



LOON ENERGY CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2013 AND 2012
US\$
(unaudited)

**NOTIFICATION OF CONDENSED UNAUDITED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed unaudited consolidated interim financial statements for the three and six month periods ended June 30, 2013.

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

		June 30	December 31
	Notes	2013	2012
Assets			
Current			
Cash and cash equivalents		\$ 147,600	\$ 890,692
Accounts receivable		267,510	248,105
Commodity taxes receivable		24,817	24,073
		<u>439,927</u>	<u>1,162,870</u>
Restricted cash	3	300,000	-
Property and equipment		<u>1</u>	<u>1</u>
Total Assets		<u>\$ 739,928</u>	<u>\$ 1,162,871</u>
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 571,630	\$ 594,096
Decommissioning provision		120,000	120,000
		691,630	714,096
Decommissioning provision		207,388	205,556
		<u>899,018</u>	<u>919,652</u>
Shareholders' Equity (Deficiency)			
Share capital	4	16,570,265	16,570,265
Contributed surplus		2,356,230	2,351,076
Deficit		(19,085,585)	(18,678,122)
		<u>(159,090)</u>	<u>243,219</u>
Total Liabilities and Shareholders' Equity (Deficiency)		<u>\$ 739,928</u>	<u>\$ 1,162,871</u>

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)
Shares issued on private placement	10,000,000	1,006,395	-	-	1,006,395
Shares issuance costs		(16,642)	-	-	(16,642)
Net loss and comprehensive loss		-	-	(347,476)	(347,476)
Stock based compensation		-	111,938	-	111,938
Balances, June 30, 2012	19,949,136	\$16,580,989	\$2,260,624	(\$18,457,587)	\$384,026
Balances, December 31, 2012	19,949,136	\$16,570,265	\$2,351,076	(\$18,678,122)	\$243,219
Net loss and comprehensive loss		-	-	(407,463)	(407,463)
Stock based compensation		-	5,154	-	5,154
Balances, June 30, 2013	19,949,136	\$16,570,265	\$2,356,230	(\$19,085,585)	(\$159,090)

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 June 30,		Six months ended June 30,	
		2013	2012	2013	2012
Expenses					
General and administrative		\$ 37,157	\$ 134,136	\$ 393,986	\$ 210,885
Stock based compensation	5	2,578	67,526	5,154	111,938
		39,735	201,662	399,140	322,823
Finance costs					
Accretion		916	873	1,832	1,746
Foreign exchange loss		1,256	23,377	6,491	22,907
		2,172	24,250	8,323	24,653
Net loss and comprehensive loss		\$ (41,907)	\$ (225,912)	\$ (407,463)	\$ (347,476)
Net loss per share					
Basic and diluted	4	\$ (0.00)	\$ (0.02)	\$ (0.02)	\$ (0.03)

See accompanying notes to the condensed consolidated interim financial statements.

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2013	2012	2013	2012
Operating activities					
Net loss		\$ (41,907)	\$ (225,912)	\$ (407,463)	\$ (347,476)
Items not involving cash:					
Accretion		916	873	1,832	1,746
Stock based compensation		2,578	67,526	5,154	111,938
Unrealized foreign exchange (gain) loss		11,544	(1,095)	13,468	782
		(26,869)	(158,608)	(387,009)	(233,010)
Changes in non-cash working capital		(97,038)	(141,916)	(49,106)	29,679
		(123,907)	(300,524)	(436,115)	(203,331)
Investing					
Proceeds on issuance of share capital		-	1,006,395	-	1,006,395
Share issue costs	4	-	(16,642)	-	(16,642)
Restricted Cash		-	-	(300,000)	-
		-	989,753	(300,000)	989,753
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		(10,288)	24,472	(6,977)	22,125
Change in cash and cash equivalents		(134,195)	713,701	(743,092)	808,547
Cash and cash equivalents, beginning of period		281,795	228,980	890,692	134,134
Cash and cash equivalents, end of period		\$ 147,600	\$ 942,681	\$ 147,600	\$ 942,681

See accompanying notes to the condensed consolidated interim financial statements.

Loon Energy Corporation
Notes to the Condensed Consolidated Interim Financial Statements
For the three and six month periods ended June 30, 2013 and 2012
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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**”). Effective June 24, 2013, Kulczyk Oil changed its name to Serinus Energy Inc. (“**Serinus**”).

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 within the annual financial statements and certain disclosures which are normally required to be included in the notes to the annual financial statements have been condensed or omitted. These condensed interim financial statements should be read in conjunction with the financial statements and notes thereto in the 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 August 28, 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 June 30, 2013 the Company has a working capital deficiency of \$0.3 million and incurred a net loss of \$0.4 million for the six month period ended June 30, 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.

