

Kulczyk Oil Ventures Inc.
(Formerly Loon Energy Inc.)
Management's Discussion and Analysis
March 31, 2009
(US\$, unless otherwise stated)

This Management's Discussion and Analysis ("MD&A") dated May 20, 2009 is provided by the management of Kulczyk Oil Ventures Inc. ("Kulczyk Oil", or "Company") and should be read in conjunction with the unaudited interim consolidated financial statements as at, and for the three month periods ended March 31, 2009 and 2008.

Overview

Kulczyk Oil is an international oil and gas exploration and development company with management offices in Calgary, Alberta, Canada and in Dubai, United Arab Emirates. Kulczyk Oil is the successor to Loon Energy Inc. ("Loon") in accordance with a Plan of Arrangement under the *Business Corporations Act* (Alberta) that was approved on December 10, 2008 (the "Arrangement").

This MD&A pertains specifically to the assets and operations that constitute Kulczyk Oil, and certain comparative information has been "carved-out" of Loon's previously issued MD&A for the referenced periods. Additional information relating to Loon, including consolidated financial statements and MD&A for the referenced periods, and upon which this MD&A for Kulczyk Oil is based, can be accessed at www.kulczykoil.ca or www.sedar.com.

In accordance with the Arrangement, the common shares of Kulczyk Oil were de-listed from the TSX Venture Exchange. On February 11, 2009 the Company announced that it had entered into an agreement with Bank Zachodni WBK S.A. and Dom Maklerski BZ WBK S.A., both members of the Allied Irish Bank Capital Group and into a separate agreement with Lazard & Co. Limited, pursuant to which these firms will assist the Company with the listing of its common shares and with an initial public offering on the Warsaw Stock Exchange. The listing is expected to be completed in the fourth quarter of 2009, subject to the satisfaction of various conditions including market conditions and the business progress of Kulczyk Oil.

Basis of Presentation

Kulczyk Oil prepares unaudited interim consolidated financial statements in accordance with accounting principles generally accepted in Canada ("GAAP"), and effective December 10, 2008, the Company's consolidated financial statements are reported in US currency.

These unaudited interim consolidated financial statements prepared for Kulczyk Oil follow continuity of interest guidelines. Kulczyk Oil retained the net assets associated with resource properties located in Brunei, Syria and Slovenia, together with the investment in shares of Jura Energy Corporation ("Jura"). Pursuant to the Arrangement, the net assets of Loon in Colombia and Peru were transferred to a new company named Loon Energy Corporation ("Loon Corp").

Comparative financial information presented herein has been extracted from the books and records of Loon until December 10, 2008, the date the Arrangement was implemented. Certain financial statement items were maintained at a corporate rather than on a property-by-property basis by Loon and accordingly, it was necessary to make allocations of amounts reported in the consolidated financial statements of Loon in order to prepare the consolidated carve-out financial statements for the Company. The allocations that were made include:

Share capital and related share issuance expenses were allocated based on the expenditure requirements of Loon Corp and the Company.

General and administrative expense, stock based compensation expense, unrealized loss/(gain) on foreign exchange and realized loss/(gain) on foreign exchange were allocated based on the ratio of capital expenditures in the respective entity to the total capital expenditures of Loon.

Future income taxes were estimated on the basis that each entity was a separate legal entity.

As the determination of certain assets, liabilities, revenues and expenses is dependent upon future events, the preparation of consolidated financial statements required the use of estimates and assumptions which have been made using careful judgement. In the opinion of management, the unaudited interim consolidated financial statements have been properly

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prepared within reasonable limits of materiality and within the framework of the significant accounting policies outlined in the unaudited interim consolidated financial statements.

Forward-looking statements

This MD&A contains forward-looking statements. Readers are advised that any forward-looking statements contained in this MD&A are expressly qualified by the cautionary statements contained within the Forward-looking Statement section of this document.

