Loon Energy Corporation
Management's Discussion and Analysis
For the years ended December 31, 2015 and 2014
(US$, unless otherwise stated)

This Management's Discussion and Analysis ("**MD&A**") document dated April 21, 2016 is provided by the management of Loon Energy Corporation ("**Loon**" or "**Company**") and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2015 and December 31, 2014.

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 audited consolidated financial statements for the year ended December 31, 2015 are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

Overview

Loon Energy Corporation is an international oil and gas exploration and development company with 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 changing its name to Kulczyk Oil Ventures Inc. ("Kulczyk Oil"). Effective June 24, 2013, Kulczyk Oil changed its name to Serinus Energy Inc. ("Serinus").

Operations Overview

Loon acquired interests in certain South American oil and gas assets in December 2008 from Serinus in accordance with a legal Plan of Arrangement under the ABCA. These oil and gas assets included interests in properties in Colombia obtained by way of farm-out agreements, and an interest in a block of exploration lands in Peru. The Company and its partner relinquished the block in Peru after the completion of a seismic program, and while Loon retains a minority interest in one Association Contract in Colombia, no further operations on the property are presently anticipated. In 2013, the Company submitted bids on exploration and development properties in Guatemala, however it elected to not proceed with further operations when only one such bid was successful. Loon's present activities consist primarily of complying with the legal and regulatory requirements to legally wind-up its activities in Colombia, Peru and Guatemala, with the Company's intention being to pursue and evaluate future exploration and development opportunities in the international oil and gas arena.

Colombia

<u>Buganviles Association Contract</u>

Through a farm-in agreement, the Company earned a 20% non-operated participating interest in a 60,817 hectare block of land covered by the Buganviles Association Contract between Holywell Resources S.A. and Empresa Colombiana de Petróleos ("Ecopetrol"), the Colombian national oil company. The Company's interest was reduced to a 10% net working interest after a farm-out agreement in 2010 with Petrodorado South America S.A. ("Petrodorado") under the terms of which Petrodorado paid the Company's share of costs to drill and complete two wells. The Buganviles Association Contract lands are located in the Upper Magdelena Valley area of central Colombia. The Company has fulfilled its required work commitments with respect to this contract area. The only producing well on this property, the Delta-1 well, did not produce commercial volumes of oil or gas in 2014, or 2015, and was suspended as of the end of the year. The operator has proposed a plan to abandon all remaining wells within the Buganvile Association Contract. However, as of April 21, 2016, the joint venture partners have not accepted such proposal.

The Company received cash calls from the Operator in 2010 to fund the drilling and completion of two Buganviles wells. Upon the execution of the Petrodorado farm-out agreement in September 2010, these cash call amounts became payable by Petrodorado, and to date, Petrodorado has paid a total of $2 million under the farm-out agreement. Unpaid cash calls in the aggregate amount of $232,708 to fund the remaining costs of drilling of these two wells remain outstanding, and form a portion of both the accounts receivable from Petrodorado under the terms of the farm-out agreement and accounts payable to the Operator. As at December 31, 2014, and 2015, the Company has a bad debt allowance of $232,708 against this receivable from Petrodorado because of the uncertainty of collection. As at December 31, 2014 and 2015, the Company's payable to the Operator remains at $400,152. However, the Company is not in agreement with this amount, and questions the validity of the claim.

The Company has recorded a decommissioning provision resulting from its working interest ownership in petroleum and natural gas properties in Colombia, including well sites, gathering systems and processing facilities. The Company's estimate of the total undiscounted cash flows required to settle the obligations is $212,920 (December 31, 2014 - $210,337) which are expected to be settled in the next 12 to 24 months.

The Company does not currently have any definitive plans to return to the drilling program or further develop the concession.

Peru

The Company, through its wholly-owned subsidiary, Loon Peru Limited ("**Loon Peru**"), had an exploration license contract with PERUPETRO S.A granting Loon Peru the right to explore for and produce hydrocarbons from Block 127 in the Marañon Basin area of northeast Peru.

In 2010, the Operator, Compañía Española de Petróleos, S.A. ("**CEPSA**"), and Loon Peru decided to not enter into the second exploration phase and withdraw from Block 127. All petroleum and natural gas property expenditures related to Block 127 were fully written off in 2010. During 2014, the Company received confirmation from CEPSA that Loon Peru has no outstanding liabilities or further obligations arising from its former property in Peru, including additional abandonment and/or reclamation activities. All costs related to the Company's property in Peru had been written-off in previous periods, and as a result, Loon recognized $120,000 of other income relating to the reversal of the decommissioning provision in 2014.

