

**MOONCOR OIL & GAS CORP.**

(An Exploration Stage Company)

**Consolidated Interim Financial Statements**

**For the Six Month Period Ended**

**June 30, 2012**

(unaudited)

The accompanying financial statements for Mooncor Oil & Gas Corp. have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") consistently applied. Only changes in accounting policies have been disclosed in these unaudited consolidated interim financial statements. Recognizing that the Company is responsible for both integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the period ended June 30, 2012.

**Mooncor Oil & Gas Corp.**  
**(An Exploration Stage Enterprise)**  
**Consolidated Interim Balance Sheets**  
**(Unaudited, expressed in Canadian dollars)**

As at	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 260,123	\$ 602,201
Segregated cash	40,967	40,815
Sundry receivable	64,936	149,694
Prepaid expenses	11,807	33,443
	<u>377,833</u>	<u>826,153</u>
<b>Other Assets:</b>		
Property and equipment (note 3)	538,286	448,546
Intangible assets (note 3)	3,750	15,000
Deposits	347,338	342,956
Exploration and evaluation assets (note 4)	1,631,108	2,557,553
	<u>2,520,482</u>	<u>3,364,055</u>
	<u>\$ 2,898,315</u>	<u>\$ 4,190,208</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 993,439	\$ 855,835
Convertible debentures payable (note 6)	1,043,742	1,021,438
Deferred premium on flow-through shares	6,208	13,989
	<u>2,043,389</u>	<u>1,891,262</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 5)	17,927,143	17,335,713
Contributed surplus (note 5)	1,594,432	1,558,780
Equity component of convertible debenture	192,059	192,059
Warrants (note 5)	1,575,785	2,167,215
Accumulated other comprehensive loss	(134,125)	(134,125)
Deficit	(20,300,368)	(18,820,696)
	<u>854,926</u>	<u>2,298,946</u>
	<u>\$ 2,898,315</u>	<u>\$ 4,190,208</u>
<b>GOING CONCERN (note 1)</b>		

Approved by the Board of Directors

\_\_\_\_\_  
 "Alan Myers" Director

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 "Nick Tsimidis" Director

The accompanying notes form an integral part of these consolidated interim financial statements.

**Mooncor Oil & Gas Corp.**  
**(An Exploration Stage Enterprise)**  
**Consolidated Interim Statements of Comprehensive Loss**  
**(Unaudited, expressed in Canadian dollars)**

	<b>Three Months June 30, 2012</b>	<b>Three Months June 30, 2011</b>	<b>Six Months June 30, 2012</b>	<b>Six Months June 30, 2011</b>
<b>INCOME</b>	\$ 21,097	\$ 65,015	\$ 95,290	\$ 71,821
<b>EXPENSES</b>				
Production and operating expenses	8,033	-	184,510	-
Professional fees (note 7)	15,038	199,881	34,857	242,764
Finance costs	26,026	25,682	51,492	50,942
Stock based compensation (note 5)	-	76,553	35,652	90,136
Office and general	2,340	152,417	32,356	257,616
Insurance	12,760	5,724	17,875	9,139
Amortization	8,255	6,245	16,510	12,420
Consulting (note 7)	1,500	253,879	57,000	362,224
Travel	4,078	25,362	7,011	72,263
Secretary fees	-	-	-	1,370
	<u>78,030</u>	<u>745,743</u>	<u>437,263</u>	<u>1,098,874</u>
<b>Loss before undernoted</b>	<b>(56,933)</b>	<b>(680,728)</b>	<b>(341,973)</b>	<b>(1,027,053)</b>
Write-down of oil and gas properties and deferred exploration expenditures	(1,145,480)	-	(1,145,480)	(10,098)
Realized gain (loss) on disposal of marketable securities	-	-	-	(6,930)
<b>Loss before income taxes</b>	<b>(1,202,413)</b>	<b>(680,728)</b>	<b>(1,487,453)</b>	<b>(1,044,081)</b>
Future income tax recovery	-	-	7,781	-
<b>Net loss</b>	<b>(1,202,413)</b>	<b>(680,728)</b>	<b>(1,479,672)</b>	<b>(1,044,081)</b>
Unrealized (gain) loss on portfolio investments	-	7,365	-	7,365
<b>Net loss and Comprehensive loss for the period</b>	<b>\$ (1,202,413)</b>	<b>\$ (673,363)</b>	<b>\$ (1,479,672)</b>	<b>\$ (1,036,716)</b>
<b>Weighted Average Shares Outstanding - basic and diluted</b>	<u>121,953,956</u>	<u>121,561,937</u>	<u>121,953,956</u>	<u>118,003,550</u>
<b>Net loss per share - basic and diluted</b>	<b>\$ (0.010)</b>	<b>\$ (0.006)</b>	<b>\$ (0.012)</b>	<b>\$ (0.009)</b>

