LOON ENERGY CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 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 months ended March 31, 2013.

Loon Energy Corporation

Condensed Consolidated Interim Statements of Financial Position

US$

(unaudited)

	Notes		March 31 2013		December 31 2012
Assets					
Current					
Cash and cash equivalents		$	281,795	$	890,692
Accounts receivable			265,670		248,105
Commodity taxes receivable			27,523		24,073
			574,988		1,162,870
Restricted cash	3		300,000		-
Property and equipment			1		1
Total Assets		$	874,989	$	1,162,871
Liabilities					
Current					
Accounts payable and accrued liabilities		$	668,278	$	594,096
Decommissioning provision			120,000		120,000
			788,278		714,096
Decommissioning provision			206,472		205,556
			994,750		919,652
Shareholders' Equity (Deficiency)					
Share capital	4		16,570,265		16,570,265
Contributed surplus			2,353,652		2,351,076
Deficit			(19,043,678)		(18,678,122)
			(119,761)		243,219
Total Liabilities and Shareholders' Equity (Deficiency)		$	874,989	$	1,162,871

See accompanying notes to the condensed consolidated interim financial statements.

Loon Energy Corporation
Consolidated Statement of Changes in 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)
Net loss and comprehensive loss		-	-	(121,564)	(121,564)
Stock based compensation		-	44,412	-	44,412
Balances, March 31, 2012	9,949,136	$15,591,236	$2,193,098	($18,231,675)	($447,341)
Balances, December 31, 2012	19,949,136	$16,570,265	$2,351,076	($18,678,122)	$243,219
Net loss and comprehensive loss		-	-	(365,556)	(365,556)
Stock based compensation		-	2,576	-	2,576
Balances, March 31, 2013	19,949,136	$16,570,265	$2,353,652	($19,043,678)	($119,761)

See accompanying notes to the condensed consolidated interim financial statements.

Loon Energy Corporation

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

US$

(unaudited)

	Notes	Three months ended March 31, 2013	2012
Expenses			
General and administrative		$ 356,829	$ 76,749
Stock based compensation	5	2,576	44,412
		359,405	121,161
Finance costs			
Accretion		916	873
Foreign exchange (gain) loss		5,235	(470)
		6,151	403
Net loss and comprehensive loss		$ (365,556)	$ (121,564)
Net loss per share			
Basic and diluted	4	$ (0.02)	$ (0.01)

See accompanying notes to the condensed consolidated interim financial statements.

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

		Three months ended March 31, 2013	2012
Operating activities			
Net loss		$ (365,556)	$ (121,564)
Items not involving cash:			
Accretion		916	873
Stock based compensation		2,576	44,412
Foreign exchange (gain) loss		1,924	1,877
		(360,140)	(74,402)
Changes in non-cash working capital		47,932	171,595
		(312,208)	97,193
Investing			
Restricted Cash	3	(300,000)	-
		(300,000)	-
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		3,311	(2,347)
Change in cash and cash equivalents		(608,897)	94,846
Cash and cash equivalents, beginning of period		890,692	134,134
Cash and cash equivalents, end of period		$ 281,795	$ 228,980

See accompanying notes to the condensed consolidated interim financial statements.

1. Reporting Entity

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

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 financial statements of the Corporation for the year ended December 31, 2012, except as described in note 2(b). The disclosures provided herein are incremental to those included with 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 Corporation'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 May 29, 2013.

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 consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. To date, the Company's exploration and development operations have been financed by way of equity issuances, debt facilities and by farm-out arrangements with third parties who pay for all or a portion of the Company's expenditures to earn a portion of the Company's ownership interests. As at March 31, 2013 the Company has a working capital deficit of $0.2 million and incurred a net loss of $0.3 million for the three month period ended March 31, 2013. As a result of the private placement funds received in June 2012, the Company has improved its short term and medium term liquidity position. The Company is pursuing international oil and gas opportunities and will require capital to fund its international exploration activities. The need to raise capital to 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.

(b) 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.

3. Restricted cash

Restricted cash represents performance bonds posted in Guatemala, in connection with three separate bid submissions made by the Company to acquire oil and natural gas licenses. The outcome of the bids on the three blocks in Guatemala is not yet known.

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 13, 2012, the board of directors of Loon resolved to consolidate the common shares of Loon on the basis of ten pre-consolidation common shares for one post-consolidation common share. The shareholders subsequently approved this share consolidation. 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.

	Number of Shares	Carrying amount
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 March 31, 2013	19,949,136	$ 16,570,265

(b) Per share amounts

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

	Three months ended Mar 31, 2013	Three months ended Mar 31, 2012
Weighted average number of shares outstanding	19,949,136	9,949,136

(c) Stock Options

The following table summarizes information about the options outstanding as at March 31, 2013 and December 31, 2012, adjusted for the 10 for 1 share consolidation and the repricing of options:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance outstanding, December 31, 2012	708,500	0.13	3.9
Balance outstanding, March 31, 2013	708,500	$ 0.13	3.7
Exercisable At March 31, 2013	434,500	$ 0.14	3.2

5. Stock Based Compensation

During the three month period ended March 31, 2013, the Company recorded $2,576 (2012 – $44,412) 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 Kulczyk Oil pursuant to a services agreement. Administrative costs incurred by Kulczyk Oil for the benefit of the Company are allocated to the Company based on specific identification and an allocation of administrative costs that relate to both Kulczyk Oil and the Company. For the three months ended March 31, 2013, these fees totaled $2,971 (2012 - $3,150). At March 31, 2013, the Company owed $23,993 (December 31, 2012 - $20,873) to Kulczyk Oil for these services. Certain expenditures of the Company are paid by Kulczyk Oil on behalf of the Company and as at March 31, 2013 the Company owed $122,829 (December 31, 2012 - $82,965) for these costs. Kulczyk Oil and the Company are related as they have four common directors, five common officers (two of whom are also directors) and the same principal shareholder.

Kulczyk Oil 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 Kulczyk Oil in respect of the Loon Peru Guarantee. The Company has fulfilled its work commitments under the first phase of the exploration program, and the Company and its partners in the Block announced on October 25, 2010 that the joint venture will not proceed to the second exploration phase.

7. Segmented information

As at March 31, 2013	Colombia	Peru	Guatemala	Corporate	Total
Total assets, at period end	$ 249,274	$ 31,186	$ 7,244	$ 587,285	$ 874,989
For the period ended March 31, 2013					
General and administrative	$ 12,593	$ 27,902	$ 252,730	$ 63,603	$ 356,829
Stock based compensation	-	-	-	2,576	2,576
Accretion	916	-	-	-	916
Foreign exchange loss	(684)	38	-	5,881	5,235
Net loss	$ 12,825	$ 27,940	$ 252,730	$ 72,060	$ 365,556

As at December 31, 2012	Colombia	Peru	Guatemala	Corporate	Total
Total assets, at period end	$ 253,827	$ 31,047	$ -	$ 877,997	$ 1,162,871
For the period ended March 31, 2012					
General and administrative	$ 4,715	$ 8,708	$ -	$ 63,326	$ 76,749
Stock based compensation	-	-	-	44,412	44,412
Accretion	873	-	-	-	873
Foreign exchange loss	(1,073)	-	-	603	(470)
Net loss	$ 4,515	$ 8,708	$ -	$ 108,341	$ 121,564