LOON ENERGY CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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 and nine-month periods ended September 30, 2018.

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

	September 30, 2018	December 31, 2017
Assets		
Current		
Cash and cash equivalents	$ 98,563	$ 2,299
Accounts receivable and prepaid	14,268	7,718
Total Assets	$ 112,831	$ 10,017
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 101,047	$ 35,194
Fees payable to directors and officers (Note 3)	212,878	219,665
Notes payable to directors and officers (Note 4)	448,193	379,000
Notes payable (Note 5)	117,678	-
	879,796	633,859
Shareholders' Deficiency		
Share capital (Note 6)	16,620,159	16,620,159
Contributed surplus	2,360,566	2,360,566
Deficit	(19,747,690)	(19,604,567)
	(766,965)	(623,842)
Total Liabilities and Shareholders' Deficiency	$ 112,831	$ 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)
Issuance of shares	*3,989,243*	49,894	-	-	49,894
Net loss and comprehensive loss	-	-	-	(355,672)	(355,672)
Balances, September 30, 2017	*23,938,379*	$16,620,159	$2,360,566	($20,150,681)	($1,169,956)
Balances, December 31, 2017	*23,938,379*	$16,620,159	$2,360,566	($19,604,567)	($623,842)
Net loss and comprehensive loss	-	-	-	(143,123)	(143,123)
Balances, September 30, 2018	*23,938,379*	$16,620,159	$2,360,566	($19,747,690)	($766,965)

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 2018	Three months ended September 2017	Nine months ended September 2018	Nine months ended September 2017
Expenses				
General and administrative	$ (99,717)	$ (10,131)	$ (124,915)	$ (315,505)
Finance costs				
Interest expense (Note 3)	(1,786)	(10,108)	(26,108)	(30,377)
Foreign exchange gain/(loss)	(5,783)	(8,717)	7,900	(9,790)
	(7,569)	(18,825)	(18,208)	(40,167)
Net loss and comprehensive loss	$ (107,286)	$ (28,956)	$ (143,123)	$ (355,672)
Net loss per share (basic and diluted)	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.02)

See accompanying notes to the condensed consolidated interim financial

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

	Three months ended September 2018	Three months ended September 2017	Nine months ended September 2018	Nine months ended September 2017
Operating activities				
Net loss	$ (107,286)	$ (28,956)	$ (143,123)	$ (355,672)
Items not involving cash:				
Interest expense (Note 3)	1,786	10,108	26,108	30,377
Foreign exchange (gain) loss	5,783	8,787	(7,900)	10,371
	(99,717)	(10,061)	(124,915)	(314,924)
Changes in non-cash working capital	80,718	2,542	59,038	(4,052)
	(18,999)	(7,519)	(65,877)	(318,976)
Financing				
Fees payable to Directors and Officers (Note 3)	-	-	-	257,110
Fees payable to Directors and Officers converted to shares	-	-	-	(49,894)
Issuance of notes payable to Directors and Officers (Note 4)	-	-	46,693	70,941
Issuance of notes payable (Note 5)	115,270		115,270	
Issuance of shares	-	-	-	49,894
	115,270	-	161,963	328,051
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	469	(149)	178	358
Change in cash and cash equivalents	96,740	(7,668)	96,264	9,433
Cash and cash equivalents, beginning of period	1,823	19,291	2,299	2,190
Cash and cash equivalents, end of period	$ 98,563	$ 11,623	$ 98,563	$ 11,623

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**").

On September 14, 2018, Loon entered into an amalgamation agreement (the "Agreement") with Pacific West Canopy Holdings Ltd ("PacWest"), a privately held corporation existing under the Business Corporations Act (British Columbia). The execution of the proposed amalgamation (the "Transaction") is contingent upon the fulfillment of the terms and conditions of the Agreement by Loon and PacWest.

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 November 28, 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).

On September 14, 2018, Loon entered into an amalgamation agreement with Pacific West Canopy Holdings Ltd ("PacWest"). Under the terms of the Agreement, PacWest has agreed to advance up to $CAD 250,000 in return for unsecured promissory notes of Loon. Note proceeds are to be used to fund expenses related to completing the proposed Business Combination Transaction and maintaining in good standing the Company's corporate existence, status as a reporting issuer and current public company listing on the NEX board of the TSX Venture Exchange. As at September 30, 2018, the Company was indebted to PacWest in the aggregate amount of $117,678 (Cdn$ 152,334), including interest calculated at 12% per annum, compounded quarterly.

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 Q2 2018, three members of the Company's Board of Directors advanced cash to fund Loon's activities. As at September 30, 2018, the Company was indebted in the aggregate amount of $303,333 to Timothy Elliott, Chairman of the Board of Directors of Loon, in the aggregate amount of $120,989 to Jock Graham, a member of the Board of Directors of Loon and in the aggregate amount of $23,871 to Norman Holton, Director and Chief Executive Officer of Loon. The Directors and Officers have agreed that interest will not accrue on these notes after June 30, 2018. If the Transaction is not executed by June 30, 2019 the interest terms will be reinstated and applied retroactively, from July 1, 2018.