The accompanying notes form an integral part of these consolidated interim financial statements.

**Moconor Oil & Gas Corp.**  
**(An Exploration Stage Enterprise)**  
**Consolidated Interim Statements of Changes in Equity**  
**(Unaudited, expressed in Canadian dollars)**

	Capital Stock	Contributed Surplus	Equity component of convertible debenture	Warrants	Accumulated Other Comprehensive Loss	Deficit	Total Equity
<b>Balance at January 1, 2011</b>	\$ 14,088,818	\$ 1,229,693	\$ 142,998	\$ 2,856,753	\$ (120,585)	\$ (14,349,750)	\$ 3,847,927
Capital stock, net of share issue costs	2,728,195	-	-	-	-	-	2,728,195
Stock-based compensation	-	90,136	-	-	-	-	90,136
Convertible debentures	-	-	-	-	-	-	-
Warrants:	-	-	-	53,566	-	-	53,566
Unrealized loss on portfolio investments	-	-	-	-	7,365	-	7,365
Loss for the period	-	-	-	-	-	(1,036,716)	(1,036,716)
<b>Balance at June 30, 2011</b>	\$ 16,817,013	\$ 1,319,829	\$ 142,998	\$ 2,910,319	\$ (113,220)	\$ (15,386,466)	\$ 5,690,473
<b>Balance at January 1, 2012</b>	\$ 17,335,713	\$ 1,558,780	\$ 192,059	\$ 2,167,215	\$ (134,125)	\$ (18,820,696)	\$ 2,298,946
Capital stock, net of share issue costs	-	-	-	-	-	-	-
Stock-based compensation	-	35,652	-	-	-	-	35,652
Expired Warrants	591,430	-	-	(591,430)	-	-	-
Loss for the period	-	-	-	-	-	(1,479,672)	(1,479,672)
<b>Balance at June 30, 2012</b>	\$ 17,927,143	\$ 1,594,432	\$ 192,059	\$ 1,575,785	\$ (134,125)	\$ (20,300,368)	\$ 854,926

The accompanying notes form an integral part of these consolidated interim financial statements.

**Mooncor Oil & Gas Corp.**  
**(An Exploration Stage Enterprise)**  
**Consolidated Interim Statements of Cash Flows**  
**(Unaudited, expressed in Canadian dollars)**

	<b>Six months ended</b>	
	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (1,479,672)	\$ (1,036,716)
Write-down of evaluation and exploration assets	1,145,480	10,098
Stock-based compensation	35,652	90,136
Unrealized (gain) loss on disposal of marketable securities	-	(7,365)
Realized (gain) loss on disposal of marketable securities	-	6,930
Interest - convertible debenture	-	-
Deferred income tax recovery	-	-
Amortization	16,510	12,420
	<u>(282,030)</u>	<u>(924,497)</u>
Changes in non-cash working capital items		
Sundry receivables	84,758	(28,831)
Segregated cash	(152)	(81)
Prepaid expense	21,636	3,415
Deposits	(4,382)	(69,122)
Deferred premium on flow through shares	(7,780)	32,188
Accounts payable and accrued liabilities	137,602	55,607
	<u>(50,348)</u>	<u>(931,321)</u>
<b>Cash flows from investing activities</b>		
Proceeds disposal of portfolio investments	-	44,973
Additions to property and equipment	(95,000)	(1,400)
Additions to exploration and evaluation assets	(219,034)	(472,683)
	<u>(314,034)</u>	<u>(429,110)</u>
<b>Cash flows from financing activities</b>		
Convertible debenture	22,304	(57,736)
Issuance of capital stock, net of share issuance costs	-	2,781,761
	<u>22,304</u>	<u>2,724,025</u>
Net change in cash and cash equivalents	(342,078)	1,363,594
Cash and cash equivalents, start of period	<u>602,201</u>	<u>238,104</u>
Cash and cash equivalents, end of period	<u>\$ 260,123</u>	<u>\$ 1,601,698</u>
<b>Supplemental Information</b>		
Income tax paid	\$ -	\$ -
Interest paid	\$ 26,026	\$ 59,617
Fair value of broker warrants issued	\$ -	\$ 7,060

