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

This Management's Discussion and Analysis ("**MD&A**") document dated May 28, 2015 is provided by the management of Loon Energy Corporation ("**Loon Corp**" or "**Company**") and should be read in conjunction with the condensed consolidated interim financial statements for the three month periods ended March 31, 2015 and 2014, the audited consolidated financial statements for the years ended December 31, 2014 and December 31, 2013 and the 2014 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 consolidated interim financial statements for the three month period ended March 31, 2015 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 consolidated interim financial statements for the three month period ended March 31, 2015.

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**") in accordance with a Plan of Arrangement ("**Arrangement**") under the ABCA. Pursuant to the Arrangement, the assets of Loon in Colombia and Peru were transferred to Loon Corp, each Loon shareholder received one common share of Loon Corp for each Loon share held, the common shares of Loon Corp were listed on the TSX Venture Exchange under the symbol LNE and Loon Corp 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 Energy Inc. ("**Serinus**"; formerly Kulczyk Oil Ventures Inc, and prior to that, Loon Energy Inc.) 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. More recently, 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 many 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, and was suspended as of the end of the year. The operator has advised that they plan to abandon the Delta-1 well in 2015.

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. As at March 31, 2015, the Company's payable to the Operator remains at $400,152.

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 which granted 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.

Guatemala

During 2013, the Company incorporated a new indirect wholly-owned entity, Zacapa Energy Ltd., which subsequently changed its name to Loon Petroleo Ltd. ("**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 during 2014 upon expiry of the pledge with the bank.

Significant factors affecting Company's results of operations

The Company has not been operational during 2015 and 2014, though the Company continues to pursue the acquisition of international oil and gas opportunities.

Selected Information

Working capital deficiency

	As at March 31, 2015	As at December 31, 2014
Current assets	$ 47,311	$ 67,333
Current liabilities	(507,279)	(511,780)
	$ (459,968)	$ (444,447)

	For the three months ended March 31, 2015	2014
Expenses		
General and administrative	$ (15,796)	$ (26,492)
Stock based compensation	-	(685)
	(15,796)	(27,177)
Finance costs		
Accretion	(1,015)	(732)
Interest expense	(1,611)	-
Foreign exchange gain	1,886	485
	(740)	(247)
Net loss and comprehensive loss	$ (16,536)	$ (27,424)
Net loss per share (basic and diluted)	$ (0.00)	$ (0.00)

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

	For the three months ended March 31, 2015	2014
Basic and diluted	19,949,136	19,949,136

General and Administrative Expenses

The general and administrative expenses for the three months ended March 31, 2015 were $15,796 compared to $26,492 for the three months ended March 31, 2014. Lower general and administrative expenses in 2015 were attributable to lower advisory costs as the Company continues to legally wind-up its activities in Colombia, Peru and Guatemala.

	For the three months ended March 31, 2015	2014
Advisory costs	$ 7,782	$ 16,378
Other administration costs	8,014	10,114
	$ 15,796	$ 26,492

Stock Based Compensation

Stock based compensation expense for the three months ended March 31, 2015 was $nil, compared to $685 for the comparative period ended March 31, 2014. All outstanding share purchase options vested during 2014 and therefore, no further expense will be recognized related to these options.

Decommissioning Obligation

Accretion expense for the three months ended March 31, 2015 was $1,015 compared to $732 for the comparative period ended March 31, 2014. As of December 31, 2014, the Colombian assets were fully accreted with the exception of Ventilador, Visure and Tuqueque properties. The accretion to the decommissioning obligation for these remaining properties will be recognized over the next two years.

Summary of Quarterly Data

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

	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Net earnings (loss)	$ (16,536)	$ (270,161)	$ 88,347	$ (23,917)
Per share - basic and diluted	$ (0.00)	$ (0.01)	$ 0.00	$ (0.00)
General and administrative	$ 15,796	$ 36,586	$ 30,580	$ 20,285
Advisory costs	7,782	23,996	24,514	14,341
Other administrative costs	8,014	12,590	6,066	5,944
Stock based compensation	$ -	$ -	$ 455	$ 704
Accretion	$ 1,015	$ 941	$ 732	$ 732
Other income	$ -	$ -	$ (120,000)	$ -
Bad debt expense	$ -	$ 232,708	$ -	$ -
Interest expense	$ 1,611	$ 132	$ -	$ -
Foreign Exchange	$ (1,886)	$ (206)	$ (114)	$ 2,196
Working capital deficiency	$ (459,968)	$ (444,447)	$ (175,227)	$ (264,761)

