Loon Energy Corporation
Management's Discussion and Analysis
For the year ended December 31, 2018
(US$, unless otherwise stated)

This Management's Discussion and Analysis ("**MD&A**") document dated April 29, 2019 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, 2018.

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, 2018 are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

During the year ended December 31, 2017, the Company wound up of its only remaining subsidiary, Loon Energy Holdings Limited. As a result, the Company no longer has any subsidiaries and the therefore the financial statements for the year ended December 31, 2018 are no longer consolidated. The Company has one reportable segment. The comparative information presented for 2017 continues to be presented on a consolidated basis to reflect the structure at that time.

Overview

Loon Energy Corporation ("Loon", "Loon Corp") was formerly an international oil and gas exploration and development company, whose present activities consist of the investigation and evaluation of future business opportunities. The Company has management offices in Calgary, Alberta, Canada and in Dubai, United Arab Emirates. Loon Corp was incorporated pursuant to the provisions of the Business Corporation Act (Alberta) ("ABCA") on October 30, 2008 to receive certain of the oil and gas assets of Loon Energy Inc. ("Loon Energy") in accordance with a Plan of Arrangement ("Arrangement") under the ABCA. Pursuant to the Arrangement, the assets of Loon Energy in Colombia and Peru were transferred to Loon, each Loon Energy shareholder received one common share of Loon for each Loon Energy share held, the common shares of Loon were listed on the TSX Venture Exchange under the symbol LNE and Loon received $3.15 million of cash. The implementation of the Arrangement on December 10, 2008 also resulted in Loon Energy changing its name to Kulczyk Oil Ventures Inc. ("Kulczyk Oil"). Effective June 24, 2013, Kulczyk Oil changed its name to Serinus Energy Inc. On May 3, 2018 Serinus Energy Inc. continued to Jersey and changed its name to Serinus Energy plc ("Serinus").

On September 14, 2018, Loon entered into an amalgamation agreement (the "**Agreemen**t") with Pacific West Canopy Holdings Ltd ("**PacWest**"), a privately held corporation existing under the Business Corporations Act (British Columbia). 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. PacWest has not advanced to Loon the remaining C$100,000 as specified in the Agreement and the Transaction did not close by February 28, 2019 as contemplated in the Agreement. Discussions between Loon and PacWest have continued, and Loon management is of the opinion that the Agreement will be extended, and the Transaction will ultimately be completed.

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". Loon's shares have been suspended from trading since October 31, 2018 pending the outcome of the Transaction.

Operations Overview

Colombia

Buganviles Association Contract
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 has not produced commercial volumes of oil or gas since 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 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. The associated Decommissioning Provision of $212,920 was also extinguished, resulting in a gain on disposal in the amount of $613,071.

Significant factors affecting Company's results of operations

The Company has not conducted any active oil and gas operations during 2018 and 2017, 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,		
	2018	2017	2016
Current assets	$ 50,079	$ 10,017	$ 6,373
Current liabilities	838,767	633,859	(657,632)
	$ (788,688)	$ (623,842)	$ (651,259)

	Year ended December 31,		
	2018	2017	2016
Gain on disposal of property interest	$ -	$ 613,071	$ -
Operations			
General and administrative	(164,856)	(372,414)	(86,527)
Financing			
Interest expense	(29,596)	(41,596)	(24,344)
Foreign exchange gain/(loss)	29,606	(8,619)	(452)
	10	(50,215)	(24,796)
Net income (loss)	(164,846)	190,442	(111,323)
Current tax recovery	-	-	-
Net income (loss) and comprehensive income (loss)	$ (164,846)	$ 190,442	$ (111,323)
Net income (loss) per share	$ (0.01)	$ 0.01	$ (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,		
	2018	2017	2016
Net income (loss) attributable to shareholders	$ (164,846)	$ 190,442	$ (111,323)
Weighted average number of shares	*23,938,379*	*22,670,565*	*19,949,136*
Net income (loss) per share - Basic and diluted	$ (0.01)	$ 0.01	$ (0.01)

