LOON ENERGY CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

US$

Management's Report

The Consolidated Financial Statements of Loon Energy Corporation and related financial information were prepared by, and are the responsibility of Management. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards. The Consolidated Financial Statements and related financial information reflect amounts which must of necessity be based upon informed estimates and judgments of Management with appropriate consideration to materiality. The Company has developed and maintains systems of controls, policies and procedures in order to provide reasonable assurance that assets are properly safeguarded, and that the financial records and systems are appropriately designed and maintained, and provide relevant, timely and reliable financial information to Management.

KPMG LLP are the external auditors appointed by the shareholders, and they have conducted an independent examination of the corporate and accounting records in order to express an Auditors' Opinion on these Consolidated Financial Statements.

The Board of Directors has established an Audit Committee. The Audit Committee reviews with Management and the external auditors any significant financial reporting issues, the Consolidated Financial Statements, and any other matters of relevance to the parties. The Audit Committee meets quarterly to review and approve the interim financial statements prior to their release, as well as annually to review the Company's annual Consolidated Financial Statements and Management's Discussion and Analysis and to recommend their approval to the Board of Directors. The external auditors have unrestricted access to the Company, the Audit Committee and the Board of Directors.

Signed: *"Norman W. Holton"*	Signed: *"Paul H. Rose, CA"*
Chief Executive Officer	Chief Financial Officer

April 16, 2015

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Loon Energy Corporation

We have audited the accompanying consolidated financial statements of Loon Energy Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Loon Energy Corporation as at December 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to note 2(b) in the consolidated financial statements which describes that Loon Energy Corporation will require capital to fund the working capital deficiency, ongoing operations and to acquire additional concessions for exploration and development opportunities. This condition, as described further in note 2(b), indicates the existence of a material uncertainty that may cast significant doubt about Loon Energy Corporation's ability to continue as a going concern.

KPMG LLP

Chartered Accountants

Calgary, Canada
April 16, 2015

Loon Energy Corporation
Consolidated Statements of Financial Position
US$

		December 31, 2014		December 31, 2013
Assets				
Current				
Cash and cash equivalents	$	58,124	$	99,916
Accounts receivable and prepaid expenses		9,209		279,822
		67,333		379,738
Restricted cash (Note 5)		-		100,000
Property and equipment		1		1
Total Assets	$	67,334	$	479,739
Liabilities				
Current				
Accounts payable and accrued liabilities	$	461,648	$	576,011
Note payable (Note 6)		50,132		-
Decommissioning provision (Note 7)		-		120,000
		511,780		696,011
Decommissioning provision (Note 7)		209,572		206,435
		721,352		902,446
Shareholders' Deficiency				
Share capital (Note 8)		16,570,265		16,570,265
Contributed surplus (Note 9)		2,360,566		2,358,722
Deficit		(19,584,849)		(19,351,694)
		(654,018)		(422,707)
Total Liabilities and Shareholders' Deficiency	$	67,334	$	479,739

Going Concern (Note 2(b))

See accompanying notes to the consolidated financial statements.

Loon Energy Corporation
Consolidated Statements of Changes in Equity
US$

	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	-	-	-	(673,572)	(673,572)
Stock based compensation (Note 9)	-	-	7,646	-	7,646
Balances, December 31, 2013	19,949,136	$16,570,265	$2,358,722	($19,351,694)	($422,707)
Balances, December 31, 2013	19,949,136	$16,570,265	$2,358,722	($19,351,694)	($422,707)
Net earnings and comprehensive earnings	-	-	-	(233,155)	(233,155)
Stock based compensation (Note 9)	-	-	1,844	-	1,844
Balances, September 30, 2014	19,949,136	$16,570,265	$2,360,566	($19,584,849)	($654,018)

See accompanying notes to the consolidated financial statements.

