



**TSXV: LNE  
NEWS RELEASE  
CONSOLIDATION OF COMMON SHARES**

**Calgary, Alberta: January 12, 2012** - Loon Energy Corporation ("**Loon**" or the "**Corporation**") advises that it has called a special meeting of shareholders for February 7, 2012 to consider a resolution to consolidate the common shares of Loon (the "**Consolidation**") on the basis of one post-Consolidation common shares for up to ten (10) pre-Consolidation common shares with the final Consolidation ratio to be at the discretion of the board of directors. A notice of meeting and information circular containing the full text of the proposed consolidation resolution, has been mailed today to shareholders who held shares as of the close of trading on January 3, 2012, the record date for the special meeting.

**Reasons for the Consolidation and Proposed Private Placement**

The development of oil production from the Corporation's assets in Colombia did not proceed in 2011. The Corporation now has insufficient cash resources for development of its current assets or to pursue alternative investment opportunities. The Corporation intends to seek additional oil and gas opportunities either in Colombia or elsewhere and plans a private placement for gross proceeds of up to \$1 million (the "**Private Placement**") during the first quarter of 2012 to provide the funds to support this effort. The policies of the TSX Venture Exchange (the "**TSXV**") require, among other things, that any private placement of listed securities be at a minimum price of \$0.05 per share.

During the month of December 2011, 3,097,900 Common Shares were traded at a weighted average market price of \$0.019 and the closing price on the last trading day of 2011 was \$0.015. The Consolidation will enable the Corporation to complete the Private Placement in accordance with the policies of the TSXV. Insiders of the Corporation, including all of the directors of the Corporation, are expected to subscribe for a minimum of 50% of the Private Placement. If the shareholders approve the Consolidation, the Corporation intends to rely on the "financial hardship" exemption among others, in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, which exempt the Corporation from seeking minority shareholder approval for the Private Placement.

For further information, please contact:

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### **Cautionary Note Regarding Forward-Looking Statements**

This news release may contain forward-looking statements relating to the activities of Loon, including its intention to seek additional oil and gas opportunities in Colombia or elsewhere and plans for the completion of the Private Placement and the expected participation level of insiders in the Private Placement, which may not be 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 may 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 state of the economy in general and capital markets in particular, investor interest in the business and future prospects of Loon, the timely receipt of shareholder approvals and other required regulatory approvals, competition for, among other things, capital, acquisitions of reserves or undeveloped lands, skilled personnel, incorrect assessments of the value of acquisitions and exploration and development programs and the failure to realize the anticipated benefits of acquisitions. Readers are cautioned that the foregoing lists of factors are not exhaustive.

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 any third parties in respect of the matters discussed above.

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