Non-GAAP Measures

The financial information presented in this MD&A has been prepared in accordance with GAAP except for the term “working capital” which is not a recognized measure under GAAP and does not have standardized meaning prescribed by GAAP. This non-GAAP measure is presented for information purposes only and should not be considered an alternative to, or more meaningful than information presented in accordance with GAAP. Management believes working capital may be a useful supplemental measure as it is used by the Company to measure and evaluate the timing and amount of capital required to fund future operations. The Company’s method of calculating this measure may differ from those of other companies and, accordingly, it may not be comparable to measures used by other companies.

Kulczyk Oil calculates this non-GAAP measure as follows:

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Current assets	\$ 7,532,920	\$ 9,777,447
Current liabilities	<u>845,299</u>	<u>1,939,675</u>
Working capital	<u>\$ 6,687,621</u>	<u>\$ 7,837,772</u>

Operations Overview

The Company has demonstrated its ability to source, negotiate and conclude agreements for exploration and development opportunities, and to partially finance the expenditure commitments pursuant to these agreements via farm-out arrangements. Company management intends to continue following this successful business model in developing future opportunities while it continues to develop existing projects.

BRUNEI

Background

Loon Brunei Limited, a wholly-owned subsidiary of Kulczyk Oil owns a 40% working interest in a Production Sharing Agreement (“PSA”) dated August 28, 2006 between Brunei National Petroleum Company Sendirian Berhad (“PETROLEUMBrunei”), QAF Brunei and the Company which gives it the right to explore for and produce oil and gas from Block L. Block L comprises approximately 2,250 square kilometres which includes both onshore and shallow offshore areas of northern Brunei. Nations Petroleum (SE Asia) Limited (“Nations”), a wholly-owned subsidiary of Nations Petroleum Company Ltd. exercised an option in early 2008 to acquire a 50% working interest in Block L by agreeing to pay for the cost and expense of implementing an agreed work program, the cost of which is estimated to total US\$20.5 million. The primary exploration expenditure undertaken by Nations is on a 350 square kilometre 3D seismic survey to evaluate an onshore area approximately 15 kilometres to the northeast of the Seria oilfield.

Under the terms of the PSA, Kulczyk Oil committed to reprocess 1500 kilometres of existing 2D seismic data, complete a 3D seismic survey and drill two wells during Phase 1. PETROLEUMBrunei has agreed to extend the term of Phase 1 by one year to August 28, 2010 and the agreement giving effect to the extension is currently being finalized.

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Update

Acquisition of field seismic data for the Brunei 3D survey was completed on May 4, 2009. Reclamation work on the area surveyed is expected to be completed by the end of June.

Processing and interpretation of the 3D Seismic data is expected to be completed by early September and the target date for the start of drilling for the initial well is in December 2009.

SYRIA

Background

Loon Latakia Limited, a wholly-owned subsidiary of Kulczyk Oil owns a 100% interest in a Contract for the Exploration, Development, and Production of Petroleum ("PSC") between the Government of the Syrian Arab Republic, Syrian Petroleum Company ("SPC") and the Company which became effective on November 29, 2007. This agreement gives the Company the right to explore for and produce oil and gas from Block 9, 10,104 square kilometre area in northwestern Syria. The Company processed approximately 1,800 kilometres of previously shot 2D seismic data in late 2008 and the interpretation of this data, which is complete, indicates a number of potential drilling targets in the southeastern corner of the block.

Under the terms of the PSC, the Company is committed to acquire 600 kilometres of new 2D seismic data and drill two wells during the first four year exploration period. The Company has also posted a guarantee in the amount of \$7.5 million, an amount which represents the minimum exploration expenditure level specified in the PSC.

Update

The Company has notified SPC of its intent to convert the 2D seismic acquisition commitment to a 350 square kilometre 3D acquisition program. Planning for the shooting of a 3D seismic program is in its initial stages with the current target for shooting being the first quarter of 2010; work on the invitation to tender has commenced.

SLOVENIA

The Company has interests in a project in Slovenia which has seen little activity over the last three years, and in which the Company currently has no plans to invest further capital.

