returned to subscribers, without interest or deduction, unless such subscribers have otherwise directed the applicable Agent. Closing of the Offering is expected to occur on or about March 27, 2012, or on such other date as the Corporation and the Agents may agree upon, but in any event not later than 90 days following the date that a receipt for the short form prospectus is issued by applicable securities commissions (subject to the termination rights referred to below). **Closing of the Offering is subject to the Corporation receiving Final Credit Committee Approval from the Banking Group for the Credit Facility and certain other standard conditions.** See "*Recent Developments*". Subscriptions for the Offered Shares will be received subject to rejection or allotment in whole or in part and the Agents reserve the right to close the subscription books at any time without notice.

Except in certain limited circumstances, including with respect to Offered Shares issued pursuant to Regulation D under the U.S. Securities Act, which will be represented by definitive, physical certificates: (i) Offered Shares will be represented by a global certificate issued in registered form to the CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee under the book-based system administered by CDS or will be deposited directly with CDS; (ii) no certificates evidencing Offered Shares will be issued to purchasers of Offered Shares; and (iii) purchasers of Offered Shares will receive only a customer confirmation from the Agents or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Shares is purchased.

Certificates representing any Offered Shares that are sold in the United States will be in the form of definitive physical certificates and will bear a legend to the effect that the securities represented thereby are not registered under the 1933 Act and applicable securities laws of any state of the United States and may only be offered, sold, pledged, transferred, or otherwise disposed of, directly or indirectly, pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and in accordance with applicable securities laws of any state of the United States.

The Corporation has also granted to the Agents the Over-Allotment Option to place up to an additional 15% of the number of Common Shares issued pursuant to the Offering on the same terms and conditions of the Offering (for the purposes of covering the Agents' over-allocation position, if any). The Over-Allotment Option is exercisable by the Agents, in whole or in part, at any time up until 30 days following the Closing. This short form prospectus qualifies both the grant of the Over-Allotment Option and the distribution of Common Shares issuable upon the exercise of the Over-Allotment Option. If the Over-Allotment Option is fully exercised, the total "Offering", "Agents' commission" and "net proceeds to Corporation", excluding the Agents' expenses and other expenses of the Offering, under the Offering will be $92,000,000, $5,520,000 and $86,480,000 respectively. A purchaser who acquires Common Shares forming part of the Agents' over-allocation position acquires those Common Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The obligations of the Agents under the Agency Agreement are several and not joint and several, and may be terminated at their discretion upon the occurrence of certain stated events. The Agents are not obligated, directly or indirectly, to advance their own funds to purchase any of the Offered Shares.

Pursuant to applicable securities legislation, the Agents may not, throughout the period of distribution under this short form prospectus, bid for or purchase Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of Market Regulation Services Inc. relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first-mentioned exception, in connection with the Offering, the Agents may over-allot or effect transactions which stabilize or maintain the market price for the Common Shares at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

The Corporation has agreed to indemnify the Agents and their affiliates and their respective directors, officers, shareholders, employees, partners and agents against certain liabilities.

The Corporation has agreed with the Agents that it will not issue or sell any Common Shares, special warrants or financial instruments convertible or exchangeable into Common Shares of the Corporation, for a period of 90 days after the Closing without the prior consent of the lead agent, Casimir Capital Ltd., such consent not to be unreasonably withheld. The foregoing restriction will not apply to the granting of incentive stock options or the issuance of Common Shares upon the exercise of warrants, options or other exchangeable or convertible securities outstanding as of February 28, 2012.

The Corporation has applied to list the Offered Shares distributed under this short form prospectus on the TSXV. Listing will be subject to the Corporation fulfilling the applicable listing requirements of the TSXV in accordance with TSXV Policy 4.2.

The Offered Shares have not been and will not be registered under the U.S. Securities Act or applicable state securities laws, and may not be offered, sold or delivered, directly or indirectly, within the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Agents have agreed that, except as permitted by the Agency Agreement and as expressly permitted by applicable United States federal and state securities laws, they will not offer or sell any of such securities within the United States. The Agency Agreement permits the Agents to offer and sell the Offered Shares purchased by them outside the United States in compliance with Regulation S under the U.S. Securities Act. The Agency Agreement also enables the Agents to (i) offer and resell the Offered Shares that they have acquired pursuant to the Agency Agreement in the United States to persons who are "qualified institutional buyers," as such term is defined in Rule 144A under the U.S. Securities Act, where such offers and sales are made in compliance with Rule 144A under the U.S. Securities Act and applicable state securities laws, and (ii) offer the Offered Shares for sale in the United States directly by the Corporation to institutional "accredited investors" that satisfy one of the criteria of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the U.S. Securities Act on a substituted purchaser basis in compliance with Rule 506 of Regulation D under the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute any offer to sell, or a solicitation of an offer to buy, any of the Offered Shares in the United States. In addition, until 40 days after the commencement of the Offering, any offer or sale of the Offered Shares offered hereby within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act unless such offer and sale is made pursuant to an exemption from registration under the U.S. Securities Act.

