



LOON ENERGY CORPORATION
FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
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, 2020.

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

	March 31, 2020	December 31, 2019
Assets		
Current		
Cash and cash equivalents	\$ 5,886	\$ 7,625
Prepaid expenses and other current assets	608	1,082
Total Assets	<u>\$ 6,494</u>	<u>\$ 8,707</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 3)	\$ 58,915	\$ 62,809
Fees payable to directors and officers (Note 4)	194,249	212,161
Notes payable to related parties (Note 5)	549,127	541,398
Notes payable (Note 6)	-	-
	<u>802,291</u>	<u>816,368</u>
Shareholders' Deficiency		
Share capital (Note 7)	16,620,159	16,620,159
Contributed surplus	2,360,566	2,360,566
Deficit	<u>(19,776,522)</u>	<u>(19,788,386)</u>
	<u>(795,797)</u>	<u>(807,661)</u>
Total Liabilities and Shareholders' Deficiency	<u>\$ 6,494</u>	<u>\$ 8,707</u>
Going Concern (Note 2(b))		
Contingency (Note 5)		

See accompanying notes to the financial statements.

Loon Energy Corporation
Condensed Interim Statements of Net Income (Loss) and Comprehensive Income (Loss)
US\$
(unaudited)

	Three months ended March 31,	
	2020	2019
Operations		
General and administrative	\$ (3,028)	\$ (6,433)
Financing		
Interest expense	(16,101)	(3,499)
Foreign exchange gain (loss)	30,993	(24,860)
	<u>14,892</u>	<u>(28,359)</u>
Net income (loss)	11,864	(34,792)
Current tax	-	-
Net income (loss) and comprehensive income (loss)	<u>\$ 11,864</u>	<u>\$ (34,792)</u>
Net income (loss) per share (basic and diluted)	<u>\$ 0.00</u>	<u>\$ 0.00</u>

See accompanying notes to the financial statements.

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

	Three months ended March 31,	
	2020	2019
Operating activities		
Net income (loss)	\$ 11,864	\$ (34,792)
Items not involving cash:		
Interest expense	16,101	3,499
Foreign exchange (gain) loss	(30,993)	25,183
	(3,060)	(6,110)
Changes in non-cash working capital	1,899	(15,436)
	(1,161)	(21,546)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(578)	663
Change in cash and cash equivalents	(1,739)	(20,883)
Cash and cash equivalents, beginning of period	7,625	41,666
Cash and cash equivalents, end of period	\$ 5,886	\$ 20,783

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, 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, 2018	23,938,379	\$16,620,159	\$2,360,566	(\$19,804,205)	(\$823,480)
Balances, December 31, 2019	23,938,379	\$16,620,159	\$2,360,566	(\$19,788,386)	(\$807,661)
Net income and comprehensive income	-	-	-	11,864	11,864
Balances, March 31, 2020	23,938,379	\$16,620,159	\$2,360,566	(\$19,776,522)	(\$795,797)

See accompanying notes to the financial statements.

Loon Energy Corporation
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
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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 “**Agreement**”) 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 had not advanced to Loon the remaining \$Cdn 100,000 (see also Note 6) as specified in the Agreement. Effective December 31, 2019 Loon and PacWest mutually agreed to terminate the Agreement and release each other from any obligations, including repayment of Notes Payable and accrued interest (see also Note 6).

Loon is a Reporting Issuer in Canada, 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.

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 Interim Financial 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, 2019, 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, 2019.

These financial statements were approved by the Company’s Board of Directors on June 15, 2020.

(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 2019, members of the Company’s Board of Directors advanced cash to fund Loon’s activities. As at March 31, 2020, the Company was indebted in the aggregate amount of \$375,667 to Timothy Elliott, Chairman of the Board of Directors of Loon, in the aggregate amount of \$146,660 to Jock Graham, a member of the Board of Directors of Loon and in the aggregate amount of \$26,800 to Norman Holton, Chief Executive Officer of the Company.

