Loon Energy Corporation
Management's Discussion and Analysis
For the year ended December 31, 2020
(US$, unless otherwise stated)

This Management's Discussion and Analysis ("**MD&A**") document dated March 23, 2021 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, 2020. The Company's Board of Directors approved the disclosure contained within this MD&A on March 23, 2021.

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, 2020 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.

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. During the year, the Company had 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.

On October 13, 2020 Directors and Officers entered into debt Settlement Agreements (the "Settlement Agreements") with the Company, pursuant to which a portion of the Fees Payable to Directors and Officers and Notes Payable to related parties were settled for consideration consisting of treasury shares issued by the Company, with the remaining unpaid amounts forgiven. In accordance with the agreements, Directors and Officers agreed to forgive, in aggregate, $123,030 of the Fees Payable and $29,553 of the Notes Payable. The remaining Fees Payable of $86,788 and the remaining Notes Payable of $562,789 were settled by issuance of 4,265,670 shares of the Company from Treasury with a stated value of $Cdn 0.05 ($US 0.03807) per share. The holders of shares issued pursuant to the Settlement Agreements are restricted from trading these shares until after April 9, 2021.

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 presented throughout the financial statements and Management's Discussion and Analysis have been adjusted retroactively to reflect the consolidation.

Loon is a Reporting Issuer in Canada, whose common shares were traded under the symbol "LNE" on the 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 resumed trading on October 8, 2020.

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 2020 and 2019, though the Company continues to evaluate other business opportunities, including the potential acquisition of international oil and gas interests. 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. 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.

Selected annual information

Working capital deficiency

	As at December 31, 2020	2019	2018
Current assets	$ 8,656	$ 8,707	$ 50,079
Current liabilities	(68,814)	(816,368)	(838,767)
	$ (60,158)	$ (807,661)	$ (788,688)

Results of operations

	Year ended December 31, 2020	2019	2018
Operations			
General and administrative	$ (59,207)	$ (30,217)	$ (164,856)
Financing			
Interest expense	(33,694)	(102,001)	(29,596)
Foreign exchange gain/(loss)	2,418	(22,778)	29,606
	(31,276)	(124,779)	10
Other			
Gain on settlement of debts	188,409	136,023	-
Net income (loss) and comprehensive income (loss)	$ 97,926	$ (18,973)	$ (164,846)
Net income (loss) and comprehensive income (loss) per share	$ 0.02	$ (0.00)	$ (0.03)

The following table summarizes the weighted average number of outstanding common shares used in calculating the net loss per share. For comparative purposes, the prior year number of shares has been retroactively adjusted to reflect a 1-for-4 share consolidation which occurred on December 17, 2020.

	Year ended December 31, 2020	2019	2018
Net income (loss) attributable to shareholders	$ 97,926	$ (18,973)	$ (164,846)
Weighted average number of shares	*6,253,391*	*5,984, 600*	*5,984,600*
Net income (loss) per share - Basic and diluted	$ 0.02	$ (0.00)	$ (0.03)

General and Administrative Expenses

	Year ended December 31, 2020	2019
Advisory costs	$ 29,879	$ 936
Other administration costs	29,328	29,281
	$ 59,207	$ 30,217

General and administrative expenses for the year ended December 31, 2020 increased to $59,207 compared to $30,217 for the year ended December 31, 2019. Advisory costs increased in 2020, mainly due to legal fees. Other administration costs consist mainly of public company costs of compliance and did not change significantly from 2019 to 2020.

