Loon Energy Corporation
Management's Discussion and Analysis
For the year ended December 31, 2019
(US$, unless otherwise stated)

This Management's Discussion and Analysis ("**MD&A**") document dated June 15, 2020 is provided by the management of Loon Energy Corporation ("**Loon**" or "**Company**") and should be read in conjunction with the audited financial statements for the year ended December 31, 2019.

Basis of Presentation

This MD&A is prepared using United States dollars ("**US Dollars**") which is the reporting currency of the Company. The audited financial statements for the year ended December 31, 2019 are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

The Company has no subsidiaries and has one reportable segment. The comparative information presented for 2017 continues to be presented on a consolidated basis to reflect the structure at that time.

Overview

Loon Energy Corporation ("Loon", "Loon Corp") was formerly an international oil and gas exploration and development company, whose present activities consist of the investigation and evaluation of future business opportunities. The Company has management offices in Calgary, Alberta, Canada and in Dubai, United Arab Emirates. Loon Corp was incorporated pursuant to the provisions of the Business Corporation Act (Alberta) ("ABCA") on October 30, 2008 to receive certain of the oil and gas assets of Loon Energy Inc. ("Loon Energy") in accordance with a Plan of Arrangement ("Arrangement") under the ABCA. Pursuant to the Arrangement, the assets of Loon Energy in Colombia and Peru were transferred to Loon, each Loon Energy shareholder received one common share of Loon for each Loon Energy share held, the common shares of Loon were listed on the TSX Venture Exchange under the symbol LNE and Loon received $3.15 million of cash. The implementation of the Arrangement on December 10, 2008 also resulted in Loon Energy changing its name 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 "**Agreemen**t") with Pacific West Canopy Holdings Ltd ("**PacWest**"), a privately held corporation existing under the Business Corporations Act (British Columbia). Effective December 31, 2019 Loon and PacWest mutually agreed to terminate the Agreement and release each other from any obligations, including repayment of advances under Notes Payable agreements and accrued interest thereon.

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 pending the outcome of the Transaction.

Operations Overview

The Company no longer conducts any active oil and gas operations, and its present activities consist solely of investigating and evaluating potential business opportunities.

Significant factors affecting Company's results of operations

The Company has not conducted any active oil and gas operations during 2019 and 2018, though the Company continues to evaluate other business opportunities, including the potential acquisition of international oil and gas interests.

Selected annual information

Working capital deficiency

	As at December 31,		
	2019	2018	2017
Current assets	$ 8,707	$ 50,079	$ 10,017
Current liabilities	816,368	838,767	633,859
	$ (807,661)	$ (788,688)	$ (623,842)

	Year ended December 31,		
	2019	2018	2017
Operations			
General and administrative	$ (30,217)	$ (164,856)	$ (372,414)
Financing			
Interest expense	(102,001)	(29,596)	(41,596)
Foreign exchange gain/(loss)	(22,778)	29,606	(8,619)
	(124,779)	10	(50,215)
Other			
Gain on termination of note payable	136,023	-	-
Gain on disposal of property interest	-	-	613,071
	136,023	-	613,071
Net income (loss)	(18,973)	(164,846)	190,442
Current tax recovery	-	-	-
Net income (loss) and comprehensive income (loss)	$ (18,973)	$ (164,846)	$ 190,442
Net income (loss) per share	$ (0.00)	$ (0.01)	$ 0.01

The following table summarizes the weighted average number of outstanding common shares used in calculating the net loss per share.

	Year ended December 31,		
	2019	2018	2017
Net income (loss) attributable to shareholders	$ (18,973)	$ (164,846)	$ 190,442
Weighted average number of shares	*23,938,379*	*23,938,379*	*22,670,565*
Net income (loss) per share - Basic and diluted	$ (0.00)	$ (0.01)	$ 0.01

General and Administrative Expenses

	Year ended December 31,	
	2019	2018
Advisory costs	$ 936	$ 108,688
Other administration costs	29,281	56,168
	$ 30,217	$ 164,856

General and administrative expenses for the year ended December 31, 2019 decreased to $30,217 compared to $164,856 for the year ended December 31, 2018. Advisory costs decreased in 2019, mainly due to legal costs related to the negotiations with PacWest, which took place in 2018. Other administration costs decreased due to the lower activity level and cost reduction initiatives.

Interest expense

Interest expense increased to $102,001 during the year ended December 31, 2019 compared to $29,596 for the year ended December 31, 2018 due to reinstating interest in June, 2019 on notes payable to Directors and Officers, retroactively to July 1, 2018. As at June 30, 2019 the proposed transaction with PacWest had not been concluded and, in accordance with the terms of the Agreement, interest which had been waived by Directors and Officers was reinstated. Additional interest has been recognized in 2019 related to new notes payable to unrelated parties in conjunction with the proposed Transaction.

