



**LOON ENERGY CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012**  
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 nine month periods ended September 30, 2013.

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

	September 30	December 31
	<u>2013</u>	<u>2012</u>
Assets		
Current		
Cash and cash equivalents	\$ 157,294	\$ 890,692
Accounts receivable	255,973	248,105
Commodity taxes receivable	24,817	24,073
	<u>438,084</u>	<u>1,162,870</u>
Restricted cash (note 3)	100,000	-
Property and equipment	<u>1</u>	<u>1</u>
Total Assets	<u>\$ 538,085</u>	<u>\$ 1,162,871</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 453,961	\$ 594,096
Decommissioning provision	120,000	120,000
	<u>573,961</u>	<u>714,096</u>
Decommissioning provision	<u>208,304</u>	<u>205,556</u>
	<u>782,265</u>	<u>919,652</u>
Shareholders' (Deficiency) Equity		
Share capital (note 4)	16,570,265	16,570,265
Contributed surplus	2,358,149	2,351,076
Deficit	(19,172,594)	(18,678,122)
	<u>(244,180)</u>	<u>243,219</u>
Total Liabilities and Shareholders' (Deficiency) Equity	<u>\$ 538,085</u>	<u>\$ 1,162,871</u>

Going concern (note 2(b))

See accompanying notes to the condensed consolidated interim financial statements.

**Loon Energy Corporation**  
**Consolidated Statement of Changes in Shareholder's (Deficiency) Equity**  
**US\$**  
**(unaudited)**

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balances, December 31, 2011	9,949,136	\$15,591,236	\$2,148,686	(\$18,110,111)	(\$370,189)
Shares issued on private placement	10,000,000	1,006,395	-	-	1,006,395
Shares issuance costs		(27,366)	-	-	(27,366)
Net loss and comprehensive loss		-	-	(453,794)	(453,794)
Stock based compensation		-	171,571	-	171,571
<b>Balances, Sept 30, 2012</b>	<b>19,949,136</b>	<b>\$16,570,265</b>	<b>\$2,320,257</b>	<b>(\$18,563,905)</b>	<b>\$326,617</b>
Balances, December 31, 2012	19,949,136	\$16,570,265	\$2,351,076	(\$18,678,122)	\$243,219
Net loss and comprehensive loss		-	-	(494,472)	(494,472)
Stock based compensation		-	7,073	-	7,073
<b>Balances, September 30, 2013</b>	<b>19,949,136</b>	<b>\$16,570,265</b>	<b>\$2,358,149</b>	<b>(\$19,172,594)</b>	<b>(\$244,180)</b>

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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Expenses				
General and administrative	\$ 83,528	\$ 72,063	\$ 477,514	\$ 282,948
Stock based compensation (note 5)	1,919	59,633	7,073	171,571
	<u>85,447</u>	<u>131,696</u>	<u>484,587</u>	<u>454,519</u>
Finance costs				
Accretion	916	873	2,748	2,619
Foreign exchange loss	646	(26,251)	7,137	(3,344)
	<u>1,562</u>	<u>(25,378)</u>	<u>9,885</u>	<u>(725)</u>
Net loss and comprehensive loss	<u>\$ (87,009)</u>	<u>\$ (106,318)</u>	<u>\$ (494,472)</u>	<u>\$ (453,794)</u>
Net loss per share				
Basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</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 Sept 30,		Nine months ended Sept 30,	
	2013	2012	2013	2012
Operating activities				
Net loss	\$ (87,009)	\$ (106,318)	\$ (494,472)	\$ (453,794)
Items not involving cash:				
Accretion	916	873	2,748	2,619
Stock based compensation	1,919	59,633	7,073	171,571
Unrealized foreign exchange (gain) loss	(7,553)	5,419	5,915	6,201
	<u>(91,727)</u>	<u>(40,393)</u>	<u>(478,736)</u>	<u>(273,403)</u>
Changes in non-cash working capital	(106,778)	72,947	(155,884)	102,626
	<u>(198,505)</u>	<u>32,554</u>	<u>(634,620)</u>	<u>(170,777)</u>
Investing				
Proceeds on issuance of share capital	-	-	-	1,006,395
Share issue costs	-	(10,724)	-	(27,366)
Restricted Cash	200,000	-	(100,000)	-
	<u>200,000</u>	<u>(10,724)</u>	<u>(100,000)</u>	<u>979,029</u>
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	8,199	(31,670)	1,222	(9,545)
	<u>8,199</u>	<u>(31,670)</u>	<u>1,222</u>	<u>(9,545)</u>
Change in cash and cash equivalents	9,694	(9,840)	(733,398)	798,707
Cash and cash equivalents, beginning of period	147,600	942,681	890,692	134,134
	<u>147,600</u>	<u>942,681</u>	<u>890,692</u>	<u>134,134</u>
Cash and cash equivalents, end of period	<u>\$ 157,294</u>	<u>\$ 932,841</u>	<u>\$ 157,294</u>	<u>\$ 932,841</u>

