

Kulczyk Oil Ventures Inc.
(Formerly Loon Energy Inc.)
Management's Discussion and Analysis
For the period ended June 30, 2009 and 2008
(US\$, unless otherwise stated)

This Management's Discussion and Analysis ("MD&A") dated August 28, 2009 is provided by the management of Kulczyk Oil Ventures Inc. ("**Kulczyk Oil**", or "**Company**") and should be read in conjunction with the audited consolidated financial statements as at, and for the six month periods ended June 30, 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 9, 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 December 19, 2008. 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

The consolidated financial statements of Kulczyk Oil have been prepared by management 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 audited 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 Company's 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 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:

	June 30, 2009	December 31, 2008
Current assets	\$ 6,142,821	\$ 9,777,447
Current liabilities	<u>3,245,769</u>	<u>1,939,675</u>
Working capital	<u>\$ 2,897,052</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

On August 28, 2006 Loon Brunei Limited ("**Loon Brunei**"), a wholly-owned subsidiary of Kulczyk Oil, and QAF Brunei Sdn. Bhd. ("**QAF**") (collectively, together with assignees, referred to as the "**Contractor**") signed a Production Sharing Agreement ("**PSA**") with Brunei National Petroleum Company Sendirian Berhad ("**PetroleumBRUNEI**"). The PSA granted QAF and Loon Brunei 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.

On April 23, 2007, Loon Brunei signed an Option Agreement with Nations Petroleum (SE Asia) Limited ("**Nations**"), pursuant to which Nations was granted the option to acquire a 50% interest in the PSA, in consideration for reimbursing Loon Brunei for approximately \$1.4 million of previously incurred costs, and agreeing to fund 100% of the Phase 1 work program required by the PSA to a maximum expenditure of approximately \$21.7 million. On January 28, 2008, Nations gave notice of its exercise of the option and by deed of assignment dated May 23, 2008, Nations was assigned a 50% working interest in Block L. As part of the approval of the assignment, the Contractor agreed to spend \$4.5 million on work in addition to that specified in the PSA for Phase 1. Consequently the Contractor's work commitment for Phase 1

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under the PSA consists of reprocessing all existing seismic data (to the extent that it is capable of being reprocessed), acquiring 350 sq. km of 3D seismic, drilling 2 wells to a depth of 2,000 meters and conducting \$4.5 million of additional work, which additional work is to be agreed with PetroleumBRUNEI. The consequent minimum expenditure requirement specified in the PSA for the Phase 1 exploration period increased from \$20.5 million to \$25.0 million.

The Brunei Block L PSA provides for an exploration period of six years from the date of the Brunei Block L PSA divided into two phases, Phase 1 and Phase 2, each of which was initially for a period of three years. In October 2008, a formal request was submitted to PetroleumBRUNEI for an extension of the term of Phase 1 by one year to August 27, 2010 with a corresponding decrease of one year to Phase 2. An amendment to the PSA providing for the extension to Phase 1 is currently being circulated for execution by the parties.

Update

Acquisition of field seismic data for the Brunei 3D survey was completed on May 4, 2009, and as at June 30, 2009, all existing seismic data has been reprocessed and the 3D seismic obligation has been fulfilled. Processing and interpretation of the 3D Seismic data is continuing with a number of potential drilling targets being highlighted upon interpretation. The earliest date that drilling will commence has moved back to January 2010, from December 2009. As at June 30, 2009, approximately \$28.6 million in expenditures have been incurred by the Contractor in meeting its work commitments, and pursuant to the Option Agreement, Nations funded 100% of the first \$21.7 million in Phase 1 costs incurred. The Company is to fund 50% of all expenditures between \$21.7 million and \$25 million and 40% of all expenditures thereafter, and to June 30, 2009, has spent \$3.1 million.

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, a 10,040 square kilometre block in northwestern Syria.

Under the terms of the PSC, the Company has a first phase exploration period of four years during which it has committed to reprocess all existing seismic data on Block 9, acquire 600 kilometres of 2D seismic 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. The Company has posted a guarantee in the amount of \$7.5 million, an amount which represents the minimum exploration expenditure level specified in the PSC for the first exploration phase.