Loon Energy Corporation
Consolidated Statements of Operations and Comprehensive Loss
US$

	Year ended December 31, 2014	2013
General and administrative	$ (113,943)	$ (657,264)
Bad debt expense (Note 3)	(232,708)	-
Other income (Note 7)	120,000	-
Stock based compensation (Note 9)	(1,844)	(7,646)
	(228,495)	(664,910)
Finance costs		
Accretion (Note 7)	(3,137)	(879)
Interest expense (Note 6)	(132)	-
Foreign exchange loss	(1,391)	(7,783)
	(4,660)	(8,662)
Net loss and comprehensive loss	$ (233,155)	$ (673,572)
Net loss per share (basic and diluted)	$ (0.01)	$ (0.03)

See accompanying notes to the consolidated financial statements.

Loon Energy Corporation
Consolidated Statements of Cash Flows
US$

	Year ended December 31, 2014		Year ended December 31, 2013	
Operating activities				
Net loss	$	(233,155)	$	(673,572)
Items not involving cash:				
Accretion		3,137		879
Stock based compensation		1,844		7,646
Interest expense		132		-
Other income		(120,000)		-
Bad debt expense		232,708		-
Foreign exchange (gain) loss		(243)		8,274
		(115,577)		(656,773)
Changes in non-cash working capital		(77,849)		(33,512)
		(193,426)		(690,285)
Financing				
Issuance of note payable		50,000		-
Investing				
Restricted Cash		100,000		(100,000)
Effect of exchange rate changes on cash and cash equivalents		1,634		(491)
Change in cash and cash equivalents		(41,792)		(790,776)
Cash and cash equivalents, beginning of period		99,916		890,692
Cash and cash equivalents, end of period	**$**	**58,124**	**$**	**99,916**

See accompanying notes to the consolidated 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

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were approved by the Company's Board of Directors on April 16, 2015.

(b) Going concern

The Company is an oil and gas exploration and development company formerly active in Colombia, Peru and Guatemala. The Company's sole remaining property is in Colombia, which has no proved reserves and does not generate positive net production revenue. Loon's present activities consist primarily of complying with the many legal and regulatory requirements to wind-up its activities in Colombia, Peru and Guatemala.

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 and activities 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. In 2014, the Chairman of the Company's Board of Directors advanced cash to fund Loon's activities, and as at December 31, 2014, the Company carried an interest bearing, demand note payable to Timothy Elliott, Chairman of the Board of Loon, in the amount of $50,000. Mr. Elliott has provided additional cash advances subsequent to the Company's year-end under the same terms.

As at December 31, 2014 the Company had a working capital deficiency of $444,447. The Company is pursuing international oil and gas opportunities and will require additional capital to fund the working capital deficiency, ongoing operating activities and international exploration opportunities. The need to raise capital to fund the working capital deficiency, ongoing operations, and acquire additional concessions for exploration and development opportunities creates 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) Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis.

(d) Functional and presentation currency

The consolidated financial statements are presented in U.S. dollars, which is the functional currency of the Company and its subsidiaries.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 7 – Decommissioning provision
- Note 11(b) – Allowance for doubtful accounts

At December 31, 2014, there were no critical judgments required to be made by management when applying the Company's significant accounting policies.

3. International Operations and Commitments

Colombia

<u>Buganviles Association Contract</u>
Through a farm-in agreement, the Company earned a 20% non-operated participating interest in a 60,817 hectare block of land covered by the Buganviles Association Contract between Holywell Resources S.A. and Empresa Colombiana de Petróleos ("**Ecopetrol**"), the Colombian national oil company. The Company's interest was reduced to a 10% net working interest after a farm-out agreement in 2010 with Petrodorado South America S.A. ("**Petrodorado**") under the terms of which Petrodorado paid the Company's share of costs to drill and complete two wells. The Buganviles Association Contract lands are located in the Upper Magdelena Valley area of central Colombia. The Company has fulfilled its required work commitments with respect to this contract area. The only producing well on this property, the Delta-1 well, did not produce commercial volumes of oil or gas in 2014, and was suspended as of the end of the year. The operator has advised that they plan to abandon the Delta-1 well in 2015.