INVESTMENT

The Company has exposure to exploration, development and appraisal programs in Pakistan through its shareholding in Jura. The Company owns 7,479,419 (6.4%) common shares of Jura, the value of which at March 31, 2009 was \$830,914 based on the quoted market price of Jura common shares. Two directors of the Company (T. Elliott and N. Holton) are directors of Jura.

DOMESTIC ACTIVITY

Kulczyk Oil had very minor production in Canada which it held for a number of years. These interests were sold in 2007 and 2008.

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Quarterly Comparative Statement of Operations

	Three months ended March 31,	
	2009	2008
Other revenue		
Interest and other income	\$ 18,146	\$ 125,003
Other expenses		
General and administrative	868,916	629,996
Stock based compensation	51,010	77,715
Loss/(gain) on foreign exchange	51,841	(278,361)
Depletion, depreciation and accretion	15,316	14,278
Net loss	<u>\$ (968,937)</u>	<u>\$ (318,625)</u>
Net loss per share		
- basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Total assets	<u>\$ 20,596,742</u>	<u>\$ 23,521,245</u>
Long-term financial liabilities (asset retirement obligation)	<u>\$ 15,639</u>	<u>\$ 76,547</u>

Interest and Other Income

Interest and other income for the three months ended March 31, 2009 was \$18,146 compared to \$125,003 for the three months ended March 31, 2008. The decrease of \$106,857 is due to reduced rates of return on investments experienced in 2009 compared to 2008 and because of lower cash balances during 2009.

General and Administrative

General and administrative costs for the three months ended March 31, 2009 are \$835,190 compared to \$629,996 for the three months ended March 31, 2008. The increase in 2009 is due to the expenditures incurred for the planned initial public offering on the Warsaw Stock Exchange.

Depletion, Depreciation and Accretion (DD&A)

For the three months ended March 31, 2009 and 2008, DD&A consisted only of depreciation on office assets and accretion on asset retirement obligations. The Company's petroleum and natural gas properties in Brunei, Syria and Slovenia are in a pre-production phase as they do not yet have any proven reserves attributable to them, and accordingly, there is no DD&A provision calculated thereon.

Net Loss

Net loss was \$833,192 for the three months ended March 31, 2009 compared to a net loss of \$318,625 for the three months ended March 31, 2008. The increase in net loss was due to increase in general and administrative expenses in 2009 caused by the expenditures for incurred to date for the planned initial public offering on the Warsaw Stock Exchange.

Summary of Quarterly Data

The following tables set forth selected quarterly financial information for the most recent eight financial quarters. With the exception of the information for Q1 2009 and Q1 2008, the information contained in these tables has not been audited or reviewed by the Company's auditor.

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	<u>Q1 2009</u>	<u>Q4 2008</u>	<u>Q3 2008</u>	<u>Q2 2008</u>
Petroleum and natural gas sales	\$ -	\$ -	\$ -	\$ -
(Loss)/income after tax	\$ (968,937)	\$ (6,082,216)	\$ 158,219	\$ (205,764)
Per share - basic and diluted	\$ (0.01)	\$ (0.05)	\$ 0.00	\$ (0.00)
	<u>Q1 2008</u>	<u>Q4 2007</u>	<u>Q3 2007</u>	<u>Q2 2007</u>
Petroleum and natural gas sales	\$ -	\$ -	\$ -	\$ -
(Loss)/income after tax	\$ (318,625)	\$ (1,269,878)	\$ (5,248,613)	\$ (532,311)
Per share - basic and diluted	\$ (0.00)	\$ (0.02)	\$ (0.07)	\$ (0.01)

Capital Expenditures

During the three months ended March 31, 2009 the Company incurred \$298,521 of capital expenditures. \$95,579 of this amount related to cost incurred in Syria on an environmental impact assessment and the planning of the seismic acquisition program. The remaining expenditures incurred were due to prospective projects the Company continues to assess.

