



LOON ENERGY CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 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 and six month periods ended June 30, 2014.

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

	June 30,	December 31,
	2014	2013
Assets		
Current		
Cash and cash equivalents	\$ 59,302	\$ 99,916
Accounts receivable	252,625	279,822
	311,927	379,738
Restricted cash (Note 3)	-	100,000
Property and equipment	1	1
	\$ 311,928	\$ 479,739
Total Assets		
	\$ 311,928	\$ 479,739
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 456,688	\$ 576,011
Decommissioning provision	120,000	120,000
	576,688	696,011
Decommissioning provision	207,899	206,435
	784,587	902,446
Shareholders' Deficiency		
Share capital (Note 4)	16,570,265	16,570,265
Contributed surplus	2,360,111	2,358,722
Deficit	(19,403,035)	(19,351,694)
	(472,659)	(422,707)
Total Liabilities and Shareholders' Deficiency	\$ 311,928	\$ 479,739
	\$ 311,928	\$ 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	-	-	-	(407,463)	(407,463)
Stock based compensation (Note 5)	-	-	5,154	-	5,154
Balances, June 30, 2013	19,494,136	\$16,570,265	\$2,356,230	(\$19,085,585)	(\$159,090)
Balances, December 31, 2013	19,949,136	\$16,570,265	\$2,358,722	(\$19,351,694)	(\$422,707)
Net loss and comprehensive loss	-	-	-	(51,341)	(51,341)
Stock based compensation (Note 5)	-	-	1,389	-	1,389
Balances, June 30, 2014	19,949,136	\$16,570,265	\$2,360,111	(\$19,403,035)	(\$472,659)

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 June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Expenses				
General and administrative	\$ 20,285	\$ 37,157	\$ 46,777	\$ 393,986
Stock based compensation (Note 5)	704	2,578	1,389	5,154
	<u>20,989</u>	<u>39,735</u>	<u>48,166</u>	<u>399,140</u>
Finance costs				
Accretion	732	916	1,464	1,832
Foreign exchange loss	2,196	1,256	1,711	6,491
	<u>2,928</u>	<u>2,172</u>	<u>3,175</u>	<u>8,323</u>
Net loss and comprehensive loss	<u>\$ (23,917)</u>	<u>\$ (41,907)</u>	<u>\$ (51,341)</u>	<u>\$ (407,463)</u>
Net loss per share (basic and diluted)	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>

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 June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Operating activities				
Net loss	\$ (23,917)	\$ (41,907)	\$ (51,341)	\$ (407,463)
Items not involving cash:				
Accretion	732	916	1,464	1,832
Stock based compensation	704	2,578	1,389	5,154
Foreign exchange loss	1,732	11,544	1,595	13,468
	(20,749)	(26,869)	(46,893)	(387,009)
Changes in non-cash working capital	(18,765)	(97,038)	(93,837)	(49,106)
	(39,514)	(123,907)	(140,730)	(436,115)
Investing				
Restricted Cash	-	-	100,000	(300,000)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	464	(10,288)	116	(6,977)
Change in cash and cash equivalents	(39,050)	(134,195)	(40,614)	(743,092)
Cash and cash equivalents, beginning of period	98,352	281,795	99,916	890,692
Cash and cash equivalents, end of period	\$ 59,302	\$ 147,600	\$ 59,302	\$ 147,600

See accompanying notes to the condensed consolidated interim financial statements.

Loon Energy Corporation

Notes to the Condensed Consolidated Interim Financial Statements
For the three and six month periods ended June 30, 2014 and 2013

US\$

(unaudited)

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 1500, 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 August 26, 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 June 30, 2014 the Company has a working capital deficiency of \$264,761 and incurred a net loss of \$51,341 for the six month period ended June 30, 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.

Loon Energy Corporation
Notes to the Condensed Consolidated Interim Financial Statements
For the three and six month periods ended June 30, 2014 and 2013
US\$
(unaudited)

(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 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 International Accounting Standards Board (“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.

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for fiscal years ending on or after December 31, 2017. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

On July 24, 2014 the IASB issued IFRS 9 Financial Instruments. The package of improvements introduced by IFRS 9 includes a revised model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. The new Standard will come into effect on January 1, 2018 with early application permitted. The extent of the impact of adoption of the standard has not yet been determined.

3. Restricted cash

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

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 June 30, 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 June 30, 2014	2013	Six months ended June 30, 2014	2013
Weighted average number of shares outstanding	19,949,136	19,949,136	19,949,136	19,949,136

Loon Energy Corporation

Notes to the Condensed Consolidated Interim Financial Statements
For the three and six month periods ended June 30, 2014 and 2013

US\$
(unaudited)

(c) Stock Options

The following table summarizes information about the options outstanding as at June 30, 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, June 30, 2014	688,500	\$ 0.13	2.4
Exercisable at June 30, 2014	558,167	\$ 0.13	2.2

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 and six month periods ended June 30, 2014, the Company recorded \$704 and \$1,389 (2013 – \$2,578 and \$5,154) 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 and six months ended June 30, 2014, these fees totaled \$2,754 and \$5,468 (2013 - \$2,941 and \$5,912). At June 30, 2014, the Company owed \$5,901 (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.

Loon Energy Corporation

Notes to the Condensed Consolidated Interim Financial Statements
For the three and six month periods ended June 30, 2014 and 2013

US\$
(unaudited)

7. Segmented information

As at June 30, 2014

	Colombia	Peru	Guatemala	Corporate	Total
Total assets, at period end	\$ 240,513	\$ -	\$ 7,293	\$ 64,122	\$ 311,928

For the three month period ended June 30, 2014

General and administrative	\$ 3,355	\$ 484	\$ 2,778	\$ 13,668	\$ 20,285
Stock based compensation	-	-	-	704	704
Accretion	732	-	-	-	732
Foreign exchange loss	1	-	-	2,195	2,196
Net loss	\$ 4,088	\$ 484	\$ 2,778	\$ 16,567	\$ 23,917

For the six month period ended June 30, 2014

General and administrative	\$ 11,745	\$ 6,302	\$ 5,626	\$ 23,104	\$ 46,777
Stock based compensation	-	-	-	1,389	1,389
Accretion	1,464	-	-	-	1,464
Foreign exchange loss	1	36	-	1,674	1,711
Net loss	\$ 13,210	\$ 6,338	\$ 5,626	\$ 26,167	\$ 51,341

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 three month period ended June 30, 2013

General and administrative	\$ 15,244	\$ 4,483	\$ 31,521	\$ (14,091)	\$ 37,157
Stock based compensation	-	-	-	2,578	2,578
Accretion	916	-	-	-	916
Foreign exchange (gain) loss	1,239	175	-	(158)	1,256
Net loss	\$ 17,399	\$ 4,658	\$ 31,521	\$ (11,671)	\$ 41,907

For the six month period ended June 30, 2013

General and administrative	\$ 27,837	\$ 32,385	\$ 284,251	\$ 49,513	\$ 393,986
Stock based compensation	-	-	-	5,154	5,154
Accretion	1,832	-	-	-	1,832
Foreign exchange loss	555	213	-	5,723	6,491
Net loss	\$ 30,224	\$ 32,598	\$ 284,251	\$ 60,390	\$ 407,463