As at September 30, 2018, the Company had a working capital deficiency of $766,965 of which $661,071 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 and nine-month periods ended September 30, 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 September 30, 2018	As at December 31, 2017
Bonus payable to Directors and Officers	$ 219,665	$ 216,288
Foreign exchange adjustment	(6,787)	9,218
Accrued interest	-	3,231
Settled in shares of the Company	-	(49,894)
Balance outstanding end of period	$ 212,878	$ 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 September 30, 2018 the remaining bonus payable outstanding was unpaid, and with changes to foreign exchange rates, is now valued at $209,605 plus accrued interest of $3,273 (Cdn$ 4,237). Interest does not accrue on the unpaid balance of Fees Payable to Directors and Officers subsequent to March 31, 2017.

4. Notes Payable to Directors and Officers

	As at September 30, 2018	As at December 31, 2017
Balance outstanding, beginning of year	$ 379,000	$ 242,240
Issuance of notes payable	46,693	99,177
Accrued interest	24,274	38,159
Foreign exchange adjustment	(1,774)	(576)
Balance outstanding, end of period	$ 448,193	$ 379,000

Three members of the Company's Board of Directors have advanced cash to fund Loon's activities. As at September 30, 2018, the Company was indebted in the aggregate amount of $303,333 (December 31, 2017 - $269,925) to Timothy Elliott, Chairman of the Board of Directors of Loon, in the aggregate amount of $120,989 (December 31, 2017 - $109,075) to Jock Graham, a member of the Board of Directors of Loon, and in the aggregate amount of $23,871 (December 31, 2017 - $nil) to Norman Holton, a Director and Chief Executive Officer of the Company.

The Directors and Officers have agreed that interest will not accrue on the notes after June 30, 2018. If the Transaction is not executed by June 30, 2019, the interest terms will be reinstated and applied retroactively, from July 1, 2018.

5. Notes Payable

	As at September 30, 2018	As at December 31, 2017
Balance outstanding, beginning of year	$ -	$ -
Issuance of notes payable	115,270	-
Accrued interest	1,786	-
Foreign exchange adjustment	622	-
Balance outstanding, end of period	$ 117,678	$ -

In connection with the Transaction, the Company received $76,558 ($Cdn 100,000) on July 27, 2018from an entity which is not at arm's length with certain persons related to PacWest and issued an unsecured promissory note related thereto. The Note accrues interest at a rate of 12% per annum, compounding quarterly and becomes due and payable on the earlier of two business days following completion of the Transaction and July 27, 2019.

Additionally, pursuant to the Agreement, PacWest has agreed to advance an additional $Cdn 150,000 under similar terms and conditions. On September 21, 2018 the Company issued a promissory note with a principal amount of $38,625 ($Cdn 50,000). The notes accrue interest at a rate of 12% per annum, compounding quarterly and become due and payable on the earlier of two business days following completion of the Transaction and September 21, 2019.

6. 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 September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net loss attributable to shareholders	$ (107,286)	$ (28,956)	$ (143,123)	$ (355,672)
Weighted average number of shares outstanding	23,938,379	22,938,379	23,938,379	22,243,316
Loss per share - Basic and diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.02)

7. Related Party Transactions

As at September 30, 2018, the Company had notes payable to Timothy Elliott, Chairman of the Board of Directors of Loon Energy, in the aggregate amount of $226,710 (2017 - $196,220) plus $76,623 (2017 - $51,947) of accrued interest. As at September 30, 2018, the Company had notes payable to Jock Graham, a member of the Board of Directors of Loon Energy, in the amount of $97,739 (2017 - $78,838) plus $23,250 (2017 - $13,201) of accrued interest. As at September 30, 2018, the Company had notes payable to Norman Holton, a Director and Chief Executive Officer of Loon Energy, in the amount of $23,175 (2017 - $nil) plus $696 (2017 - $nil) of accrued interest. All of the above Notes Payable are due on demand with interest calculated at a rate of 12% per annum, compounded quarterly. (See Note 4.) The Directors and Officers have agreed that interest will not accrue on the notes after June 30, 2018. If the Transaction is not executed by June 30, 2019, the interest terms will be reinstated and applied retroactively, from July 1, 2018.

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 September 30, 2018 the bonus was unpaid, and with changes to foreign exchange rates is now valued at $209,605 plus accrued interest of $3,273 (Cdn$ 4,237). Interest does not accrue on the unpaid balance of Fees Payable to Directors and Officers subsequent to March 31, 2017.

The above related party transactions were recorded at exchange amounts agreed to by both parties which approximate fair value.

The Company and Serinus are related as they have the same principal shareholder with significant influence over both companies. At September 30, 2018, the Company owed $nil (December 31, 2017: $nil) to Serinus. 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.

8. Subsequent Events

Effective October 25, 2018 and by agreement between the lender, PacWest and the Company, PacWest became the beneficiary of the promissory note issued on July 27, 2018. See Note 5.

On October 29, 2018 the Agreement was revised to change the Outside Date to February 28, 2019 and to change the date by which each of Loon and PacWest must hold shareholders' meetings to approve the Amalgamation to January 25, 2019.