Interest expense

Interest expense decreased to $33,694 during the year ended December 31, 2020 compared to $102,001 for the previous year. Pursuant to the Settlement Agreements, interest on Notes Payable to Related Parties did not accrue subsequent to June 30, 2020. Accordingly, interest expense for the year ended December 31, 2020 is comprised of six months of interest on Notes advanced prior to June 30, 2020 and interest from the date of advance to December 31, 2020 for funds advanced in the second half of 2020. Interest expense for the year ended December 31, 2019 was higher, as it included retroactive recognition of interest payable due to reinstating interest to June 30, 2019 on Notes Payable to Directors and Officers. This interest expense to July 1, 2018 was reinstated because the proposed transaction with PacWest had not been concluded as at June 30, 2019 and in accordance with the terms of the Agreement, interest which had been waived by Directors and Officers was reinstated.

Foreign exchange gain/loss

The Company recorded a foreign exchange gain of $2,418 for the year ended December 31, 2020 compared to a loss of $22,778 for the year ended December 31, 2019. The decrease is mainly due to a weakening of the Canadian dollar compared to the US dollar from December 31, 2019 to October 13, 2020 when, pursuant to the Settlement Agreements, all of the Canadian dollar denominated Fees Payable and a portion of the Canadian dollar denominated Notes Payable were settled. An exchange loss of $660 is unrealized (2019 – loss of $18,820).

Gains on settlement of debts

	Year ended December 31, 2020	2019
Gain on settlement of Accounts Payable	$ 35,826	$ -
Gain on settlement of Fees Payable to Directors and Officers	123,030	-
Gain on settlement of Notes Payable	29,553	-
Gain on termination of PacWest note	-	136,023
	$ 188,409	$ 136,023

The Company realized gains during the year ended December 31, 2020 from terminations and settlements of various indebtedness for amounts less than their carrying value. Certain accounts payable to an un-related supplier of services were formally terminated for less than their carrying value. Debt settlement agreements with Directors and Officers related to unpaid fees and Notes Payable were also settled for less than their carrying value through the issuance of common shares.

During the year ended December 31, 2019 a gain was realized on termination of notes payable to PacWest pursuant to a proposed amalgamation agreement that was terminated by mutual agreement.

Summary of Quarterly Data

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

		Q4 2020		Q3 2020		Q2 2020		Q1 2020
Net earnings (loss)	$	95,996	$	24,514	$	(34,448)	$	11,864
Per share - basic and diluted	$	0.02	$	0.00	$	(0.00)	$	0.00
General and administrative	$	49,310	$	3,025	$	3,844	$	3,028
Advisory costs		29,879		-		-		-
Other administrative costs		19,431		3,025		3,844		3,028
Interest expense	$	716	$	222	$	16,655	$	16,101
Foreign exchange loss (gain)	$	6,562	$	8,064	$	13,949	$	(30,993)
Gain on settlements of debts	$	152,584	$	35,825	$	-	$	-
Working capital deficiency	$	(60,158)	$	(805,731)	$	(830,245)	$	(795,797)

		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 settlements of debts	$	136,023	$	-	$	-	$	-
Working capital deficiency	$	(807,661)	$	(902,205)	$	(884,566)	$	(823,490)

The net earnings increased significantly in the fourth quarter of 2020 as compared to the other quarters in 2020 due to a gain realized on the settlement of debts with Directors and Officers of the company. The debts were comprised of unpaid fees and Notes including accrued interest. In aggregate, the Directors and Officers forgave $123,030 of unpaid fees and $29,553 of the Notes. The remaining debts of $649,577 were settled on December 8, 2021 by issuance of 4,265,670 shares from treasury. The gain reported in the fourth quarter of 2020 is partially offset by legal fees incurred, The settlements of the debts reduced the working capital deficiency by $745,573. An additional gain on settlements of debts was recorded in the third quarter of 2020 related to the settlement of amounts owing to an arms-length provider of services.

Pursuant to the debt settlement agreements, interest on Notes outstanding on June 30, 2020 was not accrued after June 30, 2020, causing a decrease of the interest expense in the third and fourth quarters of 2020.

During the fourth quarter of 2019, the Company realized a gain of $136,023 on the termination of Notes Payable upon the termination of the PacWest notes.

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.

