MOONCOR OIL & GAS CORP.

Consolidated Financial Statements

December 31, 2013 and 2012

Collins Barrow
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Mooncor Oil & Gas Corp.

We have audited the accompanying consolidated financial statements of Mooncor Oil & Gas Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Mooncor Oil & Gas Corp. and its subsidiaries as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about the company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants
Chartered Accountants
April 30, 2014

Mooncor Oil & Gas Corp.
Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

As at		**December 31, 2013**		**December 31, 2012**
ASSETS				
Current Assets:				
Cash and cash equivalents	$	68,273	$	204,780
Sundry receivable		14,482		135,382
Prepaid expenses		5,539		20,737
		88,294		360,899
Other Assets:				
Segregated cash (Note 9)		-		40,968
Property and equipment (Note 4)		505,000		505,000
Deposits (Note 13)		349,381		349,381
		854,381		895,349
	$	942,675	$	1,256,248
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	$	725,383	$	1,139,166
Convertible debentures payable (Note 7)		-		1,099,515
Reclamation and decommissioning obligation (Note 9)		72,050		70,527
		797,433		2,309,208
SHAREHOLDERS' EQUITY				
Capital stock (Note 6)		19,642,831		18,447,248
Contributed surplus (Note 6)		1,897,322		1,705,263
Equity component of convertible debenture		-		192,059
Warrants (Note 6)		41,100		1,055,680
Deficit		(21,436,011)		(22,453,210)
		145,242		(1,052,960)
	$	942,675	$	1,256,248

COMMITMENTS AND CONTINGENCIES (Note 13)
SUBSEQUENT EVENTS (Note 16)

Approved by the Board of Directors

"Alan Myers" Director
"Allen Lone" Director

See accompanying notes to the consolidated financial statements.

Mooncor Oil & Gas Corp.
Consolidated Statements of Comprehensive Profit (Loss)
(Expressed in Canadian dollars)

	Year ended December 31, 2013	Year ended December 31, 2012
Production Revenue	$ -	$ 54,975
Interest Income	11,082	12,391
TOTAL REVENUE	11,082	67,366
EXPENSES		
Consulting (Note 10)	-	43,529
Stock-based compensation (Note 6)	-	146,483
Professional fees (Note 10)	121,007	205,557
Production and operating expenses	86,500	195,224
Exploration and evaluation expenditures	-	39,464
Office and general	28,937	76,553
Finance costs (Note 7)	45,334	104,484
Travel	2,246	8,964
Insurance	14,422	36,932
Bad debt expense	43,995	10,470
Amortization and depletion	-	28,171
	342,441	895,831
(Loss) before undernoted	**(331,359)**	**(828,465)**
Gain on indebtedness settlement (Note 8)	1,348,558	-
Impairment of exploration and evaluation assets (Note 5)	-	(2,745,029)
Profit/(loss) before income tax	**1,017,199**	**(3,573,494)**
Deferred income tax recovery (Note 11)	-	13,989
Net profit (loss) and comprehensive profit (loss) for the year	$ 1,017,199	$ (3,559,505)
Weighted Average Shares Outstanding - basic and diluted	136,902,476	121,953,956
Net profit/(loss) per share - basic and diluted	$ 0.01	$ (0.03)

See accompanying notes to the consolidated financial statements.

Mooncor Oil & Gas Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Equity component of convertible debenture	Warrants	Deficit	Total Equity
Balance at January 1, 2012	121,953,956	$ 17,335,713	$ 1,558,780	$ 192,059	$ 2,167,215	$ (18,893,705)	$ 2,360,062
Stock-based compensation			146,483				146,483
Warrants:							
Expired warrants transferred to capital stock		1,111,535			(1,111,535)		-
Net comprehensive loss for the year						(3,559,505)	(3,559,505)
Balance at December 31, 2012	**121,953,956**	**$ 18,447,248**	**$ 1,705,263**	**$ 192,059**	**$ 1,055,680**	**$ (22,453,210)**	**$ (1,052,960)**
Balance at January 1, 2013	121,953,956	$ 18,447,248	$ 1,705,263	$ 192,059	$ 1,055,680	$ (22,453,210)	$ (1,052,960)
Stock-based compensation							-
Issue of common stock on settlement of debt	27,980,564	139,903					139,903
Reallocation of equity component of convertible debenture			192,059	(192,059)			-
Warrants:							
Allocation on settlement of debt					41,100		41,100
Reallocation of expired warrants		1,055,680			(1,055,680)		-
Net comprehensive profit for the year						1,017,199	1,017,199
Balance at December 31, 2013	**149,934,520**	**$ 19,642,831**	**$ 1,897,322**	**$ -**	**$ 41,100**	**$ (21,436,011)**	**$ 145,242**

See accompanying notes to the consolidated financial statements.