Subsequent to year end, on April 14, 2016, Loon Peru was successfully wound-up and deregistered as a company.

Guatemala

During 2013, the Company incorporated a new indirect wholly-owned entity, Zacapa Energy Ltd., which subsequently changed its name to Loon Petroleo Limited ("Loon Petroleo") for the purpose of establishing a branch in Guatemala through which separate bids were submitted for three exploration blocks located in Guatemala. For purposes of the submissions, three equal performance bonds in the aggregate amount of $300,000 were posted.

In 2013 the Company was notified by government authorities that it had been awarded one of the blocks that had been bid for following which the cash posted for the two unsuccessful bids of $200,000 was released. In 2014 management decided to not pursue activities in Guatemala and the remaining cash posted for the awarded bid of $100,000 was returned to the Company upon expiry of the pledge with the bank.

Loon Petroleo was successfully wound-up in July 2015.

Significant factors affecting Company's results of operations

The Company has not conducted any active oil and gas operations during 2015 and 2014, though the Company continues to pursue the acquisition of international oil and gas opportunities.

Selected annual information

Working capital deficiency

	As at December 31, 2015	As at December 31, 2014
Current assets	$ 36,754	$ 67,333
Current liabilities	(576,690)	(511,780)
	$ (539,936)	$ (444,447)

	Year ended December 31, 2015	Year ended December 31, 2014
Operations		
General and administrative	$ (89,599)	$ (113,943)
Bad debt expense	-	(232,708)
Other income	-	120,000
Stock based compensation	-	(1,844)
	(89,599)	(228,495)
Financing		
Accretion	(3,348)	(3,137)
Interest expense	(13,647)	(132)
Foreign exchange gain/(loss)	1,905	(1,391)
	(15,090)	(4,660)
Loss before tax	(104,689)	(233,155)
Current tax recovery	5,852	-
Net loss and comprehensive loss	$ (98,837)	$ (233,155)
Net loss per share (basic and diluted)	$ (0.00)	$ (0.01)

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

	Year ended December 31, 2015	Year ended December 31, 2014
Net loss attributable to shareholders	$ (98,837)	$ (233,155)
Weighted average number of shares outstanding	19,949,136	19,949,136
Loss per share - Basic and diluted	$ (0.00)	$ (0.01)

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2015 were $89,599 compared to $113,943 for the year ended December 31, 2014. Lower general and administrative expenses in 2015 were attributable to decreased advisory costs as the Company has limited activity while it continues to legally wind-up its activities in Colombia and Peru.

	Year ended December 31, 2015	Year ended December 31, 2014
Advisory costs	$ 59,704	$ 79,229
Other administration costs	29,895	34,714
	$ 89,599	$ 113,943

Stock based compensation

Stock based compensation expense for the year ended December 31, 2015 was $nil, compared to $1,844 for the year ended December 31, 2014. All outstanding share purchase options vested during the third quarter of 2014 and therefore, no further expense will be recognized related to these options.

Bad Debt expense

During the year ended December 31, 2015, the Company recorded $nil (2014: $232,708) of bad debt expense. Bad debt expense in 2014 arose from the allowance provided against the Petrodorado receivable for Colombia.

Decommissioning obligation

Accretion expense for the year ended December 31, 2015 was $3,348 compared to $3,137 for the comparative year ended December 31, 2014. As at December 31, 2015, the decommissioning obligation for the remaining Colombian properties has been fully accreted and no further expense will be recognized. The settlement of decommissioning liabilities is expected to occur over the next few years.

During the year ended December 31, 2015, the Company recorded $nil (2014: $120,000) of other income arising from the reversal of the decommissioning liability in Peru.