The Offered Shares offered and sold in the United States will be "restricted securities" within the meaning of Rule 144(a)(3) of the U.S. Securities Act. Certificates representing any Offered Shares that are offered, sold or issued in the United States will bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or any applicable state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws.

Terms used and not defined in two preceding paragraphs shall have the meanings ascribed thereto by Regulation S under the U.S. Securities Act.

This short form prospectus is only being and may only be distributed to and directed at (i) persons outside the United Kingdom; or (ii) persons in the United Kingdom who are (a) a "qualified investor" within the meaning of Section 86(7) of the FSMA acting as principal or in circumstances where Section 86(2) of FSMA applies, and (b) also within the categories of persons referred to in Article 19 (investment professionals) or Article 49 (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). The Offered Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. This short form prospectus contains no offer of transferable securities to the public in the United Kingdom within the meaning of sections 85(1) and 102B of the FSMA. This short form prospectus is not a prospectus for the purposes of Section 85(1) of the FSMA. Accordingly, this short form prospectus has not been approved as a prospectus by the FSA under Section 87A of the FSMA or by the London Stock Exchange and has not been filed with the FSA pursuant to the United Kingdom Prospectus Rules nor has it been approved by a person authorized under the FSMA for the purposes of Section 21 of the FSMA.

The Agents have represented, warranted and agreed in the Agency Agreement that they have not offered or sold and will not offer or sell any Offered Shares of the Corporation to persons in the United Kingdom except to persons who are (a) a "qualified investor" within the meaning of Section 86(7) of the FSMA acting as principal or in circumstances where Section 86(2) of FSMA applies, and (b) within the categories of persons referred to in Article 19 (investment professionals) or Article 49 (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or to such other persons as are agreed to by the Agents and the Corporation and to whom it is permitted under applicable securities laws.

RISK FACTORS

An investment in the Offered Shares offered hereby is highly speculative due to the high risk nature and stage of development of the Corporation's business, including the nature of the Corporation's involvement in the exploration for and the acquisition, development and production of oil and natural gas. Prospective investors should consider carefully all of the information set out in this short form prospectus and in the documents incorporated by reference and the risks attaching to an investment in the Corporation, including, in particular, the factors set out below and under "*Risk Factors*" in the Annual Information Form, before making any investment decision. All statements regarding the Corporation's business should be viewed in light of these risk factors. Investors should consider carefully whether an investment in the Offered Shares is suitable for them in light of the information in this short form prospectus and in the documents incorporated by reference and their personal circumstances. Such information does not purport to be an exhaustive list. If any of the identified risks were to materialize, the Corporation's business, financial position, results and/or future operations may be materially affected. Additional risks and uncertainties not presently known to the Corporation, or which the Corporation currently deems immaterial, may also have an adverse effect upon the Corporation.

There can be no certainty that the Corporation will be able to implement successfully the strategy set out in this short form prospectus and in the documents incorporated by reference. No representation is or can be made as to the future performance of the Corporation and there can be no assurance that the Corporation will achieve its objectives.

Investors should consult their own professional advisors to assess the tax, legal and other aspects of an investment in Offered Shares.

The net proceeds of the Offering may not be used in the manner described in this short form prospectus

The Corporation intends to use the net proceeds of the Offering as set out under the heading "*Use of Proceeds*" in this short form prospectus. However, these allocations are based on the current expectations of management of the Corporation and there may be circumstances where, for business reasons, a reallocation of funds may be necessary as may be determined at the discretion of the Corporation. There can be no assurance as of the date of this short form prospectus as to how those funds may be reallocated.

The Offering may result in dilution of cash flow and/or net income on a per Common Share basis

Although the Corporation expects that the net proceeds of the Offering will enhance the Corporation's liquidity, to the extent that a portion of the net proceeds of the Offering remains as cash, the Offering may result in dilution to the Corporation's cash flow and/or net income on a per Common Share basis.

Exposure to Volatile Credit Markets

The credit markets have recently experienced and continue to experience adverse conditions. As a result, access to financing remains uncertain. This condition could have an adverse effect on the industry in which Iona operates its business including future operating results. Certain customers could become unable to pay suppliers, including Iona, in the event they are unable to access the capital markets to fund their business operations. Such risks, if realized, could have a material adverse effect on Iona's business, financial condition, results of operations and cash flows.