Update

The Company has notified SPC of its intent to convert the 2D seismic acquisition commitment to a 350 square kilometre 3D acquisition program, and SPC has recently confirmed their agreement to this change. Planning for the shooting of the 3D seismic program is in its initial stages and an environmental impact assessment, required under the terms of the PSC, is presently underway. As at June 30, 2009, the Company has incurred costs of approximately \$2.9 million on Block 9.

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. Accordingly, the Company has written off all amounts related to Slovenia.

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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 June 30, 2009 was \$579,052 based on the quoted market price of Jura common shares. Two directors of the Company (Tim Elliott and Norm Holton) are directors of Jura. Paul Rose is the CFO of both companies.

CANADA

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

Comparative Statement of Operations

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Other revenue				
Interest and other income	\$ 9,023	\$ 81,270	\$ 27,169	\$ 206,273
Other expenses				
General and administrative	679,582	386,686	1,548,498	1,016,682
Stock based compensation	51,761	35,850	102,771	113,565
Loss/(gain) on foreign exchange	(299,627)	72,120	(247,786)	(206,241)
Depletion, depreciation and accretion	10,888	15,563	26,204	29,841
Impairment of petroleum and natural gas properties	178,000	-	178,000	
Loss before income taxes	(611,581)	(428,949)	(1,580,518)	(747,574)
Earnings (loss) from discontinued Canadian operations	-	213,505	-	213,505
Net loss	<u>\$ (611,581)</u>	<u>\$ (215,444)</u>	<u>\$ (1,580,518)</u>	<u>\$ (534,069)</u>
Net loss per share (basic and diluted)				
- before discontinued operations	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
- after discontinued operations	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Total assets			<u>\$ 22,135,934</u>	<u>\$ 23,003,315</u>
Long-term financial liabilities (asset retirement obligation)			<u>\$ 15,924</u>	<u>\$ 15,789</u>

Interest and Other Income

Interest and other income for the six months ended June 30, 2009 was \$27,169 compared to \$206,273 for the three months ended June 30, 2008. The decrease of \$179,104 is due to reduced rates of return on investments experienced in 2009 compared to 2008 and because of lower cash balances held during 2009.

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General and Administrative

General and administrative costs for the six months ended June 30, 2009 are \$1,548,498 compared to \$1,016,682 for the six months ended June 30, 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 six months ended June 30, 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 and Syria 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. During the quarter ended June 30, 2009, the Company wrote off all amounts related to Slovenia.

Net Loss

Net loss was \$1,580,518 for the six months ended June 30, 2009 compared to a net loss of \$534,069 for the six months ended June 30, 2008. The increase in net loss was due to increase in general and administrative expenses in 2009 caused by the expenditures incurred to date for the planned initial public offering on the Warsaw Stock Exchange, and by the write-off of costs capitalized to the Slovenian cost centre.

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 and Q2 2009 and Q1 and Q2 2008, the information contained in these tables has not been audited or reviewed by the Company's auditor.

	<u>Q2 2009</u>	<u>Q1 2009</u>	<u>Q4 2008</u>	<u>Q3 2008</u>
(Loss)/income after tax	\$ (611,581)	\$ (968,937)	\$ (6,082,216)	\$ 158,219
Per share - basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.05)	\$ 0.00
	<u>Q2 2008</u>	<u>Q1 2008</u>	<u>Q4 2007</u>	<u>Q3 2007</u>
(Loss)/income after tax	\$ (215,444)	\$ (318,625)	\$ (1,269,878)	\$ (5,248,613)
Per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.07)

Capital Expenditures

During the six months ended June 30, 2009, the Company incurred \$3,634,551 of capital expenditures. Of this amount, \$247,758 related to costs incurred in Syria on an environmental impact assessment and for planning of the seismic acquisition program. The Company also incurred \$2,972,252 of costs in Brunei primarily for the seismic acquisition program. The Company is now paying the 40% for all future expenditures as per agreements. 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 8,110,000 options to purchase common shares were outstanding as at June 30, 2009 and August 28, 2009. The Company

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did not issue any shares pursuant to the exercise of stock options during the period ended June 30, 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 opt:	(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	-	(2,898,612)
Balance, December 31, 2008 and June 30, 2009	<u>125,425,605</u>	<u>\$ 32,727,754</u>

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 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 International S.a.r.l. (“KIH”) 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, the ownership percentage of KIH in the issued and outstanding shares of the Company is approximately 68%.

