LOON ENERGY CORPORATION

FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

US$

(unaudited)

NOTIFICATION OF CONDENSED UNAUDITED 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 interim financial statements for the three month period ended March 31, 2019.

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

	March 31, 2019	December 31, 2018
Assets		
Current		
Cash and cash equivalents	$ 20,783	$ 41,666
Prepaid expenses and other current assets	3,472	8,413
Total Assets	$ 24,255	$ 50,079
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 3)	$ 60,151	$ 77,456
Fees payable to directors and officers (Note 4)	213,732	201,993
Notes payable to related parties (Note 5)	448,500	444,280
Notes payable (Note 6)	125,352	115,038
	847,735	838,767
Shareholders' Deficiency		
Share capital (Note 7)	16,620,159	16,620,159
Contributed surplus	2,360,566	2,360,566
Deficit	(19,804,205)	(19,769,413)
	(823,480)	(788,688)
Total Liabilities and Shareholders' Deficiency	$ 24,255	$ 50,079

Going Concern (Note 2(b))
Contingency (Note 5)

See accompanying notes to the financial statements.

Loon Energy Corporation
Condensed Interim Statements of Operations and Comprehensive Loss
US$
(unaudited)

	Three months ended March 31, 2019		Three months ended March 31, 2018	
Operations				
General and administrative	$	(6,433)	$	(7,803)
Financing				
Interest expense		(3,499)		(11,694)
Foreign exchange gain (loss)		(24,860)		7,590
		(28,359)		(4,104)
Net loss		(34,792)		(11,907)
Current tax		-		-
Net loss and comprehensive loss	$	(34,792)	$	(11,907)
Net loss per share (basic and diluted)	$	(0.00)	$	0.00

See accompanying notes to the financial statements.

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

	Three months ended March 31, 2019	2018
Operating activities		
Net loss	$ (34,792)	$ (11,907)
Items not involving cash:		
Interest expense	3,499	11,694
Foreign exchange (gain) loss	25,183	(7,590)
	(6,110)	(7,803)
Changes in non-cash working capital	(15,436)	(15,617)
	(21,546)	(23,420)
Financing		
Issuance of notes payable (Notes 5)	-	23,388
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	663	(101)
Change in cash and cash equivalents	(20,883)	(133)
Cash and cash equivalents, beginning of period	41,666	2,299
Cash and cash equivalents, end of period	$ 20,783	$ 2,166

See accompanying notes to the financial statements.

Loon Energy Corporation
Condensed Interim Statements of Changes in Equity
US$, except share numbers
(unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balances, December 31, 2017	19,949,136	$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)
Balances, December 31, 2018	23,938,379	$16,620,159	$2,360,566	($19,769,413)	($788,688)
Net loss and comprehensive loss	-	-	-	(34,792)	(34,792)
Balances, March 31, 2019	23,938,379	$16,620,159	$2,360,566	($19,804,205)	($823,480)

See accompanying notes to the 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**").

On September 14, 2018, Loon entered into an amalgamation agreement (the "**Agreemen**t") with Pacific West Canopy Holdings Ltd ("**PacWest**"), a privately held corporation existing under the Business Corporations Act (British Columbia). The execution and subsequent completion of the proposed amalgamation (the "**Transaction**") was scheduled to close by February 28, 2019 and was dependent upon the fulfillment of the terms and conditions of the Agreement by Loon and PacWest. PacWest has not advanced to Loon the remaining C$100,000 (see also Note 6) as specified in the Agreement and the Transaction did not close by February 28, 2019 as contemplated in the Agreement. Discussions between Loon and PacWest have continued to either amend the existing Agreement or conclude a replacement agreement.

Loon is a publicly listed company whose common shares were traded under the symbol "LNE" on the TSX Venture Exchange ("TSXV") until March 3, 2017, when the Company's listing transferred to NEX, and its trading symbol changed to "LNE.H". Loon's shares have been suspended from trading since October 31, 2018 pending the outcome of the Transaction.

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 interim financial statements have been prepared in accordance with IAS 34 InterimFinancial 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 financial statements of the Company for the year ended December 31, 2018, 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, 2018.

These financial statements were approved by the Company's Board of Directors on May 28, 2019.

(b) Going concern

The Company was formerly an oil and gas exploration and development company and its last remaining property interest was relinquished during 2017.

