

Oil & Gas Corp.

Management's Discussion and Analysis

For the six months ended: June 30, 2013

Date of report: August 29, 2013

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Mooncor Oil & Gas Corp. ("Mooncor" or the "Company") should be read in conjunction with Mooncor's unaudited interim condensed consolidated financial statements ("interim consolidated statements") and notes thereto as at and for the six months ended June 30, 2013 and the annual consolidated financial statements as at and for the year ended December 31, 2012. The same accounting policies and methods of computation were followed in the preparation of the interim consolidated statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended December 31, 2012.

Unless indicated otherwise, all financial data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts in this MD&A are reported in Canadian dollars unless otherwise indicated.

Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to future events or the Company's future performance and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, but is not limited to the Company's expectations regarding its exploration and development activities, including expectations regarding the timing, costs and results of seismic acquisition, drilling and other activities, and future production volumes and sales, receipt of regulatory and governmental approvals, the Company's future working capital requirements, including its ability to satisfy such requirements, the exposure of its financial instruments to various risks and its ability to manage those risks, the Company's ability to use tax resource pools and loss carry-forwards, fees to be incurred by foreign subsidiaries and changes in accounting policies.

Forward-looking information involves 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 information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to oil and gas exploration activities generally, including the availability and cost of seismic, drilling and other equipment; our ability to complete our capital programs; geological, technical, drilling and processing problems,

including the availability of equipment and access to properties; our ability to secure adequate transportation for our products; potential losses which would stem from any disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which we are reliant; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; our ability and the ability of our partners to attract and retain the necessary labour required to explore and develop our projects; potential conflicting interests with our joint venture partners; our failure or the failure of the holder(s) of licenses or leases to meet specific requirements of such licenses or leases; the failure by counterparties to make payments or perform their operational or other obligations in compliance with the terms of contractual arrangements between us and such counterparties; adverse claims made in respect of our properties or assets; operating hazards and other difficulties inherent in the exploration for and production and sale of crude oil and natural gas; political and economic conditions in the countries in which our property interests are located; obtaining the necessary financing for operations, our ability to generate taxable income from operations, fluctuations in the value of our portfolio investments due to market conditions and/or company-specific factors, fluctuations in prices of commodities underlying our interests and portfolio investments, and other risks included elsewhere in this MD&A under the heading "Risks" and in the Company's public disclosure documents filed with certain Canadian securities regulatory authorities and available under the Company's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

About Mooncor:

Mooncor is continued under the Business Corporations Act (Ontario). The Company's principal assets are oil and nature gas interests which are not yet in substantial commercial production. The Company is in the process of exploring other opportunities.

The Company is a public company trading on the TSX Venture Exchange ("TSXV") under the symbol "MOO". These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Mooncor Energy Inc. ("Mooncor Energy"), an Alberta Corporation, and DRGN Energy Inc. ("DRGN"), an Ontario Corporation.

Going concern

The consolidated interim 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 of \$600,866 (31 December 2012 - \$1,948,309) and has an accumulated deficit of \$21,267,298 (31 December 2012 - \$22,453,210). The working capital deficiency and accumulated losses incurred limit the Company's ability to carry on operations. In addition, there is uncertainty as to whether the

Company will be able to raise sufficient funds to finance continued operations. As a result, there is significant doubt upon the Company's ability to continue as a going concern.

These interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Property and Equipment

Property and equipment (net book value) of \$505,000 (2012 - \$505,00) – During 2011, the Company commenced production on its heavy oil wells in Lloydminster, Alberta and as a result has reclassified its Lloydminster E&E asset to property and equipment. The assets were reclassified as of December 31, 2012 and 2011. The Company suspended in 2012 all operations on its oil wells due to operational issues and is currently reviewing its plans for the well in 2013. No revenue was derived for the six months ended June 30, 2013 on this property and the only expenses were lease renewal and related costs.

Results of Operations:

The Company's selected quarterly results for the eight most recently completed interim financial periods are as follows:

	Quarter Ended June 30, 2013	Quarter Ended March 31, 2013	Quarter Ended Dec 31, 2012	Quarter Ended Dec 31, 2012	Quarter Ended Sept 30, 2012
Revenue	\$ 101	\$ 101	\$ (27,924)	\$ (27,924)	\$NIL
Net Profit/(Loss) and Comprehensive profit/(loss) for the period	\$1,254,860	\$(68,949)	\$(1,190,671)	\$(1,190,671)	\$(889,162)
Net Profit/(Loss) per share	\$0.008	\$(0.001)	\$(0.03)	\$(0.03)	\$(0.007)

	Quarter Ended June 30, 2012	Quarter Ended March 31, 2012	Quarter Ended March 31, 2012	Quarter Ended Dec 31, 2011	Quarter Ended Dec 31, 2011
Revenue	\$21,097	\$74,193	\$74,193	\$85,387	\$85,387
Net Loss and Comprehensive loss for the year	\$(1,202,413)	\$(277,259)	\$(277,259)	\$(2,962,146)	\$(2,962,146)
Net Loss per share	\$(0.01)	\$(0.002)	\$(0.002)	\$(0.04)	\$(0.04)