	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Net loss	$ (27,424)	$ (179,100)	$ (87,009)	$ (41,907)
Per share - basic and diluted	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.00)
General and administrative	$ 26,492	$ 179,751	$ 83,528	$ 37,157
Advisory costs	16,378	136,861	75,107	25,770
Other administrative costs	10,114	42,890	8,421	11,387
Stock based compensation	$ 685	$ 573	$ 1,919	$ 2,578
Accretion	$ 732	$ (1,869)	$ 916	$ 916
Foreign Exchange	$ (485)	$ 645	$ 646	$ 1,256
Working capital deficiency	$ (242,280)	$ (316,273)	$ (135,877)	$ (251,703)

Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. There are no preferred shares outstanding.

	Number of Shares	Carrying amount
Balance, December 31, 2014 and March 31, 2015	19,949,136	$ 16,570,265

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

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance outstanding, December 31, 2014	688,500	$ 0.13	1.9
Balance outstanding, March 31, 2015	688,500	$ 0.13	1.7
Exercisable at March 31, 2015	688,500	$ 0.13	1.7

There have been no changes in the number of shares or share purchase options outstanding between March 31, 2015 and May 28, 2015.

Related Party Transactions

The Company has no employees, and 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 three months ended March 31, 2015, these fees totaled $2,400 (2014 - $2,714). At March 31, 2015, the Company owed $nil (December 31, 2014: $nil) to Serinus for these services. Serinus and the Company are related as they have five common directors and officers and the same principal shareholder.

As at March 31, 2015, the Company had a note payable to Timothy Elliott, Chairman of the Board of Directors of Loon Energy, in the amount of $60,000 plus $1,743 of accrued interest. The note payable is due on demand with interest calculated at a rate of 12% per annum. Subsequent to March 31, 2015, Jock Graham, member of the Board of Directors of Loon, loaned the Company $20,000 under the same terms provided to Timothy Elliott. Timothy Elliott also loaned the Company an additional $70,000 under the same terms.

Serinus 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 Limited, a wholly-owned subsidiary of the Company. The block to which the guarantee is related has been relinquished and it is not currently anticipated that the guarantee will be replaced. The Company has entered into an indemnification agreement with Serinus in respect of the Loon Peru Guarantee which will be formally terminated once confirmation has been received from Peruvian authorities that the guarantee has been terminated.

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

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 present activities consist primarily of complying with the many legal and regulatory requirements to wind-up its activities in Colombia, Peru and Guatemala.

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 and do not reflect adjustments that would otherwise be necessary if the going concern assumption was not valid. To date, the Company's exploration and development operations 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. During the current year, the Chairman of the Company's Board of Directors advanced additional cash to fund Loon's activities. As at March 31, 2015, the Company carried an interest bearing, demand note payable to Timothy Elliott, Chairman of the Board of Loon, in the amount of $60,000 plus accrued interest of $1,743.

Subsequent to March 31, 2015, Jock Graham, member of the Board of Loon, loaned the Company $20,000 under the same terms provided to Timothy Elliott. Timothy Elliott also loaned the Company an additional $70,000 under the same terms.

As at March 31, 2015 the Company has a working capital deficiency of $459,968. The Company continues to look at opportunities for growth and the need to raise capital to fund the working capital deficiency, ongoing operations, and to fund additional 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 other arrangements will be available when needed. The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

Critical Accounting Estimates

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

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

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

In July 2014, the IASB issued IFRS 9, "*Financial Instruments*" to replace IAS 39 which provides a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard is effective for the Company for annual periods beginning on January 1, 2018, with required retrospective application and early adoption permitted. The adoption of the standard is not expected to have a material impact on the Company's annual consolidated financial statements.

In May 2014, the IASB issued IFRS 15, "*Revenue from Contracts with Customers*" to replace IAS 18 which establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for the Company for annual periods beginning on January 1, 2017, with required retrospective application and early adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

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, 2015.

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**.