

MOONCOR OIL & GAS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited – prepared in Canadian dollars)

MOONCOR OIL & GAS CORP.

**NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, sub-section 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

MOONCOR OIL & GAS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2014 AND DECEMBER 31, 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

	Sept 30, 2014	December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 34,572	\$ 68,273
Investments at fair value (Note 4)	167,921	-
Sundry receivable	24,088	14,482
Prepaid expenses	5,448	5,539
	<u>232,030</u>	<u>88,294</u>
Other Assets:		
Property and equipment (Note 5)	505,000	505,000
Deposits (Note 13)	349,381	349,381
	<u>854,381</u>	<u>854,381</u>
	<u>\$ 1,086,411</u>	<u>\$ 942,675</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 831,365	\$ 725,383
Reclamation and decommissioning obligation (Note 8)	73,217	72,050
	<u>904,582</u>	<u>797,433</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	\$ 19,895,827	\$ 19,642,831
Contributed surplus (Note 6)	1,897,322	1,897,322
Warrants (Note 6)	288,104	41,100
Deficit	(21,899,424)	(21,436,011)
	<u>181,829</u>	<u>145,242</u>
	<u>\$ 1,086,411</u>	<u>\$ 942,675</u>

GOING CONCERN (Note 1)

COMMITMENTS AND CONTINGENCIES (Note 13)

SUBSEQUENT EVENTS (Note 16)

See accompanying notes to the interim condensed consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

	Three Months ended Sept 30 2014	Three Months ended Sept 30 2013	Nine Months ended Sept 30 2014	Nine Months ended Sept 30 2013
Interest Income	\$ -	\$ -	-	202
TOTAL REVENUE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202</u>
EXPENSES				
Professional fees and disbursements	\$ 32,700	32,469	46,063	51,595
Lease expenses	\$ (8,118)	17,397	15,249	27,653
Operational expenses	\$ 30,625	-	30,625	-
Office and general	\$ 15,328	15,198	50,035	48,054
Finance costs	\$ -	-	-	45,334
Travel	\$ -	-	-	2,246
Insurance	\$ 5,714	2,075	20,792	9,375
	<u>\$ 76,250</u>	<u>67,139</u>	<u>\$ 162,765</u>	<u>184,257</u>
Loss before undernoted	(76,250)	(67,139)	(162,765)	(184,055)
Unrealized loss	\$ (112,977)	-	(258,879)	-
Loss in sale of investment	\$ (41,770)	-	(41,770)	-
Gain on indebtedness settlement	\$ -	-	-	1,302,828
Net income/(loss) and comprehensive income/(loss) for the period	<u>\$ (230,996)</u>	<u>\$ (67,139)</u>	<u>\$ (463,413)</u>	<u>\$ 1,118,772</u>
Weighted Average Shares Outstanding - basic and diluted	<u>159,934,520</u>	<u>149,934,520</u>	<u>156,582,922</u>	<u>132,481,803</u>
Net income/(loss) per share - basic and diluted	<u>\$ (0.001)</u>	<u>\$ (0.000)</u>	<u>\$ (0.003)</u>	<u>\$ 0.008</u>

MOONCOR OIL & GAS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Equity component of convertible debenture	Warrants	Deficit	Total Equity
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)
Issue of common stock on settlement of debt	27,980,565	\$ 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 loss for the period						1,118,772	\$ 1,118,772
Balance at September 30, 2013	149,934,521	19,642,831	1,897,321	-	41,100	(21,334,438)	246,815
Balance at January 1, 2014	149,934,520	19,642,831	1,897,322	-	41,100	(21,436,011)	\$ 145,242
Issue of common stock	10,000,000	252,996					\$ 252,996
Warrants:							
Allocation on issue of common stock					247,004	\$	\$ 247,004
Net loss for the period						(463,413)	\$ (463,413)
Balance at September 30, 2014	159,934,520	19,895,827	1,897,322	-	288,104	(21,899,424)	181,829

