



LOON ENERGY CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 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 nine month periods ended September 30, 2015.

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

	September 30, 2015	December 31, 2014
Assets		
Current		
Cash and cash equivalents	\$ 43,643	\$ 58,124
Accounts receivable and prepaid expenses	<u>18,529</u>	<u>9,209</u>
	62,172	67,333
Property and equipment	<u>1</u>	<u>1</u>
Total Assets	<u><u>\$ 62,173</u></u>	<u><u>\$ 67,334</u></u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 415,859	\$ 461,648
Notes payable (Note 3)	<u>159,242</u>	<u>50,132</u>
	575,101	511,780
Decommissioning provision	<u>212,617</u>	<u>209,572</u>
	787,718	721,352
Shareholders' Deficiency		
Share capital (Note 4)	16,570,265	16,570,265
Contributed surplus	2,360,566	2,360,566
Deficit	<u>(19,656,376)</u>	<u>(19,584,849)</u>
	(725,545)	(654,018)
Total Liabilities and Shareholders' Deficiency	<u><u>\$ 62,173</u></u>	<u><u>\$ 67,334</u></u>

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 earnings and comprehensive earnings	-	-	-	37,006	37,006
Stock based compensation (Note 5)	-	-	1,844	-	1,844
Balances, September 30, 2014	19,494,136	\$16,570,265	\$2,360,566	(\$19,314,688)	(\$383,857)
Balances, December 31, 2014	19,949,136	\$16,570,265	\$2,360,566	(\$19,584,849)	(\$654,018)
Net loss and comprehensive loss	-	-	-	(71,527)	(71,527)
Balances, September 30, 2015	19,949,136	\$16,570,265	\$2,360,566	(\$19,656,376)	(\$725,545)

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, 2015		Nine months ended September 30, 2014	
	2015	2014	2015	2014
General and administrative	\$ (17,341)	\$ (30,580)	\$ (67,787)	\$ (77,357)
Stock based compensation (Note 5)	-	(455)	-	(1,844)
	(17,341)	(31,035)	(67,787)	(79,201)
Other Income (Note 6)	-	120,000	-	120,000
Finance costs				
Accretion	(1,015)	(732)	(3,045)	(2,196)
Interest expense (Note 3)	(4,537)	-	(9,110)	-
Foreign exchange gain/(loss)	1,757	114	2,563	(1,597)
	(3,795)	(618)	(9,592)	(3,793)
Loss before tax	(21,136)	88,347	(77,379)	37,006
Current tax recovery	5,852	-	5,852	-
Net earnings (loss) and comprehensive earnings (loss)	\$ (15,284)	\$ 88,347	\$ (71,527)	\$ 37,006
Net loss per share (basic and diluted)	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>

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, 2015		Nine months ended September 30, 2014	
	2015	2014	2015	2014
Operating activities				
Net earnings (loss)	\$ (15,284)	\$ 88,347	\$ (71,527)	\$ 37,006
Items not involving cash:				
Accretion	1,015	732	3,045	2,196
Stock based compensation (Note 5)	-	455	-	1,844
Other income (Note 6)	-	(120,000)	-	(120,000)
Interest expense (Note 3)	4,537	-	9,110	-
Foreign exchange (gain) loss	240	(381)	(358)	1,214
	(9,492)	(30,847)	(59,730)	(77,740)
Changes in non-cash working capital	(9,123)	(8,205)	(52,546)	(102,042)
	(18,615)	(39,052)	(112,276)	(179,782)
Financing				
Issuance of note payable (Note 3)	-	-	100,000	-
Investing				
Restricted Cash	-	-	-	100,000
Effect of exchange rate changes on cash	(1,997)	267	(2,205)	383
Change in cash and cash equivalents	(20,612)	(38,785)	(14,481)	(79,399)
Cash and cash equivalents, beginning of	64,255	59,302	58,124	99,916
Cash and cash equivalents, end of period	<u>\$ 43,643</u>	<u>\$ 20,517</u>	<u>\$ 43,643</u>	<u>\$ 20,517</u>

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 nine month periods ended September 30, 2015 and 2014
US\$
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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 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 November 25, 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 September 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, and Peru with the successful wind-up of its Guatemala subsidiary having been completed in July 2015.

