Loon Energy Corporation
Management's Discussion and Analysis
For the year ended December 31, 2017
(US$, unless otherwise stated)

This Management's Discussion and Analysis ("**MD&A**") document dated May 30, 2018 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 year ended December 31, 2017.

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, 2017 are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

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").

Loon is a publicly listed company 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".

Operations Overview

Loon acquired interests in certain South American oil and gas assets in December 2008 in accordance with a legal Plan of Arrangement under the ABCA as described above. 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's interest in Peru was relinquished in 2010, and the Company's sole remaining property interest in Colombia was relinquished during 2017. 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 the investigation of additional business opportunities.

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 had previously fulfilled its required work commitments with respect to this contract area. The only well capable of production on this property, the Delta-1 well, was suspended prior to the end of 2016, and did not produce commercial volumes of oil or gas in 2016 or 2017. The Operator had proposed a plan to abandon all remaining wells within the Buganviles Association Contract, however the joint venture partners had not accepted such proposal.

In August 2016, Loon Colombia was successfully wound-up and deregistered as a Bermuda company, however the Company's ownership interest in the Buganviles Association Contract had been transferred to Loon Energy Corporation, the Canadian parent.

In November 2017, the Company reached a settlement agreement with the Operator, under the terms of which the Company assigned its interest in the Buganviles Association Contract ("the Contract") to the Operator in exchange for the release of the Company from any and all existing and potential future liabilities related to or arising from the Contract. The Company had previously written the value of its Colombian property investment down to a nominal amount, however the November 2017 settlement agreement had the effect of the Company derecognizing operating liabilities in the amount of $400,152 together with the remaining Decommissioning Provision of $212,920, all of which related to the Buganviles Association Contract, resulting in a gain on disposal in the amount of $613,071.

Peru

The Company, through its then indirectly 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 Maranon Basin area of northeast Peru. The Block 127 license was relinquished in 2010 and all petroleum and natural gas property expenditures were fully written off in 2010. During 2014, the Company received notification from the Operator, Compañía Española de Petróleos, S.A. ("**CEPSA**") that Loon Peru no longer had any obligations owed arising from its former property in Peru, including further abandonment and/or reclamation activities.

On April 14, 2016, Loon Peru was successfully wound-up and deregistered as a company.

Guatemala

During 2013, the Company pursued the acquisition of exploration blocks in Guatemala. Activities were abandoned in 2014 when Company officials were notified that only one of three exploration blocks that the Company had bid for, had been awarded. A subsidiary and branch established for the purpose of making the bids were wound-up in 2015.

Significant factors affecting Company's results of operations

The Company has not conducted any active oil and gas operations during 2017 and 2016, 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,		
	2017	2016	2015
Current assets	$ 10,017	$ 6,373	$ 36,754
Current liabilities	633,859	(657,632)	(576,690)
	$ (623,842)	$ (651,259)	$ (539,936)

	Year ended December 31, 2017	2016	2015
Gain on disposal of property interest	$ 613,071	$ -	$ -
Operations			
General and administrative	(372,414)	(86,527)	(89,599)
	(372,414)	(86,527)	(89,599)
Financing			
Accretion	-	-	(3,348)
Interest expense	(41,596)	(24,344)	(13,647)
Foreign exchange gain/(loss)	(8,619)	(452)	1,905
	(50,215)	(24,796)	(15,090)
Net income (loss)	190,442	(111,323)	(104,689)
Current tax recovery	-	-	5,852
Net income (loss) and comprehensive income (loss)	$ 190,442	$ (111,323)	$ (98,837)
Net income (loss) per share (basic and	$ 0.01	$ (0.01)	$ (0.00)

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

	Year ended December 31, 2017	2016	2015
Net loss attributable to shareholders	$ 190,442	$ (111,323)	$ (233,155)
Weighted average number of shares	*22,670,565*	*19,949,136*	*19,949,136*
Net income (loss) per share - Basic and diluted	$ 0.01	$ (0.01)	$ (0.01)

Gain on Disposal of Property Interest

	Year ended December 31, 2017	2016
Gain on disposal of property interest	$ 613,071	$ -

In November 2017, the Company reached a settlement agreement with the Operator, under the terms of which the Company assigned its interest in the Buganviles Association Contract ("the Contract") to the Operator in exchange for the release of the Company from any and all existing and potential future liabilities related to or arising from the Contract. The Company had previously written the value of its Colombian property investment down to a nominal amount, however the November 2017 settlement agreement had the effect of the Company derecognizing operating liabilities in the amount of $400,152 together with the remaining Decommissioning Provision of $212,920, all of which related to the Buganviles Association Contract, resulting in a gain in the amount of $613,071.

General and Administrative Expenses

	Year ended December 31, 2017	Year ended December 31, 2016
Advisory costs	$ 323,028	$ 55,237
Other administration costs	49,386	31,290
	$ 372,414	$ 86,527

General and administrative expenses for the year ended December 31, 2017 increased to 372,414 compared to $86,527 for the year ended December 31, 2016. Advisory costs increased as on February 21, 2017, the Board of Directors declared a bonus payable to Directors and Officers of the Company in the amount of $257,100 (Cdn$ 339,150). Additionally, the Company incurred consulting fees to investigate a potential business opportunity. Other administration costs increased due to costs of liquidation of Loon Energy Holdings Ltd, and increased accounting and IT support fees due to termination of the service agreement with Serinus.