The Company received cash calls from the Operator in 2010 to fund the drilling and completion of two Buganviles wells. Upon the execution of the Petrodorado farm-out agreement in September 2010, these cash call amounts became payable by Petrodorado, and to date, Petrodorado has paid a total of $2 million under the farm-out agreement. Since 2011 the Company has carried a receivable from Petrodorado for $232,708 representing unpaid cash calls to be paid by Petrodorado to fund the drilling of these two wells on behalf of the Company under the terms of the farm-out agreement and which forms a portion of both the accounts receivable from Petrodorado and accounts payable to the Operator. As at December 31, 2014, the Company's payable to the Operator remains at $400,152. As at December 31, 2014, the Company has established a bad debt allowance against the $232,708 receivable from Petrodorado because of the uncertainty of collection.

The Company does not currently have any definitive plans to return to the drilling program or further develop the concession.

Peru

The Company, through its indirectly wholly-owned subsidiary, Loon Peru Limited ("Loon Peru"), had an exploration license contract with PERUPETRO S.A granting Loon Peru the right to explore for and produce hydrocarbons from Block 127 in the Maranon Basin area of northeast Peru. The Block 127 license was relinquished in 2010 and all petroleum and natural gas property expenditures were fully written off in 2010. During 2014, the Company received notification from the Operator, Compañía Española de Petróleos, S.A. ("**CEPSA**") that Loon Peru no longer had any obligations owed arising from its former property in Peru, including further abandonment and/or reclamation activities.

Guatemala

During 2013, the Company incorporated a new indirect wholly-owned entity, Zacapa Energy Ltd., which subsequently changed its name to Loon Petroleo Ltd. ("**Loon Petroleo**"), for the purpose of establishing a branch in Guatemala through which separate bids were submitted for three exploration blocks located in Guatemala. For purposes of the submissions, three equal performance bonds in the aggregate amount of $300,000 were posted.

In 2013 the Company was notified by government authorities that it had been awarded one of the blocks that had been bid for following which the cash posted for the two unsuccessful bids of $200,000 was released. In 2014 management decided to not pursue activities in Guatemala and the remaining cash posted for the awarded bid of $100,000 was returned to the Company upon expiry of the pledge with the bank.

4. Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries.

(i) Subsidiaries

The consolidated financial statements include the accounts of the Company and its controlled subsidiaries. Control exists when the Company is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Loon has one direct wholly-owned subsidiary, Loon Energy Holdings Limited ("**LEHL**"). Through LEHL, Loon has three indirect wholly-owned subsidiaries, Loon Colombia Limited ("**LCL**"), Loon Peru Limited ("**LPL**") and Loon Petroleo Limited (**"Loon Petroleo"**).

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the income statement.

(ii) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

The reporting and functional currency of the Company and all its subsidiaries is the United States dollar ("**US$**" or "**$**"). Transactions in foreign currencies are translated to United States dollars at exchange rates as of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the Company's functional currency at the period-end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss.

(c) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(d) Finance income and expenses

Finance expense comprises accretion of the discount on decommissioning provisions.

Foreign currency gains and losses, reported under finance income and expenses, are reported on a net basis.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term, highly liquid investments with original maturities of three months or less.

(f) Decommissioning obligation

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision was established.

(g) Financial instruments

All financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss ("**FVTPL**"), available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

Financial assets and financial liabilities classified as FVTPL are measured at fair value with changes in fair values recognized in net earnings or loss. Financial assets available-for-sale are measured at fair value, with changes in fair values recognized in other comprehensive income. Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

Accounts receivable are designated as loans and receivables. Accounts payable, accrued liabilities and notes payable are designated as other financial liabilities.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and notes payable approximate their carrying value. The Company does not hold any other financial instruments.

(h) Stock based compensation

The Company has issued options to directors, officers and consultants to purchase common shares. The fair value of options on the date they are granted is recognized as compensation expense with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(i) Loss per share

Basic loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to officers.

(j) Income tax

Income tax expense includes current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Recent accounting pronouncements

In July 2014, the IASB issued IFRS 9, "*Financial Instruments*" to replace IAS 39 which provides a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantiallyreformed approach to hedge accounting. The standard is effective for the Company for annual periods beginning on January 1, 2018, with required retrospective application and early adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

In May 2014, the IASB issued IFRS 15, "*Revenue from Contracts with Customers*" to replace IAS 18 which establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for the Company for annual periods beginning on January 1, 2017, with required retrospective application and early adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

5. Restricted Cash

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

6. Note Payable

In December 2014, the Company entered into a note payable agreement with the Chairman of its Board of Directors to borrow $50,000. The note payable is due on demand with interest calculated at a rate of 12% per annum.

