LOON ENERGY CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
US$, unless otherwise stated
(unaudited)

NOTIFICATION OF CONDENSED UNAUDITED CONSOLIDATED 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, 2022.

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

		March 31, 2022		December 31, 2021
Current assets				
Cash	$	511	$	519
Prepaid expenses and other receivables (Note 3)		3,841		16,614
Total Assets	$	4,352	$	17,133
Current liabilities				
Accounts payable and accrued liabilities (Note 4)	$	31,795	$	23,191
Notes payable to related parties (Note 5)		117,174		125,696
		148,969		148,887
Shareholders' Deficiency				
Share capital (Note 6(a))		17,269,736		17,269,736
Contributed surplus		2,426,346		2,426,346
Deficit		(19,840,699)		(19,827,836)
		(144,617)		(131,754)
Total Liabilities and Shareholders' Deficiency	$	4,352	$	17,133

Going Concern (Note 2(b))

See accompanying notes to the financial statements.

Approved on behalf of the Board on May 12, 2022

"Harvey McKenzie" Chief Financial Officer   *"Timothy Elliott"* Interim Chief Executive Officer

Loon Energy Corporation
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
US$

	Three months ended March 31, 2022	2021
Operations		
General and administrative	$ (7,225)	$ (17,334)
Share-based compensation (Note 6(c))	-	(34,256)
Financing		
Interest expense (Note 5)	(3,568)	(1,681)
Foreign exchange loss	(2,070)	(701)
	(5,638)	(2,382)
Net loss and comprehensive loss	$ (12,863)	$ (53,972)
Net loss per share (basic and diluted) (Note 12(b))	$ (0.00)	$ (0.01)

See accompanying notes to the financial statements.

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

	Three months ended March 31, 2022	2021
Operating activities		
Net loss	$ (12,863)	$ (53,972)
Items not involving cash:		
Share-based compensation (Note 6(c))	-	34,256
Interest expense (Note 5)	3,568	1,681
Unrealized foreign exchange loss	2,061	717
	(7,234)	(17,318)
Changes in non-cash working capital	20,991	14,581
	13,757	(2,737)
Financing		
Settlement of notes payable (Note 5)	(21,969)	-
Issuance of notes payable (Note 5)	8,179	-
Foreign exchange loss realized on settlement of debt	33	-
	(13,757)	-
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(8)	40
Change in cash	(8)	(2,697)
Cash, beginning of year	519	5,330
Cash, end of period	$ 511	$ 2,633

See accompanying notes to the financial statements.

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

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
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 income and comprehensive income	-	-	-	(53,972)	(53,972)
Balances, March 31, 2021	10,250,270	$17,269,736	$2,394,822	($19,744,432)	($79,874)
Balances, December 31, 2021	10,250,270	$17,269,736	$2,426,346	($19,827,836)	($131,754)
Net loss and comprehensive loss	-	-	-	(12,863)	(12,863)
Balances, March 31, 2022	10,250,270	$17,269,736	$2,426,346	($19,840,699)	($144,617)

See accompanying notes to the financial statements.

1. Reporting Entity

Loon Energy Corporation and its wholly owned subsidiary 1000033135 Ontario Inc. ("**Loon**" or the "**Company**") were 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**") and on November 23, 2021 under the laws of Ontario respectively. Loon's registered head office is located at 4100, 66 Wellington Street West, Toronto, Ontario.

The Company entered into a definitive acquisition agreement on November 30, 2021 as amended on December 23, 2021 and March 1, 2022 (the "Definitive Agreement") with Optimind Pharma Inc. ("Optimind"), a private company incorporated under the Province of Ontario, whereby Loon has agreed to acquire all of the issued and outstanding shares (the "Target Shares") of Optimind (the "Transaction"). Loon's shares were halted from trading on November 15, 2021 and remain halted pending completion of the Transaction.

