

**RESERVE AND ECONOMIC EVALUATION
OIL PROPERTY**

**BUGANVILES ASSOCIATION CONTRACT
REPUBLIC OF COLOMBIA**

Owned by

LOON ENERGY CORPORATION

**January 1, 2013
(December 31, 2012)**

Chapman Petroleum Engineering Ltd.

445, 708 - 11th Avenue S.W., Calgary, Alberta T2R 0E4 • Phone: (403) 266-4141 • Fax: (403) 266-4259 • www.chapeng.ab.ca

March 19, 2013

Loon Energy Corporation
1170, 700 – 4th Avenue SW
Calgary, AB
T2P 3J4

Attention: Mr. Ed Beaman

Dear Sir:

Re: Reserve and Economic Evaluation – Loon Energy Corporation
Buganviles Association Contract, Republic of Colombia – January 1, 2013

In accordance with your authorization we have performed a reserve and economic evaluation of an oil property located in the Republic of Colombia, owned by Loon Energy Corporation (the "Company") for an effective date of January 1, 2013 (as of December 31, 2012).

This evaluation has been carried out in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook ("COGEH") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy and Petroleum (Petroleum Society). The report has been prepared and/or supervised by a "Qualified Reserves Evaluator" as demonstrated on the accompanying Certificate of Qualification of the author(s).

The SCOPE OF REPORT contains the authorization and purpose of the report and describes the methodology and economic parameters used in the preparation of this report.

The EXECUTIVE SUMMARY contains the results of this reserve and economic evaluation presented in a form consistent with the requirements of Form 51-101 F1 Part 2, Item 2.1 (Forecast Prices and Costs). The Forecast Prices of our benchmark products are also presented.

The SUMMARY OF RESERVES AND ECONOMICS complements the Executive Summary, including values at the property level and the consolidated cash flows for each accumulating reserve category. The net present values presented in this report do not necessarily represent the fair market value of the reserves evaluated in this report. All monetary values presented in this report are expressed in terms of US dollars.

The DISCUSSION contains a description of the interests and burdens, reserves and geology, production forecasts, product prices, capital and operating costs and a map of each major property. The economic

results and cash flow forecasts (before income tax) are also presented on an entity and property summary level.

A REPRESENTATION LETTER from the Company, confirming that to the best of their knowledge all the information they provided for our use in the preparation of this report was complete and accurate as of the effective date, is enclosed following the Glossary.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be significant. We have no responsibility to update our report for events and circumstances which may have occurred since the preparation date of this report.

Prior to public disclosure of any information contained in this report, or our name as author, our written consent must be obtained, as to the information being disclosed and the manner in which it is presented. This report may not be reproduced, distributed or made available for use by any other party without our written consent and may not be reproduced for distribution at any time without the complete context of the report, unless otherwise reviewed and approved by us.

We consent to the submission of this report, in its entirety, to securities regulatory agencies and stock exchanges, by the Company.

It has been a pleasure to prepare this report and the opportunity to have been of service is appreciated.

Yours very truly,

Chapman Petroleum Engineering Ltd.

[Original Signed By:]

C.W. Chapman

C.W. Chapman, P.Eng.,
President

[Original Signed By:]

Charles G.K. Moore

Charles G.K. Moore, P. Eng.,
Associate

cgm/lml/5732

PERMIT TO PRACTICE	
CHAPMAN PETROLEUM ENGINEERING LTD.	
	[Original Signed By:]
Signature	<u>C.W. Chapman</u>
Date	<u>March 20, 2013</u>
PERMIT NUMBER: P 4201	
The Association of Professional Engineers and Geoscientists of Alberta	

CERTIFICATE OF QUALIFICATION

I, C. W. CHAPMAN, P. Eng., Professional Engineer of the City of Calgary, Alberta, Canada, officing at Suite 445, 708 – 11th Avenue S.W., hereby certify:

1. THAT I am a registered Professional Engineer in the Province of Alberta and a member of the Australasian Institute of Mining and Metallurgy.
2. THAT I graduated from the University of Alberta with a Bachelor of Science degree in Mechanical Engineering in 1971.
3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in reservoir engineering, petrophysics, operations, and evaluations during that time.
4. THAT I have in excess of 25 years in the conduct of evaluation and engineering studies relating to oil & gas fields in Canada and around the world.
5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Loon Energy Corporation, dated March 19, 2013 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.
6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Loon Energy Corporation its participants or any affiliate thereof.
7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.
8. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

[Original Signed By:]

C.W. Chapman

C.W. Chapman, P.Eng.
President

PERMIT TO PRACTICE

CHAPMAN PETROLEUM ENGINEERING LTD.

[Original Signed By:]

Signature C.W. Chapman

Date March 20, 2013

PERMIT NUMBER: P 4201

The Association of Professional Engineers
and Geoscientists of Alberta

CERTIFICATE OF QUALIFICATION

I, CHARLES G.K. MOORE, P. Eng., Professional Engineer of the City of Calgary, Alberta, Canada, officing at Suite 445, 708 – 11th Avenue S.W., hereby certify:

1. THAT I am a registered Professional Engineer in the Province of Alberta.
2. THAT I graduated from the Technical University of Nova Scotia with a Bachelor of Engineering degree in Mining Engineering in 1972.
3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in reservoir engineering, petrophysics, operations, and evaluations during that time.
4. THAT I have in excess of 10 years of experience in the conduct of evaluation and engineering studies relating to oil and gas fields in Canada and internationally.
5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Loon Energy Corporation, dated March 19, 2013 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.
6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Loon Energy Corporation, its participants or any affiliate thereof.
7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.
8. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

[Original Signed By:]

Charles G.K. Moore

Charles G.K. Moore, P. Eng.,
Associate

CERTIFICATE OF QUALIFICATION

I, HAROLD J. RYAN, P. Geol., Professional Geologist of the City of Calgary, Alberta, Canada, officing at Suite 445, 708 – 11th Avenue S.W., hereby certify:

1. THAT I am a registered Professional Geologist in the Province of Alberta, a Fellow of the Geological Association of Canada and a Fellow of the Geological Society of London.
2. THAT I graduated from the University of Calgary with a Bachelor of Science degree in Geology in 1983.
3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in petroleum geology, petrophysics, operations, and evaluations during that time.
4. THAT I have in excess of 15 years of experience in the conduct of evaluation and geological studies relating to oil and gas fields in Canada and internationally.
5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Loon Energy Corporation, dated March 19, 2013 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.
6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Loon Energy Corporation, its participants or any affiliate thereof.
7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.
8. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

[Original Signed By:]

Harold J. Ryan

Harold J. Ryan, P. Geol.
Manager Geoscience

CERTIFICATE OF QUALIFICATION

I, WEI GUO WANG, P.Eng., CGA, Professional Engineer and Certified General Accountant of the City of Calgary, Alberta, Canada, office at Suite 445, 708 – 11th Avenue S.W., hereby certify:

1. THAT I am a Registered Professional Engineer in the Province of Alberta.
2. THAT I am a Certified General Accountant in the Province of Alberta.
2. THAT I graduated from the University of Calgary with a Master of Arts degree in Economics in 2005 and a Bachelor of Science degree in Chemical Engineering from Hefei University of Technology of China in 1985.
3. THAT I have been employed in the petroleum industry since 2002.
4. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Loon Energy Corporation, dated March 19, 2013 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.
5. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Loon Energy Corporation, its participants or any affiliate thereof.
6. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.
7. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

[Original Signed By:]

Wei Guo Wang

Wei Guo Wang, P.Eng., CGA, MA, MBA, B.Sc
Project Economist (Economics Coordinator)

**RESERVE AND ECONOMIC EVALUATION
OIL PROPERTY**

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January 1, 2013
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SCOPE OF REPORT

Authorization

This evaluation has been authorized by Mr. Ed Beaman, on behalf of Loon Energy Corporation. The engineering analysis has been performed during the month of March 2013.

Purpose

The purpose of this report was to prepare a third party independent appraisal of the oil reserves owned by Loon Energy Corporation for the Company's financial planning.

The values in this report do not include the value of the Company's undeveloped land holdings nor the tangible value of their interest in associated plant and well site facilities they may own.

Reserve Definitions

The following definitions, extracted from Section 5.4 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1) published by the Petroleum Society of CIM and the Calgary Chapter of the Society of Petroleum Evaluation Engineers (SPEE) as specified by NI 51-101 have been used in preparing this report. These definitions are compliant with the PRMS.

5.4 Definitions of Reserves

The following definitions and guidelines are designed to assist evaluators in making reserves estimates on a reasonably consistent basis, and assist users of evaluation reports in understanding what such reports contain and, if necessary, in judging whether evaluators have followed generally accepted standards.

The guidelines outline

- General criteria for classifying reserves,
- Procedures and methods for estimating reserves,
- Confidence levels of individual entity and aggregate reserves estimates,
- Verification and testing of reserves estimates.

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable, and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgement combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions. The concepts are presented and discussed in greater detail within the guidelines of Section 5.5 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1).

The following definitions apply to both estimates of individual Reserves Entities and the aggregate of reserves for multiple entities.

5.4.1 Reserves Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on

- Analysis of drilling, geological, geophysical, and engineering data;
- The use of established technology;
- Specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates.

- a. Proved Reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- b. Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.

- c. Possible Reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves.

Other criteria that must also be met for the categorization of reserves are provided in Section 5.5.4 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1).

5.4.2 Development and Production Status

Each of the reserves categories (proved, probable and possible) may be divided into developed and undeveloped categories.

- a. Developed Reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

Developed Producing Reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

Developed Non-Producing Reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in and the date of resumption of production is unknown.

- b. Undeveloped Reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the

estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

5.4.3 Levels of Certainty for Reported Reserves

The qualitative certainty levels contained in the definitions in Section 5.4.1 are applicable to "individual reserves entities," which refers to the lowest level at which reserves calculations are performed, and to "reported reserves," which refers to the highest level sum of individual entity estimates for which reserves estimates are presented. Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- At least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves,
- At least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved + probable reserves,
- At least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved + probable + possible reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates are prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in Section 5.5.3 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1).

Barrels of Oil Equivalent

If at any time in this report reference is made to "Barrels of Oil Equivalent" (BOE), the conversion used is 6 Mscf : 1 STB (6 Mcf : 1 bbl).

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf : 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the well head.

Sources of Information

Source of the data used in the preparation of this report are as follows:

- i) Ownership and Burdens have been derived from the Company's land records and other information from the Company as required for clarification;
- ii) Production data is acquired from public data sources, except for very recent data or certain wells which are provided directly by the Company;
- iii) Well data is accessed from the Company's well files and from public data sources;
- iv) Operating Costs are based on actual revenue and expense statements provided by the Company for established properties or from discussions with the Company and our experience in the area for new or non-producing properties;
- v) Price differentials are derived from revenue statements, compared to actual posted prices for the appropriate benchmark price over a period of several months for established properties or from discussions with the Company and our experience in the area for new or non-producing properties;
- vi) Timing of Development Plans and Capital estimates are normally determined by discussions with the Company together with our experience and judgment.

Product Prices

Chapman Petroleum Engineering Ltd. conducts continual surveillance and monitoring on a number of Benchmark product prices both locally and internationally. Based on historical data, current conditions and our view of the relevant political and economic trends, we independently prepare oil, gas and by-product price forecasts including predictions for the near term (first few years) with escalation thereafter for a maximum of 15 years, after which prices are held constant.

In establishing our forecasts we also consider input from operating companies, consulting firms, oil & gas marketing companies and financial institutions. Our forecasts are updated quarterly and the latest one prior to the effective date would generally be used. The forecast used for this report is presented in Table 5 in the Executive Summary.

Any prices quoted in the property discussions reflect fully adjusted prices for crude quality, transportation, gas heating value and specific contractual arrangements. In the case of delayed production the equivalent 2013 price for that production has been quoted.

Product Sales Arrangements

The Company does not have any "hedge" contracts in place at this time.

Royalties

This evaluation has been prepared under the terms applicable to the Bugarvilles Association Contract in the Republic of Colombia.

Capital Expenditures and Operating Costs

Operating costs and capital expenditures have been based on historical experience and analogy where necessary and are expressed in current year dollars and escalated as follows:

2013	- No Escalation
2014-2028	- 2.0% per year
Thereafter	- No Escalation

Income Tax Parameters

Net cash flows after consideration of Colombian corporate income tax have been included in this report. Colombian corporate income tax is 35 percent of profits. Royalties, capital and operating expenses are deductible before income tax is calculated.

Abandonment and Restoration

Abandonment and restoration costs, net of salvage, have been included in the cash flows for the final event of any particular well. The abandonment cost does not impact the economic limit and is included in the final year of production. For marginal wells nearing the end of their economic life, these costs may result in a negative net present value.

In this report, we have accounted for these costs for only the wells which are being evaluated and have not included other shut-in or suspended wells in the Company's inventory or their facilities and pipelines.

Environmental Liabilities

We have been advised by the Company that they are in material compliance with all Environmental Laws and do not have any Environmental Claims pending, as demonstrated in the Representation Letter attached.

Economics

The economic analysis has been performed on a spreadsheet format to account for all terms of the Association Contract. All monetary values are expressed in terms of United States Dollars.

EXECUTIVE SUMMARY

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- Table 3: Total Future Net Revenue (Undiscounted)
- Table 4: Future Net Revenue – By Production Group
- Table 4A: Reserves and Net Present Values – By Production Group
- Table 5: Product Price Forecasts and Constant Prices

Table 1

LOON ENERGY INC.

Summary of Oil and Gas Reserves

January 1, 2013
(as of December 31, 2012)

Forecast Prices and Costs

Reserves Category	Company Reserves							
	Light and Medium Oil		Heavy Oil		Natural Gas [1]		Natural Gas Liquids	
	Gross MSTB	Net MSTB	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbl	Net Mbbl
PROVED								
Developed Producing	0	0	0	0	0	0	0	0
Developed Non-Producing	0	0	0	0	0	0	0	0
Undeveloped	0	0	0	0	0	0	0	0
TOTAL PROVED	0	0	0	0	0	0	0	0
PROBABLE	11	11	31	31	0	0	0	0
TOTAL PROVED PLUS PROBABLE	11	11	31	31	0	0	0	0

Reference: Item 2.1 (1) Form 51-101F1

Columns may not add precisely due to accumulative rounding of values throughout the report.

