LOON ENERGY CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
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 month period ended March 31, 2017.

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

	March 31, 2017	December 31, 2016
Assets		
Current		
Cash and cash equivalents	$ 17,405	$ 2,190
Accounts receivable and prepaid	12,169	4,183
	29,574	6,373
Property and equipment	1	1
Total Assets	$ 29,575	$ 6,374
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 416,416	$ 415,392
Fees payable to directors and officers (Note 3)	257,746	-
Notes payable (Note 4)	295,107	242,240
	969,269	657,632
Decommissioning provision	212,920	212,920
	1,182,189	870,552
Shareholders' Deficiency		
Share capital (Note 5)	16,570,265	16,570,265
Contributed surplus	2,360,566	2,360,566
Deficit	(20,083,445)	(19,795,009)
	(1,152,614)	(864,178)
Total Liabilities and Shareholders' Deficiency	$ 29,575	$ 6,374

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, 2015	*19,949,136*	$16,570,265	$2,360,566	($19,683,686)	($752,855)
Net loss and comprehensive loss	-	-	-	(23,616)	(23,616)
Balances, March 31, 2016	*19,949,136*	16,570,265	2,360,566	(19,707,302)	(776,471)
Balances, December 31, 2016	*19,949,136*	$16,570,265	$2,360,566	($19,795,009)	($864,178)
Net loss and comprehensive loss	-	-	-	(288,436)	(288,436)
Balances, March 31, 2017	*19,949,136*	$16,570,265	$2,360,566	($20,083,445)	($1,152,614)

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 March 31, 2017	Three months ended March 31, 2016
Operations		
General and administrative	$ (280,010)	$ (17,937)
Finance costs		
Interest expense	(11,163)	(5,400)
Foreign exchange gain/(loss)	2,737	(279)
	(8,426)	(5,679)
Net loss and comprehensive loss	(288,436)	(23,616)
Net loss per share (basic and diluted)	$ (0.01)	$ (0.00)

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 March 31, 2017	2016
Operating activities		
Net loss	$ (288,436)	$ (23,616)
Items not involving cash:		
Interest expense	11,163	5,400
Foreign exchange (gain) loss	(2,343)	400
	(279,616)	(17,816)
Changes in non-cash working capital	(7,070)	(5,684)
	(286,686)	(23,500)
Financing		
Fees payable to Directors and Officers (Note 3)	257,110	-
Issuance of note payable (Note 4)	44,936	-
	302,046	-
Effect of exchange rate changes on cash and cash equivalents held in foreign currency held in foreign currency	(145)	(121)
Change in cash and cash equivalents	15,215	(23,621)
Cash and cash equivalents, beginning of period	2,190	26,836
Cash and cash equivalents, end of period	$ 17,405	$ 3,215

See accompanying notes to the condensed consolidated interim financial statements.

1. Reporting Entity

Loon Energy Corporation ("**Loon**" or the "**Company**") was incorporated pursuant to the provisions of the Business Corporation Act (Alberta) on October 30, 2008 in conjunction with the reorganization by legal plan of arrangement of Loon Energy Inc. ("**Loon Energy**"). The reorganization of Loon Energy resulted in the Company receiving the net assets associated with resource properties located in Colombia and Peru. Upon implementation of the re-organization, Loon Energy's name was changed to Kulczyk Oil Ventures Inc. ("**Kulczyk Oil**"). Effective June 24, 2013, Kulczyk Oil changed its name to Serinus Energy Inc. ("**Serinus**").

Loon is a publicly listed company whose common shares are traded under the symbol "LNE.H" on NEX of the Toronto Stock Exchange 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 1170, 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 consolidated 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, 2016, 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, 2016.

These consolidated financial statements were approved by the Company's Board of Directors on May 30, 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 March 31, 2017, the Company's recorded payable to the Operator remains at $400,152 (December 31, 2016 - $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), Peru (completed April 2016) Guatemala (completed in July 2015), and Bermuda (expected to be completed in 2017).

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. Beginning in Q4 2014 and continuing to date, two members of the Company's Board of Directors advanced cash to fund Loon's activities. As at March 31, 2017, the Company was indebted in the aggregate amount of $208,370 (December 31, 2016 - $187,870) to Timothy Elliott, Chairman of the Board of Directors of Loon, and in the aggregate amount of $86,737 (December 31, 2016 - $54,369) to Jock Graham, a member of the Board of Directors of Loon.