Share Data

The Company is authorized to issue an unlimited number of common shares of which 125,425,605 common shares and 9,110,000 options to purchase common shares were outstanding as at March 31, 2009 and May 20, 2009. The Company did not issue any shares pursuant to the exercise of stock options during the period ended March 31, 2009.

The Company is also authorized to issue an unlimited number of preferred shares; there are no preferred shares outstanding.

Summary of common shares outstanding:

	<i>Number of Shares</i>	Carrying amount
Balance, December 31, 2007	95,991,364	\$ 30,949,055
Issued for cash	48,000,000	9,556,423
Repurchased to treasury pursuant to exercise of put right option	(18,565,759)	(3,696,297)
Transfer to contributed surplus due to repurchase price being less than the carrying value per share	-	(1,182,815)
Less carrying value of share capital allocated to Loon Energy Corporation (note 4)	-	(2,898,612)
Balance, December 31, 2008 and March 31, 2009	<u>125,425,605</u>	<u>\$ 32,727,754</u>

On July 13, 2007, the Company closed a private placement equity financing through which 25,000,000 common shares were issued at CAD\$1.00 per share for gross proceeds of CAD\$25 million. All of the common shares were bought by Kulczyk Investment House International S.à.r.l. (“**Kulczyk Investment House**”).

The Plan of Arrangement gave each shareholder of the Company the right (“**Put Right**”), exercisable in advance of the meeting on December 9, 2008, to require the Company to repurchase shares at a price of CAD\$0.25. A maximum of

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CAD\$12 million was available for shareholders of the Company who decided to exercise the Put Right. On December 10, 2008, holders of 18,565,759 common shares exercised their Put Right and the Company paid out \$3,696,297 (CAD\$4,641,440) to re-purchase their shares. The redemption price per share of CAD\$0.25 was less than the carrying value per share at the time of redemption, therefore the difference was reclassified from share capital to contributed surplus.

To provide the Company with the funds necessary to finance the Put Right and with additional capital in the event that all of the funds were not used for that purpose, Kulczyk Investment House subscribed for 48,000,000 shares of the Company at CAD\$0.25 per share for gross proceeds of \$9,556,423 (CAD\$12 million).

After the redemption of the shares under the Put Right, Kulczyk Investment House's ownership percentage of the issued and outstanding shares of the Company is approximately 68%.

	Three months ended March 31,	
	2009	2008
Weighted average number of shares outstanding	125,425,605	95,991,364

As the Company is in a loss position the effect of outstanding options is anti-dilutive to the net loss per share.

The following table summarizes information about common share purchase options outstanding and exercisable at March 31, 2009 and May 20, 2009:

Options outstanding			Options exercisable	
Exercise price (\$CAD)	<i>Options</i>	<i>Contractual life remaining, years (weighted average)</i>	<i>Options</i>	Exercise price (\$CAD)
\$ 0.16	750,000	-	750,000	\$ 0.16
\$ 0.21	700,000	0.3	700,000	\$ 0.21
\$ 0.24	100,000	0.4	100,000	\$ 0.24
\$ 0.70	500,000	0.9	500,000	\$ 0.70
\$ 0.95	1,930,000	1.2	1,930,000	\$ 0.95
\$ 0.95	2,460,000	1.9	2,460,000	\$ 0.95
\$ 0.50	150,000	3.0	150,000	\$ 0.50
\$ 0.55	475,000	3.1	475,000	\$ 0.55
\$ 0.65	75,000	3.5	50,000	\$ 0.65
\$ 0.61	1,760,000	3.7	1,173,333	\$ 0.61
\$ 0.70	210,000	3.8	140,000	\$ 0.70
\$ 0.70	9,110,000	1.9	8,428,333	\$ 0.71

Financial Instruments

The Company as part of its operations carries a number of financial instruments including cash and short-term deposits, restricted cash, accounts receivable, marketable securities and accounts payable and accrued liabilities. The Company is exposed to the following risks related to its financial assets and liabilities:

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Interest rate risk

The Company maintains its cash and cash equivalents and restricted cash in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations thereon. Interest rate risks on the Company's obligations are not considered material.