Notes: [1] Includes associated, non-associated and solution gas where applicable.

[2] Reserves shown as "0" reflect a value of less than 0.5(MSTB/MMscf/Mbbl).

Table 2

LOON ENERGY INC.

Summary of Net Present Values

January 1, 2013

(as of December 31, 2012)

Forecast Prices and Costs

Before Income Tax

Reserves Category	Net Present Values of Future Net Revenue				
	Discounted at				
	0 %/yr. USM\$	5 %/yr. USM\$	10 %/yr. USM\$	15 %/yr. USM\$	20 %/yr. USM\$
PROVED					
Developed Producing	0	0	0	0	0
Developed Non-Producing	0	0	0	0	0
Undeveloped	0	0	0	0	0
TOTAL PROVED	0	0	0	0	0
PROBABLE	2,181	1,584	1,224	984	812
TOTAL PROVED PLUS PROBABLE	2,181	1,584	1,224	984	812

After Income Tax

Reserves Category	Net Present Values of Future Net Revenue				
	Discounted at				
	0 %/yr. USM\$	5 %/yr. USM\$	10 %/yr. USM\$	15 %/yr. USM\$	20 %/yr. USM\$
PROVED					
Developed Producing	0	0	0	0	0
Developed Non-Producing	0	0	0	0	0
Undeveloped	0	0	0	0	0
TOTAL PROVED	0	0	0	0	0
PROBABLE	1,700	1,276	1,012	830	696
TOTAL PROVED PLUS PROBABLE	1,700	1,276	1,012	830	696

Reference: Item 2.1 (2) Form 51-101F1

USM\$ means thousands of United States Dollars

Columns may not add precisely due to accumulative rounding of values throughout the report.

Table 3
LOON ENERGY INC.
Total Future Net Revenue (Undiscounted)
January 1, 2013
(as of December 31, 2012)
Forecast Prices and Costs

Reserve Category	Revenue USM\$	Royalties USM\$	Operating Costs USM\$	Development Costs USM\$	Well Abandonment Costs USM\$	Future Net Revenues BIT USM\$	Income Taxes USM\$	Future Net Revenues AIT USM\$
Total Proved	0	0	0	0	0	0	0	0
Proved Plus Probable	3,773	0	880	706	6	2,181	(481)	1,700

Reference: Item 2.1 (3)(b) NI 51-101F1

USM\$ means thousands of United States Dollars

Table 4

LOON ENERGY INC.

**Future Net Revenue
By Production Group**

**January 1, 2013
(as of December 31, 2012)**

Forecast Prices and Costs

Reserve Category	Production Group	Future Net Revenue Before Income Taxes Discounted at 10%/yr. USM\$
Total Proved	Light and Medium Oil (including solution gas and other by-products)	0
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	0
Proved Plus Probable	Light and Medium Oil (including solution gas and other by-products)	75
	Heavy Oil (including solution gas and other by-products)	1,149
	Natural Gas (including by-products but not solution gas)	0

Reference: Item 2.1 (3)(c) NI 51-101F1

USM\$ means thousands of United States Dollars

Table 4A

LOON ENERGY INC.

Oil and Gas Reserves and Net Present Values
by Production GroupJanuary 1, 2013
(as of December 31, 2012)

Forecast Prices and Costs

Reserve Group by Category	Reserves						Net Present Value (BIT) 10% USM\$	Unit Values @ 10%/yr. US\$/STB
	Oil		Gas		NGL			
	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbbl	Net Mbbbl		
Light and Medium Oil [1]								
Proved								
Developed Producing	0	0	0	0	0	0	0	0
Developed Non-Producing	0	0	0	0	0	0	0	0
Undeveloped	0	0	0	0	0	0	0	0
Total Proved	0	0	0	0	0	0	0	0
Probable	11	11	0	0	0	0	75	6.82
Proved Plus Probable	11	11	0	0	0	0	75	6.82
Heavy Oil [1]								
Proved								
Developed Producing	0	0	0	0	0	0	0	0
Developed Non-Producing	0	0	0	0	0	0	0	0
Undeveloped	0	0	0	0	0	0	0	0
Total Proved	0	0	0	0	0	0	0	0
Probable	31	31	0	0	0	0	1,149	37.06
Proved Plus Probable	31	31	0	0	0	0	1,149	37.06

Reference: Item 2.1 (3)(c) NI 51-101F1

USM\$ means thousands of United States Dollars

Columns may not add precisely due to accumulative rounding of values throughout the report.

Note: [1] Includes solution gas.

[2] Reserves shown as "0" reflect a value of less than 0.5(MSTB/MMscf/Mbbbl).

Table 5
CHAPMAN PETROLEUM ENGINEERING LTD.
CRUDE OIL
HISTORICAL, CONSTANT, CURRENT AND FUTURE PRICES
January 1, 2013

Date	WTI [1] \$US/STB
HISTORICAL PRICES	
2001	25.98
2002	26.09
2003	30.84
2004	41.48
2005	56.62
2006	65.91
2007	72.35
2008	99.70
2009	61.64
2010	79.42
2011	95.03
2012	94.16
CONSTANT PRICES (SEC criteria)	
The first-day-of-the-month price for the	
preceding 12 months	95.02
FORECAST PRICES	
2013	90.00
2014	91.00
2015	92.00
2016	96.00
2017	97.00
2018	98.00
2019	100.00
2020	100.00
2021	102.00
2022	104.04
2023	106.12
2024	108.24
2025	110.41
2026	112.62
2027	114.87
2028	117.17
Constant thereafter	

Notes: [1] West Texas Intermediate quality (D2/S2) crude
landed in Cushing, Oklahoma.

BUGANVILES ASSOCIATION CONTRACT
REPUBLIC OF COLOMBIA
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Discussion

Ownership
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Capital Expenditures
Operating Costs
Economics

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Figure 2: Geological Figures

- a) Republic of Columbia - Sedimentary Basins
- b) Stratigraphic Chart - Upper Magdalena Basin
- c) Oil Pool Map
- d) Structural Map – Delta Structure
- e) Log Analysis – Delta # 1 ST2
- f) Seismic Structure on Upper Guadalupe Sandstone, Visure Oil Pool
- g) Seismic Section, Visure Oil Pool
- h) Petrophysical Analysis, Guadalupe Sandstone, Well Visure IX

Table 2: Summary of Gross Reserves

Summary of Gross Reserves and Reservoir Parameters

Probable Developed

- a) Visure IX, Guadalupe

Probable Undeveloped

- b) 1 Development Loc., Rosablanca

Figure 3: Production History Graph
- Well Delta # 1 ST 2, Rosablanca

Table 3: Summary of Anticipated Capital Expenditures

- a) Development
- b) Abandonment and Restoration

Table 4: Summary of Company Reserves and Economics – Forecast Prices and Costs

Consolidated Cash Flows

- a) Buganviles Association Contract Development – Total Probable

Individual Cash Flows

Probable Developed Non-Producing – Heavy Oil

- b) Well Visure IX, Guadalupe

Probable Undeveloped – Light and Medium Oil
c) Location Delta 1 Development, Rosablanca

BUGANVILES ASSOCIATION CONTRACT
REPUBLIC OF COLOMBIA
DISCUSSION

Ownership

The Company owns a 10 percent working interest in the exploration and production of the hydrocarbons in the Bugarviles Association Contract located in the Republic of Colombia, as shown on Figure 1. Production is subject to an 8 percent royalty payable to the local government. The National Oil Company, Ecopetrol, has the right to back in for a 50 percent interest in the field after reimbursing their share of costs from production, resulting in a 5 percent working interest for the Company after the back in.

A detailed description of the lands, interests and royalty burdens is presented in Table 1.

Geology

The Bugarviles Association Contract is located within the Upper Magdalena Valley Basin as shown on the map (Figure 2a). The Upper Magdalena Valley Basin is a linear Neogene foreland basin bounded on both sides by basement uplifts that define the flanks of the Eastern and Central Cordillera mountains of Colombia. As shown on the stratigraphic correlation chart (Figure 2b), the basin contains a transitional to marine Cretaceous section which contains an organic rich Cretaceous shale section which provide the source for all the oil and gas fields in the basin. The overlying Cenozoic sequence is formed of clastic continental formations deposited during two collisional events.

The well Delta # 1 ST2 was drilled to test the Delta structure shown in the Oil Pool Map illustrated in Figure 2c. Test results and log analysis indicated probable oil reserves in the porous and permeable upper zone of the limestone of the Rosablanca Formation of Cretaceous age. Seismic interpretation of the area shows a structural culmination of just over two square miles in size as illustrated in Figure 2d. A log analysis of the formation (Figure 2e) shows a porous and permeable oil-bearing zone 15 feet in thickness at the top of the Rosablanca Formation with an average porosity of 9%.

The Company participated in well Visure 1X which resulted in the discovery of the Visure Oil Pool located on Figure 2c. The well intersected two pay zones in the Guadalupe Sandstone of Lower

Cretaceous age as shown on the Stratigraphic Chart illustrated in Figure 2b. The seismic map shown in Figure 2f illustrates the structural contours on the Upper Guadalupe Sandstone with the pronounced mapped structural high at the well location. A NW-SE trending seismic line through the well location shown in figure 2g illustrates the steeply dipping beds below a major unconformity and the structural trap of the Visure Oil Pool. Petrophysical analysis of the productive zones of well Visure 1X are shown in Figure 2h. The two pay intervals are separated by a shaly interval with much reduced porosity and permeability.

Reserves

The existing well, Delta 1ST2, produces periodically at uneconomic rates. No reserves have been assigned since continued production is in doubt.

Total gross probable light and medium, and heavy oil reserves of 921 MSTB have been estimated as follows: Probable developed non-producing heavy oil reserves of 725 MSTB have been estimated for the well Visure IX anticipating that the well will return to production from the Guadalupe formation after a workover. Probable undeveloped light and medium oil reserves of 196 MSTB have been estimated for one location to be drilled into the Rosablanca formation on the same structure as Delta # 1 ST 2 using the same reservoir parameters as for the Delta # 1 ST 2 well and a higher recovery factor, anticipating that the operator will benefit from experience gained from the Delta # 1 ST 2 well.

A summary of reserves is presented in Table 2, and reserves and reservoir parameters for the Guadalupe and Rosablanca formations are presented in Tables 2a and 2b.

Production

On production dates and initial rates are presented in Table 2. All wells are expected to immediately begin to decline to an eventual economic limit.

Product Prices

A 2013 average price of \$82.00/STB (USD) has been utilized for this property based on an estimated discount of \$8.00 from WTI.

Capital Expenditures

Development capital expenditures of \$7,060,000 (\$706,000 net to the Company) have been anticipated to develop this property, as presented in Table 3a.

Total abandonment and restoration costs (net of salvage) of \$100,000 (\$5,000 net to the Company) have been utilized for this property based on the discussion with the Company, as presented in Table 3b.

Operating Costs

Operating costs of \$4,000 per well per month plus variable operating costs of \$4.00/STB for processing oil and \$2.50/STB for transportation to a marketing point have been utilized based on our estimates for the area.

Economics

An economic summary using forecast prices and costs is contained in a spreadsheet presented as Table 4 and the results of the economic analysis before and after income tax are presented in Tables 4a to 4c. All the monetary values have been expressed in terms of United States Dollars.



LOON ENERGY CORPORATION

**BUGANVILES ASSOCIATION
CONTRACT**

REPUBLIC OF COLOMBIA
ORIENTATION MAP

JAN. 2013

JOB No. 5732 FIGURE No. 1

Table 1

**Schedule of Lands, Interests and Royalty Burdens
January 1, 2013**

Loon Energy Corporation

Buganviles Association Contract, Republic of Columbia

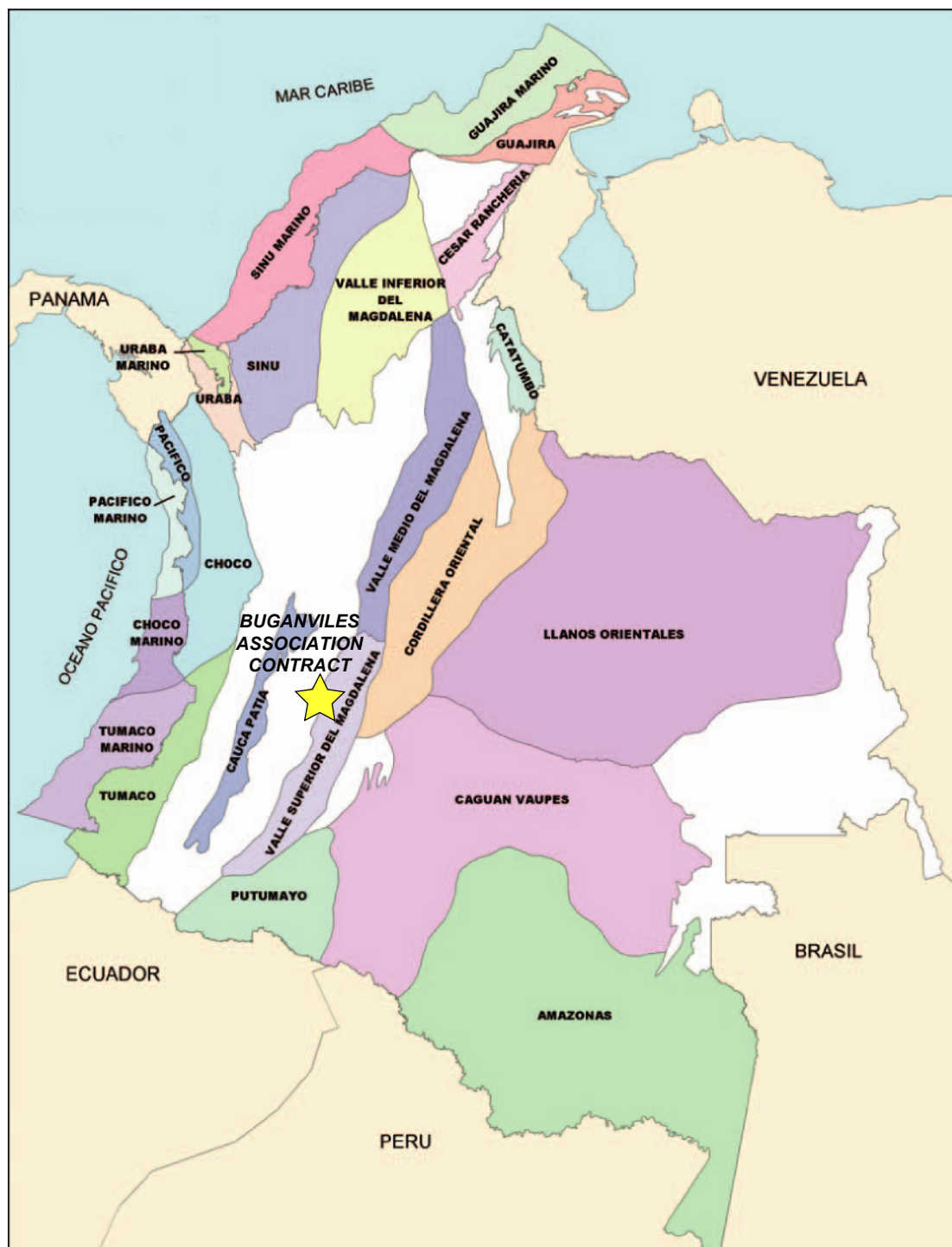
<u>Description</u>	<u>Rights Owned</u>	<u>Gross Acres</u>	<u>Appraised Interest</u>		<u>Royalty Burdens</u>	
			<u>Working %</u>	<u>Royalty %</u>	<u>Basic %</u>	<u>Overriding %</u>
Buganviles Association Contract	[A]	157,516 [3]	10.0000 [1,2]	-	8.0000	-
Well Delta #1 ST 2						
Well Visure 1X						
One Dev. Location						
	Total	157,516				

General Notes : [1] Ecopetrol has the right to back in for 50% after reimbursing their share of costs from production.

