



TSXV: LNE

NEWS RELEASE

LOON ENERGY CORPORATION UPDATE

Calgary, Alberta: October 25, 2010 - Loon Energy Corporation ("**Loon**") announces the following information with respect to its assets in Colombia and Peru:

- A farmout agreement with respect to its ownership in the Buvanviles Association Contract in Colombia;
- The spud of the Visure-1X exploratory well at Buvanviles;
- That Block 127 in Peru will expire on November 15, 2010;
- Discussions with Petrodorado with respect to the acquisition of Loon have been terminated.

Farmout Agreement

Loon has entered into a farmout agreement with Petrodorado South America S.A. ("**Petrodorado S.A.**") under which Petrodorado S.A. will pay Loon's 20% share of the AFE cost to drill and complete two wells in Colombia to earn 75% (net 15%) of the interest of Loon in the Buvanviles Association Contract (the "**Farmout**"). The Farmout provides for a reduction in the earning of Petrodorado S.A. from net 15% to net 10% upon payment by Loon of 10% of the completion costs of both wells, if the transaction between Petrodorado Energy Ltd. ("**Petrodorado**") and Loon disclosed on July 19, 2010 does not close.

Wells

The first of the wells, the Visure-1X exploratory well, was spud on October 16, 2010 and is currently drilling at a depth of approximately 800 feet. The second well, the Tuqueque-1X exploratory well, is expected to spud shortly. Both of the wells are being drilled on lands associated with the Buvanviles Association Contract.

The Visure-1X well has a planned total depth of 3,600 feet and is targeting the Cretaceous formations of the Lower and Upper Guadalupe and the Barzalosa formations. The Tuqueque-1X well has a planned total depth of 8,500 feet and is targeting the Tetun and Caballos formations of Cretaceous age. The Buvanviles Association Contract lands are located in the Upper Magdalena Valley area of central Colombia.

Peru Block 127

Loon and its partner in Block 127 were granted a 6 month extension beyond the initial expiry date of May 15, 2010. Efforts to find a partner who would commit to the additional work program required to

continue into the next exploration period were not successful and Peru Block 127 (20% Loon) will expire effective November 15, 2010.

Transaction With Petrodorado

The proposed acquisition of Loon by Petrodorado, announced in a news release of July 19, 2010 will not proceed.

For further information, please contact:

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Cautionary Note Regarding Forward-Looking Statements

This news release contains forward-looking statements relating to the drilling of the Visure-1X well, the Tuqueque-1X well, the Farmout and the transaction with Petrodorado announced July 19, 2010, and other related matters, some of which are not historical facts. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These assumptions, risks and uncertainties include, among other things: the risk that the wells may encounter drilling and/or completion problems which could lead to greater cost and, potentially, a failure to reach total depth or to evaluate the prospects being drilled, the state of the economy in general and capital markets in particular, investor interest in the business and future prospects of Loon.

The forward-looking statements contained in this press release are made as of the date of this press release. Except as required by law, Loon disclaims any intention and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law. Additionally, Loon undertakes no obligation to comment on the expectations of, or statements made, by third parties in respect of the matters discussed above.

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