Credit risk

The Company's cash and cash equivalents and restricted cash are held with major financial institutions. Management monitors credit risk by reviewing the credit quality of the financial institutions that hold the cash, cash equivalents and restricted cash.

Accounts receivable as at March 31, 2009 consists of commodity taxes recoverable from the federal government of Canada and interest earned on restricted cash deposits for which credit risk is assessed as being low.

Market risk

The Company is exposed to risks arising from fluctuations in currency exchange rates between the Canadian dollar and the United States dollar. At March 31, 2009, the Company's primary exposures relate to Canadian dollar denominated working capital and cash balances held in Canada.

Cash and cash equivalents	CAD \$	5,282,512
Accounts receivable		571,284
Accounts payable and accrued liabilities		<u>(962,218)</u>
Net foreign exchange exposure	CAD \$	<u>4,891,578</u>

At March 31, 2009, if the Canadian dollar had strengthened by 10% compared to the U.S. dollar and all other variables were held constant, after tax net loss would have increased by \$0.5 million. Conversely, if the Canadian dollar had weakened by 10%, an equal decrease of \$0.5 million to after tax net loss would have resulted.

At March 31, 2009, if the value of Jura Energy Corporation shares had been 10% higher the impact would have been a \$35,611 reduction in the unrealized loss recorded in the statement of operations. If the share price had been 10% lower the same amount would have increased the unrealized loss.

Fair value

The carrying value of the Company's financial assets and liabilities, except for its investment in Jura Energy Corporation, approximate their fair values due to their demand nature or because of their relatively short term to maturity. The investment in Jura is recorded at fair value based on the quoted market price for the shares.

Liquidity risk

The Company monitors its liquidity position regularly to ensure that it has funds necessary to complete planned exploration commitments on its petroleum and natural gas properties or that viable options are available to fund such commitments from new equity issuances or alternative sources of financing such as farm-out agreements. However, as an exploration company at an early stage of development and without internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual exploration expenditures may exceed those planned. Alternatives available to the Company to manage its liquidity risk include deferring planned capital expenditures that exceed amounts required by work programmes to retain concession licences, farm out arrangements and seeking new equity capital.

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Related Party Transactions

Jura Energy Corporation (“**Jura**”), a public company in which the Company owns 6.4% of the outstanding common shares, commenced providing financial and accounting services to the Company in May 2007. For the year ended March 31, 2009, the fees totalled \$54,442 (March 31, 2008: \$22,470). At March 31, 2009, the Company owed \$21,506 to Jura (December 31, 2008 - \$21,506). Two directors of the Company, Timothy M. Elliott and Norman W. Holton, are directors of Jura and Paul H. Rose, Chief Financial Officer of the Company is also the Chief Financial Officer of Jura.

Nemmoco Petroleum Corporation (“**Nemmoco**”), a private company of which 25% is owned by, Timothy M. Elliott, an officer and director of the Company, provides certain personnel and general, accounting and administrative services to the Company at its offices in Dubai on a cost sharing basis. For the three months ended March 31, 2009, the fees totalled \$85,800 (March 31, 2008: \$31,666). At March 31, 2009, the Company owed \$19,698 (December 31, 2008 - \$18,149) to Nemmoco in relation to these administrative services.

Loon Energy Corporation (“**Loon Energy**”) has no employees, and management and administrative services are provided by the management and staff of Kulczyk Oil pursuant to a administrative fee structure. This structure was implemented on December 10, 2008, the date of the Arrangement. For the three months ended March 31, 2009, these fees totalled \$2,409. At March 31, 2009, Loon Energy owed the Company \$59,222 for these administrative fees. Kulczyk Oil and Loon Energy are related as they have common directors and officers and the same principal shareholder.

Due to Loon Energy not having a bank account from December 10, 2008 to April 2009, expenses incurred over that period for Loon Energy were paid by the Company. As at March 31, 2009, Loon Energy owed the Company \$228,069 for these expenses.