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 September 30, 2015, the Company carried interest bearing, demand notes payable in the aggregate amount of \$138,276 to Timothy Elliott, Chairman of the Board of Directors of Loon, and in the aggregate amount of \$20,966 to Jock Graham, a member of the Board of Directors of Loon.

Loon Energy Corporation
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As at September 30, 2015, the Company had a working capital deficiency of \$512,929. 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 September 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	9,110	132
Balance outstanding end of period	<u>\$ 159,242</u>	<u>\$ 50,132</u>

Loon Energy Corporation
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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). The aggregate of the amounts due pursuant to the notes payable are 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.

	<u>Number of Shares</u>	<u>Carrying amount</u>
Common shares issued		
Balance, December 31, 2014 and September 30, 2015	<u>19,949,136</u>	<u>\$ 16,570,265</u>

(b) Per share amounts

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

	<u>Three months ended September 30,</u>	<u>Three months ended September 30,</u>	<u>Nine months ended September 30,</u>	<u>Nine months ended September 30,</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Weighted average number of shares outstanding	<u>19,949,136</u>	<u>19,949,136</u>	<u>19,949,136</u>	<u>19,949,136</u>

(c) Stock Options

The following table summarizes information about common share purchase options outstanding as at September 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
Expired/Forfeited	(30,000)	\$ 0.13	2.2
Balance outstanding, September 30, 2015	<u>658,500</u>	<u>\$ 0.13</u>	<u>1.1</u>
Exercisable at September 30, 2015	<u>658,500</u>	<u>\$ 0.13</u>	<u>1.1</u>

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 nine month periods ended September 30, 2015 was \$nil and \$nil, compared to \$455 and \$1,844 for the comparative three and nine month periods ended September 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.

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6. Other income

During the three and nine month periods ended September 30, 2014, the Company recorded \$120,000 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 month periods ended September 30, 2015, these fees totaled \$2,282 and \$7,144 (2014 - \$2,754 and \$8,213). At September 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 September 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 \$8,276 of accrued interest. The note payable is due on demand with interest calculated at a rate of 12% per annum.

As at September 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 \$967 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.

Loon Energy Corporation
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8. Segmented Information

As at September 30, 2015	Colombia	Peru	Guatemala	Corporate	Total
Total assets, at period end	<u>\$ 9,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,308</u>	<u>\$ 62,173</u>
For the three month period ended September 30, 2015					
General and administrative	\$ 3,425	\$ -	\$ 6,162	\$ 7,754	\$ 17,341
Accretion	1,015	-	-	-	1,015
Interest expense	-	-	-	4,537	4,537
Foreign exchange loss	(11,670)	-	-	9,913	(1,757)
Loss before tax	(7,230)	-	6,162	22,204	21,136
Current tax recovery	(5,852)	-	-	-	(5,852)
Net loss	<u>\$ (13,082)</u>	<u>\$ -</u>	<u>\$ 6,162</u>	<u>\$ 22,204</u>	<u>\$ 15,284</u>
For the nine month period ended September 30, 2015					
General and administrative	\$ 8,763	\$ -	\$ 16,428	\$ 42,596	\$ 67,787
Accretion	3,045	-	-	-	3,045
Interest expense	-	-	-	9,110	9,110
Foreign exchange loss	(11,670)	-	-	9,107	(2,563)
Loss before tax	138	-	16,428	60,813	77,379
Current tax recovery	(5,852)	-	-	-	(5,852)
Net loss	<u>\$ (5,714)</u>	<u>\$ -</u>	<u>\$ 16,428</u>	<u>\$ 60,813</u>	<u>\$ 71,527</u>
As at December 31, 2014					
Total assets, at period end	<u>\$ 4,545</u>	<u>\$ -</u>	<u>\$ 1,736</u>	<u>\$ 61,053</u>	<u>\$ 67,334</u>
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 loss (gain)	(5,503)	-	-	5,389	(114)
Net loss	<u>\$ (958)</u>	<u>\$ (114,318)</u>	<u>\$ 8,029</u>	<u>\$ 18,900</u>	<u>\$ (88,347)</u>
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 loss	(5,502)	36	-	7,063	1,597
Net loss	<u>\$ 12,252</u>	<u>\$ (107,980)</u>	<u>\$ 13,655</u>	<u>\$ 45,067</u>	<u>\$ (37,006)</u>