As at March 31, 2020, the Company had a working capital deficiency of \$795,797 of which \$743,376 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

Loon Energy Corporation
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
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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, 2020, the Company did not adopt any new IFRS standards nor were any applicable pronouncements announced.

(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, 2019.

3. Accounts Payable and Accrued Liabilities

	As at March 31, 2020	As at December 31, 2019
	<u> </u>	<u> </u>
Balance outstanding, end of period	<u><u>\$ 58,915</u></u>	<u><u>\$ 62,809</u></u>

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, 2020	As at December 31, 2019
	<u> </u>	<u> </u>
Bonus payable to Directors and Officers	\$ 212,161	\$ 201,993
Foreign exchange adjustment	(17,912)	10,168
Balance outstanding end of period	<u><u>\$ 194,249</u></u>	<u><u>\$ 212,161</u></u>

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, 2020 the unpaid bonus is valued at \$191,262 (Cdn\$ 271,333), after accounting for changes to foreign exchange rates, plus accrued interest of \$2,987 (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, 2020	As at December 31, 2019
	<u> </u>	<u> </u>
Balance outstanding beginning of period	\$ 541,398	\$ 444,280
Issuance of notes payable	-	6,066

Loon Energy Corporation
Notes to the Condensed Interim Financial Statements
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Accrued interest	16,101	87,144
Foreign exchange adjustment	(8,372)	3,908
Balance outstanding end of period	\$ 549,127	\$ 541,398

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 \$182,222 and Canadian dollar notes of \$71,855 (Cdn \$101,936) and accrued interest of \$19,992 (\$Cdn 28,361).

During the period ended March 31, 2020, no new notes were issued (2019 - \$nil). 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.

6. Notes Payable

	As at March 31, 2020	As at December 31, 2019
Balance outstanding beginning of period	\$ -	\$ 115,038
Accrued interest	-	14,857
Foreign exchange adjustment	-	6,128
Forgiveness of loan and interest	-	(136,023)
Balance outstanding end of period	\$ -	\$ -

In connection with the PacWest 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 accrued interest at a rate of 12% per annum, compounding quarterly and became due and payable on the earlier of two business days following completion of the Transaction and July 27, 2019.

Pursuant to the Agreement, PacWest had 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 accrued interest at a rate of 12% per annum, compounding quarterly and became due and payable on the earlier of two business days following completion of the Transaction and September 21, 2019. No further advances were received by the Company and effective December 31, 2019 Loon and PacWest mutually agreed to terminate the Agreement and release each other from any obligations, including repayment of loans and accrued interest.

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.

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For the three months ended March 31, 2020 and 2019
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	Three months ended March 31,	
	2020	2019
Net income (loss) attributable to shareholders	\$ 11,864	\$ (34,972)
<i>Weighted average number of shares outstanding</i>	<i>23,938,379</i>	<i>23,938,379</i>
Income (loss) per share - Basic and diluted	\$ 0.00	\$ 0.00

(c) Stock Options

As at March 31, 2020, there are no unexercised or unvested options.

8. Related Party Transactions

As at March 31, 2020, the Company had notes payable to Timothy Elliott, Chairman of the Board of Directors of Loon Energy, in the aggregate amount of \$229,680 (2019 - \$226,831) plus \$145,987 (2019 - \$76,631) 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, 2020, the Company had notes payable to Jock Graham, a member of the Board of Directors of Loon, in the aggregate amount of \$96,086 (2019 - \$97,816) plus \$50,574 (2019 - \$23,256) of accrued interest. As at March 31, 2020, the Company had notes payable to Norman Holton, Chief Executive Officer of Loon, in the aggregate amount of \$21,147 (2019 - \$23,268) plus \$5,653 (2019 - \$699) of accrued interest.

9. Novel Coronavirus (COVID-19)

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, was declared a global pandemic by the World Health Organization and governments worldwide have enacted emergency measures to combat the spread of the virus. These measures, which include public health measures requesting the public to stay home as much as possible, the implementation of travel bans, self imposed quarantine periods and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets and oil prices have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation.