LOON ENERGY CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

US$

(unaudited)

NOTIFICATION OF CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed unaudited consolidated interim financial statements for the three month period ended March 31, 2014.

Loon Energy Corporation
Condensed Consolidated Interim Statements of Financial Position
US$
(unaudited)

	March 31 2014	December 31 2013
Assets		
Current		
Cash and cash equivalents	$ 98,352	$ 99,916
Accounts receivable	266,292	279,822
	364,644	379,738
Restricted cash (note 3)	-	100,000
Property and equipment	1	1
Total Assets	$ 364,645	$ 479,739
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 486,924	$ 576,011
Decommissioning provision	120,000	120,000
	606,924	696,011
Decommissioning provision	207,167	206,435
	814,091	902,446
Shareholders' Deficiency		
Share capital (note 4)	16,570,265	16,570,265
Contributed surplus	2,359,407	2,358,722
Deficit	(19,379,118)	(19,351,694)
	(449,446)	(422,707)
Total Liabilities and Shareholders' Equity	$ 364,645	$ 479,739

Going concern (note (2b))

See accompanying notes to the condensed consolidated interim financial statements.

Loon Energy Corporation
Condensed Consolidated Interim Statement of Changes in Equity
US$
(unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balances, December 31, 2012	19,494,136	$ 16,570,265	$ 2,351,076	$ (18,678,122)	$ 243,219
Net loss and comprehensive loss		-	-	(365,556)	(365,556)
Stock based compensation (note 5)		-	2,576	-	2,576
Balances, March 31, 2013	19,494,136	$ 16,570,265	$ 2,353,652	$ (19,043,678)	$ (119,761)
Balances, December 31, 2013	19,494,136	$ 16,570,265	$ 2,358,722	$ (19,351,694)	$ (422,707)
Net loss and comprehensive loss		-	-	(27,424)	(27,424)
Stock based compensation (note 5)		-	685	-	685
Balances, March 31, 2014	19,494,136	$ 16,570,265	$ 2,359,407	$ (19,379,118)	$ (449,446)

See accompanying notes to the condensed consolidated interim financial statements.

Loon Energy Corporation

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
US$
(unaudited)

	Three months ended March 31, 2014	Three months ended March 31, 2013
Expenses		
General and administrative	$ 26,492	$ 356,829
Stock based compensation (note 5)	685	2,576
	27,177	359,405
Finance costs		
Accretion	732	916
Foreign exchange (gain) loss	(485)	5,235
	247	6,151
Net loss and comprehensive loss	$ (27,424)	$ (365,556)
Net loss per share		
Basic and diluted	$ (0.00)	$ (0.02)

See accompanying notes to the condensed consolidated interim financial statements.

Loon Energy Corporation
Condensed Consolidated Interim Statements of Cash Flows
US$
(unaudited)

	Three months ended March 31, 2014	2013
Operating activities		
Net loss	$ (27,424)	$ (365,556)
Items not involving cash:		
Accretion	732	916
Stock based compensation	685	2,576
Foreign exchange (gain) loss	(137)	1,924
	(26,144)	(360,140)
Changes in non-cash working capital	(75,072)	47,932
	(101,216)	(312,208)
Investing		
Restricted cash	100,000	(300,000)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(348)	3,311
Change in cash and cash equivalents	(1,564)	(608,897)
Cash and cash equivalents, beginning of period	99,916	890,692
Cash and cash equivalents, end of period	$ 98,352	$ 281,795

See accompanying notes to the condensed consolidated interim financial statements.

1. Reporting Entity

Loon Energy Corporation ("**Loon**" or the "**Company**") was incorporated pursuant to the provisions of the Business Corporation Act (Alberta) on October 30, 2008 in conjunction with the reorganization by legal plan of arrangement of Loon Energy Inc. ("**Loon Energy**"). The reorganization of Loon Energy resulted in the Company receiving the net assets associated with resource properties located in Colombia and Peru. Upon implementation of the re-organization, Loon Energy's name was changed to Kulczyk Oil Ventures Inc. ("**Kulczyk Oil**"). Effective June 24, 2013, Kulczyk Oil changed its name to Serinus Energy Inc. ("**Serinus**").

Loon is domiciled in Canada and the address of its registered head office is 1170, 700 - 4th Avenue SW, Calgary, Alberta.

2. Basis of Preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all the information required for full annual financial statements.

These condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2013, except as described in note 2(c). The disclosures provided herein are incremental to those included within the annual financial statements and certain disclosures which are normally required to be included in the notes to the annual financial statements have been condensed or omitted. These condensed interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual filings for the year ended December 31, 2013.