See accompanying notes to the interim condensed consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

	Nine Months ended Sept 30 2014	Nine Months ended Sept 30 2013
Cash flows used in operating activities		
Net income/(loss) for the period	\$ (463,413)	\$ 1,118,772
Unrealized loss	258,879	-
Loss on sale of investment	41,770	-
Gain on debt settlement	-	(1,302,828)
Interest accrued on convertible debenture	-	45,334
Accretion of reclamation and decommissioning obligation	1,167	1,143
	<u>(161,597)</u>	<u>(137,579)</u>
Changes in non-cash working capital balances		
Sundry receivables	(9,607)	93,226
Prepaid expense	91	1,987
Accounts payable and accrued liabilities	105,983	(84,297)
	<u>(65,131)</u>	<u>(126,663)</u>
Cash flows used in investing activities		
Proceeds on sale of investment	31,430	-
Increase in segregated cash	-	40,968
	<u>31,430</u>	<u>40,968</u>
Net decrease in cash and cash equivalents	(33,701)	(85,695)
Cash and cash equivalents, beginning of period	<u>68,273</u>	<u>204,780</u>
Cash and cash equivalents, end of period	<u>34,572</u>	<u>\$ 119,085</u>
Supplemental Information		
Income tax paid	<u>-</u>	<u>\$ -</u>
Interest paid	<u>-</u>	<u>\$ -</u>

See accompanying notes to the interim condensed consolidated financial statements.

MOONCOR OIL & GAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIALS STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

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 natural 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".

Going concern

The interim condensed 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 \$672,552 and has a deficit in the amount of \$21,899,424 as at September 30, 2014. 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 some doubt upon the Company's ability to continue as a going concern.

These interim condensed 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 interim condensed consolidated financial statements ("interim consolidated statements") on November 28, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee using accounting policies consistent with International Financial Reporting Standards which the Company adopted in its annual consolidated financial statements as at and for the year ended December 31, 2013.

The same accounting policies and methods of computation were followed in the preparation of these interim consolidated statements as were followed in the preparation of and as described in Note 3 to the annual consolidated financial statements as at and for the year ended December 31, 2013. Accordingly, these interim consolidated statements for the nine months ended September 30, 2014 should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2013.

MOONCOR OIL & GAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIALS STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

Basis of measurement

These interim consolidated 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 (“\$”).

Basis of consolidation

These interim consolidated statements include the accounts of the Company and its wholly owned subsidiary Mooncor Energy Inc. 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.

Newly adopted accounting policies

The Company has adopted the following accounting policy and amended standard during the period:

Borrowing costs - borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized as they accrue, in profit or loss using the effective interest method. The Company capitalizes borrowing costs from bank loans to the property rights, evaluation and exploration costs.

IAS 32 - Financial instruments. Presentation was amended to clarify that the right of offset must be available on the current date and cannot be contingent on a future date. As of January 1, 2014, the Company adopted this amendment and there was no impact on the Company's unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2014.

New and amended international financial reporting standards to be adopted

IFRS 9 - Financial instruments ("IFRS 9"). In October 2010, the IASB published amendments to IFRS 9, Financial Instruments ("IFRS 9") which provides added guidance on the classification and measurement of financial liabilities. IFRS 9 will replace IAS 39 and will be completed in three phases: classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. This was the first phase of the project on classification and measurement of financial assets and liabilities. The IASB is discussing proposed limited amendments related to this phase of the project. The standard on general hedge accounting was issued and included as part of IFRS 9 in November 2013. The accounting for macro hedging is expected to be issued as a separate standard outside of IFRS 9. The impairment of financial assets phase of the project is currently in development. In November 2013, the mandatory effective date of IFRS 9 of January 1, 2015 was removed and the effective date will be determined when the remaining phases of IFRS 9 are finalized. The Company is currently monitoring the developments of this standard and assessing the impact that the adoption of this standard may have on the consolidated financial statements.

