# LOON ENERGY CORPORATION

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
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, 2018.

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

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Assets | | |
| Current | | |
| Cash and cash equivalents | $ 2,166 | $ 2,299 |
| Accounts receivable and prepaid | 2,611 | 7,718 |
| Total Assets | $ 4,777 | $ 10,017 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | $ 14,224 | $ 41,703 |
| Fees payable to directors and officers (Note 3) | 213,732 | 219,665 |
| Notes payable (Note 4) | 412,570 | 379,000 |
| | 640,526 | 640,368 |
| Shareholders' Deficiency | | |
| Share capital (Note 5) | 16,620,159 | 16,620,159 |
| Contributed surplus | 2,360,566 | 2,360,566 |
| Deficit | (19,616,474) | (19,611,076) |
| | (635,749) | (630,351) |
| Total Liabilities and Shareholders' Deficiency | $ 4,777 | $ 10,017 |

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, 2016 | *19,949,136* | $16,570,265 | $2,360,566 | ($19,795,009) | ($864,178) |
| Net loss and comprehensive | - | - | - | (288,436) | (288,436) |
| Balances, March 31, 2017 | *19,949,136* | $16,570,265 | $2,360,566 | ($20,083,445) | ($1,152,614) |
| | | | | | |
| Balances, December 31, 2017 | *23,938,379* | $16,620,159 | $2,360,566 | ($19,604,567) | ($623,842) |
| Net loss and comprehensive | - | - | - | (11,907) | (11,907) |
| Balances, March 31, 2018 | *23,938,379* | $16,620,159 | $2,360,566 | ($19,616,474) | ($635,749) |

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, 2018 | 2017 |
|---|---|---|
| Operations | | |
| General and administrative | $ (7,803) | $ (280,010) |
| Finance costs | | |
| Interest expense | (11,694) | (11,163) |
| Foreign exchange gain | 7,590 | 2,737 |
| | (4,104) | (8,426) |
| Net loss and comprehensive loss | (11,907) | (288,436) |
| Net loss per share (basic and diluted) | $ (0.00) | $ (0.01) |

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, 2018 | 2017 |
|---|---|---|
| Operating activities | | |
| Net loss | $ (11,907) | $ (288,436) |
| Items not involving cash: | | |
| Interest expense | 11,694 | 11,163 |
| Foreign exchange (gain) loss | (7,590) | (2,343) |
| | (7,803) | (279,616) |
| Changes in non-cash working capital | (15,617) | (7,070) |
| | (23,420) | (286,686) |
| Financing | | |
| Fees payable to Directors and Officers (Note 3) | - | 257,110 |
| Issuance of note payable (Note 4) | 23,388 | 44,936 |
| | 23,388 | 302,046 |
| Effect of exchange rate changes on cash and cash equivalents held in foreign currency held in foreign currency | (101) | (145) |
| Change in cash and cash equivalents | (133) | 15,215 |
| Cash and cash equivalents, beginning of period | 2,299 | 2,190 |
| Cash and cash equivalents, end of period | $ 2,166 | $ 17,405 |

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. On May 3, 2018 Serinus Energy Inc continued to Jersey and changed its name to Serinus Energy plc ("**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").

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 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, 2017, 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, 2017.

These consolidated financial statements were approved by the Company's Board of Directors on May 30, 2018.

### (b) Going concern

The Company was formerly an oil and gas exploration and development company with activities in Colombia, Peru and Guatemala. The Company's last remaining property interest was in Colombia, and this property interest, which had no proved reserves and did not generate positive net production revenue was relinquished during 2017 as part of a settlement of the Company's obligations arising from its interest in this property.

