LOON ENERGY CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
US$
(unaudited)

NOTIFICATION OF CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed unaudited consolidated interim financial statements for the three and nine month periods ended September 30, 2014.

Loon Energy Corporation
Condensed Consolidated Interim Statements of Changes in Equity
US$
(unaudited)

		September 30, 2014		December 31, 2013
Assets				
Current				
Cash and cash equivalents	$	20,517	$	99,916
Accounts receivable		254,739		279,822
		275,256		379,738
Restricted cash (Note 3)		-		100,000
Property and equipment		1		1
Total Assets	$	275,257	$	479,739
Liabilities				
Current				
Accounts payable and accrued liabilities	$	450,483	$	576,011
Decommissioning provision		-		120,000
		450,483		696,011
Decommissioning provision		208,631		206,435
		659,114		902,446
Shareholders' Deficiency				
Share capital (Note 4)		16,570,265		16,570,265
Contributed surplus		2,360,566		2,358,722
Deficit		(19,314,688)		(19,351,694)
		(383,857)		(422,707)
Total Liabilities and Shareholders' Deficiency	$	275,257	$	479,739

Going Concern (Note 2(b))

See accompanying notes to the condensed consolidated interim financial statements.

Loon Energy Corporation
Condensed Consolidated Interim Statements of Changes in Equity
US$
(unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balances, December 31, 2012	19,949,136	$16,570,265	$2,351,076	($18,678,122)	$243,219
Net loss and comprehensive loss	-	-	-	(494,472)	(494,472)
Stock based compensation (Note 5)	-	-	7,073	-	7,073
Balances, September 30, 2013	19,949,136	$16,570,265	$2,358,149	($19,172,594)	($244,180)
Balances, December 31, 2013	19,949,136	$16,570,265	$2,358,722	($19,351,694)	($422,707)
Net earnings and comprehensive earnings	-	-	-	37,006	37,006
Stock based compensation (Note 5)	-	-	1,844	-	1,844
Balances, September 30, 2014	19,949,136	$16,570,265	$2,360,566	($19,314,688)	($383,857)

See accompanying notes to the condensed consolidated interim financial statements.

Loon Energy Corporation
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
US$
(unaudited)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Expenses				
General and administrative	$ (30,580)	$ (83,528)	$ (77,357)	$ (477,514)
Stock based compensation (Note 5)	(455)	(1,919)	(1,844)	(7,073)
	(31,035)	(85,447)	(79,201)	(484,587)
Other income (Note 6)	120,000	-	120,000	-
Finance costs				
Accretion	(732)	(916)	(2,196)	(2,748)
Foreign exchange gain (loss)	114	(646)	(1,597)	(7,137)
	(618)	(1,562)	(3,793)	(9,885)
Net earnings (loss) and comprehensive earnings (loss)	$ 88,347	$ (87,009)	$ 37,006	$ (494,472)
Net earnings (loss) per share (basic and diluted)	$ 0.00	$ (0.00)	$ 0.00	$ (0.02)

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 September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Operating activities				
Net earnings (loss)	$ 88,347	$ (87,009)	$ 37,006	$ (494,472)
Items not involving cash:				
Accretion	732	916	2,196	2,748
Stock based compensation	455	1,919	1,844	7,073
Other income	(120,000)	-	(120,000)	-
Foreign exchange (gain) loss	(381)	(7,553)	1,214	5,915
	(30,847)	(91,727)	(77,740)	(478,736)
Changes in non-cash working	(8,205)	(106,778)	(102,042)	(155,884)
	(39,052)	(198,505)	(179,782)	(634,620)
Investing				
Restricted Cash	-	200,000	100,000	(100,000)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	267	8,199	383	1,222
Change in cash and cash equivalents	(38,785)	9,694	(79,399)	(733,398)
Cash and cash equivalents, beginning of period	59,302	147,600	99,916	890,692
Cash and cash equivalents, end of period	$ 20,517	$ 157,294	$ 20,517	$ 157,294

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 by legal plan of arrangement of Loon Energy Inc. ("**Loon Energy**"). The reorganization of Loon Energy resulted in the Company receiving the net assets associated with resource properties located in Colombia and Peru. 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**").

Loon is domiciled in Canada and the address of its registered head office is 1500, 700 - 4th Avenue SW, Calgary, Alberta.

2. Basis of Preparation

a. Statement of compliance and basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and do not include all the information required for full annual financial statements.

These condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2013, except as described in note 2(c). The disclosures provided herein are incremental to those included within the annual financial statements and certain disclosures which are normally required to be included in the notes to the annual financial statements have been condensed or omitted. These condensed interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual filings for the year ended December 31, 2013.