Foreign exchange gain/loss

The Company recorded a foreign exchange loss of $22,778 for the year ended December 31, 2019 compared to a gain of $29,606 for the year ended December 31, 2018. The increase is due to a weakening of the Canadian dollar compared to the US dollar, which resulted in a loss upon the revaluation of unpaid Directors fees and notes payable, which are denominated in Canadian dollars. The exchange loss of $18,820 is unrealized (2018 – gain of $31,719).

Gain on Termination of Note Payable

	Year ended December 31, 2019	2018
Gain on termination of note payable	$ 136,230	$ -

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. Immediately prior to December 31, 2019, Loon had indebtedness to PacWest on $136,230 including loan principal and accrued interest.

Summary of Quarterly Data

The following tables set forth selected quarterly financial information for the most recent eight financial quarters.

	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net earnings (loss)	$ 94,544	$ (17,639)	$ (61,086)	$ (34,792)
Per share - basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
General and administrative	$ 12,242	$ 4,157	$ 7,385	$ 6,433
Advisory costs	1,767	51	(1,178)	296
Other administrative costs	10,475	4,106	8,563	6,137
Interest expense	$ 19,720	$ 19,019	$ 59,763	$ 3,499
Foreign exchange loss (gain)	$ 9,517	$ (5,537)	$ (6,062)	$ 24,860
Gain on termination of notes payable	$ 136,023	$ -	$ -	$ -
Working capital deficiency	$ (807,661)	$ (902,205)	$ (884,566)	$ (823,480)

	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net earnings (loss)	$ (21,723)	$ (107,286)	$ (23,930)	$ (11,907)
Per share - basic and diluted	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.00)
General and administrative	$ 39,941	$ 99,717	$ 17,395	$ 7,803
Advisory costs	14,377	91,398	911	2,002
Other administrative costs	25,564	8,319	16,484	5,801
Interest expense	$ 3,488	$ 1,786	$ 12,628	$ 11,694
Foreign exchange loss (gain)	$ (21,706)	$ 5,783	$ (6,093)	$ (7,590)
Gain on disposal of property interest	$ 613,071	$ -	$ -	$ -
Working capital (deficiency)	$ (788,688)	$ (766,965)	$ (659,679)	$ (635,749)

Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares.

The Company's common shares are listed for trading on the NEX board of the TSX Venture Exchange.

	Number of Shares	Share Capital
Balances, December 31, 2017	23,938,379	$16,620,159
Common shares issued	-	-
Balances, December 31, 2018	23,938,379	$16,620,159
Balances, December 31, 2018	23,938,379	$16,620,159
Common shares issued	-	-
Balances, December 31, 2019	23,938,379	$16,620,159

There are no unexercised or unvested share purchase options.

Related Party Transactions

During the year ended December 31, 2019, additional funding which totaled $6,066 (2018 - $46,693) was advanced to the Company by a member of the Board of Directors secured by notes payable. The notes payable are due on demand with interest calculated at a rate of 12% per annum, compounded quarterly.

As at December 31, 2019, the Company had notes payable to Timothy Elliott, Chairman of the Board of Directors of Loon Energy, in the aggregate amount of $232,765 (2018 - $225,150) plus $135,758 (2018 - $76,536) of accrued interest. The notes payable are due on demand with interest calculated at a rate of 12% per annum, compounded quarterly. As at December 31, 2019, the Company had notes payable to Jock Graham, a member of the Board of Directors of Loon, in the aggregate amount of $97,676 (2018 - $96,773) plus $46,778 (2018 - $23,171) of accrued interest. As at December 31, 2019, the Company had notes payable to Norman Holton, Chief Executive Officer of Loon, in the aggregate amount of $23,097 (2018 - $21,990) plus $5,324 (2018 - $660) of accrued interest.

Liquidity and Capital Resources

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 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 December 31, 2019, the Company had a working capital deficiency of $807,661 of which $753,559 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.

Financial Risk Management

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net income or the value of its financial instruments.

Interest rate risk

The Company maintains its cash and cash equivalents in instruments that are redeemable at any time without penalty thereby reducing its exposure to interest rate fluctuations thereon. Interest rate risk is not considered material.