The accompanying notes form an integral part of these consolidated interim financial statements.

# **MOONCOR OIL & GAS CORP.**

(An Exploration Stage Company)

## **NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

June 30, 2012

**(Prepared by Management – Unaudited)**

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### **1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS**

Mooncor Oil & Gas Corp. (the “Company”) is continued under the Business Corporations Act (Ontario) and is an exploration stage company. The Company’s principal assets are exploration and evaluation assets made on properties which are not yet in substantial commercial production. The Company is in the process of exploring its oil and gas properties and has not yet determined whether these properties contain economically recoverable resources.

The Company is a public company trading on the TSX Venture Exchange (“TSXV”) under the symbol “MOO”.

#### **Going Concern**

The accompanying financial statements have been prepared on the going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has a working capital deficiency in the amount of \$1,665,555 and has a deficit in the amount of \$20,300,368. These uncertainties cast significant doubt upon the Company’s ability to continue as a going concern. The continuation as a going concern is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain necessary financing to continue exploration and development, the ability of the Company to secure and maintain title and beneficial interest in its properties, entering into agreements with others to explore and develop its properties, and upon future profitable production or proceeds from disposition of such properties. Failure to continue as a going concern would then require that stated amounts of assets and liabilities to be reflected on a liquidation basis of valuation that could differ materially from the going concern basis of accounting.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB (“International Accounting Standards Board”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 - Interim Financial Reporting. The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company’s audited annual financial statements for the year ended December 31, 2011.

The policies applied in these financial statements are based on IFRS issued and outstanding as of August 29, 2012, the date the Board of Directors approved the statements. Any subsequent changes to IFRS after this date could result in changes to the financial statements for the period ended June 30, 2012.

The consolidated interim financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company’s audited annual financial statements and the notes thereto for the year ended December 31, 2011.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, share-based payments, allocation of financing proceeds, and income taxes. Differences may be material.

**MOONCOR OIL & GAS CORP.**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

June 30, 2012

**(Prepared by Management – Unaudited)**

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**3. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS**

Property and equipment at June 30, 2012 consists of:

	Cost	Acc. Amortization	Net
Balance, Dec 31, 2011	\$ 22,128	\$ (15,314)	\$ 6,814
Amortization	-	(1,022)	(1,022)
Balance, June 30, 2012	<u>\$ 22,128</u>	<u>\$ (16,336)</u>	<u>\$ 5,792</u>

Oil and natural gas interests at June 30, 2012 consists of:

	Cost	Acc. Depletion.	Net
Balance, Dec 31, 2011	\$ 450,207	\$ (8,475)	\$ 441,732
Additions	95,000	-	95,000
Amortization	-	(2,119)	(2,119)
Balance, June 30, 2012	<u>\$ 545,207</u>	<u>\$ (12,713)</u>	<u>\$ 532,494</u>

**TOTAL, June 30, 2012** \$ 538,286

Intangible assets at June 30, 2012 consists of:

	Cost	Acc. Amortization	Net
Balance, Dec 31, 2011	\$ 150,000	\$ (135,000)	\$ 15,000
Amortization	-	(11,250)	(11,250)
Balance, June 30, 2012	<u>\$ 150,000</u>	<u>\$ (146,250)</u>	<u>\$ 3,750</u>

# MOONCOR OIL & GAS CORP.

(An Exploration Stage Company)

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2012

(Prepared by Management – Unaudited)

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### 3. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS – Continued

#### Oil and Natural Gas Interests (Lloydminster (Alberta))

In 2008, Company acquired two suspended wells and related P&NG rights in the Lloydminster area of Alberta from an arms length industry vendor for cash proceeds of \$400,000. The assets consist of interests in two heavy oil leases. There is a well on each lease.

The Company's interest in the first lease is a 60% working interest subject to:

- (i) an obligation to pay a 60% share of the variable Crown royalties;
- (ii) a 60% share of a 1% GORR payable to an arm's length party; and
- (iii) a 3% GORR payable to an arm's length party on the 60% share of production.

The Company's interest in the other lease is a 60% working interest before payout of the approximate \$485,000 payout account associated with the well on the lease and includes the right to recoup the payout account. The interest in the well will decline to 36% after recoupment of the payout account. This lease is subject to

- (i) a 60% share of the Crown royalty;
- (ii) a 60% share (36% after payout) of a 1% GORR payable to an arm's length party on oil production;
- (iii) a 5% to 15% variable convertible GORR payable to an arm's length party in respect of oil production;
- (iv) a 15% convertible GORR payable to an arm's length party in respect of gas production; and
- (v) a 3% GORR payable to an arm's length party on the Company's 60% share of production. The 5% to 15% variable convertible GORR and 15% convertible GORR are convertible to a 40% working interest payable to the arm's length party once payout has been achieved.

The wells include the right to complete one infill well on each of the leases. Upon completion and payout of any infill well, the Company will have a 60% working interest in the applicable well subject to the encumbrances on the applicable lease.

During the prior year, the Company entered an agreement to sell to Madeira Minerals Ltd. ("Madeira"), all of the Company's right, title and interest in the two wells. Madeira is a capital pool company, and the transaction is intended to constitute Madeira's qualifying transaction under Policy 2.4 of the TSXV. Madeira will acquire the leases by issuing an aggregate of six million common shares of its capital stock to the Company at a deemed price of \$0.20 per share. The transaction is subject to a number of conditions precedent which include completion of due diligence reviews by the parties, successful negotiation of a definitive purchase agreement (completed during the prior year), completion of a concurrent financing by Madeira (not yet completed), and receipt of all required regulatory and TSXV approvals. Any gain realized on disposal of these wells, representing the share consideration of Madeira over the carrying value, will be recorded on closing of the transaction.

During the current period, the Company undertook a \$95,000 work program on one well to address sanding issues. Limited production resulted from a test.

These assets are classified as E&E assets. The Company recorded depletion of \$2,119 during the period (2011: NIL).



**MOONCOR OIL & GAS CORP.**

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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

June 30, 2012

**(Prepared by Management – Unaudited)**

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**4. EXPLORATION AND EVALUATION ASSETS**

Exploration and evaluation assets are comprised as follows:

**Period ended June 30, 2012:**

	<b>January 1, 2012</b>	<b>Additions</b>	<b>Abandonment/ Recoveries</b>	<b>June 30, 2012</b>
Hamburg - Chinchaga (a)	\$ 2,026,145	\$ 132,408	\$ (1,145,480)	\$ 1,013,073
Southwestern Ontario (b)	<u>531,408</u>	<u>86,627</u>	<u>-</u>	<u>618,035</u>
<b>TOTAL</b>	<b>\$ <u>2,557,553</u></b>	<b>\$ <u>219,035</u></b>	<b>\$ <u>(1,145,480)</u></b>	<b>\$ <u>1,631,108</u></b>

**a. Hamburg Chinchaga (Alberta)**

During the period, the Company entered into an agreement ("Farmout Agreement") with a private Alberta based company (the "Farmee") over its Hamburg Chinchaga property in Alberta (the "Hamburg Lands"). The Farmout Agreement had been approved by the TSXV and by shareholders representing more than 50% of the issued and outstanding shares of the company. Under the terms of the Farmout Agreement, the Farmee was to drill eleven (11) test wells on the lands and log and test all formations prospective of containing petroleum substances under rights held by the Company. The Farmee was to commence drilling operations on or before May 30, 2012 at its sole cost, risk and expense.

The Farmee had until April 30, 2012 to demonstrate dedicated funds of a minimum \$16.5 million in order to meet its obligations pursuant to the Farmout Agreement. On April 27, 2012, the Company was notified by the Farmee that it was terminating the Farmout Agreement.

The leases on the subject sections (162 in total) are set to expire unless the Company expends \$16.5 million on the property by March 31, 2013, of which \$5.5M is required to be expended by December 31, 2012 representing 45 sections. The Company continues to seek other joint venture opportunities, and as time progresses, will re-evaluate the carrying cost of this asset for possible write-down. During the period, the Company wrote down \$1,145,480, representing approximately 50% of carrying costs.

**b. Southwestern Ontario**

During 2011, the Company analyzed its current lease acquisition strategy and holdings with a view to acquiring new leases in high priority locations, and acquired 6,386 acres (6,386 net) from arm's length individuals. Also in 2011, the Company did not renew 16,645 acres (16,645 net) of leases already held. The Company is not acquiring any new leases at this time pending an analysis of the direction of this project.

**MOONCOR OIL & GAS CORP.**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

June 30, 2012

**(Prepared by Management – Unaudited)****5. CAPITAL AND RESERVES****i. Share Capital**

At June 30, 2012, the authorized share capital comprised an unlimited number of common shares.

**ii. Share Purchase Warrants**

Details of share purchase warrant transactions for the period are as follows:

	# of Warrants	Amount \$	Wtd. Avg. Ex. Price
Balance, December 31, 2011	28,325,656	2,167,215	\$0.28
Expired warrants	<u>(6,091,250)</u>	<u>(591,430)</u>	\$0.35
Balance, June 30, 2012	<u>22,234,406</u>	<u>1,575,785</u>	\$0.27

The fair value of each warrant was estimated on the date of issuance using an option pricing model, using the following assumptions: risk-free interest rates – 1.21-1.89%; dividend yield – NIL; expected stock price volatility – 117-129%; and warrant life – 2 years. Pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The following table summarizes information about the warrants outstanding at June 30, 2012:

Expiry Dates	Exercise Price	# of Warrants
August 3, 2012	0.25	1,326,000
August 9, 2012	0.25	3,746,445
August 20, 2012	0.25	577,878
March 29, 2013	0.30	12,517,967
April 26, 2013	0.30	1,026,056
March 31, 2013	0.10	1,000,000
		<u>20,194,346</u>

The following table summarizes information about the broker warrants outstanding at June 30, 2012:

Expiry Dates	Exercise Price	# of Broker Warrants
August 3, 2012	0.15	221,700
August 9, 2012	0.15	455,589
August 20, 2012	0.15	72,246
March 29, 2013	0.18	1,233,450
April 26, 2013	0.18	57,075
		<u>2,040,060</u>
TOTAL		<u>22,234,406</u>

No warrants were exercised during the period.

**MOONCOR OIL & GAS CORP.**

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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

June 30, 2012

**(Prepared by Management – Unaudited)****iii. Stock Options**

Details of stock option transactions for the period ended June 30, 2012 are as follows:

	# of Options	Weighted. Avg. Ex. Price
Balance, Dec. 31, 2011	11,661,250	\$0.21
Options forfeited or expired unexercised	(4,509,750)	\$0.22
Balance, June 30, 2012	<u>7,151,500</u>	<u>\$0.21</u>

The following table summarizes information about the options outstanding at June 30, 2012:

Expiry Dates	Exercise Price	# of Options
July 1, 2012	\$0.195	225,000
Sept 28, 2012	\$0.50	250,000
Oct 29, 2012	\$0.23	1,100,000
Jan 30, 2013	\$0.14	200,000
April 2, 2013	\$0.15	1,608,750
May 2, 2013	\$0.23	589,000
Nov29, 2012	\$0.13	426,250
Dec 24, 2013	\$0.15	650,000
May 14, 2014	\$0.315	275,000
Dec 3, 2014	\$0.21	300,000
Nov 19, 2020	\$0.25	367,750
Apr 8, 2021	\$0.195	425,000
May 4, 2021	\$0.23	187,500
May 11, 2021	\$0.23	186,000
Nov 29, 2021	\$0.14	361,250
		<u>7,151,500</u>

No stock options were exercised or issued during the period.

**iv. Contributed surplus**

Balance, January 1, 2012	\$	1,558,780
Stock-based compensation		<u>35,652</u>
Balance, June 30, 2012	<u>\$</u>	<u>1,594,432</u>

The fair value of stock options was estimated on the date of grant using an option pricing model, using the following assumptions: risk-free interest rates – 1.7%; dividend yield – NIL; expected stock price viability – 129%; and option life – 10 years.

## MOONCOR OIL & GAS CORP.

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### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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#### 6. Convertible debentures payable

The carrying value of the debentures payable is as follows:

Balance, December 31, 2011	\$	1,021,438
Interest accrued		51,492
Interest paid		(29,188)
		<hr/>
Balance, June 30, 2012	\$	<u>1,043,742</u>

In 2007, the Company issued two separate convertible debentures having a total face value of \$2,000,000 and maturing on March 28, 2010. The debentures are secured against all property and assets of the Company and bear interest at 10% per annum. Principal and interest is payable at maturity. On March 28, 2010, the Company negotiated an extension to the expiry of the debentures to June 11, 2010 with an additional extension to December 11, 2010 subject to the Company reducing the outstanding principal balance of both debentures to not less than \$1,000,000. The outstanding principal of each debenture was convertible into units of the Company at \$0.225 per unit until December 11, 2010. Each unit consisted of one common share and one-half of one warrant. Each whole warrant was exercisable for one common share at \$0.225 per share until the maturity date of the debentures. In addition, the Company issued to each holder 500,000 warrants (the "Compensation Warrants") exercisable for one common share at \$0.225 until the maturity date. On November 26, 2010, pursuant to a second extension agreement, the maturity date of the debentures was extended from December 11, 2010 to June 11, 2011. In consideration for the extension, the Company agreed to extend the expiry date of the Compensation Warrants from December 11, 2010 to June 11, 2011. In April 2011, the Company negotiated an extension of the debentures from June 11, 2011 to December 31, 2011. In consideration for the extension, the Company agreed to extend the expiry date of the Compensation Warrants from June 11, 2011 to December 31, 2011. Subsequent to 2011, the Company negotiated a further extension to the maturity date of the debentures

As a result of several amendments, the debentures matured on December 31, 2011 and each had \$510,719 in principal outstanding. Subject to the Farmout Agreement becoming effective, the maturity date of the debentures was to be extended to March 31, 2013.

In consideration for the extension, the Company had agreed to:

- amend the conversion price of the debentures from \$0.225 to \$0.115 per unit,
- extend the expiry date of the 500,000 Compensation Warrants from December 31, 2011 to March 31, 2013,
- amend the exercise price of the Compensation Warrants from \$0.225 to \$0.10 per warrant, and
- pay a refinance fee to each debenture holder of \$25,000.

The debentures accrue interest at 10% per annum and are payable on conversion or maturity, or in advance without penalty.

As a result of the termination of the Farmout Agreement (Note 4(a)), the Company has been in negotiations with the debenture holders to address extension for repayment. The extension of the debentures is subject to prior approval of the TSXV

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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

June 30, 2012

**(Prepared by Management – Unaudited)**

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**7. RELATED PARTY TRANSACTIONS**

The Company paid or accrued the following amounts to related parties during the period ended June 30, 2012:

Payee	Description of Relationship	Nature of Transaction	June 30, 2012 Amount (\$)	June 30, 2011 Amount (\$)
Garfinkle, Biderman LLP	Company in which Robbie Grossman and Barry Polisuk (the secretary and assistant secretary) are partners	Payments for legal fees and disbursements	17,845	39,453
Darrell Brown	Director and Officer	Payments for consulting fees and reimbursement of expenses	62,070	117,079
Nick Tsimidis	Director and Officer	Payments for consulting fees and reimbursement of expenses	52,276	62,500
Alan Myers	Director and Officer	Payments for reimbursement of expenses	198	-

The purchases from/fees charged by related parties are in the normal course of operation and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Outstanding as accounts payable at June 30, 2012 is \$13,125 due to Darrell Brown, \$31,252 due to Nick Tsimidis and \$13,054 to Garfinkle Biderman.