[2] Production in excess of royalty split 50/50 with Ecopetrol

[3] 50% of the area must be relinquished after a discovery.

Rights Owned : [A] All P&NG.



Source: Columbian Sedimentary Basins

★ AREA OF INTEREST

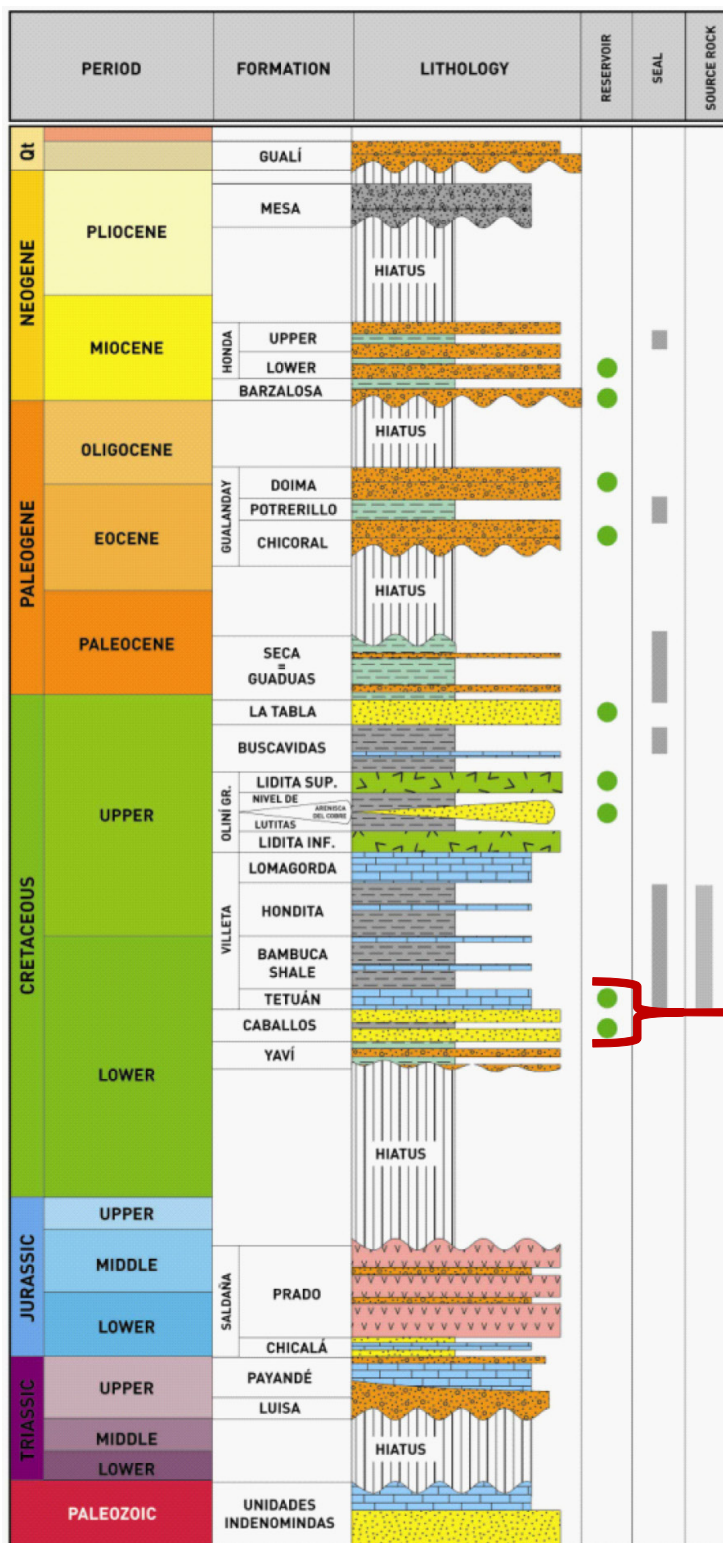
LOON ENERGY CORPORATION

REPUBLIC OF COLOMBIA

SEDIMENTARY BASINS

JAN. 2013

JOB No. 5732 FIGURE No. 2a



TARGET: Rosablanca Limestone
Guadalupe Sandstones

LOON ENERGY CORPORATION

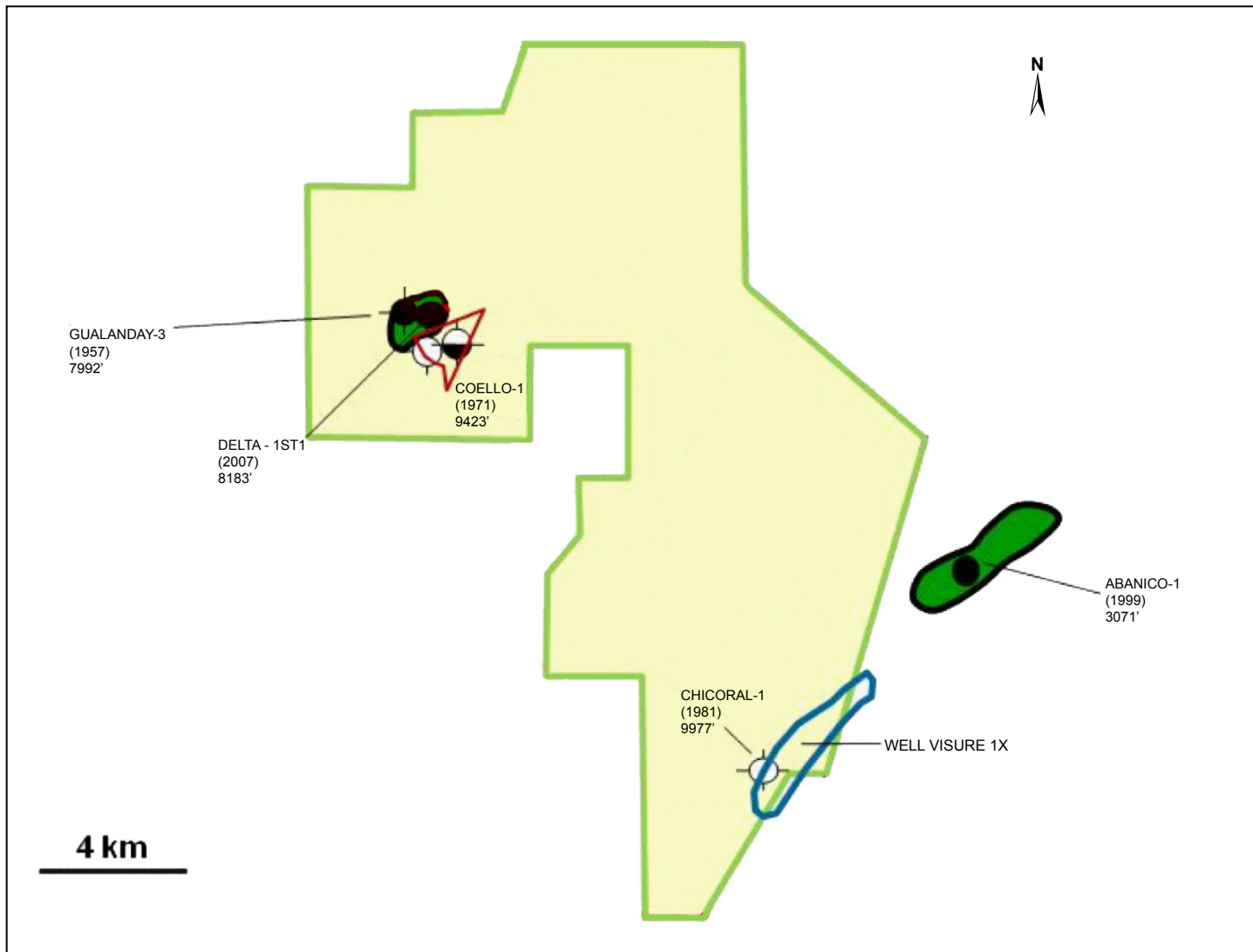
UPPER MAGDALENA BASIN

REPUBLIC OF COLOMBIA

STRATIGRAPHIC CHART

JAN. 2013

JOB No. 5732 FIGURE No. 2b



LOON ENERGY CORPORATION

**BUGANVILES ASSOCIATION
CONTRACT**

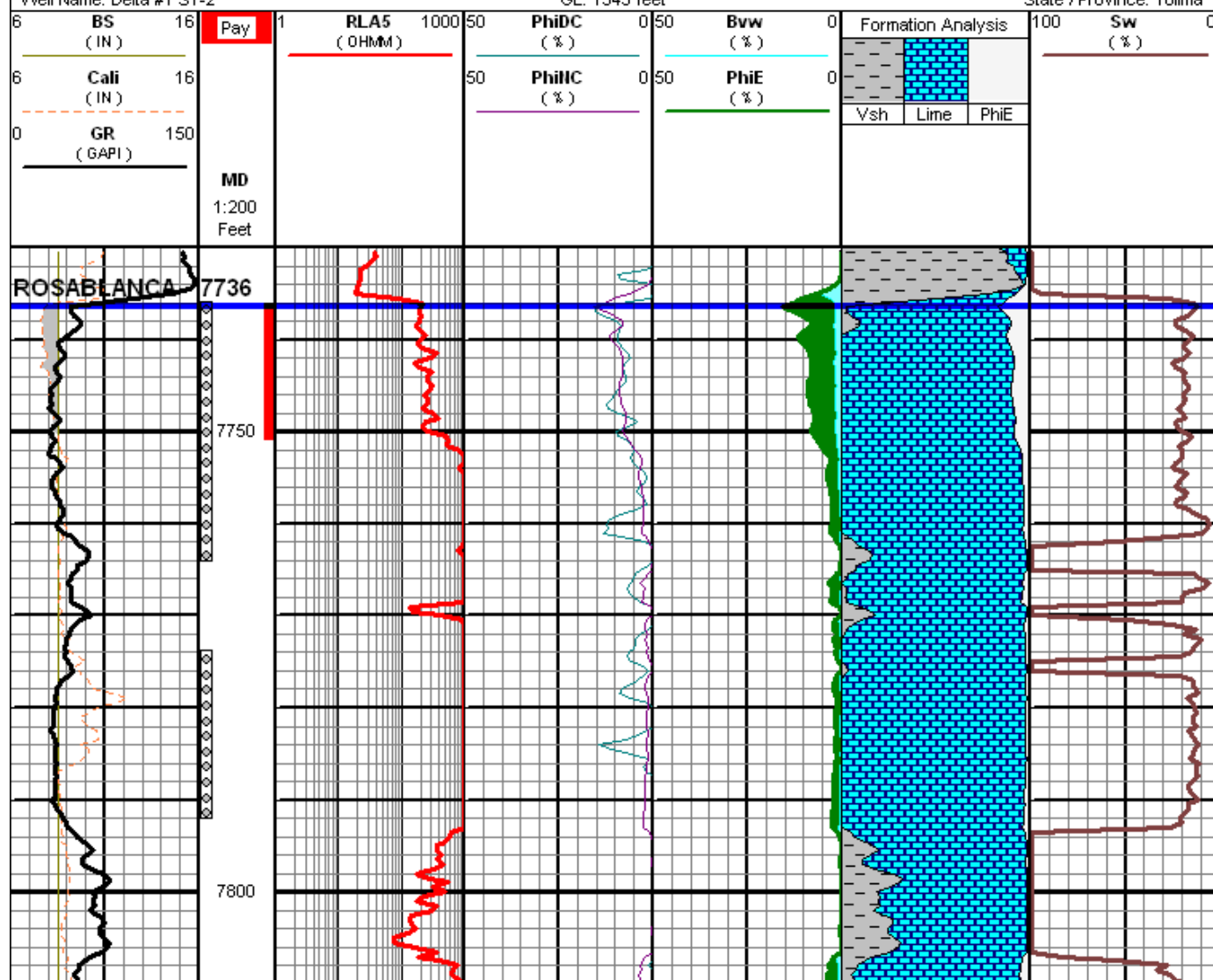
**REPUBLIC OF COLOMBIA
OIL POOL MAP**

JAN. 2013

JOB No. 5732 FIGURE No. 2c

Computer Processed Log

File: delta1_st2_res

Operator: Hollywell Resources S.A.
Well Name: Delta #1 ST-2KB: 1562 feet
GL: 1545 feetCounty / Parish:
State / Province: TolimaNET PAY = 15 FT
AVERAGE POROSITY = 9%**LOON ENERGY CORPORATION**