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 presented throughout the financial statements and Management's Discussion and Analysis have been adjusted retroactively to reflect the consolidation.

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 treasury shares issued by the Company for a portion of the outstanding debts; the remaining unpaid amounts were forgiven by the respective parties.

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

	Number of Shares	Share Capital
Balances, December 31, 2019 and 2018	5,984,600	$16,620,159
Shares issued on settlement	4,265,670	649,577
Balances, December 31, 2020	10,250,270	$17,269,736

As at December 31, 2020, there are no unexercised or unvested share purchase options. On February 26, 2021, the Company announced the approval by its Board of Directors of the issuance of 750,000 incentive share purchase options to certain Directors and Officers (See Subsequent Events).

Related Party Transactions

During the year ended December 31, 2020, additional funding was advanced to the Company by two members of the Board of Directors in the form of notes payable which totaled $73,008 (2019 - $6,066).

On October 13, 2020, Directors and Officers entered into debt Settlement Agreements with the Company, whereby Fees Payable to Directors and Officers and certain Notes Payable and accrued interest were settled.

As at December 31, 2020 the Company had secured Notes payable to Mr. Elliott, Chairman of the Board in the amount of $23,562 (2019 - $232,765) plus $945 (2019 - $135,758) of accrued interest and to Mr. Stein, Chief Executive Officer and Director, in the amount of $31,978 (2019 - $nil) plus accrued interest of $20 (2019 - $nil). The secured Notes payable are due on demand with interest calculated at a rate of 12% per annum, compounded annually on December 31. As at December 31, 2020, the Company had Notes payable to Jock Graham, a former member of the Board of Directors of Loon, in the amount of $nil (2019 - $97,676) plus $nil (2019 - $46,778) of accrued interest. As at December 31, 2020, the Company had Notes payable to Norman Holton, President and Corporate Secretary of Loon, in the amount of $nil (2019 - $23,097) plus $nil (2019 - $5,324) 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.

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 2014 and continuing through 2020, certain members of the Company's Board of Directors advanced cash to fund Loon's activities.

As at December 31, 2020, the Company had a working capital deficiency of $60,158 of which $56,504 is the aggregate of Notes Payable 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, 2020 and 2019 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,	
	2020	2019
Cash	$ 6,786	$ 9,834
Prepaid expenses and other receivables	4,278	1,430
Accounts payable	(15,628)	(81,575)
Directors' fees and interest payable	-	(126,512)
Notes payable to related parties	(71,943)	(275,570)
Net foreign exchange exposure	$ (76,507)	$ (472,393)
$US equivalent at year end exchange rate	$ (60,089)	$ (363,695)

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 $6,009 (2019 - $36,370).

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, 2020 included $1,897 (2019 - $221) 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'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, 2020, the Company's working capital deficiency was $60,158. (December 31, 2019: $807,661). 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 Note 2(b) – Going concern.

Management made critical judgments to determine 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.

At December 31, 2020, there were no other 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

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2020. There are currently no such pronouncements that are expected to have a significant impact on the Company's financial statements.

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;
- expectations regarding the Company's ability to raise capital; and
- treatment under governmental regulatory regimes.

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 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;
- competition;
- liabilities and risks, including environmental liability and risks,: and
- the availability of capital.

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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.

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 in 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.

Subsequent Events

On February 26, 2021, Loon's Board of Directors announced the granting of 750,000 share purchase options to certain Directors and Officers at an exercise price of $Cdn 0.13 per share, with all unexercised share purchase options expiring February 26, 2024.

On February 26, 2021, Mr. Stein and Mr. Elliott entered in an Assignment Agreement, under the terms of which the secured Promissory Note payable to Mr. Elliott on December 31, 2020 was assigned to Mr. Stein. The Promissory Note now payable to Mr. Stein continues to be outstanding at the same principal amount and interest continues to accrue in accordance with the terms of the Note.

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**.