



LOON ENERGY CORPORATION
FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
US\$, unless otherwise stated
(unaudited)

NOTIFICATION OF CONDENSED UNAUDITED 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, 2021.

Loon Energy Corporation
Condensed Interim Statements of Financial Position
US\$, unless otherwise stated
(unaudited)

	March 31,	December 31,
	2021	2020
	<hr/>	<hr/>
Current assets		
Cash	\$ 2,633	\$ 5,330
Prepaid expenses and other receivables (Note 3)	863	3,326
Total Assets	<hr/> \$ 3,496	<hr/> \$ 8,656
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 24,468	\$ 12,310
Notes payable to related parties (Note 5)	58,902	56,504
	<hr/> 83,370	<hr/> 68,814
Shareholders' Deficiency		
Share capital (Note 7)	17,269,736	17,269,736
Contributed surplus (Note 7(c))	2,394,822	2,360,566
Deficit	(19,744,432)	(19,690,460)
	<hr/> (79,874)	<hr/> (60,158)
Total Liabilities and Shareholders' Deficiency	<hr/> \$ 3,496	<hr/> \$ 8,656
Going Concern (Note 2(b))		

See accompanying notes to the financial statements.

Loon Energy Corporation
Statements of Cash Flows
US\$, unless otherwise stated
(unaudited)

	Three months ended March 31,	
	2021	2020
Operations		
General and administrative	\$ (17,334)	\$ (3,028)
Share-based compensation (Note 7(c))	(34,256)	-
	(51,590)	(3,028)
Financing		
Interest expense (Note 5)	(1,681)	(16,101)
Net foreign exchange gain/(loss)	(701)	30,993
	(2,382)	14,892
Net income/(loss) and comprehensive income/(loss)	\$ (53,972)	\$ 11,864
Net income/(loss) per share (basic and diluted) (Note 7(b))	\$ (0.01)	\$ 0.00

See accompanying notes to the financial statements.

Loon Energy Corporation
Statements of Cash Flows
US\$, unless otherwise stated
(unaudited)

	Three months ended March 31,	
	2021	2020
Operating activities		
Net income/(loss)	\$ (53,972)	\$ 11,864
Items not involving cash:		
Share-based compensation (Note 7(c))	34,256	-
Interest expense (Note 5)	1,681	16,101
Unrealized foreign exchange (gain)/loss	717	(30,993)
	<u>(17,318)</u>	<u>(3,060)</u>
Changes in non-cash working capital	14,581	1,899
	<u>(2,737)</u>	<u>(1,161)</u>
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	40	(578)
	<u>(2,697)</u>	<u>(1,739)</u>
Change in cash	5,330	7,625
Cash, beginning of year	<u>5,330</u>	<u>7,625</u>
Cash, end of period	<u>\$ 2,633</u>	<u>\$ 5,886</u>

See accompanying notes to the financial statements.

Loon Energy Corporation
Statements of Changes in Equity
US\$, unless otherwise stated, except share numbers
(unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balances, December 31, 2019	5,984,600	\$16,620,159	\$2,360,566	(\$19,788,386)	(\$807,661)
Net income and comprehensive income	-	-	-	11,864	11,864
Balances, March 31, 2020	5,984,600	\$16,620,159	\$2,360,566	(\$19,776,522)	(\$795,797)
Balances, December 31, 2020	10,250,270	\$17,269,736	\$2,360,566	(\$19,690,460)	(\$60,158)
Share-based compensation	-	-	34,256	-	34,256
Net loss and comprehensive loss	-	-	-	(53,972)	(53,972)
Balances, March 31, 2021	10,250,270	\$17,269,736	\$2,394,822	(\$19,744,432)	(\$79,874)

Shares were issued during the fourth quarter of 2020 to settle outstanding fees and debts owing to Directors and Officers of the Company (Note 6).

Effective December 17, 2020, the Company's shares were consolidated such that one new common share was issued for every four common shares previously outstanding (Note 7). For ease of comparison, the number of shares presented throughout these financial statements has been adjusted retroactively to reflect the consolidation.

See accompanying notes to the financial statements.

Loon Energy Corporation
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2021 and 2020
US\$, unless otherwise stated
(unaudited)

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**”).

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 were suspended from trading on October 31, 2018 and subsequently resumed trading on October 8, 2020. Effective December 17, 2020, the Company’s shares were consolidated such that one new common share was issued for every four common shares previously outstanding.

Loon’s registered head office is located at 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, 2020, 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, 2020.

These financial statements were approved by the Company’s Board of Directors on May 12, 2021.

(b) Going concern

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 2014 and continuing through 2021, certain members of the Company’s Board of Directors advanced cash to fund Loon’s activities and were issued secured promissory notes (the “**Notes**”) by the Company. As at March 31, 2021, the Company was indebted in the aggregate amount of \$58,902 (December 31, 2020 - \$nil) to Mr. Michael Stein, a Director and Chief Executive Officer of Loon.

As at March 31, 2021, the Company had a working capital deficiency of \$79,874, of which \$58,902 is the aggregate of Notes Payable to Mr. Stein. 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) Use of estimates and judgments

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, 2020.

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During the three months ended March 31, 2021, the Company issued stock options to certain Officers and Directors. Management is required to make certain estimates when determining the fair value of stock option awards that have vested. These estimates affect the amount recognized as share-based compensation in the statement of operations and comprehensive income and loss.

(d) Functional and presentation currency

The financial statements are presented in U.S. dollars. The functional currency of the Company is the U.S. dollar.

3. Prepaid Expenses and Other Receivables

Accounts receivable includes Goods and Services Tax input tax credits receivable for the first quarter of 2021 and unamortized balances of General and Administrative Expenses paid on an annual basis and recognized in expense over the period of service.