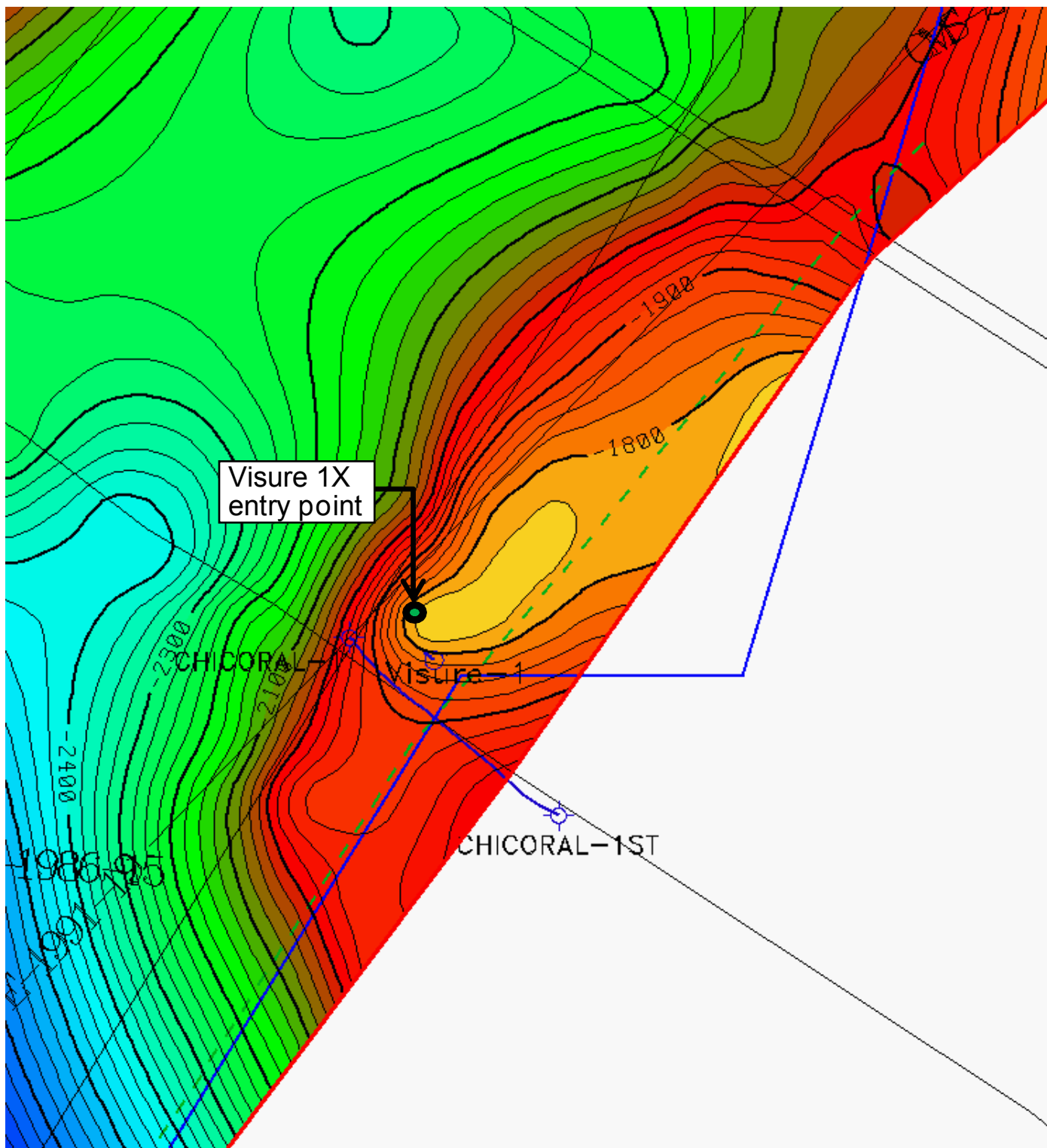
BUGANUILES ASSOCIATION CONTRACT

**DELTA #1 ST-2 WELL
LOG ANALYSIS**

ROSABLANCA FORMATION

JAN. 2013

JOB No. 5732 FIGURE No. 2e



LOON ENERGY CORPORATION

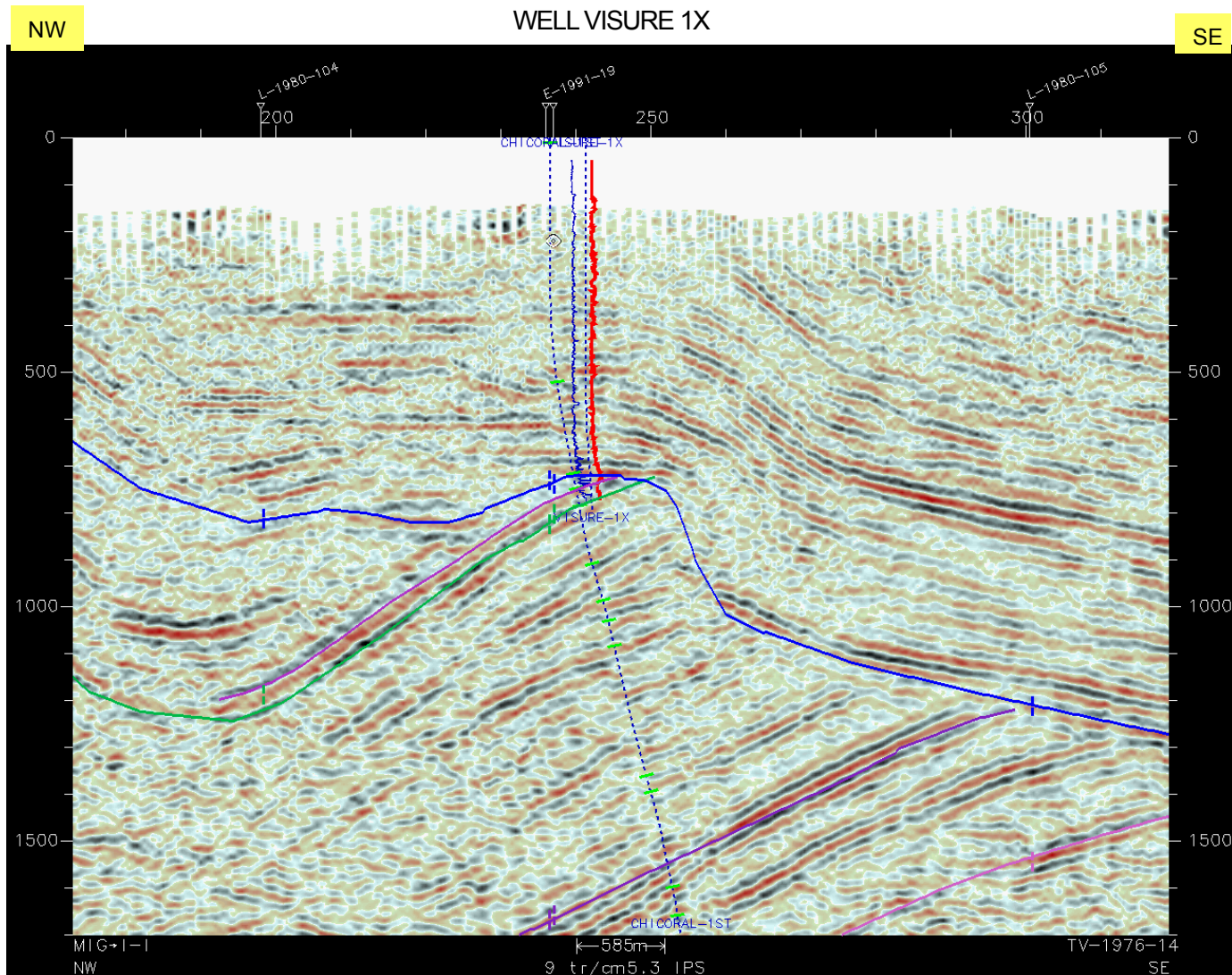
VISURE OIL POOL

REPUBLIC OF COLOMBIA

**SEISMIC STRUCTURE ON
UPPER GUADALUPE SANDSTONE**

JAN. 2013

JOB No. 5732 FIGURE No. 2f



LOON ENERGY CORPORATION

VISURE OIL POOL

REPUBLIC OF COLOMBIA

SEISMIC SECTION

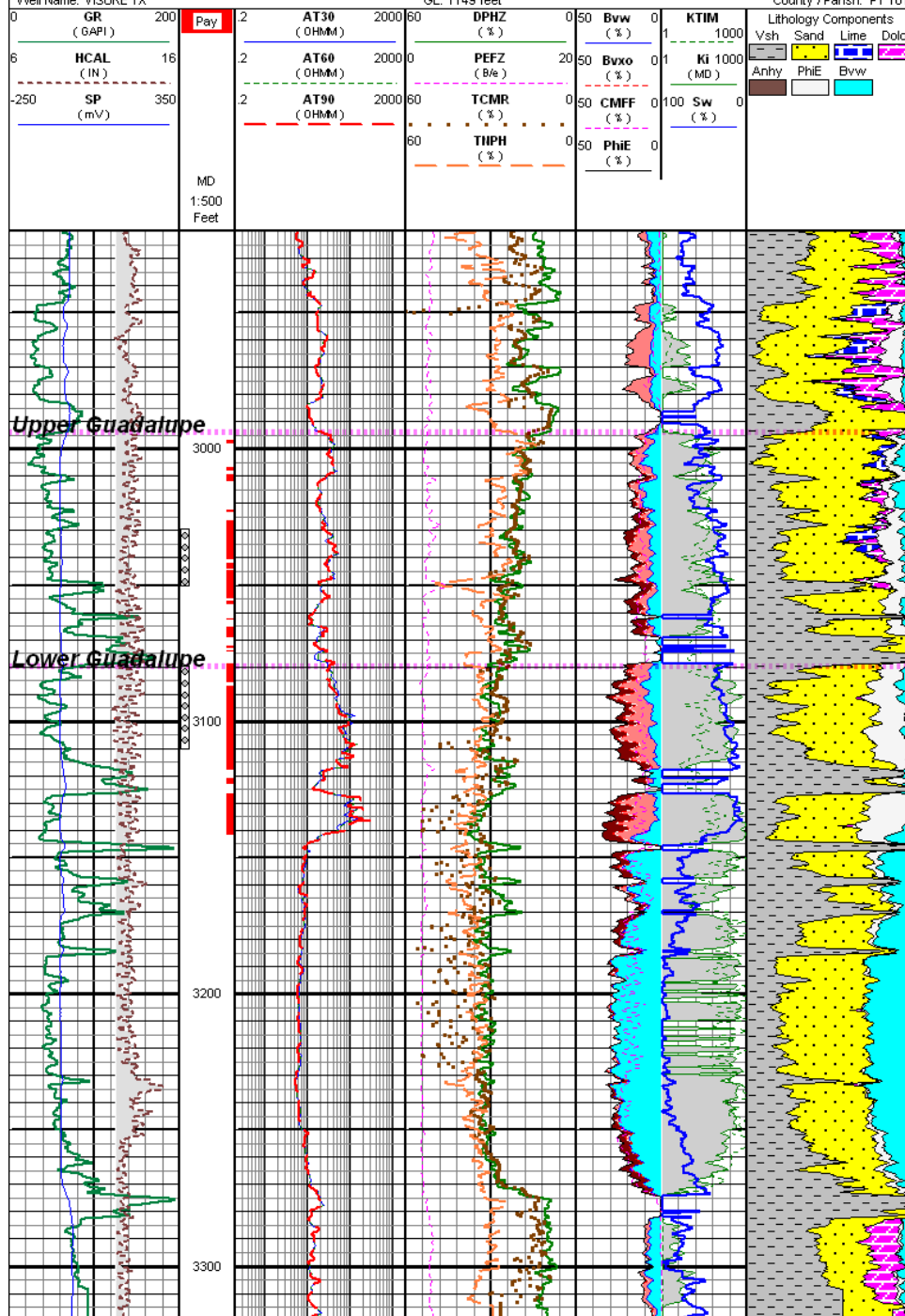
JAN. 2013

JOB No. 5732 FIGURE No. 2g

Operator: PACIFIC RUBIALES ENERGY
Well Name: VISURE 1X

GL: 1149 feet

County / Parish: PT 101



LOON ENERGY CORPORATION

WELL VISURE 1X

REPUBLIC OF COLOMBIA

**PETROPHYSICAL ANALYSIS
GUADALUPE SANDSTONES**

JAN. 2013

JOB No. 5732 FIGURE No. 2h

Table 2

Summary of Gross Reserves
January 1, 2013

Buganviles Association Contract, Republic of Columbia

Description		Current or Initial Rate STB/d		API Gravity (Deg)	Ultimate ROIP (MSTB)	Cumulative Production (MSTB)	Remaining ROIP (MSTB)	Reference
LIGHT & MEDIUM OIL								
Probable								
Probable Developed Non Producing								
Well Delta 1 ST 2	Rosablanca	40		33	17	17	0	Figure 3
Probable Undeveloped								
Loc. Offsetting Delta 1ST 2	Rosablanca	100	Aug - 13	33	196	0	196	Table 2b
Total Probable					213	17	196	
Total Proved Plus Probable					213	17	196	
HEAVY OIL								
Probable								
Probable Developed Non-Producing								
Well Visure 1X	Guadalupe	200	Aug - 13	16	725	0	725	Table 2a
Total Probable					725	0	725	

Table 2a

SUMMARY OF GROSS RESERVES AND RESERVOIR PARAMETERS
January 1, 2013

Buganviles Contract, Colombia

	Probable Developed Visure 1X Guadalupe (1)
<hr/>	
PRODUCT TYPE	
Heavy Oil	
RESERVOIR PARAMETERS	
Reservoir Pressure, psia	1,300
Reservoir Temperature, deg F	120
Average Porosity, %	22.0
Average Water Saturation, %	27.0
Formation Volume Factor, RB/STB	1.100
Petroleum Initially-in-Place, STB/ac.ft	1132.7
Recovery Factor, %	10
RESERVES	
Net Pay, ft	80.0
Area, acres	80
Petroleum Initially-in-Place, STB	7,249,280
Reserves Initially-in-Place, STB	724,928
Cumulative Production, STB	0
Remaining Reserves, STB	724,928

Note: (1) Interval 2995.0 - 3140.0 m KB.

