LOON ENERGY CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE, 2010 AND 2009
(Unaudited)

Loon Energy Corporation
Consolidated Balance Sheets
US$
(Unaudited)

	June 30, 2010	December 31, 2009
Assets		
Current		
Cash and cash equivalents	$ 1,416,312	$ 1,969,109
Accounts receivable	202,483	64,139
	1,618,795	2,033,248
Property and equipment (note 5)	1,846,491	1,726,457
	$ 3,465,286	$ 3,759,705
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 431,146	$ 584,306
Income taxes payable	169,287	175,631
	600,433	759,937
Asset retirement obligation (note 6)	131,141	126,109
	731,574	886,046
Shareholders' Equity		
Share capital (note 7)	15,139,980	15,139,980
Contributed surplus	1,291,873	1,291,873
Deficit	(13,761,787)	(13,621,840)
Accumulated other comprehensive income	63,646	63,646
	2,733,712	2,873,659
	$ 3,465,286	$ 3,759,705

Future operations (note 2)
Commitments (note 3)
Subsequent event (note 11)

Loon Energy Corporation

Consolidated Statements of Operations and Deficit

US$

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Petroleum and natural gas sales	$ -	$ 19,535	$ -	$ 26,449
Less: Royalties	-	(1,563)	-	(2,116)
	-	17,972	-	24,333
Expenses				
Operating	(6,131)	76,940	-	143,207
General and administrative	75,200	142,623	111,405	325,851
Foreign exchange gain (loss)	14,893	44,686	23,510	(29,166)
Depletion, depreciation and accretion	2,457	40,161	5,032	57,198
	86,419	304,410	139,947	497,090
Net loss and comprehensive loss	$ (86,419)	$ (286,438)	$ (139,947)	$ (472,757)
Deficit, beginning of period	(13,675,368)	(12,966,063)	(13,621,840)	(12,779,744)
Deficit, end of period	$ (13,761,787)	$ (13,252,501)	$ (13,761,787)	$ (13,252,501)
Net loss per share				
Basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

Loon Energy Corporation

Consolidated Statements of Cash Flows

US$

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Operating activities				
Net loss	$ (86,419)	$ (286,438)	$ (139,947)	$ (472,757)
Items not involving cash:				
Depletion, depreciation and accretion	2,457	40,161	5,032	57,198
Foreign exchange gain	14,893	(275)	23,510	(48,798)
	(69,069)	(246,552)	(111,405)	(464,357)
Changes in non-cash working capital	2,220	(41,306)	(16,824)	176,499
	(66,849)	(287,858)	(128,229)	(287,858)
Investing				
Property and equipment expenditures	(82,440)	(19,117)	(262,714)	(34,316)
Changes in working capital related to capital expenditures	(30,762)	19,117	(138,344)	34,316
	(113,202)	-	(401,058)	-
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(14,893)	2,391	(23,510)	48,799
Change in cash and cash equivalents	(194,944)	(285,467)	(552,797)	(239,059)
Cash and cash equivalents, beginning of period	1,611,256	3,150,000	1,969,109	3,103,592
Cash and cash equivalents, end of period	$ 1,416,312	$ 2,864,533	$ 1,416,312	$ 2,864,533

1. Basis of preparation

Loon Energy Corporation (the "**Company**") was incorporated pursuant to the provisions of the *Business Corporation Act* (Alberta) on October 30, 2008 in conjunction with the reorganization of Loon Energy Inc. ("**Loon**"). The reorganization of Loon resulted in the Company receiving the net assets associated with the resource properties located in Colombia and Peru, where operations commenced in 2005 and 2007 respectively, and $3,150,000 of cash. Upon implementation of the re-organization, Loon's name was changed to Kulczyk Oil Ventures Inc ("**Kulczyk Oil**").

The Company's consolidated financial statements are presented in United States dollars and are in accordance with accounting principles generally accepted in Canada.

2. Future operations

The Company's exploration activities and overhead costs are financed by way of equity issuances and by farm-out agreements through which third parties pay for all or a portion of the Company's expenditures to earn a portion of the Company's ownership interest. It is anticipated that cash resources at June 30, 2010 together with the funding to be provided by the Company's joint operations partner in Peru should be sufficient to fund existing capital commitments for the next twelve months. Additional capital or further commitments from farm-in partners will be required to fully complete the exploration and development programs as presently contemplated under the Company's current agreements. Should capital or farm-in partners not be available in the future when planned expenditures on oil and gas properties are required, operations may have to be suspended or re-evaluated.