Summary of Quarterly Data

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

	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net earnings (loss)	$ (27,310)	$ (15,284)	$ (39,707)	$ (16,536)
Per share - basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
General and administrative	$ 21,812	$ 17,341	$ 34,650	$ 15,796
Advisory costs	18,436	7,233	26,253	7,782
Other administrative costs	3,376	10,108	8,397	8,014
Stock based compensation	$ -	$ -	$ -	$ -
Accretion	$ 303	$ 1,015	$ 1,015	$ 1,015
Interest expense	$ 4,537	$ 4,537	$ 2,962	$ 1,611
Foreign exchange loss (gain)	$ 658	$ (1,757)	$ 1,080	$ (1,886)
Income tax recovery	$ -	$ (5,852)	$ -	$ -
Working capital deficiency	$ (539,936)	$ (498,660)	$ (498,660)	$ (459,968)

	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net earnings (loss)	$ (270,161)	$ 88,347	$ (23,917)	$ (27,424)
Per share - basic and diluted	$ (0.01)	$ 0.00	$ (0.00)	$ (0.00)
General and administrative	$ 36,586	$ 30,580	$ 20,285	$ 26,492
Advisory costs	23,996	24,514	14,341	16,378
Other administrative costs	12,590	6,066	5,944	10,114
Stock based compensation	$ -	$ 455	$ 704	$ 685
Accretion	$ 941	$ 732	$ 732	$ 732
Bad debt expense	$ 232,708	$ -	$ -	$ -
Other income	$ -	$ (120,000)	$ -	$ -
Interest expense	$ 132	$ -	$ -	$ -
Foreign exchange loss (gain)	$ (206)	$ (114)	$ 2,196	$ (485)
Working capital (deficiency)	$ (444,447)	$ (175,227)	$ (264,761)	$ (242,280)

Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. There were no changes during the year to the number of issued common shares nor their stated value. There are no preferred shares outstanding.

The following table summarizes information about the options outstanding as at December 31, 2015:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance outstanding, December 31, 2013	688,500	$ 0.13	2.9
Balance outstanding, December 31, 2014	688,500	$ 0.13	1.9
Expired	(297,500)	$ 0.16	-
Forfeited	(137,000)	$ 0.10	1.9
Balance outstanding, December 31, 2015	254,000	$ 0.10	1.7
Exercisable at December 31, 2015	254,000	$ 0.10	1.7

There have been no changes in the number of shares or share purchase options outstanding between December 31, 2015 and April 21, 2016.

Related Party Transactions

The Company has no employees, and certain management and administrative services are provided by the management and staff of Serinus pursuant to a services agreement. Administrative costs incurred by Serinus for the benefit of the Company are charged to the Company based on specific identification and an allocation of administrative costs that relate to both Serinus and the Company. For the year ended December 31, 2015, these fees totaled $9,403 (2014 - $10,862). At December 31, 2015, the Company owed $488 (December 31, 2014: $nil) to Serinus. Serinus and the Company are related as they have five common directors and officers and the same principal shareholder.

As at December 31, 2015, the Company had notes payable to Timothy Elliott, Chairman of the Board of Directors of Loon Energy and a Director as well as President and Chief Executive Officer of Serinus, in the aggregate amount of $130,000 plus $12,207 of accrued interest. The notes payable are due on demand with interest calculated at a rate of 12% per annum.

As at December 31, 2015, the Company had a note payable to Jock Graham, a member of the Board of Directors of Loon and Executive Vice President and Chief Operation Officer of Serinus, in the amount of $20,000 plus $1,572 of accrued interest. The note payable is due on demand with interest calculated at a rate of 12% per annum.

The Company remains legally responsible for a guarantee issued in August 2007 ("the Loon Peru Guarantee") to the Government of Peru regarding the granting of the Block 127 license contract to Loon Peru. The block to which the guarantee is related has been relinquished and it is not currently anticipated that the guarantee will be replaced. Further, the former Operator of the property confirmed in writing to the Company that no further liabilities relating to or arising from the property existed. The Company has entered into an indemnification agreement with Serinus in respect of the Loon Peru Guarantee. More particularly, as part of the Arrangement that saw Serinus spin off its Colombian and Peruvian assets to Loon in 2008, Loon and Serinus entered into an indemnification agreement in which Loon agreed to indemnify Serinus for any and all liabilities, claims, etc. associated with the share and asset transfers that were part of the spin-off of those assets.

The above related party transactions were recorded at exchange amounts agreed to by both parties.

Liquidity and Capital Resources

The Company is an oil and gas exploration and development company formerly active in Colombia, Peru and Guatemala. The Company's sole remaining property is in Colombia, which has no proved reserves and does not generate positive net production revenue. Loon's activities during the year consisted primarily of complying with the legal and regulatory requirements to wind-up its activities in Colombia and Peru with the successful wind-up of its Guatemala subsidiary having being completed in July 2015; wind-up of the its subsidiary in Peru was completed subsequent to year-end.