Mooncor Oil & Gas Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31, 2013	Year ended December 31, 2012
Cash flows used in operating activities		
Net profit/(loss) for the year	$ 1,017,199	$ (3,559,505)
Impairment of evaluation and exploration assets	-	2,745,029
Gain in debt settlement	(1,348,558)	
Stock-based compensation	-	146,483
Interest accrued on convertible debenture	45,334	78,077
Accretion of reclamation and decommissioning obligation	1,523	902
Deferred income tax recovery	-	(13,989)
Amortization	-	28,171
	(284,502)	(574,832)
Changes in non-cash working capital balances		
Sundry receivables	120,900	75,428
Segregated cash	40,968	(153)
Prepaid expense	15,198	12,706
Deposit	-	(6,425)
Accounts payable and accrued liabilities	(29,071)	283,331
	(136,507)	(209,945)
Cash flows used in investing activities		
Additions to exploration and evaluation assets	-	(187,476)
	-	(187,476)
Net decrease in cash and cash equivalents	(136,507)	(397,421)
Cash and cash equivalents, beginning of year	204,780	602,201
Cash and cash equivalents, end of year	$ 68,273	$ 204,780
Supplemental Information		
Income tax paid	$ -	$ -
Interest paid	$ -	$ 25,466

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Mooncor Oil & Gas Corp. (the "Company") 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 domiciled in the province of Ontario and its head office is located at 151 Randall Street, Suite 101, Oakville, Ontario, Canada.

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 financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company has a working capital deficiency in the amount of $709,139 and has a deficit in the amount of $21,436,011 as at December 31, 2013. The working capital deficiency and losses incurred limit the Company's ability to fund 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 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.

2. BASIS OF PRESENTATION

The Company prepares its consolidated financial statements (the "financial statements") in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") which includes International Financial Reporting Standards, International Accounting Standards ("IAS"), and interpretations of the International Financial reporting Interpretation Committee ("IFRIC"). These standards are collectively referred to as IFRS.

The Board of Directors approved these financial statements on April 30, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities which are measured at fair value. These consolidated financial statements are presented in Canadian dollars, which is the Company's and each of its subsidiaries' functional currency.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Mooncor Energy and DRGN. All intercompany balances and transactions are eliminated in preparing the consolidated financial statements. The financial statements of each subsidiary are consolidated from the date that control commences until the date that control ceases.

Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and judgment (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Key estimates include the recognition of depletion, the calculation of stock-based compensation, the issuance and extension of convertible debt including estimating the fair value of liability and equity components, impairment of property and equipment, and the valuation of decommissioning and reclamation obligations.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a term to maturity of three months or less.

Property and equipment

Property and equipment are measured at historical cost less accumulated amortization and impairment over its expected useful life as follows:

Computer equipment	30% declining balance
Furniture and fixtures	30% declining balance

Each asset is reviewed for impairment annually, consisting of a comparison of the fair value of the asset and its carrying value.

Included in cost are the purchase price, and the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. For oil and natural gas interests, cost includes land acquisition costs, geological and geophysical expenditures, drilling costs, and the estimated costs of obligations for restoring and abandoning sites located on the asset in question. Costs incurred subsequent to the determination of technical feasibility and commercial viability are added to the cost base of the respective item of P&E when they increase the future economic benefits of that asset. The costs of regular service and maintenance are expensed in profit or loss in the period in which they occur.