Table 2b

SUMMARY OF GROSS RESERVES AND RESERVOIR PARAMETERS
January 1, 2013

Buganviles Contract, Colombia

	Probable Undeveloped Development Loc. Rosablanca
<hr/>	
PRODUCT TYPE	
Light and Medium Oil	
RESERVOIR PARAMETERS	
Reservoir Pressure, psia	3,400
Reservoir Temperature, deg F	175
Average Porosity, %	9.0
Average Water Saturation, %	25.0
Formation Volume Factor, RB/STB	1.600
Petroleum Initially-in-Place, STB/ac.ft	327.3
Recovery Factor, %	25
RESERVES	
Net Pay, ft	15.0
Area, acres	160
Petroleum Initially-in-Place, STB	785,520
Reserves Initially-in-Place, STB	196,380
Cumulative Production, STB	0
Remaining Reserves, STB	196,380

PRODUCTION HISTORY

Well Delta-1 ST-2

Field: Gualanday

Formation: Rosablanca

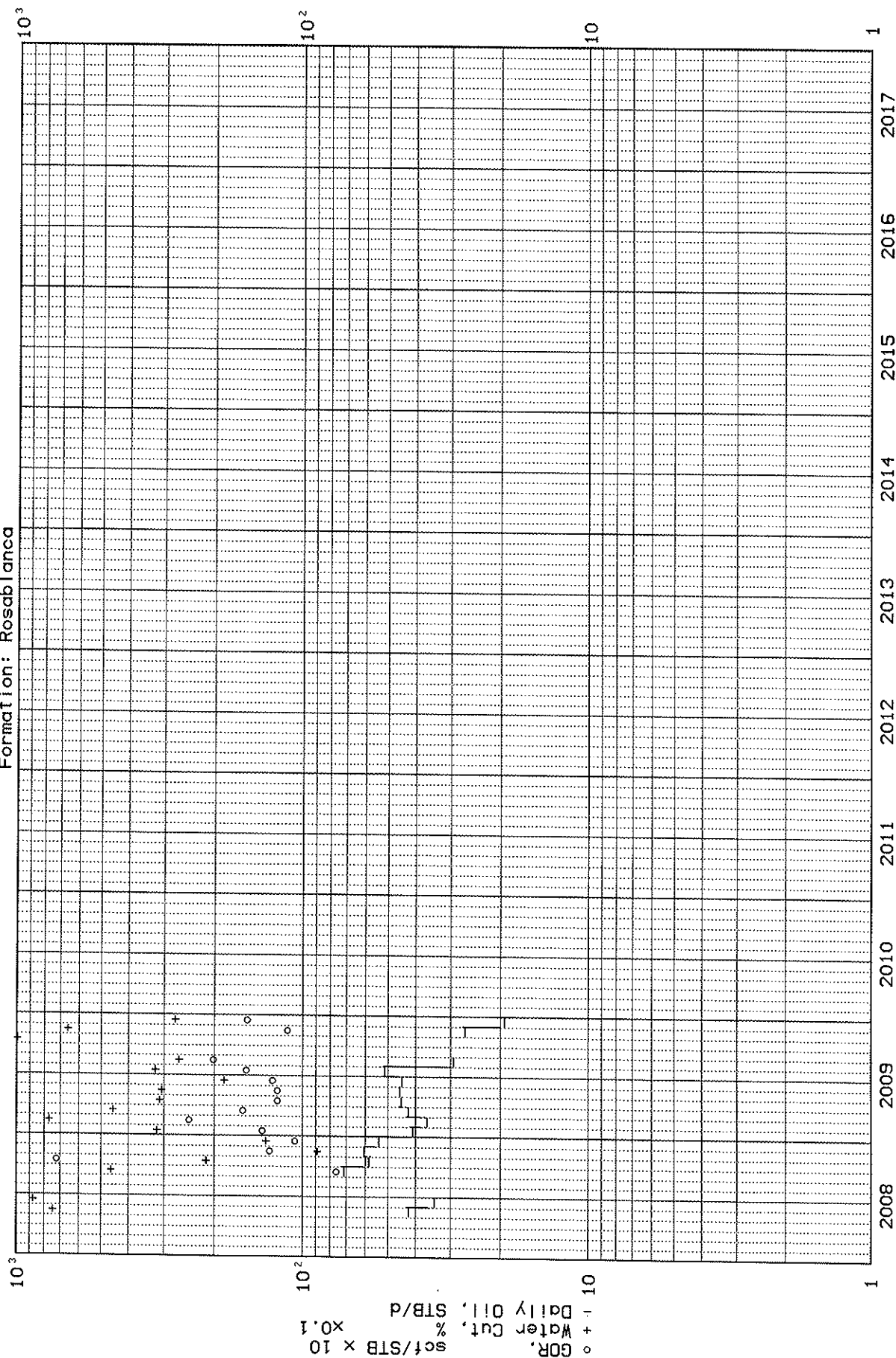


Figure 3

Table 3a

**Summary of Anticipated Capital Expenditures
Development**

January 1, 2013

Loon Energy Corporation

Buganviles Association Contract, Republic of Columbia

<u>Description</u>	<u>Date</u>	<u>Operation</u>	<u>Capital Interest %</u>	<u>Gross Capital M\$</u>	<u>Net Capital M\$</u>
<u>Probable</u>					
Workover Visure 1X	Aug - 13	Treat or Recpmplete Guadalupe to restore production	10.0000	2,000	200
1 Development Well	Aug - 13	Drill, complete & equip 1 development oil well	10.0000	5,060	506
Total Probable				7,060	706
Total Proved Plus Probable				7,060	706

Notes: **M\$ means thousands of dollars.**

The above capital values are expressed in terms of current dollar values without escalation.

Unless details are known, drilling costs have been split 70% Intangible and 30% Tangible for tax purposes

Table 3b

Summary of Anticipated Capital Expenditures
Abandonment and Restoration

January 1, 2013

Loon Energy Corporation

Buganviles Association Contract, Republic of Columbia

Description	Well Parameters	Capital Interest %	Gross Capital M\$	Net Capital M\$
2 Rosablanca oil wells	2 pumping oil wells	5.0000	100	5
	Total Abandonment and Restoration		100	5

Note: M\$ means thousands of dollars.

The above capital values are expressed in terms of current dollar values without escalation.

Table 4
Summary of Company Reserves and Economics
Before Income Tax
January 1, 2013

Forecast Prices & Costs

LOON ENERGY CORPORATION

Buganviles Association Contract

Description		Net To Appraised Interest										
		Reserves						Cumulative Cash Flow (BIT) - M\$				
		Light and Medium Oil MSTB		Heavy Oil MSTB		Sales Gas MMscf		Discounted at:				
		Gross	Net	Gross	Net	Gross	Net	Undisc.	5%/year	10%/year	15%/year	20%/year
Total Probable												
Probable Developed Non-Producing												
Visure 1X	Guadalupe	0	0	31	31	0	0	1,956	1,446	1,149	957	822
Total Probable Developed Non-Producing		0	0	31	31	0	0	1,956	1,446	1,149	957	822
Probable Undeveloped												
One Delta Dev. Loc.	Rosablanca	11	11	0	0	0	0	225	138	75	27	(10)
Total Probable Undeveloped		11	11	0	0	0	0	225	138	75	27	(10)
Total Probable		11	11	31	31	0	0	2,181	1,584	1,224	984	812
Total Proved Plus Probable		11	11	31	31	0	0	2,181	1,584	1,224	984	812

M\$ means thousands of United States dollars.

Gross reserves are the total of the Company's working and/or royalty interest share before deduction of royalties owned by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Columns may not add precisely due to accumulative rounding of values throughout the report.

Table 4T
Summary of Company Reserves and Economics
After Income Tax
January 1, 2013

Forecast Prices & Costs

LOON ENERGY CORPORATION

Description	Net To Appraised Interest										
	Reserves						Cumulative Cash Flow - M\$				
	Light and Medium Oil MSTB		Heavy Oil MSTB		Sales Gas MMscf		Discounted at:				
	Gross	Net	Gross	Net	Gross	Net	Undisc.	5%/year	10%/year	15%/year	20%/year
Total Probable											
Total Probable (BIT)	11	11	31	31	0	0	2,181	1,584	1,224	984	812
Company Income Tax	-	-	-	-	-	-	(481)	(308)	(212)	(154)	(116)
Total Probable (AIT)	11	11	31	31	0	0	1,700	1,276	1,012	830	696
Total Proved Plus Probable (AIT)	11	11	31	31	0	0	1,700	1,276	1,012	830	696

M\$ means thousands of United States dollars.

Gross reserves are the total of the Company's working and/or royalty interest share before deduction of royalties owned by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Columns may not add precisely due to accumulative rounding of values throughout the report.

Table 4a, Page 1

Loon Energy Corporation
Buganviles Association Contract Development - Forecast Prices & Costs
Total Probable Consolidation
Production and Capital Forecast
January 1, 2013

Year	Delta 1 Dev. Loc				Visure 1X				Development Program -				Total Oil Production				Capital Expenditures - \$USM			
	STB/d	Days On	STB/yr	Well Count	STB/d	Days On	MSTB/yr	Well Count	1	# Wells	1	# Wells	STB/yr.	STB/d	Exploration	Completion	Well Fac. & Tie-ins	Central Facilities	Total Capital	
Previous	0	0	0	0	0	0	0	0.0	-	-	-	-	0	0	0	0	0	0	0	
2013	100	150	15,000	200	150	30,000	2.0	15,000	30,000	30,000	30,000	45,000	300	0	7,060	0	0	0	7,060	
2014	87	365	31,667	184	365	67,039	2.0	31,667	67,039	67,039	67,039	98,707	270	0	0	0	0	0	0	
2015	75	365	27,475	169	365	61,566	2.0	27,475	61,566	61,566	61,566	89,040	244	0	0	0	0	0	0	
2016	65	365	23,837	155	365	56,539	2.0	23,837	56,539	56,539	56,539	80,376	220	0	0	0	0	0	0	
2017	57	365	20,681	142	365	51,922	2.0	20,681	51,922	51,922	51,922	72,603	199	0	0	0	0	0	0	
2018	49	365	17,943	131	365	47,683	2.0	17,943	47,683	47,683	47,683	65,626	180	0	0	0	0	0	0	
2019	43	365	15,567	120	365	43,789	2.0	15,567	43,789	43,789	43,789	59,357	163	0	0	0	0	0	0	
2020	37	365	13,506	110	365	40,214	2.0	13,506	40,214	40,214	40,214	53,720	147	0	0	0	0	0	0	
2021	32	365	11,718	101	365	36,930	2.0	11,718	36,930	36,930	36,930	48,648	133	0	0	0	0	0	0	
2022	28	365	10,166	93	365	33,915	2.0	10,166	33,915	33,915	33,915	44,081	121	0	0	0	0	0	0	
2023	24	365	8,820	85	365	31,146	2.0	8,820	31,146	31,146	31,146	39,966	109	0	61	0	0	0	61	
2024	0	365	0	78	365	28,603	1.0	0	28,603	28,603	28,603	28,603	78	0	0	0	0	0	0	
2025	0	365	0	72	365	26,267	1.0	0	26,267	26,267	26,267	26,267	72	0	0	0	0	0	0	
2026	0	365	0	66	365	24,123	1.0	0	24,123	24,123	24,123	24,123	66	0	0	0	0	0	0	
2027	0	365	0	61	365	22,153	1.0	0	22,153	22,153	22,153	22,153	61	0	0	0	0	0	0	
2028	0	365	0	56	365	20,344	1.0	0	20,344	20,344	20,344	20,344	56	0	0	0	0	0	0	
2029	0	365	0	51	365	18,683	1.0	0	18,683	18,683	18,683	18,683	51	0	0	0	0	0	0	
2030	0	365	0	47	365	17,158	1.0	0	17,158	17,158	17,158	17,158	47	0	0	0	0	0	0	
2031	0	365	0	43	365	15,757	1.0	0	15,757	15,757	15,757	15,757	43	0	0	0	0	0	0	
2032	0	365	0	40	365	14,470	1.0	0	14,470	14,470	14,470	14,470	40	0	0	0	0	0	0	
2033	0	365	0	36	365	13,289	1.0	0	13,289	13,289	13,289	13,289	36	0	0	0	0	0	0	
2034	0	365	0	33	365	12,204	1.0	0	12,204	12,204	12,204	12,204	33	0	0	0	0	0	0	
2035	0	365	0	31	365	11,207	1.0	0	11,207	11,207	11,207	11,207	31	0	68	0	0	0	68	
Total			196,380			725,000		196,380	725,000	725,000	725,000	921,380		0	7,188	0	0	0	7,188	

Table 4a, Page 2

Cost Recovery

Table 4a, Page 3

571-434

Table 4a, Page 4

Loon Energy Corporation

Bugarvilles Association Contract Development - Forecast Prices & Costs

Total Probable Consolidation

Production Streams and Revenues

January 1, 2013

Year	Cost Schedule									
	Cost Oil		Contractor's Net Profit Oil		Contractor's Total Net Oil		Company's Total Net Oil (10%)		Oil Price	
	STB/yr.	US\$/yr.	STB/yr.	US\$/yr.	STB/yr.	US\$/yr.	STB/yr.	US\$/yr.	US\$/STB	US\$/yr.
Previous	0	0	0	0	0	0	0	0	\$0.00	0
2013	41,400	0	0	0	41,400	0	4,140	0	\$82.00	3,394,800
2014	90,810	0	0	0	90,810	0	9,081	0	\$83.00	7,537,255
2015	71,081	2,709	2,709	0	73,790	2,709	7,379	0	\$84.00	6,198,367
2016	7,458	16,622	16,622	24,080	24,080	24,080	2,408	0	\$88.00	2,119,025
2017	6,907	14,972	14,972	21,879	21,879	21,879	2,188	0	\$89.00	1,947,239
2018	6,411	13,491	13,491	19,902	19,902	19,902	1,990	0	\$90.00	1,791,164
2019	5,898	12,178	12,178	18,075	18,075	18,075	1,808	0	\$92.00	1,662,938
2020	5,558	10,966	10,966	16,524	16,524	16,524	1,652	0	\$92.00	1,520,244
2021	5,138	9,905	9,905	15,043	15,043	15,043	1,504	0	\$94.00	1,414,006
2022	4,760	8,949	8,949	13,709	13,709	13,709	1,371	0	\$96.04	1,316,591
2023	5,041	7,932	7,932	12,973	12,973	12,973	1,297	0	\$98.12	1,272,931
2024	2,901	5,853	5,853	8,755	8,755	8,755	875	0	\$100.24	877,600
2025	2,709	5,364	5,364	8,073	8,073	8,073	807	0	\$102.41	826,756
2026	2,532	4,915	4,915	7,447	7,447	7,447	745	0	\$104.62	779,126
2027	2,371	4,503	4,503	6,873	6,873	6,873	687	0	\$106.87	734,514
2028	2,229	4,122	4,122	6,351	6,351	6,351	635	0	\$109.17	693,294
2029	2,095	3,773	3,773	5,869	5,869	5,869	587	0	\$109.17	640,654
2030	1,973	3,453	3,453	5,426	5,426	5,426	543	0	\$109.17	592,312
2031	1,860	3,159	3,159	5,019	5,019	5,019	502	0	\$109.17	547,917
2032	1,757	2,889	2,889	4,646	4,646	4,646	465	0	\$109.17	507,148
2033	1,662	2,641	2,641	4,303	4,303	4,303	430	0	\$109.17	469,707
2034	1,575	2,413	2,413	3,988	3,988	3,988	399	0	\$109.17	435,323
2035	2,113	2,049	2,049	4,162	4,162	4,162	416	0	\$109.17	454,372
Totals	276,239	142,858	142,858	419,096	419,096	419,096	41,910	\$0	\$8,803,870	\$37,733,282
										\$28,929,412
										\$7,124,225