Credit Facility and Other Financial Risks

The Credit Facility may not be closed on a timely basis, on the terms negotiated or at all. In the event that the Credit Facility financing is not closed on a timely basis, the Corporation may face a funding shortfall in meeting its scheduled capital expenditure programme. Risks to closing the Credit Facility include Final Credit Committee Approval from the Banking Group, settlement of final documentation, the Banking Group being satisfied with the underlying commercial agreements and associated legal due diligence.

There is a risk that the equity funding tests are not adopted as currently expected by the Corporation, and that, if such tests are adopted in a stricter form, the Corporation may not be able to meet the conditions precedent for a full drawdown on the Credit Facility. Even if the equity funding tests are adopted as currently expected by the Corporation, in the event there are insufficient funds deposited by the Corporation under the Credit Facility requirements, the Credit Facility will not be available for drawdown against the relevant assets, and the development of the relevant assets may be delayed. See "*Recent Developments*".

A failure to access adequate capital to continue its expenditure programme may require that the Corporation meet any liquidity shortfalls through the selected divestment of its portfolio or delays to the existing development programs.

Access to Additional Financing

The Corporation may find it necessary in the future to obtain debt or additional equity to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Corporation's growth and may have a material adverse affect on the Corporation's business, financial condition, results of operations and cash flows.

Negative Operating Cash Flow

The Corporation had negative operating cash flow for the nine months ended September 30, 2011 and for the financial year ended December 31, 2010. Until such time as the Corporation is able to produce sufficient oil and gas from its reserves, the Corporation does not expect to have any positive cash flow. To the extent that the Corporation has negative cash flow in future periods, the Corporation may need to deploy a portion of the proceeds of the Offering and/or its existing working capital to fund such negative cash flow.

CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Corporation as at September 30, 2011 and February 28, 2012, before and after giving effect to the Offering.

Designation	Authorized	Outstanding as of September 30, 2011	Outstanding as of February 28, 2012	Outstanding as of February 28, 2012 after giving effect to the Offering	
				Minimum Offering	**Maximum Offering**
Common Shares(1)(2)	Unlimited	$69,891,803 (140,860,568 shares)	$69,891,803 (140,860,568 shares)(3)	$125,991,803 (● shares)(4)	$144,791,803 (● shares)(4)
Preferred Shares	Unlimited	Nil	Nil	Nil	Nil
Warrants		$29,095 (warrants 264,500)(5)	$29,095 (warrants 264,500)(5)	$29,095 (warrants 264,500)(5)	$29,095 (warrants 264,500)(5)

Notes:

(1) Does not include Common Shares issuable pursuant to outstanding options to acquire Common Shares. As at the date hereof, the Corporation has outstanding options issued to officers, directors, employees and consultants to purchase an aggregate of 9,900,000 Common Shares at an exercise price of $0.60 per Common Share with 9,550,000 having an expiry date of May 27, 2015, 250,000 having an expiry date of May 31, 2015 and 100,000 having an expiry date of November 25, 2015.

(2) Does not include Common Shares issuable pursuant to 180,041 options to acquire Common Shares which were issued to directors and officers of Northern Lights pursuant to the qualifying transaction of Iona and Northern Lights. The 180,041 options have an exercise price of $0.58 per Common Share and an expiry date of May 27, 2012.

(3) The dollar value represents net proceeds to the Corporation after the deduction of selling commissions, professional fees and other related expenses incurred by the Corporation for share issuances to February 28, 2012.

(4) The dollar value represents net proceeds to the Corporation after the deduction of selling commissions, professional fees and other related expenses incurred by the Corporation for share issuances to February 28, 2012 plus estimated net proceeds from the Offering, but does not include the Over-Allotment Option. See "*Plan of Distribution*".

(5) The Corporation issued warrants to purchase 264,500 Common Shares to brokers who assisted with private placements in 2010. The warrants are exercisable into a Common Shares of the Corporation at an exercise price of $0.22 per Common Share and expire in 2013.

DESCRIPTION OF COMMON SHARES

The Corporation is authorized to issue an unlimited number of Common Shares. As of February 28, 2012, there were 140,860,568 Common Shares issued and outstanding. 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.