	Three months ended June 30, 2009	2008	Six months ended June 30, 2009	2008
Weighted average number of shares outstanding	125,425,605	95,991,364	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 June 30, 2009 and August 28, 2009:

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Options outstanding			Options exercisable		
Exercise price (CDN)	<i>Options</i>	<i>Contractual life remaining, years (weighted average)</i>	<i>Options</i>	Exercise price (CDN)	
\$ 0.21	700,000	0.1	700,000	\$ 0.21	
\$ 0.24	100,000	0.1	100,000	\$ 0.24	
\$ 0.70	500,000	0.6	500,000	\$ 0.70	
\$ 0.95	1,930,000	0.9	1,930,000	\$ 0.95	
\$ 0.95	2,460,000	1.6	2,460,000	\$ 0.95	
\$ 0.55	475,000	2.8	475,000	\$ 0.55	
\$ 0.65	75,000	3.2	49,500	\$ 0.65	
\$ 0.61	1,660,000	3.4	1,095,600	\$ 0.61	
\$ 0.70	210,000	3.6	70,000	\$ 0.70	
\$ 0.76	8,110,000	1.7	7,380,100	\$ 0.77	

The Company's shares were de-listed from trading on the Toronto Venture Exchange at the Company's request on December 10, 2008.

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:

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 June 30, 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 June 30, 2009, the Company's primary exposures relate to Canadian dollar denominated working capital and cash balances held in Canada.

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		June 30, 2009
Cash and cash equivalents	CDN \$	1,218,425
Accounts receivable		165,395
Prepaid expenses		387,032
Accounts payable and accrued liabilities		(739,593)
Net foreign exchange exposure	CDN \$	1,031,259

For the six months ended June 30, 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 \$73,000. Conversely, if the Canadian dollar had weakened by 10%, an equal decrease of \$73,000 to after tax net loss would have resulted.

For the six months ended June 30, 2009, if the value of Jura Energy Corporation shares had been 10% higher, the impact would have been a \$58,000 reduction in the unrealized loss recorded in other comprehensive loss. 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 assess whether 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.

The Company believes that its cash resources at June 30, 2009 together with the "carry" resulting from existing farmout arrangements will not be sufficient to finance current operations and planned capital spending anticipated for the next twelve months, and therefore additional funding will be required. The Company has agreed to the terms of a temporary convertible debt facility with its major shareholder under which funding will be available to a maximum amount of \$8 million. The Company is planning to raise equity late in 2009, and will retire any amounts outstanding on this credit facility through its conversion to shares at the time the new equity is raised.

Related Party Transactions

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 period ended June 30, 2009, the fees totalled \$112,592 (June 30, 2008: \$67,383). At June 30, 2009, the Company owed \$22,126 to Jura (June 30, 2008: \$64,920). 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 six months ended June 30, 2009, the fees totalled \$171,600 (June 30, 2008: \$126,600). At June 30, 2009, the Company owed \$Nil (December 31, 2008: \$18,149) to Nemmoco in relation to these administrative services.

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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 shared services structure which was implemented on December 10, 2008, the date of the Arrangement. For the six months ended June 30, 2009, these fees totalled \$4,974. In addition, the Company pays general and administrative costs on behalf of Loon Energy. At June 30, 2009, Loon Energy owed the Company \$84,817 for these administrative services and for reimbursement of general and administrative costs. Kulczyk Oil and Loon Energy are related as they have common directors and officers and the same principal shareholder.

