LOON ENERGY CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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 as issued by the International Accounting Standards Board. 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*
Chief Executive Officer	Chief Financial Officer

April 19, 2017

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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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, 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 Professional Accountants

April 19, 2017
Calgary, Canada

Loon Energy Corporation
Consolidated Statements of Financial Position
US$

	December 31, 2016	December 31, 2015
Assets		
Current		
Cash and cash equivalents	$ 2,190	$ 26,836
Prepaid expenses and other current assets	4,183	9,918
	6,373	36,754
Property and equipment	1	1
Total Assets	$ 6,374	$ 36,755
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	$ 415,392	$ 412,911
Notes payable (Note 6)	242,240	163,779
	657,632	576,690
Decommissioning provision (Note 7)	212,920	212,920
	870,552	789,610
Shareholders' Deficiency		
Share capital (Note 8)	16,570,265	16,570,265
Contributed surplus	2,360,566	2,360,566
Deficit	(19,795,009)	(19,683,686)
	(864,178)	(752,855)
Total Liabilities and Shareholders' Deficiency	$ 6,374	$ 36,755

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, 2014	*19,949,136*	$16,570,265	$2,360,566	($19,584,849)	($654,018)
Net loss and comprehensive loss	-	-	-	(98,837)	(98,837)
Balances, December 31, 2015	*19,949,136*	$16,570,265	$2,360,566	($19,683,686)	($752,855)
Net loss and comprehensive loss	-	-	-	(111,323)	(111,323)
Balances, December 31, 2016	*19,949,136*	$16,570,265	$2,360,566	($19,795,009)	($864,178)

See accompanying notes to the consolidated financial statements.

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

	Year ended December 31, 2016		Year ended December 31, 2015	
Operations				
General and administrative	$	(86,527)	$	(89,599)
Financing				
Accretion (Note 7)		-		(3,348)
Interest expense (Note 6)		(24,344)		(13,647)
Foreign exchange gain/(loss)		(452)		1,905
		(24,796)		(15,090)
Loss before tax		(111,323)		(104,689)
Current tax recovery		-		5,852
Net loss and comprehensive loss	$	(111,323)	$	(98,837)
Net loss per share (basic and diluted)	$	(0.01)	$	(0.00)

See accompanying notes to the consolidated financial statements.

Loon Energy Corporation
Consolidated Statements of Cash Flows
US$

	Year ended December 31, 2016	2015
Operating activities		
Net loss	$ (111,323)	$ (98,837)
Items not involving cash:		
Accretion (Note 7)	-	3,348
Interest expense (Note 6)	24,344	13,647
Foreign exchange (gain) loss	142	696
	(86,837)	(81,146)
Changes in non-cash working capital	8,065	(49,428)
	(78,772)	(130,574)
Financing		
Issuance of notes payable (Note 6)	54,117	100,000
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	9	(714)
Change in cash and cash equivalents	(24,646)	(31,288)
Cash and cash equivalents, beginning of year	26,836	58,124
Cash and cash equivalents, end of year	$ 2,190	$ 26,836

See accompanying notes to the consolidated financial statements.

Loon Energy Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
US$

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 a publicly listed company whose common shares are traded under the symbol "LNE" on the TSX Venture Exchange ("TSXV"). On March 3, 2017, the Company's listing transferred to NEX, and its trading symbol changed to "LNE.H".

Loon is domiciled in Canada and the address of its registered head office is 1100, 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 19, 2017.

(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. 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 December 31, 2016, the Company's recorded payable to the Operator remains at $400,152, however the Company is not in agreement with this amount, and questions the validity of the claim.

Loon's present activities consist primarily of the investigation of additional business opportunities and complying with the legal and regulatory requirements to wind-up its activities in Colombia (completed August 2016) and Peru (completed April 2016) with the successful wind-up of its Guatemala subsidiary having been completed in July 2015.