Derecognition

The carrying amount of an item of property and equipment is derecognized on disposal, when no beneficial interest is retained, or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition is included in profit or loss when the item is derecognized and is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The date of disposal is the date when the Company is no longer subject to the risks of and is no longer the beneficiary of the rewards of ownership. Where the asset is derecognized, the date of disposal coincides with the date the revenue from the sale of the asset is recognized. On the disposition of an undivided interest in a property, where an economic benefit remains, the Company recognizes the farm out only on the receipt of consideration by reducing the carrying amount of the related property with any excess recognized in the statement of comprehensive income for the year.

Depletion, depreciation and amortization

Depletion of petroleum and natural gas properties within each cash-generating unit (CGU) is recognized using the unit-of-production method based on the Company's share of total proved plus probable petroleum and natural gas reserves before royalties as determined by independent reserve engineers. Future development costs are included in costs subject to depletion.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

Decommissioning liability

A decommissioning liability is recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related asset. The amount recognized is management's estimated cost of decommissioning, discounted to its present value using a risk free rate. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the related asset unless the change arises from production. The unwinding of the discount on the decommissioning provision is included as a finance cost. Actual cost incurred upon settlement of the decommissioning liability are charged against the provision to the extent the provision was established.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Impairment of non-financial assets

The carrying amounts of the Company's long-lived assets, other than E&E assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverability of assets to be held and used are measured by a comparison of the carrying value of the asset to fair value less costs of disposal or value in use which is calculated based on future discounted net cash flows expected to be generated by the asset.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds it recoverable amount. Impairment losses are recorded in profit and loss. Impairment losses recognized in prior periods are assessed at each reporting period for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined if no impairment was previously recorded.

Income taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in statement of income (loss), except to the extent that it relates to items recognized directly in equity or other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share capital

The Company’s common shares, stock options, share purchase warrants and flow-through shares are classified as equity instruments only to the extent that they do not meet the definition of a financial liability or financial asset. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

Flow-through shares

The Company, from time to time, issues flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The difference between the value ascribed to flow-through shares issued and the value that would have been received for common shares at the date of issuance of the flow-through shares is initially recognized as a liability on the statement of financial position. When the expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the renunciation, and the difference is recognized in profit and loss.

Profit (loss) per share

Basic profit (loss) per share figures are calculated using the weighted average number of common shares outstanding during the period. Diluted profit (loss) per share figures are calculated based on the weighted average number of common shares outstanding adjusted for the effects of all dilutive potential shares including warrants, stock options, and convertible debentures.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company accounts for its share-based payments using the fair value method of accounting for stock options granted to directors, officers, and employees of the Company, using the Black-Scholes option-pricing model. For transactions with parties other than employees, the Company measures the goods or services received and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received, it measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. Stock-based compensation is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Consideration paid upon the exercise of stock options, together with corresponding amounts previously recognized in contributed surplus, is recorded as an increase to capital stock. The amount recognized as expense is adjusted for an estimated forfeiture rate for options that will not vest, which is adjusted as actual forfeitures occur, until the shares are fully vested.

Revenue recognition

Revenue from sale of oil and petroleum products is recognized when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism. Revenue is stated after deducting sales taxes, excise duties and similar levies.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The classification of financial assets and liabilities depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of comprehensive loss.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company’s accounting policy for each category is as follows:

a) Fair value through profit or loss (“FVTPL”) – This category comprises financial assets held for trading and assets designated upon initial recognition as FVTPL. Financial assets held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the near term. On initial recognition it is part of a portfolio of identifiable financial instruments managed together for which there is evidence of a recent pattern of short-term profit taking, or a derivative (excluding a derivative used for hedging). FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss for the year.

b) Loans and receivables – Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce loans and receivables to fair value. Subsequently, loans and receivable are measured at amortized cost less any allowance for doubtful accounts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

c) Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the Company's original effective interest rate. The impairment losses are recognized in the statement of comprehensive loss.

d) Available-for-sale – Non-derivative financial assets designated as available-for-sale and financial assets that are not classified as loans and receivables, held to maturity investments or FVTPL. Available-for-sale are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment other than temporary, the amount of the loss is removed from the other comprehensive income and recognized in the statement of comprehensive loss.

e) All financial assets except for those recorded at FVTPL and as available-for-sale are subject to review for impairment. Financial assets are impaired when there is any objective evidence that the carrying amount of a financial asset or a group of financial assets is greater than the present value of the future cash flows discounted at the asset's original effective interest rate.