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 nine month periods ended September 30, 2013 and 2012  
US\$  
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**1. Reporting Entity**

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 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.

**2. Basis of Preparation**

**(a) Statement of compliance and Basis of Presentation**

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, 2012, except as described in note 2(b). 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, 2012.

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on November 27, 2013.

**(b) Going Concern**

The Company is an oil and gas exploration and development company. The Company's only properties at present are in Colombia, 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 and do not reflect adjustments that would otherwise be necessary if the going concern assumption was not valid. 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 September 30, 2013 the Company has a working capital deficiency of \$135,877 and incurred a net loss of \$494,472 for the nine month period ended September 30, 2013. 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 activities. 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.

**(c) Adoption of new accounting pronouncements**

On January 1, 2013, the Company adopted new standards with respect to consolidation (IFRS 10), joint arrangements (IFRS 11), disclosure of interest in other entities (IFRS 12), fair value measurements (IFRS 13), amendments to financial instrument disclosures (IFRS 7) as well as amendments related to investments in associates and joint ventures (IAS 28). The adoption of these amendments and standards had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2013 or on the comparative periods.

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Notes to the Condensed Consolidated Interim Financial Statements  
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**3. Restricted cash**

Restricted cash represents a performance bond posted in Guatemala for an oil and gas license held. Management is presently considering its options in respect of pursuing activities in Guatemala.

During the third quarter, the Company was notified that it was unsuccessful in two other bid submissions to acquire oil and gas licenses in Guatemala and the cash posted for the two unsuccessful bids of \$0.2 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. On February 21, 2012, the Company consolidated its common shares on the basis of ten pre-consolidation common shares for one post-consolidation common share. Accordingly, share transactions and balances, and per share disclosures have been revised to reflect the impact of the consolidation for all periods presented.

In June 2012, the Company completed a non-brokered private placement consisting of 10,000,000 common shares at an issue price of CAD\$0.10 per share for gross proceeds of CAD\$1,000,000 (USD\$ 1,006,395). The Company paid \$27,366 in share issuance costs.

	<u>Number of Shares</u>	<u>Carrying amount</u>
Balance, December 31, 2011	9,949,136	\$ 15,591,236
Shares issued on private placement	10,000,000	1,006,395
Share issuance costs	-	(27,366)
Balance, December 31, 2012 and Sept 30, 2013	<u>19,949,136</u>	<u>\$ 16,570,265</u>

**(b) Per share amounts**

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

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Weighted average number of common shares outstanding	<u>19,949,136</u>	<u>19,949,136</u>	<u>19,949,136</u>	<u>14,234,850</u>

**(c) Stock Options**

The following table summarizes information about the options outstanding as at September 30, 2013 and December 31, 2012:

	<u>Options Outstanding</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Life (years)</u>
Balance outstanding, December 31, 2012	708,500	\$ 0.13	3.9
Balance outstanding, September 30, 2013	<u>708,500</u>	<u>\$ 0.13</u>	<u>3.2</u>
Exercisable at September 30, 2013	<u>571,500</u>	<u>\$ 0.13</u>	<u>3.0</u>

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Notes to the Condensed Consolidated Interim Financial Statements  
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**5. Stock Based Compensation**

During the three and nine month periods ended September 30, 2013, the Company recorded \$1,919 and \$7,073 (2012 - \$59,633 and \$171,571) of stock based compensation expense. 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. The Company has not capitalized any of the stock based compensation expense.