All of the common shares issued in the CAD\$12,000,000 and CAD\$25,000,000 private placements completed on December 10, 2008 and July 13, 2007 respectively, were bought by Kulczyk Investment House, a private company which had a prior ownership interest in the Company and had a representative on the board of the Company at the time the common shares were issued.

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

Liquidity and Capital Resources

The Company's exploration activities and overhead costs are financed by way of equity issuances and by farm-out agreements through which third parties pay for all or a portion of the Company's expenditures to earn a portion of the Company's ownership interest. The Company believes that its cash resources at March 31, 2009 together with the “carry” resulting from existing farmout arrangements will be sufficient to finance current operations and planned capital spending anticipated for the next twelve months. The majority of the costs arising from the Brunei work commitment (\$22.75 million of the total \$25.0 million) are expected to be paid for by other parties pursuant to agreements with those parties to earn a portion of the Company's working interests. The Company has posted a guarantee for the minimum cost of the work commitment in Syria (\$7.5 million), which is secured by cash on deposit.

Additional capital or further commitment from farm-in partners will be required to fully complete the exploration and development programs as presently contemplated under the Company's current agreements. Should capital or farm-in partners not be available in the future when planned expenditures on oil and gas properties are required, operations may have to be suspended or revaluated. The uncertainty in the global capital markets that is currently being experienced could have a negative impact on the Company's ability to access capital in the future.

The Company had a working capital surplus of \$6,687,621 at March 31, 2009 (December 31, 2008 - \$7,837,772) with an additional \$7.5 million posted as cash security for a bank guarantee related to Syria.

On an ongoing basis the Company will typically utilize four sources of funding to finance its capital expenditure program:

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internally generated funds, debt where appropriate, new equity issues if available on favourable terms, and asset sales. When financing corporate acquisitions, the Company may also assume certain future liabilities.

Commitments

Brunei

The work commitments over the period ending August 28, 2010 in accordance with the Production Sharing Agreement ("PSA") for Brunei will require expenditures presently estimated to amount to a minimum of \$25.0 million of which the Company's minimum share would be \$2.25 million. The remaining \$22.75 million will be funded by Nations pursuant to the agreements described in the "Operations Review" section of this MD&A. The agreement with Nations requires them to fund the cost and expense of implementing an agreed work program, the cost of which is estimated to total \$20.5 million. As at March 31, 2009, approximately \$18.6 million has been incurred by Nations. The Company expects that the remaining amount of expenditure that Nations must fully fund will be incurred by the third quarter of 2009.

The Company has accrued payments aggregating \$140,000 in the financial statements as at March 31, 2009 that relate to an agreement reached in 2007 to settle a legal challenge to the Company's title under the PSA. Pursuant to the Settlement Agreement, the Company also agreed to pay a maximum of \$3.5 million out of 10% of its share of profit oil as defined in the Brunei PSA. No amount has been accrued in these financial statements for this contingent liability.

Syria

In 2007, the Company signed a contract for the Exploration, Development and Production of Petroleum ("PSC") with the Government of the Syrian Arab Republic and the Syrian Petroleum Company for Block 9 in northwest Syria.

Under the terms of the Block 9 PSC, the Company has a first phase exploration period of four years during which it has committed to acquire and process seismic information and drill two exploration wells. The exploration period can be extended for up to nine years in phases by performing additional work on an agreed basis. In accordance with the terms of the PSC, the Company posted a guarantee in the amount of \$7.5 million which is the Company's estimated minimum capital expenditure required for the work commitment in the PSC. As at March 31, 2009, approximately \$2.7 million in expenditures have been incurred in Syria of which approximately \$750,000 are eligible exploration costs for the first phase exploration period, and which, upon application by the Company, will reduce by a like amount the total of the guarantee posted.