Also included as accounts payable at June 30, 2012 is \$215,958 due to Clark Avenue Consulting Inc. relating to a death benefit on the passing of Richard Cohen, and which will be offset by other amounts of \$46,568 owed to the Company by Clark Avenue Consulting Inc., a company owned by the late Richard Cohen.

**MOONCOR OIL & GAS CORP.**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

June 30, 2012

**(Prepared by Management – Unaudited)****8. INCOME TAXES**

The following table reconciles income taxes calculated at combined Canadian federal and provincial tax rates with the income tax expense in the financial statements:

	June 30, 2012	June 30, 2011
Loss before income taxes	\$ 1,145,480	\$ 363,353
Statutory rates	25%	29%
Expected income tax recovery	(286,370)	(105,372)
Increase (decrease) in tax recoveries resulting from:		
Non-deductible expenses and other	11,454	29,071
Change in effective tax rates	-	14,534
Change in Valuation allowance	<u>267,135</u>	<u>61,767</u>
	(7,781)	-
Flow through share premium amortization	<u>7,781</u>	-
Income tax recovery	<u>\$ -</u>	<u>\$ -</u>

**Deferred Income Taxes**

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

***Deferred tax assets***

Exploration and evaluation assets	\$ 1,657,422	\$ 611,114
Amounts related to tax loss and credit carry forwards	3,764,067	2,117,448
Equipment and intangible assets	10,585	10,587
Share issuance costs	<u>312,439</u>	<u>267,439</u>
Net deferred income tax assets	5,744,513	3,006,588

***Deferred income tax liability***

Renunciation of exploration and deferred costs	(1,643,672)	(1,523,849)
Less: Valuation allowance	<u>3,754,484</u>	<u>1,482,739</u>

Net deferred income tax	<u>\$ -</u>	<u>\$ -</u>
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***Loss Carry Forwards***

At June 30, 2012, the Company has approximately \$15,025,326 (2011: 7,371,119) unutilized non-capital losses for income tax purposes which may be used to reduce future taxable income. The Company also has approximately \$35,408 (2011: \$49,816) of unutilized capital losses for income tax purposes.

The losses expire as follows:

Year of Expiry	Amount
2014	\$ 213,502
2015	49,644
2026	583,580
2027	6,262,520
2028	1,797,276
2029	1,883,654
2030	1,020,605
2031	2,056,245

**MOONCOR OIL & GAS CORP.**

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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

June 30, 2012

**(Prepared by Management – Unaudited)**

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2032

1,158,300  
\$ 15,025,326

**9. LOSS PER SHARE**

Basic loss per share figures are calculated using the weighted average number of common shares outstanding during the period.

Fully diluted loss per share figures are calculated after taking into account all stock options and warrants granted. Exercise of the outstanding warrants and options would be anti-dilutive with respect to loss per share calculations and therefore fully-diluted loss per share is not presented.

**10. COMMITMENTS**

**Gross overriding royalties**

In addition to the gross overriding royalty ("GOR") agreements entered into in connection with the various oil and gas projects undertaken, the Company has entered into the following GOR agreements:

**i) Database**

As part of the purchase of the database of technical information (refer to Note 7), the Company entered into a GOR agreement with the vendor. Pursuant to the agreement, the Company has committed to pay royalties equal to 3% on all production from the lands included in the database. To date, there has been no production on these lands.

**ii) Study**

On December 22, 2008, the Company entered into an agreement with an arm's length party to obtain consulting services to study certain pieces of land under development by the Company. Pursuant to the agreement, the Company has committed to pay a GOR equal to 5% on all production from the lands included in the study. To date, there has been no production on these lands.

**Lease commitments**

During 2011, the Company entered into a lease agreement for its London, Ontario field office premises covering a period of 12 months and three weeks. Annual rent is \$13,600. The lease expired on July 31, 2012 and was not renewed.

**Flow-through shares**

The Company is committed to expending approximately \$30,000 by December 31, 2012, being the gross proceeds of flow-through shares issued during 2011 and which have not been expended on qualifying exploration expenditures associated with its E&E as of June 30, 2012.