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was assumed. The Company's accounting policy for each category is as follows:

a) FVTPL – This category comprises financial liabilities held for trading and liabilities designated upon initial recognition as FVTPL. FVTPL liabilities are carried in the balance sheet at fair value with changes in fair value recognized in the statement of comprehensive loss for the period.

b) Other financial liabilities – All other financial liabilities except financial liabilities FVTPL.

Classification of financial instruments

IFRS 7, Financial instruments: disclosures, establishes a fair value hierarchy that reflects the significance of inputs in measuring fair value as the following:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 –inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The Company's financial instruments consist of the following:

(Prepared in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instrument	Classification	Measurement
Cash and cash equivalents and segregated cash	FVTPL	Fair value
Sundry receivable	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost

The fair value of sundry receivable, deposits, accounts payable and accrued liabilities, and convertible debentures, approximates their carrying values due to their short-term nature.

As of December 31, 2013 and December 31, 2012, except for cash and cash equivalents and segregated cash, none of the Company's financial instruments are recorded at fair value in the consolidated balance sheet. Cash and cash equivalents and segregated cash are classified as Level 1.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Changes in accounting policies

IFRS 10 Consolidated Financial Statements was issued by the IASB in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 Joint Arrangements was issued by the IASB in May 2011. IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers.

IFRS 12 Disclosure of Interests in Other Entities was issued by the IASB in May 2011. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 Fair Value Measurement was issued by the IASB in May 2011. IFRS 13 provides a consistent and less complex definition of fair value, establishes a single source of guidance for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

There was no impact on the adoption of these policies on the consolidated financial statements.

(Prepared in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting changes

The Company has reviewed new and revised accounting pronouncements that have been issued that are mandatory for accounting periods beginning after January 1, 2014 or later periods. The following standards amendments and interpretations have not yet been adopted by the Company. Each of the new standards is effective for annual periods beginning on or after January 1, 2014 or later periods with early adoption permitted. The Company is currently assessing the impact, if any, that the new and amended standards will have on its consolidated financial statements.

IFRS 9 Financial Instruments was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements relating to Hedge Accounting, representing a new hedge accounting model, have been added to IFRS 9 in November 2013. The new model represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is available for application; however, previous mandatory effective date of January 1, 2015 has been removed as the IASB decided that this date would not allow sufficient time for entities to apply the new standard because the impairment phase of the IFRS 9 has not yet been completed. The IASB will decide upon a new date when the entire IFRS 9 project is closer to completion.

IAS 32 Financial Instruments: Presentation was amended by the IASB in December 2011. Offsetting Financial Assets and Financial Liabilities amendment addresses inconsistencies identified in applying some of the offsetting criteria. The amendment is effective for annual periods beginning on or after January 1, 2014. Earlier application is permitted.

IAS 36 Impairment of Assets was amended by the IASB in June 2013. Recoverable Amount Disclosures for Non-Financial Assets amendment modifies certain disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment is effective for annual periods beginning on or after January 1, 2014. Earlier application is permitted when the entity has already applied IFRS 13.

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2012 consists of:

	Cost	Acc. Amortization	Net
Balance, December 31, 2011	$ 22,128	$ (15,314)	$ 6,814
Additions	-	-	-
Amortization	-	(6,814)	(6,814)
Balance, December 31, 2012 and 2013	$ 22,128	$ (22,128)	$ -

(Prepared in Canadian Dollars)

4. PROPERTY AND EQUIPMENT (continued)

Oil and natural gas interests at December 31, 2013 consists of:

Balance, December 31, 2011	$	450,207	$	(8,475)	$	441,732
Reclamation and decommissioning obligation		69,625		-		69,625
Depletion		-		(6,357)		(6,357)
Balance, December 31, 2012 and 2013	$	519,832	$	(14,832)	$	505,000
Balance, December 31, 2012					**$**	**505,000**
Balance, December 31, 2013					**$**	**505,000**

Oil and Natural Gas Interests (Lloydminster (Alberta))

In 2008, Company acquired two suspended heavy oil wells and leases and related P&NG rights in the Lloydminster area of Alberta from an arm's length party for cash proceeds of $400,000.

