Loon Energy Corporation
Management's Discussion and Analysis
For the three month period ended March 31, 2019
(US$, unless otherwise stated)

This Management's Discussion and Analysis ("**MD&A**") document dated May 28, 2019 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-month periods ended March 31, 2019 and 2018, the audited financial statements for the years ended December 31, 2018 and December 31, 2017 and the 2018 annual MD&A.

Basis of Presentation

This MD&A is prepared using United States dollars ("US Dollars") which is the reporting currency of the Company. The condensed interim financial statements for the three-month period ended March 31, 2019 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-month period ended March 31, 2019.

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.

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

The Company has not conducted any active operations during 2019 or 2018, though the Company continues to pursue and evaluate other business opportunities, including the potential acquisition of international oil and gas interests.

Selected annual information

Working capital deficiency

	As at March 31, 2019	As at December 31, 2018
Current assets	$ 24,255	$ 50,079
Current liabilities	(847,735)	(838,767)
	$ (823,480)	$ (788,688)

	Three months ended March 31, 2019	Three months ended March 31, 2018
Expenses		
General and administrative	$ (6,433)	$ (7,803)
Finance costs		
Interest expense	(3,499)	(11,694)
Foreign exchange gain	(24,860)	7,590
	(28,359)	(4,104)
Net loss and comprehensive loss	$ (34,792)	$ (11,907)
Net loss per share (basic and diluted)	$ (0.00)	$ (0.00)

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Net loss attributable to shareholders	$ (34,792)	$ (11,907)
Weighted average number of shares outstanding	*23,938,379*	*23,938,379*
Loss per share - Basic and diluted	$ 0.00	$ 0.00

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2019 were essentially unchanged at $6,433 compared to $7,803 for the comparative period ended March 31, 2018.

	Three months ended March 31, 2019	Three months ended March 31, 2018
Advisory costs	$ 296	$ 2,002
Other administration costs	6,137	5,601
	$ 6,433	$ 7,803

Interest expense

Interest expense decreased to $3,499 during the three months ended March 31, 2019 compared to $11,694 for the three months ended March 31, 2018. 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 March 31, 2019 totals $41,627. The resulting decrease in interest expense is partially offset by interest on new notes payable to unrelated parties, in conjunction with the proposed Transaction.

Summary of Quarterly Data

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

	Q1 2019	**Q4 2018**	**Q3 2018**	**Q2 2018**
Net loss	$ (34,792)	$ (21,723)	$ (107,286)	$ (23,930)
Per share - basic and diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)

General and administrative	$ 6,433	$ 39,941	$ 99,717	$ 17,395
Advisory costs	296	14,377	91,398	911
Other administrative costs	6,137	25,564	8,319	16,484
Interest expense	$ 11,694	$ 11,219	$ 1,786	$ 12,628
Foreign exchange loss (gain)	$ (7,590)	$ (1,171)	$ 5,783	$ (6,093)
Income tax recovery	$ -	$ -	$ -	$ -
Working capital deficiency	$ (635,749)	$ (788,688)	$ (766,965)	$ (659,679)

	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net loss	$ (11,907)	$ 546,114	$ (28,956)	$ (38,280)
Per share - basic and diluted	$ (0.00)	$ 0.02	$ (0.00)	$ (0.00)
Gain on disposal of property interest	$ -	$ 613,071	$ -	$ -
General and administrative	$ 7,803	$ 56,909	$ 10,131	$ 18,132
Advisory costs	2,002	52,447	-	
Other administrative costs	5,801	4,462	10,131	
Interest expense	$ 11,694	$ 11,219	$ 10,108	$ 9,106
Foreign exchange loss (gain)	$ (7,590)	$ (1,171)	8,717	$ 3,810
Working capital (deficiency)	$ (635,749)	$ (623,842)	$ (957,037)	$ (928,081)

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 period to the number of issued common shares nor to their stated value. There are no preferred shares outstanding.

Related Party Transactions

As at March 31, 2019, the Company had notes payable to Timothy Elliott, Chairman of the Board of Directors of Loon Energy, in the aggregate amount of $226,831 (2018 - $170,215) plus $76,631 (2018 - $38,155) of accrued interest. The note payable is due on demand with interest calculated at a rate of 12% per annum, compounded quarterly. As at March 31, 2019, the Company had notes payable to Jock Graham, a member of the Board of Directors of Loon Energy, in the amount of $97,816 (2018 - $78,838) plus $23,256 (2018 - $7,899) of accrued interest. The note payable is due on demand with interest calculated at a rate of 12% per annum, compounded quarterly. As at March 31, 2019, the Company had notes payable to Norman Holton, a Director and Chief Executive Officer of Loon Energy, in the amount of $23,238 (2018 - $nil) plus $698 (2018 - $nil) of accrued interest. The note payable is due on demand with interest calculated at a rate of 12% per annum, compounded quarterly.

As part of a legal plan of arrangement that saw Serinus Energy plc ("**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.

On February 21, 2017, the Board of Directors declared a bonus payable in Canadian currency to Directors and Officers of the Company in the amount of $257,110 (Cdn$ 339,150). On April 26, 2017, $49,894 (Cdn$ 66,817) of this bonus was settled through the issuance of common shares of the Company. As at March 31, 2019 the bonus was unpaid, and with changes to foreign exchange rates, is now valued at $210,446 plus accrued interest of $3,286 (Cdn$ 4,237). Interest does not accrue on the unpaid balance of Fees Payable to Directors and Officers subsequent to March 31, 2017.

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

Liquidity and Capital Resources

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 to the present, members of the Company's Board of Directors advanced cash to fund Loon's activities. As at March 31, 2019, the Company was indebted in the aggregate amount of $303,462 to Timothy Elliott, Chairman of the Board of Directors of Loon, in the aggregate amount of $121,072 to Jock Graham, a member of the Board of Directors of Loon and in the aggregate amount of $23,967 to Norman Holton, Chief Executive Officer of the Company.

As at March 31, 2019, the Company had a working capital deficiency of $823,480 of which $662,232 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.

Critical Accounting Estimates

The preparation of financial statements in conformity with IAS 34 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.

In the opinion of management, the Company's interim financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies outlined in the financial statements.

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 three-month period ended March 31, 2019, the Company did not adopt any new IFRS standards nor were any applicable pronouncements announced. Refer to note 2 of the financial statements for the year ended December 31, 2018 for other pronouncements not yet adopted.

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 28, 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 at Loon Energy Corporation 1100, 700 – 4th Avenue S.W., Calgary, Alberta, Canada T2P 3J4 (Phone: +1 403 264-8877) or by e-mail at **nholton@loonenergy.com**.