Subsequent to year end an additional $10,000 was advanced to the Company on the same terms.

7. Decommissioning Provision

The Company's decommissioning provisions result from its working interest ownership in petroleum and natural gas properties in Colombia, including well sites, gathering systems and processing facilities. The Company's estimate of the total undiscounted cash flows required to settle the obligations is $210,337 (December 31, 2013 - $338,093) which are expected to be incurred between 2015 and 2016. A risk-free rate of 5 percent and inflation at a rate of approximately 3 percent were used to calculate the decommissioning provision. The Company recognized accretion expense and revisions of $3,137 for the year ended December 31, 2014 (2013-$879).

	Colombia	Peru	Total
Balance at December 31, 2012	$ 205,556	120,000	$ 325,556
Accretion expense	2,894	-	2,894
Revisions in estimate	(2,015)	-	(2,015)
Balance at December 31, 2013	206,435	120,000	326,435
Accretion expense	3,902		3,902
Revisions in estimate	(765)	(120,000)	(120,765)
Balance at December 31, 2014	$ 209,572	$ -	$ 209,572

During 2014, the Company received confirmation from CEPSA that Loon Peru had no outstanding liabilities or further obligations arising from its former property in Peru, including additional abandonment and reclamation activities. All costs related to the Company's property in Peru had been written-off in previous periods. As result, Loon recognized $120,000 of other income relating to the reversal of the decommissioning provision during the year ended December 31, 2014.

8. 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, 2014 and December 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.

	2014	2013
Weighted average number of shares outstanding	19,949,136	19,949,136

(c) Stock Options

The following table summarizes information about the options outstanding as at December 31, 2014 and 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, December 31, 2014	688,500	$ 0.13	1.9
Exercisable at December 31, 2014	688,500	$ 0.13	1.9

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.

9. Stock Based Compensation

During the year ended December 31, 2014, the Company recorded $1,844 (2013: $7,646) of stock based compensation expense arising from the issuance of share purchase options in 2012.

10. Personnel Expenses

The Company has no employees, and management and administrative services are provided by the management and staff of Serinus pursuant to a services agreement. Therefore, the Company incurs no salary and benefits costs for personnel. The Company recorded $754 (2013 - $4,260) of stock-based compensation expenses related to options granted to Officers and Directors of the Company.

11. Financial Risk Management

(a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net income or the value of its financial instruments.

(i) Interest rate risk

The Company maintains its cash and cash equivalents in instruments that are redeemable at any time without penalty thereby reducing its exposure to interest rate fluctuations thereon. Interest rate risk is not considered material.

(ii) Foreign currency exchange risk

The Company is exposed to risks arising from fluctuations in currency exchange rates between the Canadian dollar ("**CAD**") and the United States dollar. At December 31, 2014 and 2013 the Company's primary foreign currency exposure relates to Canadian dollar cash balances net of accounts payable and accrued liabilities in Canada as follows:

	December 31,	
	2014	2013
Cash and cash equivalents	$ 1,406	$ 13,975
Accounts receivable and prepaid expenses	9,440	9,559
Accounts payable and accrued liabilities	(20,500)	(26,396)
Net foreign exchange exposure	$ (9,654)	$ (2,862)

At December 31, 2014 and 2013, the Company's net loss is not significantly impacted by changes in the US to Canadian dollar exchange rates.

(b) Credit Risk

Management monitors credit risk by reviewing the credit quality of the financial institutions that hold the cash and cash equivalents.

The Company has received cash calls from the Operator to fund the drilling and completion of two Buganviles wells in Colombia. Upon the execution of the farm-out agreement in September 2010, these cash call amounts became payable by Petrodorado. Since 2011 the Company has recorded a receivable from Petrodorado for $232,708 representing the unpaid cash calls to be paid by Petrodorado under the terms of the farm-out agreement and the same amount as an account payable due to the Operator. The Company has considered the credit risk relating to Petrodorado, and as a result of this evaluation, has recorded a bad debt allowance against the receivable in the amount of $232,708 in 2014.