3. International operations and commitments

Colombia

Abanico Association Contract

The Company owns a 49% non-operated working interest in the area covered by the Abanico Association Contract that includes one suspended natural gas well. The Company fulfilled its required work commitments with respect thereto in 2007.

Buganviles Association Contract

Through a farm-in agreement, the Company earned a 20% non-operated participating interest in the Buganviles Association Contract, an area which includes one suspended oil well. The Company has fulfilled its required work commitments with respect to this contract. The remaining lands held under this contract will expire in March 2011, subject to extension which must be obtained from the Colombian national oil company.

Peru

On August 21, 2007, the Company announced that its wholly-owned subsidiary, Loon Peru Limited ("**Loon Peru**"), signed an exploration license contract with PERUPETRO S.A. granting Loon Peru the right to explore for and produce hydrocarbons from Block 127 in the Marañon Basin area of northeast Peru.

Much of the Company's existing commitments for the first two exploration periods are to be funded by CEPSA Peru S.A. CEPSA Peru earned 80% of Loon Peru's interest in the block in return for consideration including the payment of the first $10.75 million of expenditures incurred in fulfilling the minimum work commitment for the first exploration period. CEPSA Peru is the operator of Block 127. As of June 30, 2010, the Phase 1 work commitments were satisfied. The Company's share of total expenditures related to the first exploration period, including the seismic acquisition was $1,057,686.

3. International operations and commitments (continued)

In April 2010, CEPSA provided notice to PERUPETRO S.A. of its intent to proceed to the second exploration period subject to the identification of viable drilling targets after evaluation of the seismic information obtained during the first exploration period. In May 2010, PERUPETRO S.A. granted CEPSA a six month extension to the phase 1 exploration period that will enable CEPSA and Loon Peru to finalize the identification of viable drilling targets. The phase 1 exploration period expires on December 16, 2010. As such, a decision on the drilling of an exploration well on the block is scheduled for the third quarter of 2010. If the Company and CEPSA (the "**Group**") elect to proceed with the second exploration period of 18 months, which includes the drilling of one exploratory well, the Group's work commitment is estimated to require a minimum expenditure of $2,250,000. Under the Joint Venture Agreement, CEPSA Peru will fund 100% of the first $3.0 million of expenditures incurred.

The Company has a commitment to a third party geophysical company relating to its Peru concession which requires the Company to pay $250,000 to the geophysical company when commerciality within Block 127 is first declared, a further $500,000 when third party proven reserves are assessed at 50 million barrels of oil equivalent and an additional $250,000 when 75 million barrels of oil equivalent are assessed as proven reserves.

4. Significant accounting policies

The interim consolidated financial statements of the Company are prepared in accordance with Canadian Generally Accepted Accounting Principles ("**GAAP**"). These unaudited interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2009. Interim consolidated financial statements do not contain all of the disclosures required for annual consolidated financial statements. Accordingly, these statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2009.

5. Property and equipment

	June 30, 2010	December 31, 2009
Petroleum and natural gas properties	$ 9,265,808	$ 9,145,774
Accumulated depletion and depreciation	(7,419,317)	(7,419,317)
	$ 1,846,491	$ 1,726,457

Petroleum and natural gas properties net book value by segment

	June 30, 2010	December 31, 2009
Colombia	$ 788,805	$ 930,226
Peru	1,057,686	796,231
	$ 1,846,491	$ 1,726,457

Costs incurred in Peru of $1,057,686 at June 30, 2010 (December 31, 2009 - $796,231) have been excluded from depletion as this cost centre is in a pre-production phase and does not yet have any production or proven reserves. Due to the suspension of production for the Delta-I well on the Buganviles Association contract area in January 2010, all reserves have been classified as probable per the third party engineering report. As such, no depletion was recorded on the Colombian cost centre in the first or second quarter of 2010. Until such time as production commences and proven reserves are assigned, no depletion will be taken on the Colombian petroleum and natural gas properties.

6. Asset retirement obligation

The Company's asset retirement obligations result from its working interest ownership in petroleum and natural gas properties, including well sites, gathering systems and processing facilities. The Company's estimate of the total undiscounted cash flows required to settle the asset retirement obligations is $174,287 (December 31, 2009 - $174,287) which is expected to be incurred between 2012 and 2016. A credit-adjusted risk-free rate of 9.0 percent and inflation at a rate of 2.0 percent were used to calculate the fair value of the asset retirement obligations.

