Loon Energy Corporation
Management's Discussion and Analysis
For the three and six-month period ended June 30, 2021
(US$, unless otherwise stated)
(unaudited)

This Management's Discussion and Analysis ("**MD&A**") document dated August 13, 2021 is provided by the management of Loon Energy Corporation ("**Loon**" or "**Company**") and should be read in conjunction with the condensed interim financial statements for the three and six-month periods ended June 30, 2021 and 2020, the audited financial statements for the years ended December 31, 2020 and December 31, 2019 and the 2020 annual MD&A. The Company's Board of Directors approved the disclosure contained within this MD&A on August 13, 2021.

Basis of Presentation

This MD&A is prepared using United States dollars ("US Dollars"), which is the reporting and functional currency of the Company. The condensed interim financial statements for the three and six-month periods ended June 30, 2021 are prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company confirms that its auditors have not reviewed the condensed interim financial statements for the three and six-month periods ended June 30, 2021.

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. . 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.

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.

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. The holders of shares issued pursuant to the Settlement Agreements were 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.

Operations Overview and Significant Factors affecting the Company's Results of Operations

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

Selected annual information

Working capital deficiency

	As at June 30, 2021	As at December 31, 2020
Current assets	$ 2,782	$ 8,656
Current liabilities	(93,256)	(68,814)
	$ (90,474)	$ (60,158)

Current liabilities are comprised of Accounts Payable and Accrued Liabilities of $11,038 (December 31, 2020 - $12,310) and Notes Payable to Related Parties of $82,218 (December 31, 2020 - $56,504).

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Expenses				
General and administrative	$ (7,460)	$ (3,844)	$ (24,794)	$ (6,872)
Share-based compensation	(4,381)	-	(38,637)	-
Finance costs				
Interest expense	(2,308)	(16,655)	(3,989)	(32,756)
Foreign exchange gain/(loss)	(832)	(13,949)	(1,533)	17,044
	(3,140)	(30,604)	(5,522)	(15,712)
Net loss and comprehensive loss	(14,981)	(34,448)	$ (68,953)	$ (22,584)
Net loss per share (basic and diluted)	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)

The following table summarizes the calculation of the net loss per share

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Net loss attributable to shareholders	$ (14,981)	$ (34,448)	$ (68,953)	$ (22,584)
Weighted average number of shares outstanding	10,250,270	5,984,600	10,250,270	5,984,600
Loss per share - Basic and diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)

General and Administrative Expenses

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Advisory costs	$ 2,747	$ -	$ 9,905	$ -
Other administration costs	4,713	3,844	14,889	6,872
	$ 7,460	$ 3,844	$ 24,794	$ 6,872

General and administrative expenses for the three months ended June 30, 2021, increased to $7,460 compared to $3,844 for the three months ended June 30, 2020, mainly due to legal and compliance costs associated with changes of Officers and Directors.

General and administrative expenses for the six months ended June 30, 2021 increased to $24,794 compared to $6,872 for the six months ended June 30, 2020. The increase is due to legal and compliance costs associated with changes of Officers and Directors, incentive share purchase option grants and other administrative costs associated with increased corporate and public market activity.

Share-based Compensation

On February 26, 2021, the Company granted 750,000 incentive share purchase options (the "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.

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 will expire 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 and six months ended June 30, 2021, the Company recorded share-based compensation of $4,381 (2020 - $nil) and $38,637 (2020 - $nil), respectively, 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 0.12 to $Cdn 0.15 per share

Interest expense

Interest expense decreased to during the three and six-month periods ended June 30, 2021 to $2,308 and $3,989 respectively, compared to $16,655 and $32,756 for the three and six-month periods ended June 30, 2020. Pursuant to the Settlement Agreements dated October 13, 2020, Notes payable to certain current and former Directors and Officers of the Company as at June 30, 2020, and accrued interest thereon, were settled for consideration consisting of treasury shares issued by the Company, with the remaining unpaid amounts forgiven. The balance of secured Notes Payable to Related Parties as at June 30, 2021 was $82,218, compared to $587,941 as at June 30, 2020. Advances made by Directors after June 30, 2020 were outstanding throughout the first six months of 2021 and accrued interest at 12 percent per annum.

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Interest expense	$ 2,308	$ 16,655	$ 3,989	$ 32,756

Summary of Quarterly Data

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

	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Net earnings (loss)	$ (14,981)	$ (53,972)	$ 95,996	$ 24,514
Per share - basic and diluted	$ (0.00)	$ (0.00)	$ 0.02	$ 0.00
General and administrative	$ 7,460	$ 17,334	$ 49,310	$ 3,025
Advisory costs	2,747	7,158	29,879	-
Other administrative costs	4,713	10,176	19,431	3,025
Share-based compensation	$ 4,381	$ 34,256	$ -	$ -
Interest expense	$ 2,308	$ 1,681	$ 716	$ 222
Foreign exchange loss	$ 832	$ 701	$ 6,562	$ 8,064
Gain on settlements of debts	$ -	$ -	$ 152,584	$ 35,825
Working capital deficiency	$ (90,474)	$ (79,874)	$ (60,158)	$ (805,731)