PRIOR SALES

During the twelve month period prior to the date of this short form prospectus, Iona, and its predecessors, issued the following Common Shares and securities convertible into Common Shares:

Date of Issuance	Number and Type of Securities[1]	Issue Price Per Security
November 25, 2011	350,000 stock options to purchase Common Shares	$0.60
May 31, 2011	78,151,757 Common Shares[4]	See below
May 27, 2011	9,550,000 stock options to purchase Common Shares	$0.60
May 27, 2011	62,708,810 Common Shares[3]	$0.60
March 10, 2011	38,333,333 common shares of Former Iona[2]	See below
March 10, 2011	116,485,090 subscription receipts[2]	$0.60

Notes:

(1) There have been no sales of preferred shares during the most recently completed financial year ended December 31, 2011.

(2) On March 10, 2011, Former Iona issued 116,485,090 subscription receipts ("**Subscription Receipts**") at a price of $0.60 per Subscription Receipt. The Subscription Receipts were convertible into common shares of Former Iona based on the completion by Former Iona of certain events. On March 10, 2011, 38,333,333 of such Subscription Receipts automatically converted into common shares of Former Iona in accordance with their terms as a result of Former Iona's completion of the acquisition of the Orlando property.

(3) On May 27, 2011, Former Iona completed its qualifying transaction with Northern Lights to form the Corporation, resulting in the issuance of 62,708,810 Common Shares to the former shareholders of Former Iona and Northern Lights and the issuance of 78,151,757 replacement subscription receipts ("**Replacement Subscription Receipts**") containing substantially similar terms as the Subscription Receipts to the former holders of Subscription Receipts.

(4) On May 31, 2011, the 78,151,757 Replacement Subscription Receipts automatically converted into Common Shares in accordance with their terms as a result of Iona's completion of the acquisition of the Trent & Tyne assets.

TRADING PRICE AND VOLUME

Prior to the qualifying transaction of Former Iona and Northern Lights that created Iona, the common shares of Northern Lights were listed for trading on the TSXV under the symbol "NLC.P". Between January 2011 and June 8, 2011, trading of the Northern Lights common shares was halted pending a review of a reserves report regarding the properties held by Former Iona and the filing of all of the documents required by the TSXV.

The Common Shares of Iona began trading on the TSXV under the symbol "INA" on June 8, 2011. The following chart shows trading information for the Common Shares for the 12 months preceding the date of this short form prospectus:

	Price Range ($)		
2011	**High**	**Low**	**Trading Volume**
June (8-30)	$0.60	$0.45	5,523,756
July	$0.53	$0.42	3,339,387
August	$0.46	$0.38	1,137,890
September	$0.43	$0.30	1,975,278
October	$0.46	$0.31	3,867,109
November	$0.43	$0.35	2,305,524
December	$0.42	$0.31	10,049,311
2012			
January	$0.42	$0.32	12,256,102
February 1-27	$0.63	$0.41	25,864,287

PRINCIPAL SECURITYHOLDERS

To the knowledge of the directors and officers of the Corporation as of the date hereof, the only person who beneficially owns, directly or indirectly, or exercises control or direction, directly or indirectly, over voting securities carrying more than 10% of the voting rights attached to the Common Shares is set out in the table below:

Name	Number of Common Shares Owned, Controlled or Directed	Percentage of Outstanding Common Shares
Passport Capital, LLC ("**Passport**") San Francisco, CA USA	23,400,000[(1)]	16.61%[(1)]

Note:

(1) Passport controls these shares as investment manager on behalf of its clients, Passport Energy Master Fund SPC Ltd. for and on behalf of Portfolio A - Energy Strategy, Blackwell Partners LLC and Passport Special Opportunities Master Fund, LP.

ELIGIBILITY FOR INVESTMENT

In the opinion of Burstall Winger LLP, counsel to the Corporation, and Gowling Lafleur Henderson LLP, counsel to the Agents, based on the provisions of the *Income Tax Act* (Canada) (the "**Tax Act**"), the regulations thereunder (the "**Regulations**"), and proposed amendments to the Tax Act and the Regulations publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof, provided the Common Shares are listed on a designated stock exchange as defined in the Tax Act (which includes the TSXV), the Offered Shares will be qualified investments under the Tax Act and Regulations for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), tax-free savings accounts ("**TFSAs**"), deferred profit sharing plans, registered education savings plans and registered disability savings plans.