Loon's present activities consist of the investigation and evaluation of future business opportunities. During 2017, the Company's management was also engaged in complying with the legal and regulatory requirements to wind-up its holding company in Bermuda (completed July 2017). The Company had previously wound up its subsidiaries in Colombia (completed August 2016), Peru (completed April 2016), and Guatemala (completed 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. Former exploration and development activities were financed by equity issuances and by farm-out arrangements with third parties who paid 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 Q1 2018, three members of the Company's Board of Directors advanced cash to fund Loon's activities. As at March 31, 2018, the Company was indebted in the aggregate amount of $283,162 to Timothy Elliott, Chairman of the Board of Directors of Loon, in the aggregate amount of $117,552 to Jock Graham, a member of the

Board of Directors of Loon and in the aggregate amount of $11,856 to Norman Holton, Director and Chief Executive Officer of Loon.

As at March 31, 2018, the Company had a working capital deficiency of $642,083 of which $626,302 is the aggregate of Notes Payable to shareholders and amounts due to Directors and Officers of the Company. The need to raise capital to fund the working capital deficiency, ongoing operations, and the acquisition of future business opportunities that may arise 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 or debt 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, 2018, 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, 2017 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, 2017.

## 3. Fees Payable to Directors and Officers

| | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|
| Bonus payable to Directors and Officers | 219,665 | $ 257,110 |
| Foreign exchange adjustment | (5,933) | 9,218 |
| Accrued interest | - | 3,231 |
| Settled in shares of the company | - | (49,894) |
| Balance outstanding end of period | $ 213,732 | $ 219,665 |

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). On April 26, 2017, $49,894 (Cdn$ 66,817) of this bonus was settled through the issuance of common shares of the Company. As at March 31, 2018 the bonus was unpaid, and with changes to foreign exchange rates, is now valued at $210,446 plus accrued interest of $3,286 (Cdn$ 4,237). 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, 2018 | As at December 31, 2017 |
|---|---|---|
| Balance outstanding beginning of year | $ 379,000 | $ 242,240 |
| Issuance of notes payable | 23,389 | 99,177 |
| Accrued interest | 11,646 | 38,159 |
| Foreign exchange adjustment | (1,465) | (576) |
| Balance outstanding end of year | $ 412,570 | $ 379,000 |

Three members of the Company's Board of Directors advanced cash to fund Loon's activities. As at March 31, 2018, the Company was indebted in the aggregate amount of $283,162 (December 31, 2017 - $269,925) to Timothy Elliott, Chairman of the Board of Directors of Loon, in the aggregate amount of $117,552 (December 31, 2017 - $109,074) to Jock Graham, a member of the Board of Directors of Loon, and in the aggregate amount of $11,856 (December 31, 2017 - $nil) to Norman Holton, a Director and the Chief Executive Officer of the Company.

## 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, 2018 | | Three months ended March 31, 2017 | |
|---|---|---|---|---|
| Net loss attributable to shareholders | $ | (11,907) | $ | (288,436) |
| Weighted average number of shares outstanding | | *23,938,379* | | *19,949,136* |
| Loss per share - Basic and diluted | $ | (0.00) | $ | (0.01) |

## 6. Related Party Transactions

The Company and Serinus are related as they have the same principal shareholder with control over Serinus and significant influence over both companies. At March 31, 2018, the Company owed $nil (December 31, 2017: $nil) to Serinus.

As at March 31, 2018, the Company had notes payable to Timothy Elliott, Chairman of the Board of Directors of Loon Energy, in the aggregate amount of $215,288 (2017 - $170,215) plus $67,874 (2017 - $38,155) 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, 2018, the Company had notes payable to Jock Graham, a member of the Board of Directors of Loon Energy, in the amount of $97,816 (2017 - $78,838) plus $19,736 (2017 - $7,899) 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, 2018, the Company had notes payable to Norman Holton, a Director and Chief Executive Officer of Loon Energy, in the amount of $11,634 (2017 - $nil) plus $222 (2017 - $nil) 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.)

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. The Company's former interests in all relevant properties in Colombia and Peru have since been relinquished and accordingly, the Company's management believes that no liabilities relevant to the indemnification agreement are likely to arise.

## 7. Segmented Information

With the disposition of all petroleum and natural gas assets, the Company no longer has geographic segments to report.

## 8. Subsequent Events

No matters or circumstances of importance have arisen since the end of the financial year, which have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the affairs of the Company.