Table 4a, Page 5

Loon Energy Corporation

Buganvilles Association Contract Development - Forecast Prices & Costs

Total Probable Consolidation

Cash Flow Analysis

January 1, 2013

Year	Undiscounted			Company Cash Flow Before Income Tax Discounted @						Undiscounted			Company Cash Flow After Income Tax Discounted @					
	Contractors Net Cash Flow (Before tax)			Contractors Net Cash Flow (After Tax)			Contractors Income Tax on Profit Oil Only			Contractors Net Cash Flow (After Tax)			Contractors Net Cash Flow (After Tax)			Contractors Income Tax on Profit Oil Only		
	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2013	(4,053,700)	(405,370)	(395,601)	(386,505)	(378,009)	(370,060)	0	0	0	(4,053,700)	(405,370)	(395,601)	(386,505)	(378,009)	(370,060)	0	0	(370,060)
2014	6,784,908	678,491	630,609	588,105	550,170	516,145	0	0	0	6,784,908	678,491	630,609	588,105	550,170	516,145	0	0	516,145
2015	5,496,345	549,635	486,520	433,104	387,551	348,434	79,644	79,644	79,644	5,416,702	541,870	479,470	426,828	381,936	343,385	381,936	381,936	343,385
2016	1,462,730	146,273	123,311	104,783	89,685	77,273	511,955	511,955	511,955	950,774	95,077	80,152	68,109	58,295	50,228	58,295	58,295	50,228
2017	1,332,503	133,250	106,983	86,776	71,044	58,661	466,376	466,376	466,376	866,127	86,613	69,539	56,405	48,179	38,130	48,179	48,179	38,130
2018	1,214,209	121,421	92,844	71,884	56,293	44,545	424,973	424,973	424,973	789,236	78,924	60,348	46,725	36,591	28,954	46,725	46,725	28,954
2019	1,120,333	112,033	81,586	60,297	45,166	34,251	392,117	392,117	392,117	728,216	72,822	53,031	39,193	29,358	22,263	39,193	39,193	22,263
2020	1,008,872	100,887	69,971	49,362	35,367	25,703	353,105	353,105	353,105	655,767	65,577	45,481	32,085	22,989	16,707	45,481	45,481	16,707
2021	931,032	93,103	61,497	41,412	28,391	19,766	325,861	325,861	325,861	605,171	60,517	39,973	26,918	18,448	12,948	39,973	39,973	12,948
2022	859,434	85,943	54,065	34,752	22,782	15,205	300,802	300,802	300,802	558,632	55,863	35,142	22,569	14,808	9,883	35,142	35,142	9,883
2023	808,762	80,876	48,454	29,730	18,642	11,924	272,401	272,401	272,401	536,362	53,636	32,134	19,717	12,363	7,908	32,134	32,134	7,908
2024	586,752	58,675	33,479	19,608	11,761	7,209	205,363	205,363	205,363	381,389	38,139	21,762	12,745	7,644	4,686	21,762	21,762	4,686
2025	549,344	54,934	29,852	16,689	9,575	5,624	192,270	192,270	192,270	357,074	35,707	19,404	10,848	6,224	3,656	19,404	19,404	3,656
2026	514,200	51,420	26,612	14,201	7,793	4,387	179,970	179,970	179,970	334,230	33,423	17,298	9,231	5,066	2,852	17,298	17,298	2,852
2027	481,181	48,118	23,717	12,081	6,341	3,421	168,413	168,413	168,413	312,768	31,277	15,416	7,853	4,122	2,224	15,416	15,416	2,224
2028	449,974	44,997	21,123	10,271	5,157	2,666	157,491	157,491	157,491	292,483	29,248	13,730	6,676	3,352	1,733	13,730	13,730	1,733
2029	411,910	41,191	18,415	8,547	4,105	2,034	144,169	144,169	144,169	267,742	26,774	11,970	5,566	2,668	1,322	11,970	11,970	1,322
2030	376,955	37,695	16,050	7,111	3,266	1,551	131,934	131,934	131,934	245,021	24,502	10,433	4,622	2,123	1,008	10,433	10,433	1,008
2031	344,853	34,485	13,984	5,914	2,599	1,182	120,699	120,699	120,699	224,155	22,415	9,090	3,844	1,689	769	9,090	9,090	769
2032	315,373	31,537	12,180	4,917	2,066	901	110,381	110,381	110,381	204,992	20,499	7,917	3,196	1,343	586	7,917	7,917	586
2033	288,300	28,830	10,604	4,086	1,643	686	100,905	100,905	100,905	187,395	18,739	6,893	2,656	1,068	446	6,893	6,893	446
2034	263,437	26,344	9,228	3,394	1,305	523	92,203	92,203	92,203	171,234	17,123	5,998	2,206	848	340	5,998	5,998	340
2035	257,479	25,748	8,590	3,016	1,109	426	78,305	78,305	78,305	179,174	17,917	5,977	2,099	772	296	5,977	5,977	296

\$21,805,187

\$2,180,519

\$1,584,074

\$1,223,536

\$983,793

\$812,469

\$4,809,337

\$16,995,850

\$1,699,585

\$1,276,166

\$1,011,699

\$830,046

\$696,318

Table 4b, Page 1

Loon Energy Corporation
Buganviles Association Contract Development - Forecast Prices & Costs
Probable Developed Non Producing - Heavy Oil
Production and Capital Forecast
January 1, 2013

Year	Visure 1X				Well Count	Development Program -		Total Oil Production		Capital Expenditures - \$USM					
	Days		# Wells	STB/yr.		STB/d	Exploration	Completion	Well Fac. & Tie-ins	Central Facilities	Total Capital				
	STB/d	On													
Previous	0	0	0	0.0	-	0	0	0	0	0	0	0	0	0	0
2013	200	150	30,000	1.0	30,000	30,000	200	0	2,000	0	0	0	0	2,000	0
2014	184	365	67,039	1.0	67,039	67,039	184	0	0	0	0	0	0	0	0
2015	169	365	61,566	1.0	61,566	61,566	169	0	0	0	0	0	0	0	0
2016	155	365	56,539	1.0	56,539	56,539	155	0	0	0	0	0	0	0	0
2017	142	365	51,922	1.0	51,922	51,922	142	0	0	0	0	0	0	0	0
2018	131	365	47,683	1.0	47,683	47,683	131	0	0	0	0	0	0	0	0
2019	120	365	43,789	1.0	43,789	43,789	120	0	0	0	0	0	0	0	0
2020	110	365	40,214	1.0	40,214	40,214	110	0	0	0	0	0	0	0	0
2021	101	365	36,930	1.0	36,930	36,930	101	0	0	0	0	0	0	0	0
2022	93	365	33,915	1.0	33,915	33,915	93	0	0	0	0	0	0	0	0
2023	85	365	31,146	1.0	31,146	31,146	85	0	0	0	0	0	0	0	0
2024	78	365	28,603	1.0	28,603	28,603	78	0	0	0	0	0	0	0	0
2025	72	365	26,267	1.0	26,267	26,267	72	0	0	0	0	0	0	0	0
2026	66	365	24,123	1.0	24,123	24,123	66	0	0	0	0	0	0	0	0
2027	61	365	22,153	1.0	22,153	22,153	61	0	0	0	0	0	0	0	0
2028	56	365	20,344	1.0	20,344	20,344	56	0	0	0	0	0	0	0	0
2029	51	365	18,683	1.0	18,683	18,683	51	0	0	0	0	0	0	0	0
2030	47	365	17,158	1.0	17,158	17,158	47	0	0	0	0	0	0	0	0
2031	43	365	15,757	1.0	15,757	15,757	43	0	0	0	0	0	0	0	0
2032	40	365	14,470	1.0	14,470	14,470	40	0	0	0	0	0	0	0	0
2033	36	365	13,289	1.0	13,289	13,289	36	0	0	0	0	0	0	0	0
2034	33	365	12,204	1.0	12,204	12,204	33	0	0	0	0	0	0	0	0
2035	31	365	11,207	1.0	11,207	11,207	31	0	68	0	0	0	0	68	0
Total			725,000		725,000	725,000		0	2,068	0	0	0	0	2,068	

Table 4b, Page 2
Loon Energy Corporation
Buganvilles Association Contract Development - Forecast Prices & Costs
Probable Developed Non Producing - Heavy Oil
Production Splits - Cost Oil
January 1, 2013

Year	Gross Production	8% Royalty	Production after Royalty	Oil Price	Gross Revenue after Royalty	Operating Costs - US\$/yr.			Available Cost Oil	Cost Oil Revenue Ceiling	Cost Recovery		
						Fixed	Variable	Transportation			Annual Costs For Recovery	Cumulative Outstanding Costs	Annual Cost Recovery
Previous	STB/yr.	STB/yr.	STB/yr.	US\$/STB	US\$/yr.	0	0	0	STB/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.
2013	30,000	2,400	27,600	\$82.00	2,263,200	48,000	120,000	75,000	27,600	2,263,200	8,000,000	8,000,000	0
2014	67,039	5,363	61,676	\$83.00	5,119,135	48,960	273,521	170,951	61,676	5,119,135	2,243,000	10,243,000	2,263,200
2015	61,566	4,925	56,640	\$84.00	4,757,792	49,939	256,212	160,132	56,640	4,757,792	493,432	8,473,232	5,119,135
2016	56,539	4,523	52,016	\$88.00	4,577,377	50,938	239,987	149,998	52,016	4,577,377	466,283	3,820,380	3,820,380
2017	51,922	4,154	47,769	\$89.00	4,251,398	51,957	224,809	140,506	47,769	4,251,398	440,934	440,934	440,934
2018	47,683	3,815	43,868	\$90.00	3,948,135	52,996	210,583	131,614	43,868	3,948,135	417,272	417,272	417,272
2019	43,789	3,503	40,286	\$92.00	3,706,338	54,056	197,256	123,285	40,286	3,706,338	395,193	395,193	395,193
2020	40,214	3,217	36,997	\$92.00	3,403,712	55,137	184,773	115,483	36,997	3,403,712	374,597	374,597	374,597
2021	36,930	2,954	33,976	\$94.00	3,193,748	56,240	173,080	106,175	33,976	3,193,748	355,393	355,393	355,393
2022	33,915	2,713	31,202	\$96.04	2,996,627	57,364	162,127	101,329	31,202	2,996,627	337,494	337,494	337,494
2023	31,146	2,492	28,654	\$98.12	2,811,573	58,512	151,867	94,917	28,654	2,811,573	320,820	320,820	320,820
2024	28,603	2,288	26,315	\$100.24	2,637,856	59,682	142,256	88,910	26,315	2,637,856	305,295	305,295	305,295
2025	26,267	2,101	24,166	\$102.41	2,474,788	60,876	133,253	83,283	24,166	2,474,788	290,848	290,848	290,848
2026	24,123	1,930	22,193	\$104.62	2,321,725	62,093	124,821	78,013	22,193	2,321,725	277,412	277,412	277,412
2027	22,163	1,772	20,381	\$106.87	2,178,057	63,335	116,921	73,076	20,381	2,178,057	264,926	264,926	264,926
2028	20,344	1,628	18,717	\$109.17	2,043,216	64,800	109,858	68,661	18,717	2,043,216	253,332	253,332	253,332
2029	18,683	1,495	17,188	\$109.17	1,876,385	64,800	100,888	63,055	17,188	1,876,385	243,320	243,320	243,320
2030	17,158	1,373	15,785	\$109.17	1,723,177	64,800	92,651	57,907	15,785	1,723,177	228,743	228,743	228,743
2031	15,757	1,251	14,496	\$109.17	1,582,477	64,800	85,086	53,179	14,496	1,582,477	215,357	215,357	215,357
2032	14,470	1,158	13,312	\$109.17	1,453,267	64,800	78,138	48,836	13,312	1,453,267	203,064	203,064	203,064
2033	13,289	1,063	12,225	\$109.17	1,334,606	64,800	71,758	44,849	12,225	1,334,606	191,775	191,775	191,775
2034	12,204	976	11,227	\$109.17	1,225,634	64,800	65,899	41,187	11,227	1,225,634	181,407	181,407	181,407
2035	11,207	897	10,311	\$109.17	1,125,560	64,800	60,518	37,824	10,311	1,125,560	171,886	171,886	171,886
											230,642	230,642	230,642
	725,000	58,000	667,000		\$63,005,782	\$1,348,484	\$3,376,272	\$2,110,170			16,902,426		16,902,426
													192,600

Table 4b, Page 3
 Loon Energy Corporation
 Baganvilles Association Contract Development - Forecast Prices & Costs