MOONCOR OIL & GAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIALS STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

4. INVESTMENTS

On April 1, 2014, Mooncor completed the purchase of 819,672 common shares in the capital of Pinetree Capital Ltd. ("Pinetree"). Pursuant to the terms of the securities purchase agreement (i) Pinetree subscribed for 10,000,000 units of Mooncor at a deemed price of \$0.05 per unit comprised of one common share of Mooncor and one common share purchase warrant entitling Pinetree to acquire one Mooncor common share at \$0.10 per share for a period of 2 years from date of issuance, and (ii) the Company subscribed for 819,672 common shares of Pinetree at a deemed price of \$0.61 per share. The Company valued the Pinetree shares on April 1, 2014 at its deemed price giving a fair value of \$500,000.

During the 3 months ended September 30, 2014 the Company sold 120,000 Pinetree shares for proceeds of \$31,430 resulting in a loss on disposal of the shares of \$41,770 which has been reflected in the consolidated statement of comprehensive loss.

On September 30, 2014 the Company valued the Pinetree shares at the closing market price on September 30, 2014 giving a fair value of the Pinetree shares at September 30, 2014 of \$167,921. The impairment in the fair value of the Pinetree shares of \$112,977 has been reflected in the consolidated statement of comprehensive loss as an unrealized loss.

5. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2014 consists of oil and natural gas interests as follows:

Balance, September 30, 2014 and December 31, 2013	<u>\$ 505,000</u>
---	-------------------

Oil and Natural Gas Interests (Lloydminster (Alberta))

In 2008, the Company acquired two suspended heavy oil wells and leases and related P&NG rights in the Lloydminster area of Alberta from a former 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 a former arm's length party; and
- (iii) a 3% GORR payable to a former arm's length party on the 60% share of production.

MOONCOR OIL & GAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIALS STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

The Company's interest in the second lease is a 100% working interest declining to 60% after recoupment of the payout account of approximately \$485,000 associated with the well on the lease and includes the right to recoup the payout account. The interest in the well will. 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 a former arm's length party on oil production;
- (iii) a 5% to 15% variable convertible GORR payable to a former arm's length party in respect of oil production;
- (iv) a 15% convertible GORR payable to a former arm's length party in respect of gas production; and
- (v) a 3% GORR payable to a former 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 leases 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, and receipt of all required regulatory and TSXV approvals.

MOONCOR OIL & GAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIALS STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

6. CAPITAL AND RESERVES

a. Share capital

At September 30, 2014 and December 31, 2013, the authorized share capital comprised an unlimited number of common shares.

	# of Common Shares	Amount \$
Balance, January 1, 2013	121,953,956	18,447,248
Issued on settlement of debt	27,980,564	139,903
Expired warrants	0	1,055,680
Balance, December 31, 2013	149,934,520	19,642,831
Issued on April 1, 2014	10,000,000	252,996
Balance, September 30, 2014	159,934,520	19,895,827

In April 2014, the Company issued 10,000,000 common shares to Pinetree Capital Ltd, as part of a securities purchase agreement between the two companies (see note 4).

b. Warrants

Details of warrant transactions for the period are as follows:

	# of Warrants	Amount \$	Wtd. Average Ex. Price
Balance, January 1, 2013	14,834,548	1,055,680	\$ 0.24
Expired warrants	-14,834,548	-1,055,680	\$ 0.24
Warrants issued (Expiry 13 June 2018)	11,448,492	41,100	\$ 0.10
Balance, December 31, 2013	11,448,492	\$ 41,100	\$ 0.10
Warrants issued April 1, 2014 (Expiry 1 April 2016)	10,000,000	247,004	\$ 0.10
Balance, September 30, 2014	21,448,492	288,104	\$ 0.10

On 13 June 2013, the Company issued 22,896,986 common shares and one half of a warrant 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. The fair value of the warrants were 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.