Under the terms of the Definitive Agreement, all of the Target Shares will be exchanged on the basis of one common share of the Company for each Target Share. To facilitate the execution of the transaction, on November 23, 2021 the Company incorporated 1000033135 Ontario Inc (the "Subsidiary"). As part of the Transaction, the Company has agreed to settle up to $138,133 (Cdn$ 175,000) of debt with certain creditors of the Company by way of issuance of common shares of the Company at a price of Cdn$ 0.095 per share (the "Debt Settlement"). The Debt Settlement will only be completed immediately prior to closing of the Transaction in order for the Company not to have any material liabilities on closing. Following the Debt Settlement, but prior to the Amalgamation, Loon will complete a share consolidation on the basis of one (1) new share for such number of old shares which shall result in 8,150,000 Loon common shares being issued and outstanding following the consolidation.

Optimind has agreed to complete a concurrent financing of a minimum of $394,000 (Cdn$ 500,000) and a maximum of $592,000 (Cdn$ 750,000) comprised of subscription receipts that are automatically exchangeable for convertible debentures of the resulting issuer which will have the following terms: (i) matures 18 months from commencement of trading of the Resulting Issuer Shares on the Canadian Securities Exchange ("**CSE**"); (ii) 10% interest per annum and payable on maturity; (iii) convertible at Cdn$ 0.20 per unit, with each unit comprised of one share and 0.6 warrant, with each full warrant exercisable into a share at Cdn$ 0.40 per share for two years from the issue date of the convertible debenture; and, (iv) forced conversion of the convertible debenture if the shares close higher than Cdn$ 0.40 per share for 10 consecutive trading days. Optimind has agreed to have a minimum of $1,380,00 (Cdn$1,750,000) in cash on closing of the Transaction. Completion of the Transaction is subject to a number of conditions and there can be no assurance that the Transaction will be completed as proposed or at all.

2. Basis of Preparation

(a) Statement of compliance

These condensed interim consolidated 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 consolidated 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, 2021, 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 consolidated 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, 2021.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on May 12, 2022.

(b) Going concern

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. Beginning in 2014 and continuing through 2022, 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, 2022, the Company was indebted to Mr. Michael Stein, former Director and Chief Executive Officer of Loon and current significant shareholder, ("**Mr. Stein**"), in the aggregate amount of $117,174. The Notes are secured, due on demand and bear interest at 12% per annum, compounded annually on December 31.

As at March 31, 2022, the Company had a working capital deficiency of $144,617 of which $117,174 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 estimated 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, 2021.

(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.

(e) Standards currently adopted

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after March 31, 2022. There are currently no such pronouncements that are expected to have a significant impact on the Company's financial statements.

3. Prepaid Expenses and Other Receivables

Under the terms of the Definitive Agreement, Optimind is to reimburse the Company for up to Cdn$ 30,000 of legal fees incurred in relation to the Transaction plus the costs of the shareholder meeting which was held on January 4, 2022 (see Note 17 Subsequent Events). As at December 31, 2021 the Company had accrued unpaid recoveries of $13,092 consisting of $11,724 (Cdn$ 15,000) of legal fees and $1,249 (Cdn$1,597) of shareholder meeting expenses incurred in 2021. The accrued recoveries were received during the current quarter. As at March 31, 2022 no unpaid reimbursements were accrued.

Accounts receivable also includes Goods and Services Tax ("GST") input tax credits receivable for the fourth quarter of 2021 and the first quarter of 2022 and prepaid listing fees of the TSX which relate to the second quarter of 2022 and will be recognized as expense in that quarter. The prior year-end balance includes GST input tax credits of the fourth quarter of 2021 and prepaid listing fees of the TSX which related to the first quarter of 2022 and were recognized as expense in 2022.

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, 2022	As at December 31, 2021
Balance outstanding beginning of year	$ 125,696	$ 56,504
Settlements of Notes Payable	(21,969)	-
Issuance of Notes Payable	8,179	60,313
Accrued interest	3,568	9,060
Foreign exchange adjustment	1,700	(181)
Balance outstanding end of year	$ 117,174	$ 125,696

Beginning in December 2014 and continuing through 2022, certain members of the Company's Board of Directors advanced cash to fund Loon's activities. In exchange for the advances, the Company issued promissory notes.