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 June 30, 2009 together with the “carry” resulting from existing farmout arrangements will not be sufficient to finance current operations and planned capital spending anticipated for the next twelve months, and therefore additional funding will be required. The Company has agreed to the terms of a temporary convertible debt facility with its major shareholder under which funding will be available to a maximum amount of \$8 million. The Company is planning to raise equity late in 2009, and will retire any amounts outstanding on this credit facility through its conversion to shares at the time the new equity is raised.

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 Company had a working capital surplus of \$2,897,052 at June 30, 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: 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 commitment for Phase 1 under the PSA consists of reprocessing all existing seismic data (to the extent that it is capable of being reprocessed), acquiring 350 sq. km of 3D seismic, drilling 2 wells to a depth of 2000 meters and conducting \$4.5 million of additional work, which additional work is to be agreed with PetroleumBRUNEI. The consequent minimum expenditure requirement specified in the PSA for the Phase 1 exploration period increased from \$20.5 million to \$25.0 million. As at June 30, 2009, all existing seismic data has been reprocessed and the 3D seismic obligation has been fulfilled and approximately \$28.6 million in expenditures have been incurred by the Contractor in meeting its work commitments.

As Operator, Nation's has advised that drilling of the first of two exploration wells will likely commence in the first quarter of 2010 with the second exploration well likely to commence drilling in the second quarter of 2010. Management expects the Company's share of expenditures for 2010 to be approximately \$12.0 million.

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 600 line km of 2D seismic and drill two exploration wells. The Company has notified SPC that it intends to replace the 2D seismic acquisition commitment with the acquisition of 350 sq. km of 3D seismic.

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Planning of the seismic acquisition has commenced and Management presently expects to expend approximately \$5.0 million during 2010 to complete the acquisition, processing and interpretation of 3D seismic data. The Company does not presently expect that drilling of the exploratory wells will commence until after 2010, and cannot predict the expenditures that may be required therefor until such time as potential well locations are selected based on evaluation of the seismic program.

Office Space

During the fourth quarter of 2008 the Company signed a new lease agreement for Calgary office space. This lease commenced on December 1, 2008 and expires on August 30, 2011; the commitment is \$137,222 (CAN \$165,518) each year for the term of the agreement. The Company's lease agreement for its former Calgary office space expires on October 31, 2012; the commitment is \$125,603 (CAN \$151,503) each year for the remaining four years of the agreement.

Initial Public Offering

In connection with the planned public offering and listing of the 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 approximately \$14,000 (€10,000) the aggregate amount of which will be off-set against the commission to be paid upon successful completion of the public offering. The advisors will be paid a commission based fee of 2.5% of the gross proceeds raised upon successful completion of the public offering with a minimum amount to be paid of \$2.1 million (€1.5 million). In the event the Company does not proceed with the listing on the Warsaw Stock Exchange, the advisors will be paid an additional fixed fee of \$350,000 (€250,000).

Subsequent event

On August 17, 2009, the Company made an offer to the shareholders of a privately held company with international oil and gas interests to acquire all of their shares in exchange for newly issued common shares of the Company. In connection with the proposed acquisition, the Company advanced a \$1.0 million non-interest bearing, unsecured loan to the private company which will be retired upon closing of the acquisition or retained by the private company as a break fee if the acquisition does not close because of actions by the Company. The offer is scheduled to expire in mid-September of 2009 and, if conditions are satisfied, close at that time which would result in the issuance by the Company of approximately 75 million additional common shares. The transaction is subject to 75% approval by the shareholders of the private company and various regulatory and government agencies as well as the right of certain government pre-emptive rights to the assets of the private company.

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.

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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 accounting estimates used are set out in the Company's consolidated financial statements for the periods ended June 30, 2009 and 2008 and 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.

Kulczyk Oil Ventures Inc.
(Formerly Loon Energy Inc.)
Management's Discussion and Analysis
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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 will be conducted during the remainder of 2009 and into 2010. This 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 six months ended June 30, 2009.

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: +1 403 264-8877) or by e-mail at ryaniw@kulczykoil.ca.