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 second lease is a 100% 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 60% 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 2011, 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 (not yet completed – refer to note 16).

(Prepared in Canadian Dollars)

4. PROPERTY AND EQUIPMENT (continued)

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. Included in sundry receivable was $43,995 related to costs incurred by the Company to be reimbursed from Madeira on closing. During 2013, due to the financial condition of Madeira, management has taken an allowance on this receivable as the collectability is uncertain. Management of the Company fully intends to pursue the collection of the amount.

5. EXPLORATION AND EVALUATION ASSETS

Although the Company has taken steps to verify title to its property interests, in accordance with industry standards, these procedures do not guarantee the Company's title. Properties may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

The Company's E&E assets are unproved and consist of:

	January 1, 2012	Additions	Abandonment/ Recoveries	Dec 31, 2012 and 2013
Hamburg - Chinchaga[a]	$ 2,026,145	$ 132,408	$ (2,158,553)	$ -
Southwestern Ontario[b]	531,408	55,068	(586,476)	-
TOTAL	**$ 2,557,553**	**$ 187,476**	**$ (2,745,029)**	**$ -**

a. Hamburg Chinchaga (Alberta)

During 2008, the Company acquired for cash of $617,925, 56,960 acres of 100% working interest lands on a shale gas play in Hamburg - Chinchaga, Alberta. This property was acquired at Crown land sales. The Company also acquired a cased, suspended wellbore and four associated sections (2,560 acres net) of land on this shale gas play (included in the acreage mentioned above). During 2009, the Company acquired an additional 46,720 acres (73 sections) of 100% working interest land in the above area for $993,098 and incurred $875,987 in exploration work and a pilot well program and ancillary work.

The leases on the subject sections (162 in total) expired March 31, 2013. During 2012, the Company wrote down the Hamburg Chinchaga E&E assets by $2,158,553 (2011 - $2,026,145), effectively reducing the carrying amount to $nil as management does not intend to pursue this project.

The Company is liable to undertake reclamation and abandonment work on all leases. Currently no obligations have been incurred.

b. Southwestern Ontario

Prior to 2011, the Company acquired 22,570 acres (22,425 net) in Southwestern Ontario, from arm's length individuals. The terms of the transaction were lease agreements on freehold land for a three year minimum period.

During 2011, the Company acquired an additional 6,386 acres (6,386 net) from arm's length individuals. In addition, the Company did not renew 16,645 acres (16,645 net) of leases.

The Company has not acquired any new leases during 2013 or 2012. During 2012, the Company wrote down the Southwestern Ontario E&E by $586,476 (2011 - $345,833), effectively reducing the carrying amount to $nil.

The Company is liable to undertake reclamation and abandonment work on all leases. Currently no obligations have been incurred.

(Prepared in Canadian Dollars)

6. CAPITAL AND RESERVES

a. Share capital

At December 31, 2013 and December 31, 2012, the authorized share capital comprised an unlimited number of common shares.

During the year ended December 31, 2013, the Company issued 22,896,986 common shares at a fair value of $114,485 and warrants exercisable for up to 11,448,492 common shares for five years at @ $0.10 per share in satisfaction of indebtedness of $1,144,849 owed to two holders of convertible debentures of the Company. During the year ended December 31, 2013, the Company has also issued an additional 5,083,578 common shares at a fair value of $25,418 in satisfaction of indebtedness of $254,179 owed to arm's length service providers and vendors.

	# of Common Shares	$ Amount
Balance, January 1, 2012	121,953,956	17,335,713
Expired warrants	-	1,111,535
Balance, December 31, 2012	121,953,956	18,447,248
Issued on settlement of debt	27,980,564	139,903
Expired warrants	-	1,055,680
Balance, December 31, 2013	149,934,520	19,642,831

b. Warrants

Details of warrant transactions for the year are as follows:

	# of Warrants	$ Amount	Weighted Average Exercise Price
Balance, January 1, 2012	27,325,656	2,167,215	0.24
Expired warrants	(12,491,108)	(1,111,535)	0.24
Balance, December 31, 2012	14,834,548	1,055,680	0.24
Warrants issued to creditors	11,448,492	41,100	0.10
Expired warrants	(14,834,548)	(1,055,680)	0.24
Balance, December 31, 2013	11,448,492	41,100	0.10

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 – 1.63%; dividend yield – NIL; expected stock price volatility determined using the Company's historical volatility – 155% (based on the Company's historical share price); a share price of $0.005 and warrant life – 5 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.