**6. Related party transactions**

The Company has no employees, and management and administrative services are provided by the management and staff of Serinus Energy Inc. (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 nine months ended September 30, 2013, these fees totaled \$2,883 and \$8,795 (2012 - \$2,950 and \$9,071). At September 30, 2013, the Company owed \$30,108 (December 31, 2012 - \$20,873) to Serinus for these services. Certain expenditures of the Company are paid by Serinus on behalf of the Company and as at September 30, 2013 the Company owed \$65,404 (December 31, 2012 - \$82,965) for these costs. 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**

<b>As at Sept 30, 2013</b>	<u>Colombia</u>	<u>Peru</u>	<u>Guatemala</u>	<u>Corporate</u>	<u>Total</u>
Total assets, at period end	\$ 240,145	\$ 28,634	\$ 4,330	\$ 264,976	\$ 538,085
<b>For the three month period ended Sept 30, 2013</b>					
General and administrative	\$ 11,410	\$ 4,955	\$ 29,002	\$ 38,161	\$ 83,528
Stock based compensation	-	-	-	1,919	1,919
Accretion	916	-	-	-	916
Foreign exchange (gain) loss	(676)	-	-	1,322	646
Net loss	<u>\$ 11,650</u>	<u>\$ 4,955</u>	<u>\$ 29,002</u>	<u>\$ 41,402</u>	<u>\$ 87,009</u>
<b>For the nine month period ended Sept 30, 2013</b>					
General and administrative	\$ 39,247	\$ 37,340	\$ 313,253	\$ 87,674	\$ 477,514
Stock based compensation	-	-	-	7,073	7,073
Accretion	2,748	-	-	-	2,748
Foreign exchange (gain) loss	(121)	213	-	7,045	7,137
Net loss	<u>\$ 41,874</u>	<u>\$ 37,553</u>	<u>\$ 313,253</u>	<u>\$ 101,792</u>	<u>\$ 494,472</u>



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<b>As at December 31, 2012</b>	<u>Colombia</u>	<u>Peru</u>	<u>Guatemala</u>	<u>Corporate</u>	<u>Total</u>
Total assets, at period end	<u>\$ 253,827</u>	<u>\$ 31,047</u>	<u>\$ -</u>	<u>\$ 877,997</u>	<u>\$ 1,162,871</u>
<b>For the three month period ended Sept 30, 2012</b>					
General and administrative	\$ 8,244	\$ 22,021	\$ -	\$ 41,798	\$ 72,063
Stock based compensation	-	-	-	59,633	59,633
Accretion	873	-	-	-	873
Foreign exchange (gain) loss	970	10	-	(27,231)	(26,251)
Net loss	<u>\$ 10,087</u>	<u>\$ 22,031</u>	<u>\$ -</u>	<u>\$ 74,200</u>	<u>\$ 106,318</u>
<b>For the nine month period ended Sept 30, 2012</b>					
General and administrative	\$ 36,289	\$ 60,810	\$ -	\$ 185,849	\$ 282,948
Stock based compensation	-	-	-	171,571	171,571
Accretion	2,619	-	-	-	2,619
Foreign exchange (gain) loss	963	10	-	(4,317)	(3,344)
Net loss	<u>\$ 39,871</u>	<u>\$ 60,820</u>	<u>\$ -</u>	<u>\$ 353,103</u>	<u>\$ 453,794</u>