During the second quarter of 2013, the Company completed a substantial indebtedness settlement plan (see below). It also continued its focus on efforts to identify potential joint venture partners for its Hamburg – Chinchaga property, but with the current conditions of the industry in general and the status of the capital markets we have fallen short of completing any financing or progress on marketing the properties potential as well as working with Madeira Minerals Ltd. (“Madeira”) with relation to the proposed acquisition of the Lloydminster, Alberta heavy oil wells (the purchase and sale agreement was signed in November 2011). Although our ultimate goal is to divest of the Lloydminster wells to Madeira Minerals, Madeira is not been able to fund or close the deal.

For the six months ended June 30, 2013, the Company had interest income of \$ 202 as compared to nil for the six months ended June 30, 2012.

For the six months ended June 30, 2013, the company had no revenue from production at the well as compared to \$ 95,290 in production revenue for the six months ended June 30, 2012. The company suspended its operations in 2012 due to the continued operating losses it was incurring in the production at the well. The only operations expenses were lease renewal and related costs of \$10,256 during the six months to June 30, 2013 (\$184,510 – June 30, 2012). The Company is still reviewing its alternatives, but the well will be shut in for the remainder of fiscal 2013.

Total expenses for the six months ended June 30, 2013 was \$ 117,118 as compared to \$437,263 for the six months ended June 30, 2012. The majority of the expenses for 2013 relate to general corporate matters including professional fees (2013- \$ 19,126; 2012- \$ 34,847), Accrued interest costs on the debentures (2013- \$ 45,334; 2012- \$ 51,492), Insurance (2013- \$ 7,300; 2012 - \$ 17,875), Production and operations expenses of \$10,256 (2012- \$ 184,510); and office and general expenses of \$ 32,856 (2012- \$ 32,356) stock base compensation of Nil (2012-\$ 35,652) and consulting fees of Nil (2012- \$ 57,000). Due to the shut down of the well in 2012, all corporate expenses has been reduced to minimal levels to run a public company with no production or exploration activities planned for at least the remainder of fiscal 2013 unless the Company finds a farm-in partner.

The Company plans to keep corporate expenses to the bare minimum to conserve its cash until the general market for financing opens up. In this regard management and its directors will not be accruing or taking any fees for their services and this started in late 2012.

2013 2nd Quarter Results

On 13 June 2013, Mooncor issued 22,896,986 common shares and 11,448,492 warrants exercisable for 5 years at \$0.10 per share in satisfaction of indebtedness of \$1,144,849 owed to two holders of secured convertible debentures of Mooncor. Each warrant can be exercised into one common share of the company. In addition, Mooncor has issued 5,038,578 common shares in satisfaction of indebtedness of \$301,712 owed to service providers and vendors.

The net result of the indebtedness settlement plan was a gain of \$1,302,828 as debenture-holders and other creditors agreed to swap all or part of their debts for the Companies shares and warrants and in few cases involved some cash settlement.

Professional fees, largely legal fees amounted to \$5,519 during the 2nd quarter of 2013 (\$15,038 – 2012). The main office and general expense was \$11,029 (\$2,340 – 2012). Operating expenses include \$10,256 of lease renewal fees and related costs (\$8,033 – 2012).

Cash Flow

During the six months ended June 30, 2013, the Company used ~~cash~~ of \$ 100,961 in operating activities as compared to using \$50,197 during the six months ended June 30, 2012. The debt settlement plan helped to reduce cash expenditure during this period with accounts payable coming down by \$126,849 in addition to \$319,712 that was part of the debt settlement plan.

During the six months ended June 30, 2013, net cash used in investing activities was \$ 202 as compared to \$ 314,186. The company spent no money on exploration activities in 2013. For the six months ended June 30, 2013, the company had a net decrease in cash and cash equivalents of \$ 101,163 as compared to \$ 342,078 for the six months ended June 30, 2012.

The Company's cash and cash equivalents as at June 30, 2013 was \$ 103,617 as compared to \$ 260,123 as at June 30, 2012.

Liquidity and Capital Resources

Consolidated statements of financial position highlights

	June 30, 2013	Dec 31, 2012
Cash and cash equivalents	\$ 103,617	\$ 204,780
Property and Equipment	505,000	505,000
Total assets	1,058,581	1,256,248
Total liabilities	763,896	2,309,208
Share capital, warrants and broker warrants, contributed surplus, equity component of debentures	21,561,984	21,400,250
Deficit	(21,267,298)	(22,453,210)
Working Capital (Deficit)	(600,866)	(1,948,309)

At this time the Company does not generate any revenue from its oil and gas properties, as all production is currently on hold. Accordingly, it does not have significant cash flow from operations to fund past debt or current obligations as they come due. In prior years, the Company raised funds for exploration, development and general overhead and other expenses through the issuance of shares from treasury. This method of financing has been the principal source of funding for the Company since inception, together with monies raised through the issuance of the Debentures.