Interest expense

Interest expense increased to $41,596 during the year ended December 31, 2017 compared to $24,344 for the year ended December 31, 2016 as the operations of the company are being funded through promissory notes advanced by Directors of the Company. Interest on these notes has not been paid and is compounding quarterly.

Foreign exchange loss

Foreign exchange loss has increased to $8,619 for the year ended December 31, 2017 compared to a loss of $452 for the year ended December 31, 2016. The increase is mainly due to revaluation of unpaid Directors fees and other liabilities denominated in Canadian dollars.

Stock based compensation

Stock based compensation expenses were $nil for the years ended December 31, 2017 and 2016. During the second quarter of 2017, option holders agreed to cancel all outstanding share purchase options and as at December 31, 2017, there are no unexercised or unvested options. All outstanding share purchase options vested during the third quarter of 2014.

Decommissioning obligation

The Company's decommissioning provisions resulted from its working interest ownership in a petroleum and natural gas property 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 was $212,920 at December 31, 2016. During 2017, the Company assigned its interest in the Colombia property to the Operator for consideration including the settlement of all existing and potential future liabilities or obligations in respect of these properties (Note 4a). Accordingly, the decommissioning provision was derecognized and taken into income in the current year.

Summary of Quarterly Data

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

	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Net earnings (loss)	$ 546,114	$ (28,956)	$ (38,280)	$ (288,436)
Per share - basic and diluted	$ 0.02	$ (0.00)	$ (0.00)	$ (0.02)
Gain on disposal of property interest	$ 613,071	$ -	$ -	$ -
General and administrative	$ 56,909	$ 10,131	$ 25,364	$ 280,010
Advisory costs	52,447	-	7,232	263,349

Other administrative costs	4,462	10,131	18,132	16,661
Accretion	$ -	$ -	$ -	$ -
Interest expense	$ 11,219	$ 10,108	$ 9,106	$ 11,163
Foreign exchange loss (gain)	$ (1,171)	$ 8,717	$ 3,810	$ (2,737)
Working capital deficiency	$ (630,351)	$ (957,037)	$ (928,081)	$ (939,695)

	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Net earnings (loss)	$ (33,221)	$ (29,362)	$ (25,124)	$ (23,616)
Per share - basic and diluted	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)
General and administrative	$ 26,108	$ 23,114	$ 19,369	$ 17,936
Advisory costs	20,682	11,960	11,891	10,704
Other administrative costs	5,426	11,154	7,478	7,232
Interest expense	$ 7,102	$ 6,297	$ 5,545	$ 5,400
Foreign exchange loss (gain)	$ 12	$ (49)	$ 210	$ 279
Working capital (deficiency)	$ (651,259)	$ (618,083)	$ (588,676)	$ (563,522)

Share Data

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

On April 26, 2017, the Company issued 3,989,243 common shares at a fair value of $Cdn 0.017 ($US 0.0123) per common share to settle outstanding Fees Payable to Directors and Officers of the Company in the amount of $49,894. 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, 2015	19,949,136	$16,570,265
Common shares issued	-	-
Balances, December 31, 2016	19,949,136	$16,570,265
Balances, December 31, 2016	19,949,136	$16,570,265
Common shares issued	3,989,243	49,894
Net income and comprehensive income	-	-
Balances, December 31, 2017	23,938,379	$16,620,159

The following table summarizes information about the options outstanding as at December 31, 2017 and 2016:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance outstanding, December 31, 2016	254,000	$ 0.10	0.7
Balance outstanding, December 31, 2017	Nil	n/a	n/a
Exercisable at December 31, 2017	Nil	n/a	n/a

During the second quarter of 2017, option holders agreed to cancel all outstanding share purchase options and as at December 31, 2017 there are no unexercised or unvested options. All share purchase options vested during 2014.

There have been no changes in the number of shares or share purchase options outstanding between December 31, 2017 and May 30, 2018.

Related Party Transactions

The Company and Serinus are related as they have the same principal shareholder with control over Serinus and significant influence over Loon.

The Company has no employees, and management and administrative services are provided by Officers and consultants to the Company. Certain management and administrative services were formerly provided by the management and staff of Serinus pursuant to a services agreement. The service agreement with Serinus was terminated effective September 1, 2016. Administrative costs incurred by Serinus for the benefit of the Company were charged to the Company based on specific identification and an allocation of administrative costs that related to both Serinus and the Company. For the year ended December 31, 2017, these fees totaled $nil (2016 - $6,020). At December 31, 2017, the Company owed $nil (December 31, 2016: $nil) to Serinus related to management and administrative services.

Effective September 1, 2016, the Company entered into an agreement to rent office space from Serinus at a rate of $763 ($1,000 CAD) per month. The agreement was terminated in February, 2017. For the year ended December 31, 2017, rental fees totaled $1,058 (2016 - $3,025). Pursuant to the rental agreement, the Company had outstanding deposits receivable at December 31, 2016 of $763. These deposits were applied against rent expense in 2017.