Subsequent to quarter end, the Company was notified that it had been awarded one of the blocks for which it had bid. The cash posted for the two unsuccessful bids of \$0.2 million has since been released. Management is considering its options in respect of pursuing activities in Guatemala.

Loon Energy Corporation

Notes to the Condensed Consolidated Interim Financial Statements
For the three and six month periods ended June 30, 2013 and 2012

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4. Share capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. On February 21, 2012, the Company consolidated its common shares on the basis of ten pre-consolidation common shares for one post-consolidation common share. Accordingly, share transactions and balances, and per share disclosures have been revised to reflect the impact of the consolidation for all periods presented.

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

	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 June 30, 2013	<u>19,949,136</u>	<u>\$ 16,570,265</u>

(b) Per share amounts

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

	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
Weighted average number of shares outstanding	<u>19,949,136</u>	<u>12,726,914</u>	<u>19,949,136</u>	<u>11,330,351</u>

(c) Stock Options

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

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance outstanding, December 31, 2012	708,500	0.13	3.9
Balance outstanding, June 30, 2013	<u>708,500</u>	<u>\$ 0.13</u>	<u>3.4</u>
Exercisable At June 30, 2013	<u>434,500</u>	<u>\$ 0.14</u>	<u>3.0</u>

5. Stock Based Compensation

During the three and six month period ended June 30, 2013, the Company recorded \$2,578 and \$5,154 (2012 – \$67,526 and \$111,938) 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.

Loon Energy Corporation
Notes to the Condensed Consolidated Interim Financial Statements
For the three and six month periods ended June 30, 2013 and 2012
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6. Related party transactions

The Company has no employees, and management and administrative services are provided by the management and staff of Serinus pursuant to a services agreement. Administrative costs incurred by Serinus for the benefit of the Company are charged to the Company based on specific identification and an allocation of administrative costs that relate to both Serinus and the Company. For the three and six months ended June 30, 2013, these fees totaled \$2,941 and \$5,912 (2012 - \$2,971 and \$5,980). At June 30, 2013, the Company owed \$27,081 (December 31, 2012 - \$20,873) to Serinus for these services. Certain expenditures of the Company are paid by Serinus on behalf of the Company and as at June 30, 2013 the Company owed \$61,209 (December 31, 2012 - \$82,965) for these costs. Serinus and the Company are related as they have five common directors and officers and the same principal shareholder.

Serinus remains legally responsible for a guarantee issued in August 2007 (“**the Loon Peru Guarantee**”) to the Government of Peru regarding the granting of the Block 127 license contract to Loon Peru Limited, a wholly-owned subsidiary of the Company. The block to which the guarantee is related is in the process of being relinquished and it is not currently anticipated that the guarantee will be replaced. The Company has entered into an indemnification agreement with Serinus in respect of the Loon Peru Guarantee. 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 June 30, 2013

	Colombia	Peru	Guatemala	Corporate	Total
Total assets, at period end	<u>\$ 245,916</u>	<u>\$ 28,700</u>	<u>\$ 6,781</u>	<u>\$ 458,531</u>	<u>\$ 739,928</u>

For the three month period ended June 30, 2013

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

For the six month period ended June 30, 2013

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

Loon Energy Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six month periods ended June 30, 2013 and 2012

US\$

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As at December 31, 2012	<u>Colombia</u>	<u>Peru</u>	<u>Guatemala</u>	<u>Corporate</u>	<u>Total</u>
Total assets, at period end	<u>\$ 253,827</u>	<u>\$ 31,047</u>	<u>\$ -</u>	<u>\$ 877,997</u>	<u>\$ 1,162,871</u>
For the three month period ended June 30, 2012					
General and administrative	\$ 23,330	\$ 30,081	\$ -	\$ 80,725	\$ 134,136
Stock based compensation	-	-	-	67,526	67,526
Accretion	873	-	-	-	873
Foreign exchange loss	1,066	-	-	22,311	23,377
Net loss	<u>\$ 25,269</u>	<u>\$ 30,081</u>	<u>\$ -</u>	<u>\$ 170,562</u>	<u>\$ 225,912</u>
For the six month period ended June 30, 2012					
General and administrative	\$ 28,045	\$ 38,789	\$ -	\$ 144,051	\$ 210,885
Stock based compensation	-	-	-	111,938	111,938
Accretion	1,746	-	-	-	1,746
Foreign exchange loss	(7)	-	-	22,914	22,907
Net loss	<u>\$ 29,784</u>	<u>\$ 38,789</u>	<u>\$ -</u>	<u>\$ 278,903</u>	<u>\$ 347,476</u>