	June 30, 2010	December 31, 2009
Balance beginning of period	$ 126,109	$ 111,293
Accretion	5,032	14,816
Balance, end of period	$ 131,141	$ 126,109

7. Share capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares.

	Number of Shares	Carrying amount
Balance as at December 31, 2009 and June 30, 2010	95,991,364	$ 15,139,980

	Three and six months ended June 30	
	2010	2009
Weighted average number of shares outstanding	95,991,364	95,991,364

8. Related party transactions

The Company has no employees, and management and administrative services are provided by the management and staff of Kulczyk Oil pursuant to a services agreement. Administrative costs incurred by Kulczyk Oil for the benefit of the Company are allocated to the Company based on specific identification and an allocation of administrative costs that relate to both Kulczyk Oil and the Company. For the six months ended June 30, 2010 these fees totalled $6,091 (2009 - $4,974). At June 30, 2010, the Company owed $1,664 (2009 - $4,974) to Kulczyk Oil for these services. Certain expenditures of the Company are paid for by Kulczyk Oil on behalf of the Company and as at June 30, 2010 the Company owed nil (2009 - $79,843) for these costs. During the six months ended June 30, 2010 the Company paid for $12,000 of expenditures on behalf o f Kulczyk Oil, which was offset against payments made by Kulczyk Oil in respect of the Company.

Kulczyk Oil remains legally responsible for a guarantee issued in August 2007 ("the **Loon Guarantee**") to the Government of Peru regarding the granting of the Block 127 license contract to Loon Peru Limited, a wholly owned subsidiary of the Company. The process to have the Company assume the Loon Guarantee has begun with the Peruvian government authorities, however, has not yet been completed. The Company has entered into an indemnification agreement with Kulczyk Oil in respect of the Loon Guarantee.

The above related party transactions were at exchange amounts agreed to by both parties which approximate fair value.

Loon Energy Corporation
Notes to Consolidated Financial Statements
For the six months ended June 30, 2010 and 2009
US$'s
(Unaudited)

9. Segmented Information

Colombia

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Petroleum and natural gas sales	$ -	$ 19,535	$ -	$ 26,449
Royalties	-	(1,563)	-	(2,116)
Operating expenses	6,131	(76,940)	-	(143,207)
General and administrative	(23,809)	-	(42,402)	-
Loss (gain) on foreign exchange	(9,183)	-	(9,183)	-
Depletion, depreciation and accretion	(2,457)	(40,161)	(5,032)	(57,198)
Income (loss) before income taxes	$ (29,318)	$ (99,129)	$ (56,617)	$ (176,072)
Capital expenditures	$ -	$ 11,046	$ 1,262	$ 26,245
Total assets, at period end	$ 788,808	$ 941,372	$ 788,808	$ 941,372

Peru

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
General and administrative	$ (3,508)	$ -	$ (3,508)	$ -
Loss (gain) on foreign exchange	(490)	-	(490)	-
Income (loss) before income taxes	$ (3,998)	$ -	$ (3,998)	$ -
Capital expenditures	$ 82,440	$ 8,071	$ 261,452	$ 8,071
Total assets, at period end	$ 1,057,683	$ 98,611	$ 1,057,683	$ 98,611

Corporate

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
General and administrative	$ (47,883)	$ (142,623)	$ (65,495)	$ (325,851)
Loss (gain) on foreign exchange	(5,219)	(44,686)	(13,836)	29,166
Income (loss) before income taxes	$ (53,102)	$ (187,309)	$ (79,332)	$ (296,685)
Total assets, at period end	$ 1,618,795	$ 2,863,286	$ 1,618,795	$ 2,863,286

10. Subsequent event

On July 15, 2010, Petrodorado Energy Ltd. and the Company entered into a non-binding letter of intent, pursuant to which, subject to entering into a definitive agreement and certain other conditions being met, the parties agreed to the acquisition of all outstanding shares of the Company by Petrodorado.

The proposed transaction is an arm's length transaction pursuant to which shareholders of the Company would be entitled to receive common shares of Petrodorado based upon an exchange ratio of five (5) common shares of the Company for each one (1) common share of Petrodorado.

The letter of agreement is non-binding except for obligations relating to a period of exclusive dealing and confidentiality. If a definitive agreement is entered into, the parties will cooperate to complete the proposed transaction as soon as practical, subject to the receipt of all necessary regulatory and other approvals and satisfaction of all other customary closing conditions. The proposed transaction will be effected by way of a plan of arrangement, amalgamation, share exchange or other similar form of transaction. The proposed transaction may also be subject to the approval of the shareholders of the Company and/or Petrodorado.