(Prepared in Canadian Dollars)

6. CAPITAL AND RESERVES (continued)

c. Stock options

Details of stock option transactions for the year ended December 31, 2013 are as follows:

	# of Options	Weighted. Avg. Ex Price
Balance, January 1, 2012	11,861,250	$0.22
Expired	(4,293,625)	$0.21
Balance, December 31, 2012	**7,567,625**	**$0.21**
Expired	(5,615,125)	$0.19
Balance, December 31, 2013	**1,952,500**	**$0.22**

On July 26, 2011 the shareholders of the Company approved a stock option plan (the "Plan") to enable directors, officers, employees and consultants of the Company to purchase common shares. All options granted to optionees performing Investor Relations Activities shall vest and become fully exercisable ¼ three months from the date of grant, ¼ six months from the date of grant, ¼ nine months from the date of grant and the final ¼ nine months from the date of grant. All options granted under the Plan shall expire no later than at the close of business ten years from the date of grant. The Plan provides that the number of common shares reserved for issuance upon exercise of options granted shall not exceed 10% of total issued and outstanding shares of the Company. No material changes were made to the Plan in the current period.

The following table summarizes information about the options outstanding at December 31, 2013:

# of Options Outstanding and Exercisable	Exercise Price	Expiry Dates	Remaining Contractual Life
150,000	$0.32	2014-05-14	0.37
125,000	$0.32	2014-02-15	0.13
300,000	$0.21	2014-12-03	0.92
270,000	$0.25	2020-11-19	6.89
97,750	$0.25	2014-02-15	0.13
275,000	$0.20	2021-04-08	7.27
150,000	$0.20	2014-02-15	0.13
187,500	$0.23	2021-05-04	7.35
186,000	$0.23	2014-02-15	0.13
211,250	$0.14	2021-11-29	7.92
1,952,500	$0.23		

No stock options were exercised or issued during 2013.

(Prepared in Canadian Dollars)

6. CAPITAL AND RESERVES (continued)

d. Contributed surplus

Balance, January 1, 2012	$	1,558,780
Stock based compensation		146,483
Balance, December 31, 2012		**1,705,263**
Reallocation of equity component of convertible debenture on debt settlement		192,059
Balance, December 31, 2013	**$**	**1,897,322**

7. CONVERTIBLE DEBENTURES PAYABLE

The carrying value of the debentures payable is as follows:

Balance, January 1, 2012	$	1,021,438
Interest accrued		103,542
Interest paid		(25,465)
Balance, December 31, 2012		1,099,515
Interest accrued		45,334
Amount settled by the issuance of common shares		(114,485)
Amount settled by the issuance of warrants		(41,100)
Gain on settlement		(989,264)
Balance, December 31, 2013	$	-

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 was 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 warrants (the "Compensation Warrants") exercisable for up to 500,000 common shares at $0.225 per share until the maturity date. On November 26, 2010, pursuant to a further 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.

As a result of several amendments described above, the debentures matured on December 31, 2011 and each had $510,719 in principal outstanding. From January 2012 until June 13, 2013, the debentures were reflected as current liabilities due on demand accruing interest at 10% per annum.

On 13 June 2013, the Company issued 22,896,986 common shares and warrants exercisable for up to 11,448,492 common shares for five years at @ $0.10 per share in satisfaction of indebtedness of $1,144,849 which included amounts owed to the holders of secured convertible debentures.

(Prepared in Canadian Dollars)

8. GAIN ON INDEBTEDNESS SETTLEMENT

During the year ended December 31, 2013, the Company issued 22,896,986 common shares at deemed value of $1,144,849 and warrants exercisable for up to 11,448,492 common shares for five years at @ $0.10 per share in satisfaction of indebtedness of $1,144,849 owed to two holders of convertible debentures of the Company. The warrants were valued at $41,100 using an option pricing model, using the following assumptions: risk-free interest rates – 1.63%; dividend yield – NIL; expected stock price volatility determined using the Company's historical volatility – 155% (based on the Company's historical share price); a share price of $0.005 and warrant life – 5 years.