4. Accounts Payable and Accrued Liabilities

Accounts payable is comprised primarily of legal and audit fees and accruals for public company costs of compliance.

5. Notes Payable to Related Parties

	As at March 31, 2021	As at December 31, 2020
Balance outstanding beginning of year	\$ 56,504	\$ 541,398
Issuance of Notes Payable	-	73,008
Accrued interest	1,681	33,694
Foreign exchange adjustment	717	746
Notes and interest settled through the issuance of shares (Note 6)	-	(562,789)
Notes and interest forgiven by Note holders (Note 6)	-	(29,553)
Balance outstanding end of period	<u>\$ 58,902</u>	<u>\$ 56,504</u>

Beginning in December 2014 and continuing through 2020, three members of the Company's Board of Directors at that time advanced cash to fund Loon's activities. Following the settlement in October 2020 of the accumulated debt to these individuals (see Note 6), the acquisition by Mr. Stein of a secured Note Payable to Mr. Elliott that originated in September 2020, and further advances during 2020 by Mr. Stein, the total balance outstanding of the secured Notes payable to Mr. Stein as at March 31, 2021 was \$ 57,209 (\$Cdn 71,943) plus accrued interest of \$1,693 (\$Cdn 2,129). The secured promissory notes are due on demand, with interest calculated at a rate of 12% per annum and compounded annually on December 31.

6. Settlement of Debts

	Settled	Forgiven	Total
Fees payable to Directors and Officers	\$ 86,788	\$ 123,030	\$ 209,818
Notes payable to related parties	562,789	29,553	592,342
	<u>\$ 649,577</u>	<u>\$ 152,583</u>	<u>\$ 802,160</u>

On October 13, 2020 Directors and Officers entered into Settlement Agreements with the Company, whereby the Fees payable to Directors and Officers and Notes payable to related parties were settled for consideration consisting of 4,265,670 treasury shares issued by the Company at a stated value of \$Cdn 0.20 (\$US 0.1523) (Note 7) per share for a portion of the outstanding debts with the remaining unpaid amounts then being forgiven.

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The holders of shares issued pursuant to the Settlement Agreements were restricted from trading the shares until after April 9, 2021.

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.

On December 8, 2020, the Company issued 4,265,670 common shares at a stated value of \$Cdn 0.20 (\$US 0.1523), to settle \$86,788 of outstanding Fees Payable to certain current and former Directors and Officers and \$562,789 of outstanding Notes and Interest Payable (Note 6). Management has used a fair market value for the treasury shares issued of \$Cdn 0.20 (\$US 0.1523) per share based on NEX trading activity during the period before and after the share issuance together with the TSXV's minimum share issuance price and approval received from the TSXV to issue the shares for the Debt Settlement.

Effective December 17, 2020, the Company's shares were consolidated such that one new common share was issued for every four common shares outstanding. For ease of comparison, the number of shares and per share amounts presented throughout these financial statements have been adjusted retroactively.

	As at March 31, 2021	As at December 31, 2020
Shares outstanding, beginning of period	10,250,270	5,984,600
Issuance of shares on settlement of debts (Note 6)	-	4,265,670
	<u>10,250,270</u>	<u>10,250,270</u>
Weighted average number of shares outstanding, with effect of share consolidation applied retroactively	<u>10,250,270</u>	<u>6,253,391</u>

(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,	
	2021	2020
Net income (loss) attributable to shareholders	\$ (53,972)	\$ 11,864
<i>Weighted average number of shares outstanding</i>	<u>10,250,270</u>	<u>5,984,600</u>
Income/(loss) per share - Basic and diluted	<u>\$ (0.01)</u>	<u>\$ 0.00</u>

(c) Stock options

On February 26, 2021, the Company granted 750,000 incentive share purchase options to certain Directors and Officers. The options have an exercise price of \$Cdn 0.13 per share, vest immediately, and expire on February 26, 2024. During the three months ended March 31, 2021, the Company recorded share-based compensation of \$34,256 (2020 - \$nil) to recognize the estimated fair value of these options. The fair value of stock options granted was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Risk-free rate:	0.5%
Expected life:	3 years
Expected volatility:	50%
Share price at grant:	\$Cdn 0.13 per share

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8. Related Party Transactions

As at March 31, 2021 the Company had secured Notes payable to Mr. Stein, Chief Executive Officer and Director, in the amount of \$ 57,209 (\$Cdn 71,943) plus accrued interest of \$1,693 (\$Cdn 2,129). The secured Notes payable are due on demand with interest calculated at a rate of 12% per annum, compounded annually on December 31 (see Note 5). During the three months ended March 31, 2021, no additional funding was advanced to the Company.

9. Novel Coronavirus (“COVID-19”)

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19” was declared a global pandemic by the World Health Organization on March 11, 2020. The Government of Alberta declared a State of Emergency with regards to the pandemic on March 17, 2020. Governments worldwide enacted emergency measures to combat the spread of the virus. These measures, which include public health measures requiring the closure of non-essential businesses, 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. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. On April 30, 2020 the Government of Alberta announced a phased relaunch strategy outlining the relaxing of certain measures starting mid-May 2020, conditional on the results of ongoing monitoring of testing results for COVID-19 in the province.

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.

10. Subsequent Event

On April 8, 2021, Mr. Stein, Chief Executive Officer and Director, advanced \$Cdn 25,000 (\$US 19,875) to fund the ongoing operations of the Company. This advance was added to the outstanding principal of the secured Notes Payable to Mr. Stein (Note 5). As at April 8, 2021, the Company had secured Notes payable to Mr. Stein in the amount of \$77,070 (\$Cdn 96,943) plus accrued interest of \$1,843 (\$Cdn 2,318).