On February 26, 2021, Mr. Stein and Mr. Timothy Elliott Chief Executive Officer and Chairman of the Board of Directors, entered into an Assignment Agreement, under the terms of which the secured Promissory Note and accrued interest payable to Mr. Elliott was assigned to Mr. Stein. The secured Promissory Note now payable to Mr. Stein continues to be payable and interest continues to accrue in accordance with the terms of the Note. The total balance outstanding of the two secured Notes payable to Mr. Stein as at March 31, 2022 was $ 113,558 ($Cdn 141,894) plus accrued interest of $3,616 ($Cdn 4,519).

The Notes Payable are secured, due on demand and bear interest calculated at a rate of 12% per annum and compounded annually on December 31. Upon demand notice having been received, the interest rate increases to 24% per annum on any balance that remains unpaid. On December 31, 2021 accrued interest of $9,060 (2020 - $965) was added to the Principal and will accrue interest from that date forward.

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.

On December 8, 2020, the Company issued 4,265,670 common shares at a stated value of $Cdn 0.05 ($US 0.03807), to settle $86,788 of outstanding Fees Payable to Directors and Officers and $562,789 of outstanding Notes and Interest Payable. The Company determined that the fair market value to be assigned to the Loon shares issued from treasury regarding the Debt Settlement would fall within a range of $Cdn 0.005 per share to $Cdn 0.05 per share. Management has used a fair market value for the treasury shares issued of $Cdn 0.05 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, 2022	As at December 31, 2021
Shares outstanding, beginning of year	10,250,270	10,250,270
Issuance of shares	-	-
	10,250,270	10,250,270
Weighted average number of shares outstanding	10,250,270	10,250,270

(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, 2022	2021
Net loss attributable to shareholders	$ (12,863)	$ (53,972)
Weighted average number of shares outstanding	*10,250,270*	*10,250,270*
Net loss per share - Basic and diluted	$ (0.00)	$ (0.01)

(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 February26, 2024.

On June 4, 2021 two Officers holding 300,000 of the 750,000 Options granted on February 26, 2021 resigned from the Company. Under the terms of the Option agreements, the Options expired 90 days following the date of resignation, on September 2, 2021.

On June 16, 2021 the Company granted 150,000 Options to a Director of the Company. 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, 2022, the Company recorded share-based compensation of $nil (March 31, 2021 - $35,784) to recognize the estimated fair value of the options issued on February 26, 2021. The fair value of stock options granted was estimated using the Black-sholes Option Pricing Model with the following assumptions:

Risk-free rate:	0.5%
Expected life:	3 years
Expected volatility:	100%
Share price at grant:	Cdn$ 0.12 – Cdn$ 0.15 per share

7. Related Party Transactions

During the three months ended March 31, 2022, additional funding was advanced to the Company in the form of secured Notes Payable by Mr. Stein, which totaled $8,179 and $21,969 was repaid to Mr. Stein from proceeds of reimbursed expenses. No additional funding was advanced to the Company.

As at March 31, 2022 the Company had secured Notes payable to Mr. Stein, Chief Executive Officer and Director, in the amount of $ 113,558 ($Cdn 141,894) plus accrued interest of $3,616 ($Cdn 4,519). 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).

Effective October 27, 2021, Mr. Stein resigned as a Director and Officer of the Company for personal reasons.

8. 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.

9. Subsequent Events

During the month of April 2022, Mr. Stein paid expenses of the Company in the amount of Cdn$ 17,031. These payments were added to the balance of the secured Notes Payable and will accrue interest from the date the payments were made.

On April 4, 2022 Optimind advised that it has completed the minimum concurrent financing of Cdn$ 500,000 and is nearing completion of its audited financial statements needed for completion of the Transaction and listing on the CSE.