On April 1, 2014, Mooncor completed a securities purchase agreement with Pinetree Capital Ltd. Pursuant to the terms of the securities purchase agreement, Pinetree subscribed for 10,000,000 units of Mooncor at a deemed price of \$0.05 per unit comprised of one common share of Mooncor and one common share purchase warrant entitling Pinetree to acquire one Mooncor common share at \$0.10 per share for a period of 2 years from date of issuance. The fair value of the warrants were estimated on the date of issuance using an option pricing model, using the following assumptions: risk-free interest rates – 0.86%; dividend yield –

MOONCOR OIL & GAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIALS STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

nil; expected stock price volatility determined using the Company's historical volatility – 354% (based on the Company's historical share price); a share price of \$0.025 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.

c. Stock options

Details of stock option transactions for the nine months ended September 30, 2014 are as follows:

	Number of Options	Weighted. Avg. Exercise Price
Balance, January 1, 2013	6,753,499	\$0.21
Expired in 2013	-4,800,999	\$0.19
Balance, December 31, 2013	1,952,500	\$0.22
Expired in 2014	-708,750	\$0.26
Balance, September 30, 2014	1,243,750	\$0.21

No stock options were exercised or issued during the nine months ended September 30, 2014 and no material changes were made to the Company's stock option plan in the current period.

The following table summarizes information about the options outstanding at September 30, 2014:

# of Options Outstanding and Excerciseable	Exercise Price	Expiry Dates	Remaining Contractual Life
300,000	\$0.21	December 3, 2014	0.18
270,000	\$0.25	November 19, 2020	6.14
275,000	\$0.195	April 8, 2021	6.53
187,500	\$0.23	May 4, 2021	6.60
211,250	\$0.14	November 29, 2021	7.17
1,243,750	\$0.21		

MOONCOR OIL & GAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIALS STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

d. Contributed surplus

Balance, January 1, 2013	\$ 1,705,263
Reallocation of equity component of convertible debenture on debt settlement	192,059
Balance, December 31, 2013 and September 30, 2014	\$ 1,897,322

7. CONVERTIBLE DEBENTURES PAYABLE

The carrying value of the debentures payable is as follows:

Balance, January 1, 2013	\$ 1,099,515
Interest accrued	45,334
Amount settled by the issuance of common shares	(114,485)
Amount settled by issuance of warrants	(41,100)
Gain on settlement	(989,264)
Balance, December 31, 2013 and September 30, 2014	\$ -

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 were 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 one half of a warrant 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.

MOONCOR OIL & GAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIALS STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

8. 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. 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%.

Balance, January 1, 2013	\$ 70,527
Accretion expense - 2013	1,523
Balance, December 31, 2013	\$ 72,050
Accretion expense - 2014	1,167
Balance, September 30, 2014	\$ 73,217

9. 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. During the year ended December 31, 2013 Mooncor also issued an additional 5,083,579 common shares at a deemed value of \$254,179 in satisfaction of indebtedness of \$319,712 owed to service providers and vendors.

Gain on settlement of convertible debenture	\$ 1,008,534
Gain on settlement of other payables	\$ 294,294
Total gain on settlement of debt	\$ 1,302,828

10. RELATED PARTY TRANSACTIONS

Related parties include Board of Directors, close family members, key management personnel, enterprises and others who exercise significant influence over the reporting entity. The below noted transactions for the nine months ended September 30, 2014, are in the normal course of business and are measured at the exchange amount, as agreed to by the parties.

Included in professional fees for the nine months ended September 30, 2014 are \$36,872 (2013 - \$20,753) for legal fees and disbursements owing to a law firm in which an officer, Robbie Grossman, is a partner or to a firm in which he is a former partner. Included in accounts payable and accrued liabilities on September 30, 2014 are \$38,193 (December 31, 2013 - \$1,873) owing to this law firm.

Included in accounts payable and accrued liabilities on September 30, 2014 and December 31, 2013 are \$28,330 for legal fees and disbursements owing to a law firm (Garfinkle Biderman LLP) in which an officer, Robbie Grossman, is a former partner.