As at March 31, 2017, the Company had a working capital deficiency of $939,695 (December 31, 2016 - $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) Adoption of new accounting pronouncements

For the three-month period ended March 31, 2017, the Company did not adopt any new IFRS standards nor were any applicable pronouncements announced. Refer to note 2 in the consolidated financial statements for the year ended December 31, 2016 for other pronouncements not yet adopted.

(d) Use of estimates and judgements

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that 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, 2016.

3. Fees Payable to Directors and Officers

	As at March 31, 2017	As at December 31, 2016
Bonus payable to Directors and Officers	254,566	-
Accrued interest	3,180	-
Balance outstanding end of period	$ 257,746	$ -

On February 21, 2017, the Board of Directors declared a bonus payable in Canadian currency to Directors and Officers of the Company in the amount of $257,110 (Cdn$ 339,150). As at March 31, 2017 the bonus was unpaid, and with changes to foreign exchange rates, is now valued at $254,566, plus interest of $3,180 (Cdn$ 4,237) was accrued. Interest does not accrue on the unpaid balance of Fees Payable to Directors and Officers subsequent to March 31, 2017.

4. Note Payable

	As at March 31, 2017	As at December 31, 2016
Balance outstanding beginning of period	$ 242,240	$ 163,779
Issuance of note payable	44,936	54,117
Accrued interest	7,931	24,344
	$ 295,107	$ 242,240

Two members of the Company's Board of Directors advanced cash to fund Loon's activities. As at March 31, 2017, the Company was indebted in the aggregate amount of $208,370 (December 31, 2016 - $187,870) to Timothy Elliott, Chairman of the Board of Directors of Loon, and in the aggregate amount of $86,737 (December 31, 2016 - $54,369) to Jock Graham, a member of the Board of Directors of Loon.

5. 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 period; 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.

	Three months ended March 31,			
	2017		2016	
Net loss attributable to shareholders	$	(288,436)	$	(23,616)
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 March 31, 2017 and December 31, 2016:

	Options Outstanding		**Weighted Average Exercise Price**	**Weighted Average Contractual Life (years)**
Balance outstanding, December 31, 2016	254,000	$	0.10	0.7
Balance outstanding, March 31, 2017	204,000	$	0.10	0.4
Exercisable at March 31, 2017	204,000	$	0.10	0.4

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.

6. 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. The service agreement with Serinus was terminated effective September 1, 2016. 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 three month period ended March 31, 2017, these fees totaled $nil (2016 - $2,175). At March 31, 2017, the Company owed $nil (December 31, 2016: $nil) to Serinus.

As at March 31, 2017, the Company had notes payable to Timothy Elliott, Chairman of the Board of Directors of Loon Energy, in the aggregate amount of $170,215 (2016 - $130,000) plus $38,155 (2016 - $16,920) of accrued interest. The note payable is due on demand with interest calculated at a rate of 12% per annum, compounded quarterly. As at March 31, 2017, the Company had notes payable to Jock Graham, a member of the Board of Directors of Loon Energy, in the amount of $78,838 (2016 - $20,000) plus $7,899 (2016 - $2,259) of accrued interest. The note payable is due on demand with interest calculated at a rate of 12% per annum, compounded quarterly (See Note 3).

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. 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, and which includes the Loon Peru Guarantee.

7. Segmented Information

	Colombia	Corporate	Total
Total assets, at March 31, 2017	$ -	$ 29,575	$ 29,575
For the period ended March 31, 2017			
General and administrative	$ -	$ 280,010	$ 280,010
Interest expense	-	11,163	11,163
Foreign exchange (gain)/loss	-	(2,737)	(2,737)
Net loss	$ -	$ 288,436	$ 288,436

	Colombia	Corporate	Total
Total assets, at December 31, 2016	$ -	$ 6,374	$ 6,374
For the period ended March 31, 2016			
General and administrative	$ 4,303	$ 13,634	17,937
Interest expense	-	5,400	5,400
Foreign exchange (gain)/loss	-	279	279
Net loss	$ 4,303	$ 19,313	$ 23,616

8. Subsequent Events

On April 26, 2017, the Company issued 3,989,243 common shares at a deemed price of Cdn$ 0.05 per common share to settle outstanding Notes Payable (see Note 4) and Fees Payable to Directors and Officers of the Company (see Note 3) in the aggregate amount of $146,761 (Cdn$199,477).

Subsequent to the quarter-end, all share purchase options outstanding as at March 31, 2017 were cancelled with the agreement of all of the options holders, the result of which is that there are no remaining unexercised or unvested share purchase options outstanding.