During the year ended December 31, 2013 Mooncor has also issued an additional 5,083,579 common shares at a fair value of $25,418 in satisfaction of indebtedness of $254,179 owed to service providers and vendors.

Gain on settlement of convertible debentures	$	989,264
Gain on settlement of other indebtedness		294,294
Gain on forgiveness of contract		65,000
	$	**1,348,558**

9. RECLAMATION AND DECOMMISSIONING OBLIGATION

The Company is liable to undertake reclamation and abandonment work on its Lloydminster property. The total cost for reclamation and abandonment work is not known at this time. In 2012 the Company estimated the total undiscounted amount required to settle the obligation is $80,000. The costs are expected to be settled between 2023 and 2024. The liability has been discounted using a risk-free interest rate of 2.16% as at December 31, 2013 (2012 - $70,527).

Balance, January 1, 2012	$	-
Recognition of reclamation and decommission obligation		69,625
Accretion expense		902
Balance, December 31, 2012		**70,527**
Accretion expense		1,523
Balance, December 31, 2013	**$**	**72,050**

Segregated cash

The Company reserved $40,968 in 2012 in order to secure a letter of credit to the Saskatchewan Energy Resource Board. The letter of credit may be extended in one year periods on the anniversary date unless terminated in writing by the lender. These funds were segregated in a Guaranteed Investment Certificate (GIC) bearing interest at 1.00% and this matured June 4, 2013. The letter of credit has been cancelled in 2013 and the funds released.

(Prepared in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

During 2013, the Company had the following transactions with officers, directors or entities under the control or significant influence of officers and directors that have not been disclosed elsewhere in the consolidated financial statements:

Included in professional fees are legal fees and disbursements of $20,753 (2012 - $37,502) to a law firm in which certain officer is a partner. At December 31, 2013, $28,330 (2012 - $11,016) is included in accounts payable and accrued liabilities.

Included in professional fees are $6,750 (2012 - $68,800) paid to a former director and officer, or to related companies for CFO services pursuant to a consulting agreement. In addition, the former officer was reimbursed $2,059 (2012 - $18,975) for costs incurred. At December 31, 2013, $32,191 (2012 - $41,570) was in accounts payable.

Fees in the amount of $nil (2012 - $62,070) were paid to the former CEO of the Company. These services were provided pursuant to a consulting agreement. In 2013, $2,500 of debt owing to the former CEO was settled through the issuance of 50,000 shares at a fair value of $250. At December 31, 2013, the remaining debt, $10,625 (2012 - $13,125) is included in accounts payable and accrued liabilities.

In 2011, fees in the amount of $315,266 were paid to an officer and director for consulting services rendered during the year. In June 2011, this individual passed away. Pursuant to the management agreement between the Company, this individual and a company controlled by this individual, the Company is obligated to pay the company controlled by this individual $169,092. At December 31, 2012 and 2013, the 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.

	2013	2012
Short-term compensation	$ 6,750	$ 275,998
Stock-based compensation	0	146,483
Total	$ 6,750	$ 422,481

(Prepared in Canadian Dollars)

11. 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:

	2013	**2012**
Loss before income taxes	$ 1,017,199	$ 3,559,505
Statutory rates	26.5%	25%
Expected income tax recovery	269,558	(943,269)
Increase (decrease) in tax recoveries resulting from:		
Non-deductible expenses and other	366,122	38,989
Change in tax rates	-	(219,852)
Deferred tax liabilities not recognized in prior year	-	741,922
Change in deferred tax asset not recognized	(635,680)	382,210
	-	-
Flow through share premium amortization	-	(13,989)
Income tax recovery	$ -	$ (13,989)

Deferred income taxes

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

	2013	2012
Deferred tax assets		
Amounts related to tax loss and credit carry forwards	$ 4,017,723	$ 3,921,159
Equipment and intangible assets	18,666	18,665
Share issuance costs	38,340	106,590
Net deferred income tax assets	4,074,729	4,046,414
Deferred income tax liability		
Renunciation of exploration and deferred costs	-	-
Valuation allowance	(4,074,729)	(4,046,414)
Net deferred income tax	$ -	$ -

Loss Carry Forwards

At December 31, 2013, the Company has approximately $15,161,218 (2012 - $14,796,826) unutilized non-capital losses for income tax purposes which may be used to reduce future taxable income.