The Company's 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. To date, the Company's exploration and development operations and activities have been financed by way of equity issuances, debt facilities and by farm-out arrangements with third parties who pay for all or a portion of the Company's expenditures to earn a portion of the Company's ownership interests. In Q4 2014 and continuing in 2015, certain members of the Company's Board of Directors advanced cash to fund Loon's activities. As at December 31, 2015, the Company carried interest bearing, demand notes payable in the aggregate amount of $142,207 to Timothy Elliott, Chairman of the Board of Directors of Loon, and in the aggregate amount of $21,572 to Jock Graham, a member of the Board of Directors of Loon. Mr. Elliott has provided additional cash advances of $15,607 ($20,000 Canadian Dollars) subsequent to the Company's year-end under the same terms.

As at December 31, 2015 the Company had a working capital deficiency of $539,936. The need to raise capital to fund the working capital deficiency, ongoing operations, and acquire additional concessions for exploration and development 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.

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, 2015 and 2014 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, 2015	As at December 31, 2014
Cash and cash equivalents	$ 2,800	$ 1,406
Prepaid expenses and other current assets	8,916	9,440
Accounts payable	(11,439)	(20,500)
Net foreign exchange exposure	$ 277	$ (9,654)
US$ equivalent at year end exchange rate	$ 200	$ (8,322)

At December 31, 2015 and 2014, the Company's net loss is not significantly impacted by changes in the US to Canadian dollar exchange rates.

Credit Risk

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

The Company has received cash calls from the Operator to fund the drilling and completion of two Buganviles wells in Colombia. Upon the execution of the farm-out agreement in September 2010, these cash call amounts became payable by Petrodorado. The Company carries a receivable from Petrodorado for $232,708 representing unpaid cash calls to be paid by Petrodorado to fund the drilling of these two wells on behalf of the Company under the terms of the farm-out agreement and which forms a portion of both the accounts receivable from Petrodorado and accounts payable to the Operator. As at December 31, 2014, the Company established as a bad debt allowance of $232,708 against this receivable from Petrodorado because of the uncertainty of collection

The Company's accounts receivable as at December 31, 2015 included $166 (2014 - $786) of recoverable goods and services taxes. The Company does not consider the credit risk relating to the outstanding amounts to be significant.

Liquidity Risk

The Company is an oil and gas exploration and development company formerly active in Colombia, Peru and Guatemala. The Company's sole remaining property is in Colombia, which has no proved reserves and does not generate positive net production revenue. Loon's activities during the year consisted primarily of complying with the legal and regulatory requirements to wind-up its activities in Colombia and Peru with the successful wind-up of its Guatemala subsidiary having being completed in July 2015; wind-up of the its subsidiary in Peru was completed subsequent to year-end.

However, as an exploration company without internally generated cash flow, 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 exploration and development 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 acquire additional concessions for exploration and development 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.

Capital Management

As at December 31, 2015, the Company's working capital deficiency was $539,936 (December 31, 2014: $444,447). 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 consolidated financial statements is included in the following notes to the consolidated financial statements:

- Note 6 – Decommissioning provision
- Note 10(b) – Allowance for doubtful accounts

At December 31, 2015, 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

Below is a brief description of new IFRS standards and amendments that are not yet effective and have not been applied in the preparation of these financial statements. There are no other standards or interpretations issued but not yet adopted that are anticipated to have a material impact on the Company's financial statements.

On May 28 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. On April 28, 2015, the IASB proposed to defer the effective date by one year to January 1, 2018, which was approved on July 22, 2015. The Company intends to adopt IFRS 15 on the finalized adoption date and is currently evaluating the impact of adopting the standard on its consolidated financial statements.

On July 24, 2014, the IASB issued the complete IFRS 9, "Financial Instruments" to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 is effective for years beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

On December 18, 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". These amendments will not require significant changes to the Company's current practices but are intended to facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The Company does not expect these amendments to have a material impact.

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 April 21, 2016.

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 at Loon Energy Corporation 1500, 700 – 4th Avenue S.W., Calgary, Alberta, Canada T2P 3J4 (Phone: +1 403 264-8877) or by e-mail at **ryaniw@loonenergy.com**.