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. Beginning in Q4 2014 and continuing through 2015 and 2016, two members of the Company's Board of Directors advanced cash to fund Loon's activities. As at December 31, 2016, the Company was indebted in the aggregate amount of $187,870 to Timothy Elliott, Chairman of the Board of Directors of Loon, and in the aggregate amount of $54,369 to Jock Graham, a member of the Board of Directors of Loon. Subsequent to the Company's year-end, Mr. Elliott provided additional cash advances of $14,836 ($20,000 Canadian Dollars) and Mr. Graham provided additional cash advances of $30,100 ($40,000 Canadian dollars) pursuant to agreements containing the same terms and conditions as earlier notes payable agreements.

As at December 31, 2016, the Company had a working capital deficiency of $651,259. 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. These consolidated 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 except for certain financial instruments which are measured at fair value.

(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) Recent accounting pronouncements

For the year ended December 31, 2016, Loon adopted the IASB issued amendments to IAS 1, “Presentation of Financial Statements”. The amendments had minimal impact on the consolidated financial statements.

Loon has not yet adopted certain standards and interpretations that have been issued but are not yet effective. Below is a brief description of 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.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue, and related interpretations. The new standard requires revenue to be recognized upon the transfer of goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The standard requires consideration of the following five steps: (1) identify the contract, (2) identify the performance obligations of the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when the entity fulfills a performance obligation. The new standard is to be applied either retrospectively or on a modified retrospective basis and is effective for the annual periods beginning January 1, 2018. The Company currently has no revenues and consequently no customer contracts that are within the scope of the new guidance and will analyze individual contracts to identify the impact on revenues as a result of implementing the new standard when such contracts are entered.

In July 2014, the IASB issued the complete IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments Recognition and Measurement. The new standard clarifies the requirements for the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and updated hedge accounting. The standard is required to be applied retrospectively for the annual periods beginning January 1, 2018. The Company is currently evaluating the impact of this standard.

In January 2016, the IASB issued IFRS 16 “Leases” to replace IAS 17 “Leases”. IFRS 16 requires lessees to recognize most leases on the statement of financial position using a single recognition and measurement model. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15. IFRS 16 will be applied by the Corporation on January 1, 2019. The Corporation is currently evaluating the impact on its consolidated financial statements.

(f) 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, 2016, 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

Buganviles Association Contract
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 2015, or 2016, and was suspended prior to the end of 2015. The operator has proposed a plan to abandon all remaining wells within the Buganviles Association Contract. However, as of April 19, 2017, the joint venture partners have not accepted such proposal.

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. Unpaid cash calls in the aggregate amount of $232,708 to fund the remaining costs of drilling of these two wells remain outstanding, and form a portion of both the accounts receivable from Petrodorado under the terms of the farm-out agreement and accounts payable to the Operator. As at December 31, 2015 and 2016, the Company has an allowance for bad debt of $232,708 against this receivable from Petrodorado because of the uncertainty of collection. As at December 31, 2015, and 2016, the Company's payable to the Operator remains at $400,152. However, the Company is not in agreement with this amount, and questions the validity of the claim.

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

In August 2016, Loon Colombia was successfully wound-up and deregistered as a Bermuda company, however the Company's ownership interest in the Buganviles Association Contract remains and has been transferred to Loon Energy Corporation, the Canadian parent.

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.

On April 14, 2016, Loon Peru was successfully wound-up and deregistered as a company.

Guatemala

During 2013, the Company pursued the acquisition of exploration blocks in Guatemala. Activities were abandoned in 2014 when Company officials were notified that only one of three exploration blocks bid for had been awarded. A subsidiary and branch established for the purpose of making the bids were wound-up in 2016.

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 had, during a portion of 2016, 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 and interest on notes payable.

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, prepaid expenses and other current assets, accounts payable and accrued liabilities 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.

5. Accounts Payable and Accrued Liabilities

	As at December 31, 2016	2015
Joint Venture	$ 400,152	$ 400,152
Accounts payable and accruals	15,240	12,759
Balance outstanding end of year	$ 415,392	$ 412,911

6. Notes Payable

	As at December 31,			
	2016		2015	
Balance outstanding beginning of year	$	163,779	$	50,132
Issuance of notes payable		54,117		100,000
Accrued interest		24,344		13,647
Balance outstanding end of year	$	242,240	$	163,779

Notes payable are due to the Chairman of the Board of the Company and a member of the Board of Directors of the Company. 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 and compounded quarterly.

