LOON ENERGY CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

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, 2015.

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

	June 30, 2015	December 31, 2014
Assets		
Current		
Cash and cash equivalents	$ 64,255	$ 58,124
Accounts receivable and prepaid expenses	33,961	9,209
	98,216	67,333
Property and equipment	1	1
Total Assets	$ 98,217	$ 67,334
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 442,171	$ 461,648
Notes payable (Note 3)	154,705	50,132
	596,876	511,780
Decommissioning provision	211,602	209,572
	808,478	721,352
Shareholders' Deficiency		
Share capital (Note 4)	16,570,265	16,570,265
Contributed surplus	2,360,566	2,360,566
Deficit	(19,641,092)	(19,584,849)
	(710,261)	(654,018)
Total Liabilities and Shareholders' Deficiency	$ 98,217	$ 67,334

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, 2013	19,494,136	$16,570,265	$2,358,722	($19,351,694)	($422,707)
Net loss and comprehensive loss	-	-	-	(51,341)	(51,341)
Stock based compensation (Note 5)	-	-	1,389	-	1,389
Balances, June 30, 2014	19,494,136	$16,570,265	$2,360,111	($19,403,035)	($472,659)
Balances, December 31, 2014	19,949,136	$16,570,265	$2,360,566	($19,584,849)	($654,018)
Net loss and comprehensive loss	-	-	-	(56,243)	(56,243)
Balances, June 30, 2015	19,949,136	$16,570,265	$2,360,566	($19,641,092)	($710,261)

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 June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
General and administrative	$ (34,650)	$ (20,285)	$ (50,446)	$ (46,777)
Stock based compensation (Note 5)	-	(704)	-	(1,389)
	(34,650)	(20,989)	(50,446)	(48,166)
Finance costs				
Accretion	(1,015)	(732)	(2,030)	(1,464)
Interest expense (Note 3)	(2,962)	-	(4,573)	-
Foreign exchange gain/(loss)	(1,080)	(2,196)	806	(1,711)
	(5,057)	(2,928)	(5,797)	(3,175)
Net loss and comprehensive loss	$ (39,707)	$ (23,917)	$ (56,243)	$ (51,341)
Net loss per share (basic and diluted)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

See accompanying notes to the condensed consolidated interim financial

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

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Operating activities				
Net loss	$ (39,707)	$ (23,917)	$ (56,243)	$ (51,341)
Items not involving cash:				
Accretion	1,015	732	2,030	1,464
Stock based compensation (Note 5)	-	704	-	1,389
Interest expense (Note 3)	2,962	-	4,573	-
Foreign exchange (gain)/loss	1,258	1,732	(598)	1,595
	(34,472)	(20,749)	(50,238)	(46,893)
Changes in non-cash working capital	(5,814)	(18,765)	(43,423)	(93,837)
	(40,286)	(39,514)	(93,661)	(140,730)
Financing				
Issuance of notes payable (Note 3)	90,000	-	100,000	-
Investing				
Restricted Cash	-	-	-	100,000
Effect of exchange rate changes on cash and cash equivalents	(178)	464	(208)	116
Change in cash and cash equivalents	49,536	(39,050)	6,131	(40,614)
Cash and cash equivalents, beginning of period	14,719	98,352	58,124	99,916
Cash and cash equivalents, end of period	$ 64,255	$ 59,302	$ 64,255	$ 59,302

See accompanying notes to the condensed consolidated interim financial

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 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, 2014, 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, 2014.

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on August 26, 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, has no proved reserves and does not generate positive net production revenue. The Company received cash calls from the Colombia Operator in 2010 to fund the drilling and completion of two wells, a portion of which were paid for by a joint venture partner. As at June 30, 2015, the Company's recorded payable to the Operator remains at $400,152, however the Company is not in agreement with, and questions the validity of this claim.

Loon's present activities consist primarily of complying with the legal and regulatory requirements to wind-up its activities in Colombia, Peru and Guatemala.

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 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 Q4 2014 and continuing in 2015, certain members of the Company's Board of Directors advanced cash to fund Loon's activities. As at June 30, 2015, the Company carried interest bearing, demand notes payable to Timothy Elliott, Chairman of the Board of Directors of Loon, and Jock Graham, a member of the Board of Directors of Loon in the aggregate amount of $130,000 plus accrued interest of $4,344 and $20,000 plus accrued interest of $361 respectively.

As at June 30, 2015, the Company had a working capital deficiency of $498,660. The Company continues to look at opportunities for growth and the need to raise capital to fund the working capital deficiency, ongoing operations, and to fund additional business 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 other 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

Below is a brief description of new IFRS standards and amendments that are not yet effective and have not been applied in the preparation of these financial statements. There are no other standards or interpretations issued, but not yet adopted, that are anticipated to have a material impact on the Corporation's financial statements.