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on May 28, 2014.

(b) Going Concern

The Company is an oil and gas exploration and development company whose only properties at present are in Colombia. The Company's properties have no proved reserves and do not generate positive net production revenue.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. To date, the Company's exploration and development operations have been financed by way of equity issuances, debt facilities and by farm-out arrangements with third parties who pay for all or a portion of the Company's expenditures to earn a portion of the Company's ownership interests. As at March 31, 2014 the Company has a working capital deficiency of $242,280 and incurred a net loss of $27,424 for the three month period ended March 31, 2014. The Company is pursuing international oil and gas opportunities and will require additional capital to fund the working capital deficit, ongoing operating activities and international exploration opportunities. The need to raise capital to fund the working capital deficit, ongoing operations, acquire additional concessions and for exploration and development opportunities creates a significant doubt as to the Company's ability to continue as a going concern. There are no guarantees that additional capital, either through additional equity, debt or farm-out arrangements will be available when needed. The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

(c) Adoption of new accounting pronouncements

On January 1, 2014, the Company adopted the amendment to IAS 36. This amendment requires entities to disclose the recoverable amount of an impaired Cash Generating Unit ("CGU") if the amount is based on fair value less costs of disposal. Adoption of the amendment had no impact to the consolidated financial statements.

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

3. Restricted cash

Restricted cash represented a performance bond posted in Guatemala for an oil and gas license held. Management decided not to pursue activities in Guatemala, and the cash posted for the bid of $0.1 million was released.

4. Share capital

(a) Authorized

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, December 31, 2013 and March 31, 2014	19,949,136	$ 16,570,265

(b) Per share amounts

The following table summarized the weighted average common shares used in calculating the net loss per share.

	Three months ended Mar 31, 2014	Three months ended Mar 31, 2013
Weighted average number of shares outstanding	19,949,136	19,949,136

(c) Stock Options

The following table summarizes information about the options outstanding as at March 31, 2014 and December 31, 2013:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance outstanding, December 31, 2013	688,500	$ 0.13	2.9
Balance outstanding, March 31, 2014	688,500	$ 0.13	2.7
Exercisable At March 31, 2014	558,167	$ 0.13	2.5

Share purchase options have a term of five years and vest annually with one third vesting immediately and one third vesting on each of the first and second anniversaries of the grant date.

5. Stock Based Compensation

During the three month period ended March 31, 2014, the Company recorded $685 (2013 – $2,576) of stock based compensation expense arising from the prior issuance of share purchase options.

6. Related party transactions

The Company has no employees, and management and administrative services are provided by the management and staff of Serinus pursuant to a services agreement. Administrative costs incurred by Serinus for the benefit of the Company are charged to the Company based on specific identification and an allocation of administrative costs that relate to both Serinus and the Company. For the three month period ended March 31, 2014, these fees totaled $2,714 (2013 - $2,971). At March 31, 2014, the Company owed $2,850 (December 31, 2013 - $nil) to Serinus for these services. Serinus and the Company are related as they have five common directors and officers and the same principal shareholder.

Serinus remains legally responsible for a guarantee issued in August 2007 ("**the Loon Peru 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 block to which the guarantee is related is in the process of being relinquished and it is not currently anticipated that the guarantee will be replaced. The Company has entered into an indemnification agreement with Serinus in respect of the Loon Peru Guarantee.

7. Segmented information

As at March 31, 2014	Colombia	Peru	Guatemala	Corporate	Total
Total assets, at period end	$ 244,671	$ -	$ 10,072	$ 109,902	$ 364,645
For the period ended March 31, 2014					
General and administrative	$ 8,390	$ 5,818	$ 2,848	$ 9,436	$ 26,492
Stock based compensation	-	-	-	685	685
Accretion	732	-	-	-	732
Foreign exchange (gain) loss	-	36	-	(521)	(485)
Net loss	$ 9,122	$ 5,854	$ 2,848	$ 9,600	$ 27,424

As at December 31, 2013	Colombia	Peru	Guatemala	Corporate	Total
Total assets, at period end	$ 257,133	$ 3,287	$ 12,850	$ 206,469	$ 479,739
For the period ended March 31, 2013					
General and administrative	$ 12,593	$ 27,902	$ 252,730	$ 63,604	$ 356,829
Stock based compensation	-	-	-	2,576	2,576
Accretion	916	-	-	-	916
Foreign exchange (gain) loss	(684)	38	-	5,881	5,235
Net loss	$ 12,825	$ 27,940	$ 252,730	$ 72,061	$ 365,556