At September 30, 2014 \$nil (2013 - \$6,750) is included in professional fees paid to a former director and officer (Nick Tsimidis) or to related companies for CFO services pursuant to a consulting agreement. In addition, the former officer was reimbursed \$nil (2012 - \$2,059) for costs incurred. At

MOONCOR OIL & GAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIALS STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

September 30, 2014 and December 31, 2013, \$39,818 was in accounts payable, relating to these services.

In 2013 \$2,500 of debt owing to Darell Brown, the former CEO was settled through the issuance of 50,000 shares at a fair value of \$250. There were no such transactions in 2014. At September 30, 2014 and December 31, 2013, the remaining debt of \$10,625 is included in accounts payable and accrued liabilities

In 2011, fees in the amount of \$315,266 were paid to Richard Cohen, an officer and director for consulting services rendered during the year. In September 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 September 30, 2014 and December 31, 2013, this amount is included in accounts payable and accrued liabilities.

11. LOSS PER SHARE

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

12. 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.

	2014	2013
Short-term compensation	\$ -	\$ 6,750
Stock-based compensation	\$ -	\$ -
Total	\$ -	\$ 6,750

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:

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.

MOONCOR OIL & GAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIALS STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

Abandonment and reclamation costs

The Company is liable to undertake reclamation and abandonment work on its leases. The Company has lodged deposits of \$349,381 (2013 - \$349,381) with the Energy Resource Conservation Board as required by legislation. The total cost for reclamation and abandonment work is not known at this time. A provision of \$73,217 has been recorded at September 30, 2014 (December 31, 2013 - \$72,050) with respect to reclamation and decommissioning costs.

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.

There were no changes in the Company's approach to managing capital during the period. The Company considers its capital to be total shareholder equity, which comprises capital stock, contributed surplus, warrants and deficit, which at September 30, 2014 totaled \$181,829 (December 31, 2013, \$145,242).

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.

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.

MOONCOR OIL & GAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIALS STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)
(Expressed in Canadian Dollars)

Market price risk

Market price risk is the risk that the fair value of investments will fluctuate because of changes in market prices of the investments in the stock exchange. On September 30, 2014 the Company had investments with a fair value of \$167,921. A 10% change in the market price of the investments will result in a gain or loss of \$16,792 in the fair value of the investments held by the Company.

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.

16. SUBSEQUENT EVENT

Acquisition of oil and gas leases in Montana, USA

The Company has entered into a definitive share purchase agreement with an arm's length party dated October 10, 2014 to acquire oil and gas leases and related data over approximately 320 sections (net acres of 219,000) in the Pondera and Teton Counties in Northwestern Montana.

Mooncor will pay the vendor a 1% gross overriding royalty and assume its working interest share of the reclamation costs relating to the previous drilled wells and the ongoing lease payments on the Property.

Pursuant to the terms of the purchase agreement, the acquisition is subject to the completion of certain conditions precedent, including satisfactory due diligence, and any necessary regulatory approvals. The Company estimates that it will close this transaction prior to December 31, 2014.

Non-brokered private placement

In October 2014, the Company closed a previously announced non-brokered private placement financing pursuant to which Mooncor raised gross proceeds of \$456,100 through the issuance of 7,601,665 common share units at a price of \$0.06 per unit. Each unit consists of one common share of Mooncor and one common share purchase warrant of Mooncor. Each Warrant shall entitle the holder thereof to acquire one common share of Mooncor at an exercise price of \$0.10 per share until October 15, 2016.

Three officers and/or directors of Mooncor participated in the Offering for gross proceeds of \$180,100, thereby making the Offering a "related party transaction" as defined under Multilateral Instrument 61-101 ("MI 61-101"). The Offering was exempt from the formal valuation and minority shareholder approval requirements of MI 61 - 101 as neither the fair market value of any common shares issued to or the consideration paid by such person exceeded 25% of Mooncor's market capitalization.