	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Net earnings (loss)	$ (34,448)	$ 11,864	$ 94,544	$ (17,639)
Per share - basic and diluted	$ (0.00)	$ 0.00	$ 0.00	$ (0.00)
General and administrative	$ 3,844	$ 3,028	$ 12,242	$ 4,157
Advisory costs	-	-	1,767	51
Other administrative costs	3,844	3,028	10,475	4,106
Share-based compensation	$ -	$ -	$ -	$ -
Interest expense	$ 16,655	$ 16,101	$ 19,720	$ 19,019
Foreign exchange loss/(gain)	$ 13,949	$ (30,993)	$ 9,517	$ (5,537)
Gain on settlements of debts	$ -	$ -	$ 136,023	$ -
Working capital deficiency	$ (830,245)	$ (795,797)	$ (807,661)	$ (902,205)

During the second quarter of 2021, the Company incurred a loss of $14,981, which included general and administrative expenses related to public company compliance costs and share-based compensation expense related to incentive share purchase options issued to a new Director.

The Company incurred a loss of $53,972 in the first quarter of 2021, mainly due to the recognition of the estimated fair value of share purchase options granted to certain Directors and Officers on February 26, 2021.

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 certain current or former Directors and Officers of the Company. The debts were comprised of unpaid fees and Notes, including accrued interest. 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 the settlement of a non-related debt 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 subsequent quarters.

During the fourth quarter of 2019, the Company realized a gain of $136,023 on the termination of a secured note upon the termination of a potential business combination.

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, certain current or former 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 Agreements, 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 or former Directors and Officers and $562,789 of outstanding Notes and Interest Payable. 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. The holders of shares issued pursuant to the Settlement Agreements were restricted from trading the shares until after April 9, 2021.

	As at June 30, 2021	As at December 31, 2020
Shares outstanding, beginning of year	10,250,270	5,984,600
Issuance of shares on settlement of debts (Note 7)	-	4,265,670
	10,250,270	10,250,270
Weighted average number of shares outstanding, with effect of share consolidation applied retroactively	10,250,270	6,253,391

On February 26, 2021, the Company granted 750,000 incentive share purchase options (the "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. On June 4, 2021, two Officers holding 300,000 Options resigned from the Company. Their Options will expire 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. These Options have an exercise price of $Cdn 0.13 per share, vest immediately, and expire on February 26, 2024.

During the three and six months ended June 30, 2021, the Company recorded share-based compensation of $4,381 (2020 - $nil) and $38,637 (2020 - $nil), respectively, to recognize the estimated fair value of these options.

As of the date of this MD&A, there were 10,250,270 common shares issued and outstanding on a non-diluted basis and there are 900,000 outstanding stock options granted to certain Officers and Directors. Total issued and outstanding shares will be 11,150,270 common shares issued and outstanding on a fully diluted basis if all stock options granted are exercised.

Related Party Transactions

As at June 30, 2021, the Company had secured Notes payable to Mr. Michael Stein, Chief Executive Officer and Director, in the amount of $78,214 plus $4,004 of accrued interest. These secured Notes payable include a secured Note in the amount of $24,813 which was assigned to Mr. Stein on February 26, 2021, pursuant to an agreement between Mr. Stein and Mr. Timothy Elliott, Chairman of the Board. All secured Notes are due on demand with interest calculated at a rate of 12% per annum, compounded annually on December 31.

Liquidity and Capital Resources

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 2021, certain members of the Company's Board of Directors advanced cash to fund Loon's activities.

As at June 30, 2021, the Company had a working capital deficiency of $90,474 of which $82,218 is the aggregate of Notes Payable to the Chief Executive Officer 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 June 30, 2021 and December 31, 2020, 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 June 30, 2021		As at December 31, 2020	
		$Cdn		$Cdn
Cash	$	874	$	6,786
Prepaid expenses and other receivables		1,225		4,278
Accounts payable		(13,685)		(15,628)
Notes and interest payable to related parties		(101,907)		(71,943)
Net foreign exchange exposure	$	(113,493)	$	(76,507)
$US equivalent at year end exchange rate	$	(91,566)	$	(60,089)

Based on the net foreign exposure as at June 30, 2021, 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 $9,157 (December 31, 2020 - $6,009).

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 June 30, 2021 included $Cdn 1,225 ($US 988) (December 31, 2020 - $Cdn 1,897 ($US 1,490)) 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.

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 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 June 30, 2021, the Company was indebted in the aggregate amount of $82,218 (December 31, 2020 - $nil) to Mr. Michael Stein, a Director and Chief Executive Officer of Loon.

As at June 30, 2021, the Company had a working capital deficiency of $90,474 (December 31, 2020: $60,158), of which $82,218 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.

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 $Cdn 0.02 ($US 0.0152) per share to $Cdn 0.20 ($US 0.1523) per share. 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.

Management is required to make certain estimates when determining the fair value of stock option awards that have vested or are expected to vest. These estimates affect the amount recognized as share-based compensation in the statement of operations and comprehensive income and loss.

At June 30, 2021, 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 June 30, 2021. 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.

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 **michael.stein@rogers.com**.