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
2032	929,800
2033	364,392
	$ 15,161,218

12. PROFIT (LOSS) PER SHARE

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

13. COMMITMENTS & CONTINGENCIES

Gross overriding royalties

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

a. Database

As part of the purchase of the database of technical information, the Company entered into a GORR 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.

Abandonment and reclamation costs

The Company is liable to undertake reclamation and abandonment work on its leases. The Company has lodged deposits with the Energy Resource Conservation Board as required by legislation. Of the $349,381 at December 31, 2013 (2012 - $349,381), approximately $78,700 (2012 - $78,700) relates to the Hamburg-Chinchaga leases and $270,681 (2012 - $270,681) relates to the Lloydminster wells. The total cost for reclamation and abandonment work is not known at this time. A provision of $72,050 has been recorded at December 31, 2013 (2012 - $70,527) with respect to reclamation and decommissioning costs.

Legal claims

During 2012, the Company was served with a statement of claim for payment of amounts incurred in relation to a work-over performed on the Company's Lloydminster oil and gas well, for $191,586. The supplier also placed a lien against the oil well. During 2013, the parties came to a settlement, which resulted in the Company being required to pay $50,000 by December 31, 2013. The amount was not paid at year end and has been included in accounts payable and accrued liabilities.

In the ordinary course of business activities, the Company is a party in certain litigation and other claims. Management believes that the resolution of such litigation and claims will not have a material effect on the consolidated financial position of the Company.

14. CAPITAL DISCLOSURES

The Company's objectives when managing capital are as follows:

- To safeguard the Company's ability to continue as a going concern.
- To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties.
- To raise sufficient capital to meet its general and administrative expenditures.

The Company considers its capital to be equity, which comprises capital stock, contributed surplus, warrants and deficit, which at December 31, 2013, totaled $145,242 (2012 - $(1,052,960)).

14. CAPITAL DISCLOSURES (continued)

The Company manages its capital structure and makes adjustments to it based on general economic conditions, short term working capital requirements, and planned exploration and development. The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets' underlying assumptions as necessary.

There were no changes in the Company's approach to managing capital during the year.

In order to maintain or adjust the capital structure, the Company considers the following:

- incremental investment and acquisition opportunities;
- equity and debt capital available from capital markets;
- equity and debt credit that may be obtainable from the marketplace as a result of growth in reserve values;
- availability of other sources of debt with different characteristics than the existing bank debt;
- the sale of assets;
- limiting the size of the investment program; and
- new share issuances if available on favorable terms.

Except as otherwise disclosed herein, the Company is not subject to any external financial covenants at December 31, 2013.

15. RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. 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, and sundry receivable. Cash and cash equivalents are held at large Canadian Financial Institutions.

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. The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure.

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

15. RISK MANAGEMENT (continued)

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.

16. SUBSEQUENT EVENTS

Proposed acquisition of Birch Lake Energy Inc.

The Company and Birch Lake Energy Inc. have entered into a non-binding letter of agreement for the arm's length acquisition by the Company of 100% common shares of Birch Lake Energy Inc. subject to completion of certain conditions including satisfactory due diligence, execution of definitive agreement and receipt of all necessary director, shareholder, regulatory and TSX venture Exchange approvals.

Securities Purchase Agreement

On April 1, 2014 the Company entered into a securities purchase agreement with Pinetree Capital Ltd. Pursuant to the terms of the agreement (i) Pinetree has subscribed for an aggregate 10,000,000 units of Mooncor at a deemed price of $.05 per unit comprised of 1 common share in the Company and 1 common share purchase warrant entitling Pinetree to acquire 1 the Company common share at $0.10 per share for a period of 2 years from date of issuance, and (ii) the Company has subscribed for 819,672 common shares in the capital of Pinetree at a deemed price of $0.61 per share.