As at December 31, 2017, the Company had notes payable to Timothy Elliott, Chairman of the Board of Directors of Loon Energy, in the aggregate amount of $210,042 (2016 - $155,379) plus $59,883 (2016 - $32,491) 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, 2017, the Company had notes payable to Jock Graham, a member of the Board of Directors of Loon, in the amount of $92,661 (2016 - $48,738) plus $16,414 (2016 - $5,631) of accrued interest. During the year ended December 31, 2017 new notes were issued for proceeds of $99,177 (2016 - $54,117) The notes payable are due on demand with interest calculated at a rate of 12% per annum, compounded quarterly.

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 Company's former interests in all relevant properties in Colombia and Peru have since been relinquished and accordingly, the Company's management believes that no liabilities relevant to the indemnification agreement are likely to arise.

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

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 Company had previously wound up its subsidiaries in Colombia (completed August 2016), Peru (completed April 2016), and Guatemala (completed July 2015).

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. Former exploration and development activities were financed by equity issuances and by farm-out arrangements with third parties who paid for all or a portion of the Company's expenditures to earn a portion of the Company's ownership interests. Beginning in Q4 2014 and continuing through 2016 and 2017, two members of the Company's Board of Directors advanced cash to fund Loon's activities. As at December 31, 2017, the Company was indebted in the aggregate amount of $269,925 to Timothy Elliott, Chairman of the Board of Directors of Loon, and in the aggregate amount of $109,075 to Jock Graham, a member of the Board of Directors of Loon. Subsequent to the Company's year-end, the Chief Executive Officer of the Company provided additional cash advances of $12,200 ($15,000 Canadian Dollars) pursuant to agreements containing the same terms and conditions as earlier notes payable agreements.

As at December 31, 2017, the Company had a working capital deficiency of $623,842 of which $598,665 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 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. These consolidated 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, 2017 and 2016 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, 2017	As at December 31, 2016
Cash and cash equivalents	$ 2,245	$ 399
Prepaid expenses and other current assets	3,757	701
Accounts payable	(51,913)	(20,456)
Promissory notes and interest payable	(35,758)	-
Directors' fees and interest payable	(275,570)	-
Net foreign exchange exposure	$ (357,239)	$ (19,356)

US$ equivalent at year end exchange rate	$	(284,755)	$	(14,416)

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 $28,475 (2016 - $1,440).

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, 2017 included $2,282 (2016 - $522) 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

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.

Capital Management

As at December 31, 2017, the Company's working capital deficiency was $623,842 (December 31, 2016: $621,259). 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 9 – Decommissioning provision
- Note 2(b) – Going concern

At December 31, 2017, 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

For the year ended December 31, 2016, Loon adopted the IASB issued amendments to IAS 1, "Presentation of Financial Statements". The amendments had minimal impact on the consolidated financial statements.

Loon has not yet adopted certain standards and interpretations that have been issued but are not yet effective. Below is a brief description of 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 Corporation's financial statements.

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue, and related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The new standard moves away from a revenue recognition model based on an earnings process to an approach that is based on transfer of control of a good or service to a customer. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded to include the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers.

The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The standard is required to be adopted retrospectively to each period presented or retrospective using a modified approach as a cumulative-effect adjustment as of the date of adoption. The Company currently has no revenues and consequently no customer contracts that are within the scope of the new guidance and will analyze individual contracts to identify the impact on revenues as a result of implementing the new standard when such contracts are entered.

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 replaces the current multiple classification and measurement models for financial assets and liabilities with a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages it financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The IAS 39 measurement categories for financial assets will be replaced by fair value through profit or loss, fair value through other comprehensive income ("FVOCI") and amortized cost. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivable and available for sale.

IFRS 9 retains most of the IAS 39 requirements for financial liabilities. However, where fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded through other comprehensive income rather than net earnings. Loon currently does not designate any financial liabilities as fair value through profit or loss; therefore, there will be no impact on the accounting for financial liabilities.

The new standard also changes how debt modifications are treated. Under IAS 39, debt modifications did not have an impact on profit and loss. However, under IFRS 9, the difference between the carrying amount of the financial liability, and the present value of the estimated future contractual cash flows discounted at the original effective interest rate, must be recognized in profit and loss.

The new standard also introduces an expected credit loss model for evaluating impairment of financial assets. The new model will result in more timely recognition of expected credit losses. The Company does not expect the change in the impairment model to have a material impact on the consolidated financial statements. In addition, IFRS 9 provides a simplified hedge accounting model, aligning hedge accounting more closely with risk management activities. The Company currently does not apply hedge accounting.

IFRS 9 is effective for years beginning on or after January 1, 2018 with early adoption permitted. The Company has determined that application of IFRS 9 will have no impact on retained earnings.

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.

IFRS 16 is effective for years beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 "Revenue From Contracts With Customers" has been adopted. The standard shall be applied retrospectively to each period presented or using a 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 May 30, 2018.

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 **ryaniw@loonenergy.com**.