

MOONCOR OIL & GAS CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015

(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 interim condensed consolidated financial statements, they must be accompanied by a notice that the interim condensed consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated 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.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2015 AND DECEMBER 31, 2014 (UNAUDITED)
(Expressed in Canadian Dollars)

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 252,295	\$ 322,648
Investments (Note 4)	0	75,352
Sundry receivables	12,501	11,550
Prepaid expenses	55,559	4,994
Total current assets	<u>320,355</u>	<u>414,544</u>
Non-current assets:		
Property interests (Note 5)	747,635	515,692
Deposits (Note 9)	454,428	386,611
Total non-current assets	<u>1,202,063</u>	<u>902,303</u>
Total assets	<u>\$ 1,522,418</u>	<u>\$ 1,316,847</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 831,762	\$ 737,722
Long term liabilities:		
Reclamation and decommissioning obligation (Notes 7)	285,815	84,223
Total liabilities	<u>1,117,576</u>	<u>821,945</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	\$ 20,175,578	\$ 20,175,578
Contributed surplus (Note 6)	1,897,322	1,897,322
Warrants (Note 6)	452,315	452,315
Deficit	(22,120,373)	(22,030,313)
Total shareholders' equity	<u>404,842</u>	<u>494,902</u>
Total liabilities and shareholders' equity	<u>\$ 1,522,418</u>	<u>\$ 1,316,847</u>

Nature and going concern (Note 1)

Commitments and contingencies (Notes 5,9)

See accompanying notes to the interim condensed consolidated financial statements.

MOONCOR OIL & GAS CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015 AND 2014 (UNAUDITED)
(Expressed in Canadian Dollars)

	3 Months ended March 31, 2015	3 Months ended March 31, 2014	3 Months ended March 31, 2013
Interest Income	\$ -	\$ -	101
Total revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101</u>
EXPENSES			
Professional fees and disbursements (Note 8)	9,519	9,255	13,607
Operational expenses (Note 11)	2,868	22,489	-
Office and general (Note 12)	41,682	9,103	21,827
Finance costs	-	-	25,567
Travel	3,766	-	1,149
Insurance	7,468	8,349	6,900
Total expenses	<u>\$ 65,303</u>	<u>\$ 49,197</u>	<u>\$ 69,050</u>
Loss before undernoted	(65,303)	(49,197)	(68,949)
Deficit of fair value of net assets acquired over purchase price (Note 10)	(3,222)	-	-
Losses on foreign exchange	(698)	-	-
Net investment loss on sale of shares (Note 4)	(20,837)	-	-
Net and comprehensive loss for the period	<u>\$ (90,060)</u>	<u>\$ (49,197)</u>	<u>\$ (68,949)</u>
Weighted average shares outstanding - basic and diluted	<u>167,536,185</u>	<u>149,934,520</u>	<u>121,953,956</u>
Net loss per share - basic and diluted	<u>\$ (0.001)</u>	<u>\$ (0.0003)</u>	<u>\$ (0.001)</u>

See accompanying notes to the interim condensed consolidated financial statements.

MOONCOR OIL & GAS CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015 (UNAUDITED)
(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Warrants	Deficit	Total Equity
Balance at December 31, 2013	149,934,520	19,642,831	1,897,322	41,000	(21,436,011)	145,242
Net loss for the three months ended March 31, 2014					(49,197)	(49,197)
Balance at March 31, 2014	149,934,520	19,642,831	1,897,322	41,000	(21,485,208)	96,045
Balance at December 31, 2014	167,536,186	20,175,578	1,897,322	452,315	(22,030,313)	494,902
Net loss for the three months ended March 31, 2015	-	-	-	-	(90,060)	(90,060)
Balance at March 31, 2015	167,536,186	\$ 20,175,578	\$ 1,897,322	\$ 452,315	\$ (22,120,373)	\$ 404,842

See accompanying notes to the interim condensed consolidated financial statements.

MOONCOR OIL & GAS CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015 AND 2014 (UNAUDITED)
(Expressed in Canadian Dollars)

	3 Months ended March 31, 2015	3 Months ended March 31, 2014
Cash flows used in operating activities		
Net loss for the period	\$ (90,060)	\$ (49,197)
Realized loss on sale of investments	20,837	-
Deficit of fair value of net assets acquired over purchase price	1,296	-
Reclamation and decommissioning obligation	108	389
	<u>(67,820)</u>	<u>(48,808)</u>
Changes in non-cash working capital balances		
Sundry receivables	(951)	4,297
Prepaid expenses	(46,498)	3,508
Accounts payable and accrued liabilities	18,933	30,002
Cash flows used in operations	<u>(96,336)</u>	<u>(11,001)</u>
Cash flows provided by investing activities		
Proceeds on sale of investments (Note 4)	54,515	-
Cash acquired on reverse acquisition (Note 10)	1,927	-
Property interests	(30,459)	-
Cash flows from investing activities	<u>25,983</u>	<u>-</u>
Net decrease in cash and cash equivalents	(70,353)	(11,001)
Cash and cash equivalents, beginning of period	<u>322,648</u>	<u>68,273</u>
Cash and cash equivalents, end of period	<u>252,295</u>	<u>\$ 57,272</u>
Supplemental Information		
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See accompanying notes to the interim condensed consolidated financial statements.

MOONCOR OIL & GAS CORP.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIALS STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015 AND 2014 (UNAUDITED)
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Mooncor Oil & Gas Corp. (the "Company" or "Mooncor") 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 also 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, DRGN Energy Inc. ("DRGN"), an Ontario Corporation, Primary Petroleum Company U.S. Inc ("PPCUSA"), a Montana, USA Corporation, Primary Petroleum Company LLC ("PPCLLC"), a Montana, USA Corporation and AP Petroleum Company ("APLLC"), a Montana, USA Corporation.