General and Administrative Expenses

	Year ended December 31,	
	2018	2017
Advisory costs	$ 108,688	$ 323,028
Other administration costs	56,168	49,386
	$ 164,856	$ 372,414

General and administrative expenses for the year ended December 31, 2018 decreased to 164,856 compared to $372,414 for the year ended December 31, 2017. Advisory costs decreased in 2018 as 2017 includes a bonus payable to Directors and Officers of the Company in the amount of $257,100 (Cdn $339,150). Additionally in 2017, the Company incurred consulting fees to investigate a potential business opportunity. This decrease in 2018 advisory costs was offset by increased legal costs related to the negotiations with PacWest. Other administration costs increased due to costs of liquidation of Loon Energy Holdings Ltd, and increased accounting and IT support fees due to the termination of the service agreement with Serinus.

Interest expense

Interest expense decreased to $29,596 during the year ended December 31, 2018 compared to $41,596 for the year ended December 31, 2017. The Directors have agreed that interest on Notes Payable to them will not accrue after June 30, 2018. If the Transaction is not executed by June 30, 2019, the interest terms will be reinstated and applied retroactively from July 1, 2018. Contingent interest that has not been recorded on these notes from July 1, 2018 to December 31, 2018 totals $23,422. The resulting decrease in interest expense is partially offset by interest on new notes payable to unrelated parties, in conjunction with the proposed Transaction.

Foreign exchange gain

The Company recorded a foreign exchange gain of $29,606 for the year ended December 31, 2018 compared to a loss of $8,619 for the year ended December 31, 2017. The increase is due to a weakening of the Canadian dollar compared to the US dollar, which resulted in gain upon the revaluation of unpaid Directors fees and notes payable, which are denominated in Canadian dollars. The exchange gain of $31,719 is unrealized.

Summary of Quarterly Data

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

	Q4 2018	**Q3 2018**	**Q2 2018**	**Q1 2018**
Net earnings (loss)	$ (21,723)	$ (107,286)	$ (23,930)	$ (11,907)
Per share - basic and diluted	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.00)
General and administrative	$ 39,941	$ 99,717	$ 17,395	$ 7,803

Advisory costs	14,377	91,398	911	2,002
Other administrative costs	25,564	8,319	16,484	5,801
Interest expense	$ 11,219	$ 1,786	$ 12,628	$ 11,694
Foreign exchange loss (gain)	$ (1,171)	$ 5,783	$ (6,093)	$ (7,590)
Working capital deficiency	$ (788,688)	$ (766,965)	$ (659,679)	$ (635,749)

	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
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)	$ (623,842)	$ (957,037)	$ (928,081)	$ (939,695)

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, 2016	19,949,136	$16,570,265
Common shares issued	3,989,243	49,894
Balances, December 31, 2017	23,938,379	$16,620,159
Balances, December 31, 2017	23,938,379	$16,620,159
Common shares issued	-	-
Balances, December 31, 2018	23,938,379	$16,620,159

During the second quarter of 2017, option holders agreed to cancel all outstanding share purchase options and as at December 31, 2018 there are no unexercised or unvested options.

Related Party Transactions

During the year ended December 31, 2018, additional funding was advanced to the Company by members of the Board of Directors in the form of notes payable which totaled $46,693 (2017 - $99,177). The notes payable are due on demand with interest calculated at a rate of 12% per annum, compounded quarterly.

As at December 31, 2018, the Company had notes payable to Timothy Elliott, Chairman of the Board of Directors of Loon Energy, in the aggregate amount of $225,150 (2017 - $210,042) plus $76,536 (2017 - $59,883) 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, 2018, the Company had notes payable to Jock Graham, a member of the Board of Directors of Loon, in the amount of $96,773 (2017 - $92,661) plus $23,171 (2017 - $16,413) of accrued interest. As at December 31, 2018, the Company had notes payable to Norman Holton, Chief Executive Officer of Loon, in the amount of $21,990 (2017 - $nil) plus $660 (2017 - $nil) of accrued interest.

The Company and Serinus are related as they have the same principal shareholder with significant influence over Serinus and Loon. Effective September 1, 2016, the Company entered into an agreement to rent office space from Serinus. Rental fees in 2017 totaled $1,058 and the agreement was terminated in February, 2017.