The Company's cash and cash equivalents are not sufficient at June 30, 2013 to meet the Company's liabilities. The Company has a working capital deficiency of \$ 600,866 as at June 30, 2013. The Company is using its current cash and cash equivalents to fund required payments to keep our properties in good standing and to pay the expenses associated with maintaining the public company listing on the exchange, until it can raise funds to pay its remaining creditors. There is no assurance that the Company can raise sufficient capital to continue as a going concern.

The Company expects to raise additional funds through debt and/or equity financings to meet its obligations and will consider, where warranted, strategic dispositions of certain of its interests in order to reduce its expenditure requirements and raise funds. The Company's

ability to access the debt and equity markets when required will depend upon factors beyond its control, such as economic and political conditions that may affect the capital markets generally and the oil and gas industry. The inability of the Company to raise sufficient capital to fund its operations and growth may result in the loss of some or all of the Company's interests and accordingly could have a material adverse effect on the Company's business, financial condition, and results of operations, and its ability to continue as a going concern.

Investor relations:

During the six months ended June 30, 2013, Mooncor management handled the Company's investor relations activities.

Related party transactions:

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During 2013, the Company had the following transactions with officers, directors or entities under the control or significant influence of officers and directors. Included in professional fees are legal fees and disbursements of \$ 6,098 (For the 6 months ended 30 June 2012 - \$17,845) to Garfinkle, Biderman LLP, a law firm in which Robbie Grossman and Barry M. Polisuk (the secretary and assistant secretary respectively) are partners. At June 30, 2013, \$11,016 of this amount is included in accounts payable and accrued liabilities.

Included in professional fees are \$6,750 (For the 6 months ended 30 June 2012 - \$52,276) paid to Nick Tsimidis, a former director and officer for CFO services pursuant to a consulting agreement. At June 30, 2013, \$39,818 (31 March 2012 - \$ 9,800) was in accounts payable and accrued liabilities.

Fees in the amount of \$ Nil (For the 6 months ended 30 June 2012 - \$62,070) were paid to Darrell Brown, former CEO of the Company. These services are provided pursuant to a consulting agreement. At June 30, 2013 \$13,125 (30 June 2012 - \$13,125) of this amount is included in accounts payable and accrued liabilities.

Key Management Compensation

The compensation of the directors and other key management of the Company are included in the summary table below. Key management is those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

	Period to 30 June 2	Period to 30 June 2012
Short-term compensation	\$6,750	\$114,544
Stock-based compensation	0	35,652
Total	\$6,750	\$ 150,196

Management of capital:

There were no changes in the Company's approach to capital management during the six months ended June 30, 2013. As noted above, Mooncor issued 27,980,565 common shares

and 11,448,492 warrants exercisable for 5 years at \$0.10 per share in satisfaction of indebtedness of secured convertible debenture and other liabilities. The Company's capital includes equity comprised of share capital, warrants and broker warrants, contributed surplus, equity component of debentures and deficit. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program.

Off- Balance Sheet Arrangements

The Company has no off balance sheet arrangements as at August 29, 2013 or at any time during the period ended June 30, 2013.

RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions in relation to the Company's activities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant price, credit, liquidity, or cash flow risks arising from the financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, sundry receivable and prepaid expenses. Cash and cash equivalents are held at large Canadian Financial Institutions. Prepaid expenses represent amounts on deposit with a financial institution, on behalf of the Province of Alberta, to cover potential environmental cleanup liabilities, in accordance with regulations in that Province.

The Company is not aware of any issues which would impact the recovery of these deposits. The Company has no significant concentration of credit risk arising from operations. Management believes the risk of loss to be remote.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company maintains a majority of its surplus funds in interest bearing accounts with Canadian financial institutions, which pay interest at a floating rate. The interest on the convertible debentures payable is fixed.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses which may damage the Company's reputation.

The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities. This is generally accomplished by ensuring that cash is always available to settle financial liabilities. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The convertible debentures have matured and are currently due on demand.

Outstanding Share Data:

During the three months ended June 30, 2013, 589,000 options expired unexercised and all of the Company's warrants issued prior to 2013 (1,083,131) expired unexercised. During this period, as noted above, Mooncor issued 11,448,492 warrants exercisable for 5 years at \$0.10 per share as part of the debt settlement plan. Fair value of each warrant issued was estimated on the date of issuance at \$21,831 using an option pricing model using the risk-free interest rate of 0.92%, dividend yield – nil, share price of \$.005, stock price volatility of 112% and expected life of 5 years.

As at August 29, 2013, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Mooncor are as follows:

Common shares	Number
Outstanding	149,934,521
Issuable under options	6,466,125
Issuable under warrants	11,448,492
Total diluted common shares	167,849,138

Refer to note 3 of the notes to the consolidated financial statements as at and for the six months ended June 30, 2013 for details of the Company's share capital as at June 30, 2013.

Additional Information:

Additional information relating to Mooncor may be found on the under the Company's profile on SEDAR at www.sedar.com.