On May 28 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. On April 28, 2015, the IASB proposed to defer the effective date by one year to January 1, 2018, which was approved on July 22, 2015. The Corporation intends to adopt IFRS 15 on the finalized adoption date and is currently evaluating the impact of adopting the standard on its consolidated financial statements.

On July 24, 2014, the IASB issued the complete IFRS 9, "Financial Instruments" to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 is effective for years beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Corporation is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

On December 18, 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". These amendments will not require significant changes to the Corporation's current practices but are intended to facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Corporation intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The Corporation does not expect these amendments to have a material impact.

(d) Use of estimates and judgements

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that are expected to have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements are described in note 2 to the consolidated financial statements for the year ended December 31, 2014.

3. Notes Payable

	As at June 30, 2015	As at December 31, 2014
Balance outstanding beginning of period	$ 50,132	$ -
Advances during the period	100,000	50,000
Interest accrued in the period	4,573	132
Balance outstanding end of period	$ 154,705	$ 50,132

In February and May 2015, the Company entered into note payable agreements with the Chairman of its Board of Directors to borrow an additional $10,000 and $70,000 (2014 - $50,000). This note payable is due on demand with interest calculated at a rate of 12% per annum.

In May 2015, the Company entered into a note payable agreement with a member of the Board of Directors to borrow $20,000 (2014 - $nil). This note payable is due on demand with interest calculated at a rate of 12% per annum.

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.

Common shares issued	Number of Shares	Carrying amount
Balance, December 31, 2014 and June 30, 2015	19,949,136	$ 16,570,265

(b) Per share amounts

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
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 June 30, 2015 and December 31, 2014:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance outstanding, December 31, 2014	688,500	$ 0.13	1.9
Balance outstanding, June 30, 2015	688,500	$ 0.13	1.4
Exercisable at June 30, 2015	688,500	$ 0.13	1.4

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

Stock based compensation expense for the three and six month periods ended June 30, 2015 was $nil and $nil, compared to $704 and $1,389 for the comparative three and six month periods ended June 30, 2014. All outstanding share purchase options vested during the third quarter of 2014 and therefore, no further expense will be recognized related to these options.

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 month periods ended June 30, 2015, these fees totaled $2,462 and $4,862 (2014 - $2,754 and $5,468). At June 30, 2015, the Company owed $nil (December 31, 2014: $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 June 30, 2015, the Company had a note payable to Timothy Elliott, Chairman of the Board of Directors of Loon Energy, in the amount of $130,000 plus $4,344 of accrued interest. The note payable is due on demand with interest calculated at a rate of 12% per annum.

As at June 30, 2015, the Company had a note payable to Jock Graham, a member of the Board of Directors of Loon, in the amount of $20,000 plus $361 of accrued interest. The note payable is due on demand with interest calculated at a rate of 12% per annum.

The Company 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. 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. More particularly, as part of the Arrangement that saw Serinus spin off its Colombian and Peruvian assets to Loon in 2008, Loon and Serinus entered into an indemnification agreement in which Loon agreed to indemnify Serinus for any and all liabilities, claims, etc. associated with the share and asset transfers that were part of the spin-off of those assets.

7. Segmented Information

As at June 30, 2015	**Colombia**	**Peru**	**Guatemala**	**Corporate**	**Total**
Total assets, at period end	$ 8,878	$ -	$ 5,512	$ 83,827	$ 98,217
For the three month period ended June 30, 2015					
General and administrative	$ 12,091	$ -	$ 2,756	$ 19,803	$ 34,650
Accretion	1,015	-	-	-	1,015
Interest expense	-	-	-	2,962	2,962
Foreign exchange loss	-	-	-	1,080	1,080
Net loss	$ 13,106	$ -	$ 2,756	$ 23,845	$ 39,707
For the six month period ended June 30, 2015					
General and administrative	$ 5,338	$ -	$ 10,266	$ 34,842	$ 50,446
Accretion	2,030	-	-	-	2,030
Interest expense	-	-	-	4,573	4,573
Foreign exchange gain	-	-	-	(806)	(806)
Net loss	$ 7,368	$ -	$ 10,266	$ 38,609	$ 56,243

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 three month period ended June 30, 2014					
General and administrative	$ 3,355	$ 484	$ 2,778	$ 13,668	$ 20,285
Stock based compensation	-	-	-	704	704
Accretion	732	-	-	-	732
Foreign exchange loss	1	-	-	2,195	2,196
Net loss	$ 4,088	$ 484	$ 2,778	$ 16,567	$ 23,917
For the six month period ended June 30, 2014					
General and administrative	$ 11,745	$ 6,302	$ 5,626	$ 23,104	$ 46,777
Stock based compensation	-	-	-	1,389	1,389
Accretion	1,464	-	-	-	1,464
Foreign exchange loss	1	36	-	1,674	1,711
Net loss	$ 13,210	$ 6,338	$ 5,626	$ 26,167	$ 51,341