Subsequent to year-end, an additional $44,936 ($60,000 Canadian Dollars) was advanced to the Company by the Chairman of its Board of Directors and another member of the Board of Directors on the same terms and conditions as the previous notes.

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 $212,920 (December 31, 2015 - $212,920), which are expected to be settled in the next 12 to 24 months. The Company is in dispute with the property Operator in Columbia and believes that it is unlikely that the Company will ultimately be required to settle this liability.

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Balance at December 31, 2014	$	209,572
Accretion expense		3,348
Balance at December 31, 2015		212,920
Accretion expense		-
Balance at December 31, 2016	$	212,920

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. There were no changes to the issued number of common shares nor their stated value during the year; there are no preferred shares issued.

(b) Per share amounts

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

	Year ended December 31,			
	2016		2015	
Net loss attributable to shareholders	$	(111,323)	$	(98,837)
Weighted average number of shares outstanding		*19,949,136*		*19,949,136*
Loss per share - Basic and diluted	$	(0.01)	$	(0.00)

(c) Stock Options

The following table summarizes information about the options outstanding as at December 31, 2016 and 2015:

	Options Outstanding		Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance outstanding, December 31, 2014	688,500	$	0.13	1.9
Balance outstanding, December 31, 2015	254,000	$	0.10	1.7
Expired	-	$	-	-
Forfeited	-	$	-	-
Balance outstanding, December 31, 2016	254,000	$	0.10	0.7
Exercisable at December 31, 2016	254,000	$	0.10	0.7

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

All outstanding share purchase options vested during the third quarter of 2014. During the year ended December 31, 2016, the Company recorded $nil (2015: $nil) of stock based compensation expense arising from the issuance of share purchase options in 2012.

10. Personnel Expenses

The Company has no employees and recorded $nil (2015 - $nil) of stock-based compensation expenses related to options granted in previous years 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, 2016 and 2015 the Company's primary foreign currency exposure relates to Canadian dollar cash and accounts receivable balances net of accounts payable and accrued liabilities in Canada as follows:

	As at December 31,	
	2016	2015
Cash and cash equivalents	$ 399	$ 2,800
Prepaid expenses and other current assets	701	8,916
Accounts payable	(20,456)	(11,439)
Net foreign exchange exposure	$ (19,356)	$ 277
US$ equivalent at year end exchange rate	$ (14,416)	$ 200

At December 31, 2016 and 2015, 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. The Company carries 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, 2015, and continuing unchanged to the present year-end, the Company established as a bad debt allowance of $232,708 against this receivable from Petrodorado because of the uncertainty of collection

The Company's accounts receivable as at December 31, 2016 included $522 (2015 - $166) 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 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 activities during the year included 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 being completed in July 2015; wind-up of the its subsidiary in Peru was completed in April 2016.

The Company is currently evaluating new business opportunities, 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, or that future exploration and development opportunities may not be available at a cost the Company can afford. 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 (See Note 2(b)). There are no guarantees that additional capital, either through additional equity, debt or farm-out arrangements will be available when needed.

As at December 31, 2016, the Company's working capital deficiency was $651,259 (December 31, 2015: $539,936). 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. Commitments

The Company has agreed to pay insurance premiums in 2017 of $4,573 (6,140 CAD) related to a policy for Directors and Officers liability. The insurance policy expires in June, 2017.

13. Related Party Transactions

The Company and Serinus are related as they have the same principal shareholder with significant influence over both companies.

The Company has no employees, and certain management and administrative services were provided by the management and staff of Serinus pursuant to a services agreement. Administrative costs incurred by Serinus for the benefit of the Company were charged to the Company based on specific identification and an allocation of administrative costs that related to both Serinus and the Company. For the year ended December 31, 2016, these fees totaled $6,020 (2015 - $9,403). At December 31, 2016, the Company owed $nil (December 31, 2015: $nil) to Serinus related to management and administrative services. The service agreement with Serinus was terminated effective September 1, 2016.