Total Probable
 Probable Developed Non Producing - Heavy Oil
 January 1, 2013

Year	Total Profit Oil	Total Daily Production	Contractors Share										Total Contractors Profit Oil	Total Government Profit Oil
	STB/yr.	STB/d	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.
Previous	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2015	11,160	31	2,790	0	0	0	0	0	0	0	2,790	8,370	35,254	8,370
2016	47,005	129	11,751	0	0	0	0	0	0	0	11,751	32,310	32,310	32,310
2017	43,080	118	10,770	0	0	0	0	0	0	0	10,770	29,608	29,608	29,608
2018	39,477	108	9,869	0	0	0	0	0	0	0	9,869	27,161	27,161	27,161
2019	36,215	99	9,054	0	0	0	0	0	0	0	9,054	24,850	24,850	24,850
2020	33,134	91	8,283	0	0	0	0	0	0	0	8,283	22,789	22,789	22,789
2021	30,386	83	7,596	0	0	0	0	0	0	0	7,596	20,896	20,896	20,896
2022	27,861	76	6,965	0	0	0	0	0	0	0	6,965	19,157	19,157	19,157
2023	25,543	70	6,386	0	0	0	0	0	0	0	6,386	17,560	17,560	17,560
2024	23,413	64	5,853	0	0	0	0	0	0	0	5,853	16,093	16,093	16,093
2025	21,457	59	5,384	0	0	0	0	0	0	0	5,384	14,745	14,745	14,745
2026	19,660	54	4,915	0	0	0	0	0	0	0	4,915	13,508	13,508	13,508
2027	18,010	49	4,503	0	0	0	0	0	0	0	4,503	12,366	12,366	12,366
2028	16,488	45	4,122	0	0	0	0	0	0	0	4,122	11,320	11,320	11,320
2029	15,093	41	3,773	0	0	0	0	0	0	0	3,773	10,359	10,359	10,359
2030	13,812	38	3,453	0	0	0	0	0	0	0	3,453	9,477	9,477	9,477
2031	12,636	35	3,159	0	0	0	0	0	0	0	3,159	8,667	8,667	8,667
2032	11,566	32	2,889	0	0	0	0	0	0	0	2,889	7,923	7,923	7,923
2033	10,564	29	2,641	0	0	0	0	0	0	0	2,641	7,240	7,240	7,240
2034	9,653	26	2,413	0	0	0	0	0	0	0	2,413	6,148	6,148	6,148
2035	8,198	22	2,049	0	0	0	0	0	0	0	2,049	355,800	355,800	355,800
	474,400		118,600	0	0	0	0	0	0	0	118,600	0	0	0

Table 4b, Page 4

Loon Energy Corporation

Buganvilles Association Contract Development - Forecast Prices & Costs

Probable Developed Non Producing - Heavy Oil

Production Streams and Revenues

January 1, 2013

Year	Cost Schedule									
	Cost Oil		Contractor's Net Profit Oil		Contractor's Total Net Oil		Company's Total Net Oil (10%)		Oil Price	
	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	US\$/STB	US\$/yr.
Previous	0	0	0	0	0	0	0	0	\$0.00	0
2013	27,600	0	0	27,600	2,760	2,760	2,760	2,760	\$82.00	2,263,200
2014	61,676	0	0	61,676	6,168	6,168	6,168	6,168	\$83.00	5,119,135
2015	45,481	2,790	2,790	48,271	4,827	4,827	4,827	4,827	\$84.00	4,054,733
2016	5,011	11,751	11,751	16,762	1,676	1,676	1,676	1,676	\$88.00	1,475,045
2017	4,688	10,770	10,770	15,458	1,546	1,546	1,546	1,546	\$89.00	1,375,804
2018	4,391	9,869	9,869	14,260	1,426	1,426	1,426	1,426	\$90.00	1,283,428
2019	4,072	9,054	9,054	13,125	1,313	1,313	1,313	1,313	\$92.00	1,207,532
2020	3,863	8,283	8,283	12,146	1,215	1,215	1,215	1,215	\$92.00	1,117,473
2021	3,590	7,596	7,596	11,187	1,119	1,119	1,119	1,119	\$94.00	1,051,558
2022	3,340	6,965	6,965	10,306	1,031	1,031	1,031	1,031	\$96.04	989,772
2023	3,111	6,386	6,386	9,497	950	950	950	950	\$98.12	931,864
2024	2,901	5,853	5,853	8,755	875	875	875	875	\$100.24	877,600
2025	2,709	5,364	5,364	8,073	807	807	807	807	\$102.41	826,756
2026	2,532	4,915	4,915	7,447	745	745	745	745	\$104.62	779,126
2027	2,371	4,503	4,503	6,873	687	687	687	687	\$106.87	734,514
2028	2,229	4,122	4,122	6,351	635	635	635	635	\$109.17	693,294
2029	2,095	3,773	3,773	5,869	587	587	587	587	\$109.17	640,654
2030	1,973	3,453	3,453	5,426	543	543	543	543	\$109.17	592,312
2031	1,860	3,159	3,159	5,019	502	502	502	502	\$109.17	547,917
2032	1,757	2,889	2,889	4,646	465	465	465	465	\$109.17	507,148
2033	1,662	2,641	2,641	4,303	430	430	430	430	\$109.17	469,707
2034	1,575	2,413	2,413	3,988	399	399	399	399	\$109.17	435,323
2035	2,113	2,049	2,049	4,162	416	416	416	416	\$109.17	454,372
Totals	192,600	118,600	118,600	311,200	31,120	31,120	31,120	31,120		\$28,428,265
										\$6,834,926
										\$0
										\$21,593,339
										\$2,033,750

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Year	Undiscounted			Company Cash Flow Before Income Tax Discounted @				Undiscounted				Company Cash Flow After Income Tax Discounted @							
	Contractors Net Cash Flow (Before tax)		Company (10%) Net Cash Flow (Before tax)	5%		10%		15%		20%		5%		10%		15%		20%	
	US\$/yr.	US\$/yr.	US\$/yr.	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$/yr.	US\$/yr.	US\$/yr.	US\$	US\$	US\$	US\$	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
2013	20,200	2,020	2,020	1,971	1,926	1,884	1,844	1,804	1,764	1,724	1,684	1,971	1,926	1,884	1,844	1,804	1,764	1,724	
2014	4,625,703	462,570	462,570	429,926	400,949	375,086	351,889	329,292	307,695	286,098	264,501	429,926	400,949	375,086	351,889	329,292	307,695	286,098	
2015	3,588,450	358,845	358,845	317,639	282,765	253,024	227,486	202,948	179,410	157,872	136,334	317,639	282,765	253,024	227,486	202,948	179,410	157,872	
2016	1,034,111	103,411	103,411	87,178	74,079	63,405	54,630	47,241	40,852	34,463	28,074	87,178	74,079	63,405	54,630	47,241	40,852	34,463	
2017	958,531	95,853	95,853	76,958	62,422	51,105	42,198	35,709	29,281	23,792	17,303	76,958	62,422	51,105	42,198	35,709	29,281	23,792	
2018	888,236	88,824	88,824	67,918	52,586	41,180	32,586	26,229	21,783	17,337	12,890	67,918	52,586	41,180	32,586	26,229	21,783	17,337	
2019	832,935	83,294	83,294	60,657	44,829	33,580	25,464	20,368	16,281	13,145	9,058	60,657	44,829	33,580	25,464	20,368	16,281	13,145	
2020	762,080	76,208	76,208	52,854	37,287	26,716	19,415	15,160	12,128	9,097	6,065	52,854	37,287	26,716	19,415	15,160	12,128	9,097	
2021	714,063	71,406	71,406	47,166	31,761	21,767	15,160	11,835	9,468	7,099	4,667	47,166	31,761	21,767	15,160	11,835	9,468	7,099	
2022	668,952	66,895	66,895	42,082	27,050	17,732	11,835	9,238	7,390	5,591	3,743	42,082	27,050	17,732	11,835	9,238	7,390	5,591	
2023	626,570	62,657	62,657	37,539	23,033	14,442	9,238	7,209	5,766	4,377	2,925	37,539	23,033	14,442	9,238	7,209	5,766	4,377	
2024	586,752	58,675	58,675	33,479	19,608	11,761	7,209	5,624	4,387	3,396	2,199	33,479	19,608	11,761	7,209	5,624	4,387	3,396	
2025	549,344	54,934	54,934	29,852	16,689	9,575	5,624	4,387	3,421	2,666	1,740	29,852	16,689	9,575	5,624	4,387	3,421	2,666	
2026	514,200	51,420	51,420	26,612	14,201	7,793	4,387	3,421	2,666	2,034	1,322	26,612	14,201	7,793	4,387	3,421	2,666	2,034	
2027	481,181	48,118	48,118	23,717	12,081	6,341	3,421	2,666	2,034	1,551	1,008	23,717	12,081	6,341	3,421	2,666	2,034	1,551	
2028	449,974	44,997	44,997	21,123	10,271	5,157	2,666	2,034	1,551	1,182	769	21,123	10,271	5,157	2,666	2,034	1,551	1,182	
2029	411,910	41,191	41,191	18,415	8,547	4,105	2,034	1,551	1,182	901	586	18,415	8,547	4,105	2,034	1,551	1,182	901	
2030	376,955	37,695	37,695	16,050	7,111	3,266	1,551	1,182	901	686	423	16,050	7,111	3,266	1,551	1,182	901	686	
2031	344,853	34,485	34,485	13,984	5,914	2,599	1,182	901	686	523	340	13,984	5,914	2,599	1,182	901	686	523	
2032	315,373	31,537	31,537	12,180	4,917	2,066	901	686	523	426	296	12,180	4,917	2,066	901	686	523	426	
2033	288,300	28,830	28,830	10,604	4,086	1,643	686	523	426	340	296	10,604	4,086	1,643	686	523	426	340	
2034	263,437	26,344	26,344	9,228	3,394	1,305	523	426	340	296	248	9,228	3,394	1,305	523	426	340	296	
2035	257,479	25,748	25,748	8,590	3,016	1,109	426	340	296	248	206	8,590	3,016	1,109	426	340	296	206	

Table 4c, Page 1

Loon Energy Corporation
Buganviles Association Contract Development - Forecast Prices & Costs
Probable Undeveloped, Light and Medium Oil
Production and Capital Forecast
January 1, 2013

Year	Delta 1 Dev. Loc				Development Program -				Total Oil Production					Capital Expenditures - \$USM				
	Days		Well		# Wells	STB/d		STB/yr.	STB/d	Exploration	Drilling & Completion	Well Fac. & Tie-ins	Central Facilities	Total Capital				
	STB/d	On	Count	Count		1	1											
Previous	0	0	0	0.0	-	-	-	0	0	0	0	0	0	0	0	0	0	0
2013	100	150	1.0	1.0	15,000	15,000	15,000	15,000	100	0	5,060	0	0	5,060	0	0	5,060	0
2014	87	365	1.0	1.0	31,667	31,667	31,667	31,667	87	0	0	0	0	0	0	0	0	0
2015	75	365	1.0	1.0	27,475	27,475	27,475	27,475	75	0	0	0	0	0	0	0	0	0
2016	65	365	1.0	1.0	23,837	23,837	23,837	23,837	65	0	0	0	0	0	0	0	0	0
2017	57	365	1.0	1.0	20,681	20,681	20,681	20,681	57	0	0	0	0	0	0	0	0	0
2018	49	365	1.0	1.0	17,943	17,943	17,943	17,943	49	0	0	0	0	0	0	0	0	0
2019	43	365	1.0	1.0	15,567	15,567	15,567	15,567	43	0	0	0	0	0	0	0	0	0
2020	37	365	1.0	1.0	13,506	13,506	13,506	13,506	37	0	0	0	0	0	0	0	0	0
2021	32	365	1.0	1.0	11,718	11,718	11,718	11,718	32	0	0	0	0	0	0	0	0	0
2022	28	365	1.0	1.0	10,166	10,166	10,166	10,166	28	0	0	0	0	0	0	0	0	0
2023	24	365	1.0	1.0	8,820	8,820	8,820	8,820	24	0	61	0	0	61	0	0	61	0
2024	0	0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2025	0	0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2026	0	0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2027	0	0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2028	0	0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2029	0	0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2030	0	0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2031	0	0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2032	0	0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2033	0	0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2034	0	0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2035	0	0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total					196,380	196,380	196,380	196,380	0	0	5,121	0	0	5,121	0	0	5,121	0

Table 4c, Page 2
Loon Energy Corporation
Buganvilles Association Contract Development - Forecast Prices & Costs
Probable Undeveloped, Light and Medium Oil
Production Splits - Cost Oil
January 1, 2013

Year	Gross Production	8% Royalty	Production after Royalty	Oil Price	Gross Revenue after Royalty	Operating Costs - US\$/yr.					Total	Available Cost Oil	Cost Oil Revenue Celling	Annual Costs For Recovery	Cost Recovery					
						Fixed			Variable						Transportation	US\$/yr.	Annual Costs For Recovery	Cumulative Outstanding Costs	Annual Cost Recovery	Cost Oil
						STB/yr.	STB/yr.	US\$/STB	US\$/yr.	US\$/yr.										
Previous	0	0	0	\$0.00	0	0	0	0	0	0	0	0	0	0	0	0	0			
2013	15,000	1,200	13,800	\$82.00	1,131,600	48,000	60,000	37,500	145,500	13,800	1,131,600	5,205,500	1,131,600	13,800	13,800	13,800	13,800			
2014	31,667	2,533	29,134	\$83.00	2,418,120	48,960	129,203	80,752	258,915	29,134	2,418,120	4,332,815	2,418,120	29,134	29,134	29,134	29,134			
2015	27,475	2,198	25,277	\$84.00	2,123,235	49,939	114,338	71,461	235,739	25,277	2,123,235	2,150,433	2,123,235	25,277	25,277	25,277	25,277			
2016	23,637	1,907	21,730	\$88.00	1,929,837	50,938	101,184	63,240	215,362	21,930	1,929,837	215,362	242,559	2,756	2,756	2,756	2,756			
2017	20,681	1,654	19,026	\$89.00	1,693,351	51,957	89,543	55,964	197,464	19,026	1,693,351	197,464	181,762	2,219	2,219	2,219	2,219			
2018	17,943	1,435	16,507	\$90.00	1,485,657	52,996	79,241	49,526	181,762	16,507	1,485,657	181,762	168,008	2,020	2,020	2,020	2,020			
2019	15,567	1,245	14,322	\$92.00	1,317,598	54,056	70,124	43,828	168,008	14,322	1,317,598	155,979	155,979	1,695	1,695	1,695	1,695			
2020	13,506	1,080	12,426	\$92.00	1,143,147	55,137	62,057	38,785	155,979	12,426	1,143,147	145,480	145,480	1,548	1,548	1,548	1,548			
2021	11,718	937	10,780	\$94.00	1,013,354	56,240	54,917	34,323	145,480	10,780	1,013,354	136,338	136,338	1,420	1,420	1,420	1,420			
2022	10,166	813	9,353	\$96.04	898,265	57,364	48,599	30,374	136,338	9,353	898,265	189,349	189,349	1,950	1,950	1,950	1,950			
2023	8,820	706	8,115	\$98.12	796,219	58,512	43,008	26,890	128,399	8,115	796,219	0	0	0	0	0	0			
2024	0	0	0	\$100.24	0	0	0	0	0	0	0	0	0	0	0	0	0			
2025	0	0	0	\$102.41	0	0	0	0	0	0	0	0	0	0	0	0	0			
2026	0	0	0	\$104.62	0	0	0	0	0	0	0	0	0	0	0	0	0			
2027	0	0	0	\$106.87	0	0	0	0	0	0	0	0	0	0	0	0	0			
2028	0	0	0	\$109.17	0	0	0	0	0	0	0	0	0	0	0	0	0			
2029	0	0	0	\$109.17	0	0	0	0	0	0	0	0	0	0	0	0	0			
2030	0	0	0	\$109.17	0	0	0	0	0	0	0	0	0	0	0	0	0			
2031	0	0	0	\$109.17	0	0	0	0	0	0	0	0	0	0	0	0	0			
2032	0	0	0	\$109.17	0	0	0	0	0	0	0	0	0	0	0	0	0			
2033	0	0	0	\$109.17	0	0	0	0	0	0	0	0	0	0	0	0	0			
2034	0	0	0	\$109.17	0	0	0	0	0	0	0	0	0	0	0	0	0			
2035	0	0	0	\$109.17	0	0	0	0	0	0	0	0	0	0	0	0	0			
196,380	15,710	180,670			\$15,950,386	\$584,098	\$852,213	\$532,633	\$1,968,944		7,089,894	7,089,894	7,089,894	83,624	83,624	83,624	83,624			