Office Space

During the fourth quarter of 2008 the Company signed a lease agreement for new space for its Calgary office. This lease commenced on December 1, 2008 and expires on August 30, 2011. The commitment is \$118,408 each year for the term of the agreement. The Company anticipates subleasing the previous space under contract. The Company's lease agreement for its former Calgary office space expires on October 31, 2012; the commitment is \$118,329 each year for the remaining four years of the agreement.

Initial Public Offering

In connection with the planned public offering and listing of its common shares on the Warsaw Stock Exchange, the Company has retained investment advisors in Poland. The advisors are to be paid a monthly fee of \$13,200 (€10,000) until June 30, 2009 subject to extension by mutual agreement. The advisors will be paid an additional fixed fee of \$330,000 (€250,000) if the listing on the Warsaw Stock Exchange does not include the planned public offering. The advisors will also be paid a commission based fee of 2.6% upon successful completion of the public offering.

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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" or "resources" 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 speak only as of the date of this MD&A.

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates. Information regarding the accounting policies selected by the Company, and the critical

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accounting estimates used are set out in the Company's consolidated financial statements for the years ended December 31, 2008 and 2007, and are further discussed in this Management's Discussion and Analysis document.

The Company considers the following accounting estimates to be critical given the uncertainties that exist at the time the consolidated financial statements are prepared:

Cost recovery test on property and equipment

The Company performs a cost recovery test for each cost centre at least annually to evaluate and if appropriate, recognize impairment when the carrying value of property and equipment exceeds the undiscounted future cash flows from proven reserves using estimated future commodity prices. The amount of any impairment to be recognized is determined as the excess of the carrying value over fair value. Fair value is determined using proven and probable reserves together with undeveloped land, and is based on the present value of expected future cash flows discounted at a risk-free rate of interest.

The Company also completes an analysis of the carrying value of undeveloped properties at least annually to ensure there are no indicators of impairment. These indicators would include, but are not limited to, results of seismic reprocessing and acquisition, licence expirations and the determination by management that a project or property is no longer economically feasible.

Impairments, if any, are highly dependent on finding commercial reserves and the amount and potential effect of impairments in the future could be significant.

Future Accounting Policies

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable profit-oriented enterprises will be required to use International Financial Reporting Standards ("IFRS") in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. For the Company, this will mean that interim and annual consolidated financial statements will be prepared in accordance with IFRS for 2011 fiscal year, and will include comparative figures for the 2010 fiscal year prepared in accordance with IFRS as well. Over the next two years, Canadian GAAP will be modified, to a certain extent, to converge with IFRS.

An evaluation of IFRS conversion requirements that pertain to the Company is being conducted throughout the first half of 2009, which will then lead to the development of an implementation plan to transition the Company's financial reporting process, including internal controls and information systems to IFRS. During this evaluation, IFRS early adoption provisions will be investigated, and the Company will evaluate whether early adoption is allowable and/or feasible. The evaluation will also allow the Company to be in a position to estimate the initial financial impact of the transition to IFRS so key stakeholders and users of the financial information can begin to understand the overall consequences of this process.

Disclosure Controls and Procedures, and Internal Controls over Financial Reporting

The Company is not required to and is not certifying as to the design and operating effectiveness of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"). Comments with respect to DC&P and ICFR are based on management's observations of the Company's control environment and not on a complete assessment of DC&P and ICFR. There have been no material changes to DC&P or ICFR during the three months ended March 31, 2009.

Kulczyk Oil Ventures Inc.
(Formerly Loon Energy Inc.)
Management's Discussion and Analysis
March 31, 2009
(US\$, unless otherwise stated)

Approval

The Company's Board of Directors has approved the disclosure contained within this MD&A.

Additional Information

Additional information regarding Loon and its business and operations is available at www.sedar.com. Information is also accessible on the Company's website at www.kulczykoil.ca. Copies of the information can also be obtained by contacting the Company at Kulczyk Oil Ventures Inc., 1170, 700 – 4th Avenue S.W., Calgary, Alberta T2P 3J4 (Phone: +403-264-8877) or by e-mail at ryaniw@kulczykoil.ca.