Notwithstanding that the Offered Shares may be qualified investments as described above, the holder of a trust governed by a TFSA or the annuitant under a RRSP or RRIF that holds Offered Shares will be subject to a penalty tax if such Offered Shares are a "prohibited investment" for the purposes of the Tax Act. The Offered Shares will generally be a "prohibited investment" if the holder of a TFSA or the annuitant, of an RRSP or RRIF as the case may be, does not deal at arm's length with the Corporation for the purposes of the Tax Act or the holder or the annuitant, as the case may be, has a "significant interest" (within the meaning of the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm’s length for the purposes of the Tax Act. Prospective holders should consult their own tax advisors regarding their particular circumstances.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Corporation and Former Iona are Deloitte & Touche LLP, Chartered Accountants, Suite 700, 850 - 2nd Street SW, Calgary, Alberta. The auditors of Northern Lights were PricewaterhouseCoopers LLP, Chartered Accountants, Calgary, Alberta.

Olympia Trust Company, at its principal offices in Calgary, Alberta and Toronto, Ontario is the registrar and transfer agent for the Common Shares.

PROMOTERS

Neill A. Carson and Brad G. Gunn may be considered to be promoters of the Corporation in that they took the initiative in founding and organizing Iona. See "*Directors and Executive Officers*" and "*Promoters*" in the Annual Information Form incorporated by reference in this short form prospectus.

INTEREST OF EXPERTS

Certain legal matters in connection with the issuance of the Offered Shares distributed under this short form prospectus will be passed on by Burstall Winger LLP, Calgary, Alberta on behalf of the Corporation and on behalf of the Agents by Gowling Lafleur Henderson LLP. Prospective investors should consult their own professional advisors to assess the income tax, legal and other aspects of an investment in the Offered Shares.

As of the date hereof, the partners and associates of Burstall Winger LLP, as a group, and the partners and associates of Gowling Lafleur Henderson LLP, as a group, each owned, directly or indirectly, less than 1% of the outstanding Common Shares. Mr. Jay Zammit, a director of the Corporation, is a partner of and Mr. Adrian Harvey, the Corporate Secretary of the Corporation, is an associate of Burstall Winger LLP, which law firm renders legal services to the Corporation.

As of the date hereof, none of the principals of Gaffney, Cline & Associates Ltd., the Corporation's independent reserve evaluators, beneficially own, directly or indirectly, any securities of the Corporation.

Deloitte & Touche LLP, the independent auditors of the Corporation and of Former Iona, is independent with respect to the Corporation and Former Iona within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

PricewaterhouseCoopers LLP, the former auditors of Northern Lights, have confirmed that they are independent in accordance with the auditor's rules of professional conduct of the Institute of Chartered Accountants of Alberta.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITOR'S CONSENT

We have read the short form prospectus of Iona Energy Inc. (the "**Corporation**") dated ●, 2012 qualifying the distribution of common shares in the capital of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned prospectus, of our report to the directors of Iona Energy Company Limited on the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations, comprehensive loss and deficit and cash flows of Iona Energy Company Limited for each of the three years in the three year period ended December 31, 2010. Our report is dated April 19, 2011.

Chartered Accountants
Calgary, Alberta

•, 2012

AUDITOR'S CONSENT

We have read this short form prospectus of Iona Energy Inc. (the "**Corporation**") dated ●, 2012 relating to the issue and sale of a minimum of ● common shares and a maximum of ● common shares of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference the above mentioned prospectus of our report to the shareholders of Northern Lights Acquisition Corp. on the balance sheets of Northern Lights Acquisition Corp. as at December 31, 2010 and 2009, and the statements of operations and deficit and cash flows of Northern Lights Acquisition Corp. for the year ended December 31, 2010, and for the period from August 4, 2009, date of incorporation, to December 31, 2009. Our report is dated April 19, 2011.

Chartered Accountants

Calgary, Alberta

●, 2012

CERTIFICATE OF THE CORPORATION

DATED: February 28, 2012

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada other than Québec.

(signed) *"Neill A. Carson"*	(signed) *"Brad G. Gunn"*
Neill A. Carson Chief Executive Officer	Brad G. Gunn Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) *"Jay Zammit"*	(signed) *"Rod Maxwell"*
Jay Zammit Director	Rod Maxwell Director

CERTIFICATE OF THE AGENTS

DATED: February 28, 2012

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada other than Québec.

CASIMIR CAPITAL LTD.

(signed) *"Matt Sobolewski"*
Managing Director, Investment Banking

CLARUS SECURITIES INC.

(signed) *"Danny C. Mah"*
Director, Investment Banking

MACKIE RESEARCH CAPITAL CORPORATION

(signed) *"P. Gage Jull"*
Managing Director, Investment Banking

ALTACORP CAPITAL INC.

(signed) *"Alfred Sailer"*
Managing Director, Investment Banking

NATIONAL BANK FINANCIAL INC.

(signed) *"Arun Chandrasekaran"*
Managing Director, Corporate Investment Banking