Table 4c, Page 3
 Loon Energy Corporation
 Baganvilles Association Contract Development - Forecast Prices & Costs
 Probable Undeveloped, Light and Medium Oil
 Production Splits - Profit Oil
 January 1, 2013

Year	Total Profit Oil	Total Daily Production Profit Oil	Contractors Share						Total Contractors Profit Oil	Total Government Profit Oil
	STB/yr.	STB/d	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.
Previous	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	19,174	53	4,793	0	0	0	0	4,793	14,380	0
2017	16,808	46	4,202	0	0	0	0	4,202	12,606	0
2018	14,488	40	3,622	0	0	0	0	3,622	10,866	0
2019	12,496	34	3,124	0	0	0	0	3,124	9,372	0
2020	10,730	29	2,683	0	0	0	0	2,683	8,048	0
2021	9,233	25	2,308	0	0	0	0	2,308	6,925	0
2022	7,933	22	1,983	0	0	0	0	1,983	5,950	0
2023	6,185	17	1,546	0	0	0	0	1,546	4,639	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
2035	0	0	0	0	0	0	0	0	0	0
	97,046		24,261	0	0	0	0	24,261	72,784	

Table 4c, Page 4

Loon Energy Corporation

Buganviles Association Contract Development - Forecast Prices & Costs

Probable Undeveloped, Light and Medium Oil

Production Streams and Revenues

January 1, 2013

Year	Cost Schedule									
	Company's					Cost Schedule				
	Cost Oil	Contractor's Net Profit Oil	Contractor's Total Net Oil	Company's Total Net Oil (10%)	Oil Price	Contractor's Total Revenue (Operating Cash Flow)	Total Operating Costs	Stamp Tax	Net Operating Income	Total Capital Costs
	STB/yr.	STB/yr.	STB/yr.	STB/yr.	US\$/STB	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.	US\$/yr.
Previous	0	0	0	0	\$0.00	0	0	0	0	0
2013	13,800	0	13,800	1,380	\$82.00	1,131,600	145,500	0	986,100	5,060,000
2014	29,134	0	29,134	2,913	\$83.00	2,418,120	258,915	0	2,159,206	0
2015	25,277	0	25,277	2,528	\$84.00	2,123,235	235,739	0	1,887,497	0
2016	2,756	4,793	7,550	755	\$89.00	664,379	215,362	0	449,017	0
2017	2,219	4,202	6,421	642	\$89.00	571,435	197,464	0	373,972	0
2018	2,020	3,622	5,642	564	\$90.00	507,736	181,762	0	325,974	0
2019	1,826	3,124	4,950	495	\$92.00	455,405	168,008	0	287,398	0
2020	1,695	2,883	4,378	438	\$92.00	402,771	155,979	0	246,792	0
2021	1,548	2,308	3,856	386	\$94.00	362,448	145,480	0	216,969	0
2022	1,420	1,983	3,403	340	\$96.04	326,820	136,338	0	190,482	0
2023	1,930	1,546	3,476	348	\$98.12	341,066	128,399	0	212,667	30,475
2024	0	0	0	0	\$100.24	0	0	0	0	0
2025	0	0	0	0	\$102.41	0	0	0	0	0
2026	0	0	0	0	\$104.62	0	0	0	0	0
2027	0	0	0	0	\$106.87	0	0	0	0	0
2028	0	0	0	0	\$109.17	0	0	0	0	0
2029	0	0	0	0	\$109.17	0	0	0	0	0
2030	0	0	0	0	\$109.17	0	0	0	0	0
2031	0	0	0	0	\$109.17	0	0	0	0	0
2032	0	0	0	0	\$109.17	0	0	0	0	0
2033	0	0	0	0	\$109.17	0	0	0	0	0
2034	0	0	0	0	\$109.17	0	0	0	0	0
2035	0	0	0	0	\$109.17	0	0	0	0	0
Totals	83,624	24,261	107,885	10,789		\$9,305,017	\$1,968,944	\$0	\$7,336,073	\$5,090,475

Table 4c, Page 5

Loon Energy Corporation
Buganviles Association Contract Development - Forecast Prices & Costs
Probable Undeveloped, Light and Medium Oil
Cash Flow Analysis
January 1, 2013

Year	Undiscounted		Company Cash Flow Before Income Tax Discounted @				Undiscounted		Company Cash Flow After Income Tax Discounted @				
	Company Contractors Net Cash Flow (Before tax)						Contractors Income Tax on Profit Oil Only		Contractors Net Cash Flow (After Tax)		Company Net Cash Flow (After Tax)		
	US\$/yr.	US\$/yr.	5%	10%	15%	20%	US\$/yr.	US\$/yr.	5%	10%	15%	20%	
0	0	0	0	0	0	0	0	0	0	0	0	0	
2013	(4,073,900)	(407,390)	(397,572)	(388,431)	(379,893)	(371,894)	0	(4,073,900)	(407,390)	(397,572)	(388,431)	(379,893)	(371,894)
2014	2,159,206	215,921	200,683	187,157	175,084	164,256	0	2,159,206	215,921	200,683	187,157	175,084	164,256
2015	1,887,497	188,750	167,076	148,732	133,089	119,656	0	1,887,497	188,750	167,076	148,732	133,089	119,656
2016	449,017	44,902	37,853	32,165	27,531	23,721	147,637	301,380	30,138	25,407	21,589	18,479	15,921
2017	373,972	37,397	30,025	24,354	19,939	16,464	130,890	243,082	24,308	19,516	15,830	12,960	10,701
2018	325,974	32,597	24,925	19,298	15,113	11,959	114,091	211,883	21,188	16,201	12,544	9,823	7,773
2019	287,398	28,740	20,929	15,468	11,586	8,786	100,589	186,808	18,681	13,604	10,054	7,531	5,711
2020	246,792	24,679	17,116	12,075	8,652	6,287	86,377	160,415	16,041	11,126	7,849	5,624	4,087
2021	216,969	21,697	14,331	9,651	6,614	4,806	75,939	141,030	14,103	9,315	6,273	4,299	2,994
2022	190,482	19,048	11,983	7,702	5,049	3,370	66,669	123,813	12,381	7,789	5,007	3,282	2,191
2023	182,192	18,219	10,915	6,697	4,200	2,686	53,101	129,091	12,909	7,734	4,745	2,976	1,903
2024	0	0	0	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0	0	0	0
2035	0	0	0	0	0	0	0	0	0	0	0	0	0

GLOSSARY OF TERMS (Abbreviations & Definitions)

General

BIT	- Before Income Tax
AIT	- After Income Tax
M\$	- Thousands of Dollars
Effective Date	- The date for which the Present Value of the future cash flows and reserve categories are established
\$US	- United States Dollars
WTI	- West Texas Intermediate – the common reference for crude oil used for oil price comparisons
ARTC	- Alberta Royalty Tax Credit
GRP	- Gas Reference Price

Interests and Royalties

BPO	- Before Payout
APO	- After Payout
APPO	- After Project Payout
Payout	- The point at which a participant's original capital investment is recovered from its net revenue
GORR	- Gross Overriding Royalty – percentage of revenue on gross revenue earned (can be an interest or a burden)
NC	- New Crown – crown royalty on petroleum and natural gas discovered after April 30, 1974
SS 1/150 (5%-15%) Oil	- Sliding Scale Royalty – a varying gross overriding royalty based on monthly production. Percentage is calculated as 1-150 th of monthly production with a minimum percentage of 5% and a maximum of 15%
FH	- Freehold Royalty
P&NG	- Petroleum and Natural Gas
Twp	- Township
Rge	- Range
Sec	- Section

Technical Data

psia	- Pounds per square inch absolute
MSTB	- Thousands of Stock Tank Barrels of oil (oil volume at 60 F and 14.65 psia)
MMscf	- Millions of standard cubic feet of gas (gas volume at 60 F and 14.65 psia)
Bbls	- Barrels
Mbbbls	- Thousands of barrels
MMBTU	- Millions of British Thermal Units – heating value of natural gas
STB/d	- Stock Tank Barrels of oil per day – oil production rate
Mscf/d	- Thousands of standard cubic feet of gas per day – gas production rate
GOR (scf/STB)	- Gas-Oil Ratio (standard cubic feet of solution gas per stock tank barrel of oil)
mKB	- Metres Kelly Bushing – depth of well in relation to the Kelly Bushing which is located on the floor of the drilling rig. The Kelly Bushing is the usual reference for all depth measurements during drilling operations.
EOR	- Enhanced Oil Recovery
GJ	- Gigajoules
Marketable or Sales Natural Gas	- Natural gas that meets specifications for its sale, whether it occurs naturally or results from the processing of raw natural gas. Field and plant fuel and losses to the point of the sale must be excluded from the marketable quantity. The heating value of marketable natural gas may vary considerably, depending on its composition; therefore, quantities are usually expressed not only in volumes but also in terms of energy content. Reserves are always reported as marketable quantities.
NGLs	- Natural Gas Liquids – Those hydrocarbon components that can be recovered from natural gas as liquids, including but not limited to ethane, propane, butanes, pentanes plus, condensate, and small quantities of non-hydrocarbons.
Raw Gas	- Natural gas as it is produced from the reservoir prior to processing. It is gaseous at the conditions under which its Volume is measured or estimated and may include varying amounts of heavier hydrocarbons (that may liquefy at atmospheric conditions) and water vapour; may also contain sulphur and other non-hydrocarbon compounds. Raw natural gas is generally not suitable for end use.

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March 6, 2013

Chapman Petroleum Engineering Ltd.
445, 708 - 11 Avenue SW
Calgary, AB
T2R 0E4

Dear Sir:

Re: Company Representation Letter

Regarding the evaluation of our Company's oil and gas reserves and independent appraisal of the economic value of these reserves for the year ended December 31, 2012, (the effective date), we herein confirm to the best of our knowledge and belief as of the effective date of the reserves evaluation, and as applicable, as of today, the following representations and information made available to you during the conduct of the evaluation:

1. We, Loon Energy Corporation, (the Client) have made available to you, Chapman Petroleum Engineering Ltd. (the Evaluator) certain records, information, and data relating to the evaluated properties that we confirm is, with the exception of immaterial items, complete and accurate as of the effective date of the reserves evaluation, including the following:
 - Accounting, financial, tax and contractual data
 - Asset ownership and related encumbrance information;
 - Details concerning product marketing, transportation and processing arrangements;
 - All technical information including geological, engineering and production and test data;
 - Estimates of future abandonment and reclamation costs.
2. We confirm that all financial and accounting information provided to you is, to the best of our knowledge, both on an individual entity basis and in total, entirely consistent with that reported by our Company for public disclosure and audit purposes.
3. We confirm that our Company has satisfactory title to all of the assets, whether tangible, intangible, or otherwise, for which accurate and current ownership information has been provided.
4. With respect to all information provided to you regarding product marketing, transportation, and processing arrangements, we confirm that we have disclosed to you all anticipated changes, terminations, and additions to these arrangements that could reasonably be expected to have a material effect on the evaluation of our Company's reserves and future net revenues.



5. With the possible exception of items of an immaterial nature, we confirm the following as of the effective date of the evaluation:
- For all operated properties that you have evaluated, no changes have occurred or are reasonably expected to occur to the operating conditions or methods that have been used by our Company over the past twelve (12) months, except as disclosed to you. In the case of non-operated properties, we have advised you of any such changes of which we have been made aware.
 - All regulatory, permits, and licenses required to allow continuity of future operations and production from the evaluated properties are in place and, except as disclosed to you, there are no directives, orders, penalties, or regulatory rulings in effect or expected to come into effect relating to the evaluated properties.
 - Except as disclosed to you, the producing trend and status of each evaluated well or entity in effect throughout the three-month period preceding the effective date of the evaluation are consistent with those that existed for the same well or entity immediately prior to this three-month period.
 - Except as disclosed to you, we have no plans or intentions related to the ownership, development or operation of the evaluated properties that could reasonably be expected to materially affect the production levels or recovery of reserves from the evaluated properties.
 - If material changes of an adverse nature occur in the Company's operating performance subsequent to the effective date and prior to the report date, we will inform you of such material changes prior to requesting your approval for any public disclosure of reserves information.
6. We hereby confirm that our Company is in material compliance with all Environmental Laws and does not have any Environmental Claims pending.

Between the effective date of the report and the date of this letter, nothing has come to our attention that has materially affected or could affect our reserves and economic value of these reserves that has not been disclosed to you.

Yours very truly,

A blue ink signature of Norman W. Holton, consisting of a stylized first name and a last name that appears to be "Holton".

Norman W. Holton
President and Chief Executive Officer

A blue ink signature of Paul H. Rose, featuring a large, stylized "P" and "R" followed by the name "Rose".

Paul H. Rose
Chief Financial Officer