Effective September 1, 2016, the Company entered into an agreement to rent office space from Serinus at a rate of $763 ($1,000 CAD) per month. The agreement may be terminated by either party by giving one month's notice and was terminated in February, 2017. For the year ended December 31, 2016, rental fees totaled $3,025 (2015 - $nil). Pursuant to the rental agreement, the Company had outstanding deposits receivable at year-end of $763 (2015 - $nil).

As at December 31, 2016, the Company had notes payable to Timothy Elliott, Chairman of the Board of Directors of Loon Energy, in the aggregate amount of $155,379 (2015 - $130,000) plus $32,491 (2015 - $12,207) of accrued interest. The note payable is due on demand with interest calculated at a rate of 12% per annum, compounded quarterly. As at December 31, 2016, the Company had notes payable to Jock Graham, a member of the Board of Directors of Loon, in the amount of $48,738 (2015 - $20,000) plus $5,631 (2015 - $1,572) of accrued interest. The note payable is due on demand with interest calculated at a rate of 12% per annum, compounded quarterly (See Note 5).

The Company remains legally responsible for a guarantee issued by Serinus, (which was, at the time, the Peruvian subsidiary's parent company) 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. Further, the former Operator of the property confirmed in writing to the Company that no further liabilities relating to or arising from the property existed. 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.

14. Income Tax

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

	December 31, 2016	December 31, 2015
Loss before income taxes	$ (111,323)	$ (104,689)
Federal and provincial statutory rate	27.00%	26.00%
Expected income tax recovery	(30,057)	(27,219)
Changes in unrecognized deferred tax assets	21,938	(1,359,057)
Expiry of tax deductions	-	1,261,101
Tax rate differences and other	8,119	119,323
Current income tax recovery	$ -	$ (5,852)

The general federal/provincial tax rate in Alberta, Canada was 27.0% in 2016 (2015 – 26.0%). The Company is not currently taxable in any of the jurisdictions within which it conducts operations.

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

	December 31, 2016	December 31, 2015
Asset retirement obligations	$ 212,920	$ 212,920
Non-capital losses	2,030,474	1,839,588
	$ 2,243,394	$ 2,052,508

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 non-capital losses for Canadian income tax purposes of $2.0 million (2015 - $1.8 million) that expire between 2028 and 2036.

15. Segmented Information

	Colombia	Peru	Guatemala	Corporate	Total
Total assets, at December 31, 2016	$ -	$ -	$ -	$ 6,374	$ 6,374
For the year ended December 31, 2016					
General and administrative	$ 23,949	$ -	$ -	$ 62,578	$ 86,527
Accretion	-	-	-	-	-
Interest expense	-	-	-	24,344	24,344
Foreign exchange loss	-	-	-	452	452
Loss income before tax	23,949	-	-	87,374	111,323
Current tax recovery	-	-	-	-	-
Net loss	$ 23,949	$ -	$ -	$ 87,374	$ 111,323

	Colombia	Peru	Guatemala	Corporate	Total
Total assets, at December 31, 2015	$ 2,571	$ -	$ -	$ 34,184	$ 36,755
For the year ended December 31, 2015					
General and administrative	$ 8,897	$ -	$ 16,428	$ 64,274	$ 89,599
Accretion	3,348	-	-	-	3,348
Interest expense	-	-	-	13,647	13,647
Foreign exchange gain	(1,260)	-	-	(645)	(1,905)
Loss before tax	10,985	-	16,428	77,276	104,689
Current tax recovery	(5,852)	-	-	-	(5,852)
Net loss	$ 5,133	$ -	$ 16,428	$ 77,276	$ 98,837

16. Subsequent Events

On February 21, 2017, at a meeting of the Board of Directors, the Company was authorized to issue up to 3,989,272 common shares at a price of $0.05 Canadian dollars per share to settle approximately 50% of Notes Payable. Senior management was further authorized to determine the date of such issuance at its discretion. As of the date of these financial statements, no common shares have been issued under this authorization.

On February 21, 2017, the Board of Directors declared a bonus payable to Directors and Officers who had provided services between April 2012 and December 2016. The bonus payable has not been accrued as of the date of these financial statements, however it will accrue interest at 12% per annum, beginning February 21, 2017.