The Company's accounts receivable as at December 31, 2014 included $786 (2013 - $922) of recoverable goods and services taxes. The Company does not consider the credit risk relating to the outstanding amounts to be significant.

(c) Liquidity Risk and Capital Management

The Company is an oil and gas exploration and development company with a minority interest in a property located in Colombia. The Colombian property has no proved reserves at December 31, 2014, and the Company does not generate sustained, commercial production from operations. Present activities consist primarily of complying with the many legal and regulatory requirements to legally wind-up its activities in Colombia, Peru and Guatemala, with the Company's intention being to pursue and evaluate future exploration and development opportunities in the international oil and gas arena. However, as an exploration company without internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company on either a timely or commercial basis, that future exploration and development opportunities may not be available at a cost the Company can afford, or that actual expenditures to acquire, and then further develop properties that may be acquired may exceed those planned. Additional equity, debt or farm-out arrangements may be required and there are no guarantees that such additional capital funding will be available when needed.

As at December 31, 2014, the Company's working capital deficiency was $444,447 (December 31, 2013: $316,273). Consistent with prior years, the Company manages its capital structure to maximize financial flexibility making adjustments in light of changes in economic conditions and risk characteristics of the underlying assets. Further, each potential acquisition and investment opportunity is assessed to determine the nature and total amount of capital required together with the relative proportions of debt and equity to be deployed. The Company does not presently utilize any quantitative measures to monitor its capital.

12. 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 year ended December 31, 2014, these fees totaled $10,862 (2013 - $11,654). At December 31, 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.

As at December 31, 2014, the Company had a note payable to Timothy Elliott, Chairman of the Board of Loon Energy, in the amount of $50,000. The note payable is due on demand with interest calculated at a rate of 12% per annum.

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.

13. Income Tax

The differences between the income tax provisions calculated using statutory rates and those reported are as follows:

	2014	2013
Loss before income taxes	$ (233,155)	$ (673,572)
Federal and provincial statutory rate	25.00%	25.00 %
Expected income tax recovery	(58,289)	(168,393)
Stock based compensation	461	1,912
Changes in unrecognized deferred tax assets	382,465	88,689
Tax rate differences and other	(324,637)	77,792
Current income tax expense (recovery)	$ -	$ -

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2014	December 31, 2013
Property and equipment	$ 2,648,000	$ 2,648,023
Accounts receivable	233,000	-
Asset retirement obligations	210,000	326,435
Non-capital losses	3,400,000	4,829,571
	$ 6,491,000	$ 7,804,029

Deferred tax assets have not been recognized in respect of these items because it is not considered probable that future taxable profits will be available against which such losses could be utilized.

The Company has Canadian non-capital losses of $2.1 million that expire between 2028 and 2034, Colombia tax losses of $0.8 million and Cyprus tax losses of $0.4 million that have no expiry period.

14. Segmented Information

As at December 31, 2014	**Colombia**	**Peru**	**Guatemala**	**Corporate**	**Total**
Total assets, at period end	$ 4,545	$ -	$ 1,736	$ 61,053	$ 67,334
For the year ended December 31, 2014					
General and administrative	$ 16,384	$ 20,590	$ 4,810	$ 72,159	$ 113,943
Stock based compensation	-	-	-	1,844	1,844
Bad debt expense	232,708	-	-	-	232,708
Other income	-	(120,000)	-	-	(120,000)
Accretion	3,137	-	-	-	3,137
Interest expense	-	-	-	132	132
Foreign exchange (gain) loss	(5,470)	35	-	6,826	1,391
Net (earnings) loss	$ 246,759	$ (99,375)	$ 4,810	$ 80,961	$ 233,155

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 year ended December 31, 2013					
General and administrative	$ 68,612	$ 71,485	$ 386,201	$ 130,966	$ 657,264
Stock based compensation	-	-	-	7,646	7,646
Accretion	879	-	-	-	879
Foreign exchange loss	313	226	-	7,244	7,783
Net loss	$ 69,804	$ 71,711	$ 386,201	$ 145,856	$ 673,572