These 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. Beginning in Q4 2014 and continuing through 2018, members of the Company's Board of Directors advanced cash to fund Loon's activities. As at March 31, 2019, the Company was indebted in the aggregate amount of $303,462 to Timothy Elliott, Chairman of the Board of Directors of Loon, in the aggregate amount of $121,072 to Jock Graham, a member of the Board of Directors of Loon and in the aggregate amount of $23,966 to Norman Holton, Chief Executive Officer of the Company.

As at March 31, 2019, the Company had a working capital deficiency of $823,480 of which $662,232 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, indicates the existence of a material uncertainty that may cast 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 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, 2019, the Company did not adopt any new IFRS standards nor were any applicable pronouncements announced. Refer to note 5 in the financial statements for the year ended December 31, 2018 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 interim financial statements are described in note 3 to the financial statements for the year ended December 31, 2018.

3. Accounts Payable and Accrued Liabilities

	As at March 31, 2019	As at December 31, 2018
Balance outstanding, end of period	$ 60,151	$ 20,558

Accounts payable is mainly comprised of legal fees related to the proposed amalgamation with PacWest and accruals for public company costs of compliance.

4. Fees Payable to Directors and Officers

	As at March 31, 2019	As at December 31, 2018
Bonus payable to Directors and Officers	$ 219,665	$ 219,665
Foreign exchange adjustment	11,739	(17,672)
Balance outstanding end of period	$ 213,732	$ 201,993

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, 2019 the unpaid bonus is valued at $210,446 (Cdn$ 271,333), after accounting for changes to foreign exchange rates, plus accrued interest of $3,286 (Cdn $4,237). By decision of the Board of Directors, interest on the unpaid balance of Fees Payable to Directors and Officers does not accrue subsequent to March 31, 2017.

5. Notes Payable to Related Parties

	As at March 31, 2019	2018
Balance outstanding beginning of period	$ 444,280	$ 379,000
Issuance of notes payable	-	23,388
Accrued interest	-	11,646
Foreign exchange adjustment	4,220	(1,464)
Balance outstanding end of period	$ 448,500	$ 412,570

Notes payable are due to three members of the Board of Directors of the Company. They consist, in aggregate, of US dollar notes of $275,058, and accrued interest of $96,604 and Canadian dollar notes of $72,858 (Cdn $93,936) and accrued interest of $3,980 ($Cdn 5,132).

During the period ended March 31, 2019, no new notes were issued (2018 - $23,389). 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.

The Directors 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. Contingent interest that has not been recorded on these notes from July 1, 2018 to March 31, 2019 totals $41,627.

6. Notes Payable

	As at March 31, 2019	2018
Balance outstanding beginning of period	$ 115,038	$ -
Issuance of notes payable	-	115,270
Accrued interest	3,499	5,273
Foreign exchange adjustment	6,815	(5,505)
Balance outstanding end of period	$ 125,352	$ 115,038

In connection with the Transaction, the Company received $76,560 ($Cdn 100,000) on July 27, 2018 from 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.

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 $38,710 ($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.

7. 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.

(b) Per share amounts

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

	Three months ended March 31, 2019		2018	
Net income (loss) attributable to shareholders	$	(34,972)	$	(11,907)
Weighted average number of shares outstanding		*23,938,379*		*23,938,379*
Income (loss) per share - Basic and diluted	$	0.00	$	0.00

(c) Stock Options

As at March 31, 2019, there are no unexercised or unvested options.

8. Related Party Transactions

As at March 31, 2019, the Company had notes payable to Timothy Elliott, Chairman of the Board of Directors of Loon Energy, in the aggregate amount of $226,831 (2018 - $210,042) plus $76,631 (2018 - $59,883) of accrued interest. The notes payable are due on demand with interest calculated at a rate of 12% per annum, compounded quarterly. As at March 31, 2019, the Company had notes payable to Jock Graham, a member of the Board of Directors of Loon, in the amount of $97,816 (2018 - $92,661) plus $23,256 (2018 - $16,413) of accrued interest. As at March 31, 2019, the Company had notes payable to Norman Holton, Chief Executive Officer of Loon, in the amount of $23,268 (2018 - $nil) plus $699 (2018 - $nil) of accrued interest.

The Company and Serinus Energy plc are related as they have the same principal shareholder with significant influence over Serinus and Loon. 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.