These condensed consolidated interim financial statements were approved for issuance by the Company's Board of Directors on November 26, 2014.

b. Going Concern

The Company is an oil and gas exploration and development company whose only properties at present are in Colombia. The Company's properties have no proved reserves and do not generate positive net production revenue.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. To date, the Company's exploration and development operations have been financed by way of equity issuances, debt facilities and by farm-out arrangements with third parties who pay for all or a portion of the Company's expenditures to earn a portion of the Company's ownership interests. As at September 30, 2014 the Company had a working capital deficiency of $175,227. The Company is pursuing international oil and gas opportunities and will require additional capital to fund the working capital deficit, ongoing operating activities and international exploration opportunities. The need to raise capital to fund the working capital deficit, ongoing operations, acquire additional concessions and for exploration and development opportunities creates a significant doubt as to the Company's ability to continue as a going concern. There are no guarantees that additional capital, either through additional equity, debt or farm-out arrangements will be available when needed. The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

c. Adoption of new accounting pronouncements

On January 1, 2014, the Company adopted the amendment to IAS 36. This amendment requires entities to disclose the recoverable amount of an impaired Cash Generating Unit if the amount is based on fair value less costs of disposal. Adoption of the amendment had no impact to the consolidated financial statements.

In December 2013, the International Accounting Standards Board ("**IASB**") issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

On May 28, 2014 the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard is effective for fiscal years ending on or after December 31, 2017. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

On July 24, 2014 the IASB issued IFRS 9, *Financial Instruments*. The package of improvements introduced by IFRS 9 includes a revised model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The new Standard will come into effect on January 1, 2018 with early application permitted. The extent of the impact of adoption of the standard has not yet been determined.

3. Restricted Cash

Restricted cash represented a performance bond posted in Guatemala for an oil and gas license awarded. Management decided not to pursue activities in Guatemala, and the cash posted for the bid of $0.1 million was returned to the Company.

4. Share Capital

a. Authorized and issued

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares.

Issued:	Number of Shares	Carrying amount
Balance, December 31, 2013 and September 30, 2014	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 September		Nine months ended September	
	2014	2013	2014	2013
Weighted average number of shares outstanding	19,949,136	19,949,136	19,949,136	19,949,136

c. Stock Options

The following table summarizes information about the options outstanding as at September 30, 2014 and December 31, 2013:

	Options Outstanding		Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance outstanding, December 31, 2013	688,500	$	0.13	2.9
Balance outstanding, September 30, 2014	688,500	$	0.13	2.2
Exercisable at September 30, 2014	558,167	$	0.13	2.0

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.

5. Stock Based Compensation

During the three and nine month periods ended September 30, 2014, the Company recorded $455 and $1,844 (2013: $1,919 and $7,073) of stock based compensation expense arising from the prior issuance of share purchase options.

6. Other Income

During the three and nine month periods ended September 30, 2014, the Company recorded $120,000 (2013: $nil) of other income arising from the reversal of the decommissioning liability in Peru. During Q3 2014, the Company received notification from the Operator, Compañía Española de Petróleos, S.A. ("**CEPSA**"), that Loon no longer had any obligations owed arising from its former property in Peru, including further abandonment and reclamation activities. All costs related to the Company's property in Peru had been written-off in previous periods.

7. 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 nine months ended September 30, 2014, these fees totaled $2,745 and $8,213 (2013 - $2,883 and $8,795). At September 30, 2014, the Company owed $nil (December 31, 2013: $nil) to Serinus for these services. 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 has been 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 which will be formally terminated once confirmation has been received from Peruvian authorities that the guarantee has been terminated.

8. Segmented Information

As at September 30, 2014	Colombia	Peru	Guatemala	Corporate	Total
Total assets, at period end	$ 242,203	$ -	$ 4,514	$ 28,540	$ 275,257
For the three month period ended September 30, 2014					
General and administrative	$ 3,813	$ 5,682	$ 8,029	$ 13,056	$ 30,580
Stock based compensation	-	-	-	455	455
Other income		(120,000)			(120,000)
Accretion	732	-	-	-	732
Foreign exchange (gain) loss	(5,503)	-	-	5,389	(114)
Net (earnings) loss	$ (958)	$ (114,318)	$ 8,029	$ 18,900	$ (88,347)
For the nine month period ended September 30, 2014					
General and administrative	$ 15,558	$ 11,984	$ 13,655	$ 36,160	$ 77,357
Stock based compensation	-	-	-	1,844	1,844
Other income		(120,000)			(120,000)
Accretion	2,196	-	-	-	2,196
Foreign exchange (gain) loss	(5,502)	36	-	7,063	1,597
Net (earnings) loss	$ 12,252	$ (107,980)	$ 13,655	$ 45,067	$ (37,006)

As at December 31, 2013	Colombia	Peru	Guatemala	Corporate	Total
Total assets, at period end	$ 257,133	$ 3,287	$ 12,850	$ 206,469	$ 479,739
For the three month period ended September 30, 2013					
General and administrative	$ 11,410	$ 4,955	$ 29,002	$ 38,161	$ 83,528
Stock based compensation	-	-	-	1,919	1,919
Accretion	916	-	-	-	916
Foreign exchange (gain) loss	(676)	-	-	1,322	646
Net loss	$ 11,650	$ 4,955	$ 29,002	$ 41,402	$ 87,009
For the nine month period ended September 30, 2013					
General and administrative	$ 39,247	$ 37,340	$ 313,253	$ 87,674	$ 477,514
Stock based compensation	-	-	-	7,073	7,073
Accretion	2,748	-	-	-	2,748
Foreign exchange (gain) loss	(121)	213	-	7,045	7,137
Net loss	$ 41,874	$ 37,553	$ 313,253	$ 101,792	$ 494,472