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.

Liquidity and Capital Resources

The Company was formerly an oil and gas exploration and development company with activities in Colombia, Peru and Guatemala. The Company's last remaining property interest was in Colombia, and this property interest, which had no proved reserves and did not generate positive net production revenue was relinquished during 2017 as part of a settlement of the Company's obligations arising from its interest in this property.

Loon's present activities consist of the investigation and evaluation of future business opportunities. During 2017, the Company's management was also engaged in complying with the legal and regulatory requirements to wind-up its holding company in Bermuda (completed July 2017).

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. Beginning in Q4 2014 and continuing through 2018, members of the Company's Board of Directors advanced cash to fund Loon's activities. As at December 31, 2018, the Company was indebted in the aggregate amount of $301,686 to Timothy Elliott, Chairman of the Board of Directors of Loon, in the aggregate amount of $119,944 to Jock Graham, a member of the Board of Directors of Loon and in the aggregate amount of $22,650 to Norman Holton, Chief Executive Officer of the Company.

As at December 31, 2018, the Company had a working capital deficiency of $788,688 of which $646,273 is the aggregate of Notes Payable to shareholders and amounts due to Directors and Officers of the Company. The need to raise capital to fund the working capital deficiency, ongoing operations, and the acquisition of future business opportunities that may arise, indicates the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. There are no guarantees that additional capital, either through additional equity or debt will be available when needed. These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

Financial Risk Management

Market Risk

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

Interest rate risk

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

Foreign currency exchange risk

The Company is exposed to risks arising from fluctuations in currency exchange rates between the Canadian dollar ("CAD") and the United States dollar. At December 31, 2018 and 2017 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,	
	2018	2017
Cash and cash equivalents	$ 56,637	$ 2,245
Prepaid expenses and other current assets	2,276	3,757
Accounts payable	(105,661)	(43,748)
Directors' fees and interest payable	(275,570)	(275,570)
Notes payable to related parties	(99,068)	(35,758)
Notes payable	(154,942)	-
Net foreign exchange exposure	$ (576,328)	$ (349,074)
US$ equivalent at year end exchange rate	$ (422,448)	$ (278,247)

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 $42,245 (2017 - $27,825).

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, 2018 included $1,669 (2017 - 2,282) of goods and services taxes recoverable from the Government of Canada. The Company does not consider the credit risk relating to the outstanding amounts to be significant.

Liquidity Risk and Capital Management

The Company was an exploration and development resource company formerly active in South and Central America, however its last remaining resource property interest was relinquished during 2017. The Company's management is currently evaluating new business opportunities, however, without internally generated cash flow and a consequent reliance on shareholder advances to fund activities, there are inherent liquidity risks including the possibility that additional financing may not be available to the Company on either a timely or commercial basis, or that future business opportunities may not be available at a cost the Company can afford. The need to raise capital to fund the working capital deficiency, ongoing operations, and evaluate and acquire new business opportunities creates significant doubt as to the Company's ability to continue as a going concern. There are no guarantees that additional capital, either through additional equity, debt or farm-out arrangements will be available when needed.

As at December 31, 2018, the Company's working capital deficiency was $788,688 (December 31, 2017: $623,842). Consistent with prior years, the Company manages its capital structure to maximize financial flexibility, making adjustments in light of changes in economic conditions and risk characteristics of the underlying assets. Further, each potential acquisition and investment opportunity is assessed to determine the nature and total amount of capital required together with the relative proportions of debt and equity to be deployed. The Company does not presently utilize any quantitative measures to monitor its capital.

Critical Accounting Estimates

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

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

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

- Note 2(b) – Going concern

At December 31, 2018, there were no critical judgments required to be made by management when applying the Company's significant accounting policies.

Internal Controls over Financial Reporting

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

Changes in Accounting Policies

Standards currently adopted

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 Company adopted the new standard on January 1, 2018. 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 defines requirements for recognizing and measuring financial assets, financial liabilities and contracts to buy or sell non-financial items.

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

Accounting standards issued but not yet adopted

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. 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 April 29, 2019.

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**.