Foreign currency exchange risk

The Company is exposed to risks arising from fluctuations in currency exchange rates between the Canadian dollar ("CAD") and the United States dollar. At December 31, 2019 and 2018 the Company's primary foreign currency exposure relates to Canadian dollar cash balances and accounts receivable net of accounts payable and accrued liabilities in Canada as follows:

	As at December 31, 2019	As at December 31, 2018
Cash	$ 9,834	$ 56,637
Prepaid expenses and other current assets	1,430	2,276
Accounts payable	(81,575)	(105,661)
Directors' fees and interest payable	(126,512)	(275,570)
Notes payable to related parties	(275,570)	(99,068)
Notes payable	-	(154,942)
Net foreign exchange exposure	$ (472,393)	$ (576,328)
US$ equivalent at year end exchange rate	$ (363,695)	$ (422,448)

Based on the net foreign exposure at the end of the year, if these currencies had strengthened or weakened by 10% compared to the U.S. dollar and all other variables were held constant, the after tax net earnings would have decreased or increased by approximately $36,370 (2018 - $42,245).

Credit Risk

Management monitors credit risk by reviewing the credit quality of the financial institutions that hold the cash and cash equivalents.

The Company's accounts receivable as at December 31, 2019 included $221 (2018 - $1,669) of goods and services taxes recoverable from the Government of Canada. The Company does not consider the credit risk relating to the outstanding amounts to be significant.

Liquidity Risk and Capital Management

The Company was an exploration and development resource company formerly active in South and Central America, however its last remaining resource property interest was relinquished during 2017. The Company's management is currently evaluating new business opportunities, however, without internally generated cash flow and a consequent reliance on shareholder advances to fund activities, there are inherent liquidity risks including the possibility that additional financing may not be available to the Company on either a timely or commercial basis, or that future business opportunities may not be available at a cost the Company can afford. The need to raise capital to fund the working capital deficiency, ongoing operations, and evaluate and acquire new business opportunities 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, debt or farm-out arrangements will be available when needed.

As at December 31, 2019, the Company's working capital deficiency was $807,661 (December 31, 2018: $788,688). Consistent with prior years, the Company manages its capital structure to maximize financial flexibility, making adjustments in light of changes in economic conditions and risk characteristics of the underlying assets. Further, each potential acquisition and investment opportunity is assessed to determine the nature and total amount of capital required together with the relative proportions of debt and equity to be deployed. The Company does not presently utilize any quantitative measures to monitor its capital.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes to the financial statements:

- Note 2(b) – Going concern

At December 31, 2019, there were no critical judgments required to be made by management when applying the Company's significant accounting policies.

Internal Controls over Financial Reporting

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee meets at least annually with the Company's external auditors to review accounting, internal control, financial reporting, and audit matters. Internal controls over financial reporting have not changed significantly since the last reporting period.

Changes in Accounting Policies

Standards currently adopted

Financial Instruments
In July 2014, the IASB issued the last version of IFRS 9 "Financial Instruments" ("IFRS 9") to replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The new standard defines requirements for recognizing and measuring financial assets, financial liabilities and contracts to buy or sell non-financial items.

The Company adopted the new standard effective January 1, 2018. The adoption of this standard did not have a material impact on the Financial Statements.

Leases

In January 2016, the IASB issued IFRS 16 "Leases" ("IFRS 16"), which requires entities to recognize assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue and what assets would be recorded.

Loon adopted IFRS 16 on January 1, 2019, using the modified retrospective approach where the Company recognizes the cumulative effect as an adjustment to the opening retained earnings and applies the standard prospectively. The Company currently has no lease obligations that fall within the scope of the new standard.

Forward Looking Statements

This MD&A contains forward-looking statements. These statements relate to future events or future performance of the Company. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "predict", "seek", "propose", "expect", "potential", "continue", and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance, or achievements to vary from those described in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated, or expected.

Specific forward-looking statements in this MD&A, among others, include statements pertaining to the following:

- factors upon which the Company will decide whether or not to undertake a specific course of action;
- world-wide supply and demand for petroleum products;
- expectations regarding the Company's ability to raise capital;
- treatment under governmental regulatory regimes; and
- commodity prices.

With respect to forward-looking statements in this MD&A, the Company has made assumptions, regarding, among other things:

- the impact of increasing competition;
- the ability of farm-out partners to satisfy their obligations;
- the Company's ability to obtain additional financing on satisfactory terms; and
- the Company's ability to attract and retain qualified personnel.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- general economic conditions;
- volatility in global market prices for oil and natural gas;
- competition;
- liabilities and risks, including environmental liability and risks, inherent in oil and gas operations;
- the availability of capital; and
- alternatives to and changing demand for petroleum products.

Furthermore, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitable in the future.

The forward–looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. These statements apply only as of the date of this MD&A.

Approval

The Company's Board of Directors approved the disclosure contained within this MD&A on June 15, 2020.

Additional Information

Additional information regarding the Company and its business and operations is available on the Company's profile at **www.sedar.com**. Copies of the information can also be obtained by contacting the Company by e-mail at **nholton@loonenergy.com**.