The Board of Directors approved these interim condensed consolidated financial statements on June 1, 2015.

These 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 \$511,407 and for the three months ended March 31, 2015 had a net loss of \$90,060 (2014- \$49,197) and has a deficit in the amount of \$22,120,373 as at March 31, 2015. The Company is in the exploration stage and is subject to various risks and challenges. Including, but are not limited to, dependence on key individuals, successful exploration and ability to secure adequate financing to meet the minimum capital required to successfully complete its projects, political risk relating to maintaining property licenses in good standing and continuing as a going concern. Management estimates that the funds available as at March 31, 2015 will not be sufficient to meet the Company's potential capital and operating expenditures through March 31, 2016. The Company will have to raise additional funds to continue operations. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available on terms acceptable to the Company. Failure to meet its funding commitments may result in the loss of the Company's exploration and evaluation interests.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration, development or operation of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

The challenges of securing requisite funding, operating with a working capital deficiency and expected future operating losses represent material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIALS STATEMENTS
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2. BASIS OF PRESENTATION

The Company prepares its consolidated 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".

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

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, 2014.

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, 2014. Accordingly, these interim condensed consolidated statements for the three months ended March 31, 2015 should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2014.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Mooncor Energy, DRGN, PPCUSA, PPCLLC and APLLC. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

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The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Taxes, income taxes and deferred taxes

The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Any estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

Impairment of oil and gas property interests

While assessing whether any indications of impairment exist for oil and gas property interests, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which oil and gas property interests are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's oil and gas property interests, costs to sell the properties and the appropriate discount rate. Reductions in oil price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable oil reserves or adverse current economics can result in a write-down of the carrying amounts of the Company's oil and gas property interests.

Estimation of decommissioning and restoration costs and the timing of expenditure

The cost estimates are updated annually during the life of an oil well to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the oil well. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

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FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015 AND 2014 (UNAUDITED)
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4. INVESTMENTS

On April 1, 2014, pursuant to the terms of the securities purchase agreement (i) Pinetree Capital Ltd. ("Pinetree") subscribed for 10,000,000 units of the Company at a price of \$0.05 per unit comprised of one common share and one common share purchase warrant entitling Pinetree to acquire one common share of the Company 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 price of \$0.61 per share based on the quoted price of Pinetree shares on the purchase date. A director of the Company was an officer of Pinetree.

During the year ended December 31, 2014 the Company sold 300,000 Pinetree shares for proceeds of \$60,220 resulting in a loss on disposal of the share of \$122,780 which has been reflected in the consolidated statement of comprehensive loss. On December 31, 2014 the Company valued the remaining 519,672 Pinetree shares at the closing market price on December 31, 2014 resulting in a fair value of the Pinetree shares of \$75,352.

During the three months ended March 31, 2014 the Company sold the remaining 519,672 Pinetree shares for proceeds of \$54,515 resulting in a net investment loss on disposal of the shares of \$20,837 which has been reflected in the interim condensed consolidated statement of comprehensive loss.

5. PROPERTY INTERESTS

Oil and gas property interests as at March 31, 2015 consists of:

	Cost	Cumulative Depletion	Net
Balance, December 31, 2013	\$ 519,832	\$ (14,832)	\$ 505,000
Reclamation and decommissioning obligation	10,692	-	10,692
Balance, December 31, 2014	530,524	(14,832)	515,692
Montana properties	231,943	-	231,943
Balance, March 31, 2015	\$ 762,467	\$ (14,832)	\$ 747,635

Oil and Natural Gas Interests (Lloydminster (Alberta))

In 2008, the Company acquired two suspended heavy oil wells and leases and related petroleum and natural gas rights in the Lloydminster area of Alberta for cash proceeds of \$400,000.

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

- an obligation to pay a 60% share of the variable Crown royalties;
- a 60% share of a 1% Gross Overriding Royalty ("GORR") payable to the party; and
- a 3% GORR on the 60% share of production.

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. This lease is subject to:

- a 60% share of the Crown royalty;
- a 60% share (36% after payout) of a 1% GORR payable on oil production;
- a 5% to 15% variable convertible GORR payable in respect of oil production;
- a 15% convertible GORR payable in respect of gas production; and

MOONCOR OIL & GAS CORP.

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- e. a 3% GORR payable 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 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 6,000,000 common shares of its capital stock to the Company at a price of \$0.20 per share. On January 5, 2015, the agreement was amended to include additional cash consideration of \$224,035. 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 2012), completion of a concurrent financing by Madeira, and receipt of all required regulatory and TSXV approvals. The closing date per the amended agreement was March 31, 2015; however, the transaction has not been completed as of the date of these financial statements. The Company believes that the transaction may not close and is seeking alternatives.

Oil and Natural Gas Interests (Montana (USA)) (See Note 10)

On January 27, 2015, the Company acquired oil and gas leases (the "Leases") and related data over approximately 320 sections (net acres of 219,000) in the Pondera and Teton Counties in Northwestern Montana USA (the "Property") through the acquisition of Primary Petroleum Company USA, Inc.

The acquisition relates to undeveloped leasehold mineral rights. The Property consists of a working interest in freehold and state petroleum and natural gas rights (surface to basement) which have up to eight years remaining on the Leases. Mooncor will be the operator of the working interests.

Mooncor's working interest will be 70% in all the Property except for the spacing drilled by a major U.S. based industry partner (the "JV Partner") in which case Mooncor's working interest will be 30%. The JV Partner previously paid \$7.5 million and spent \$41 million on the initial exploration program in order to acquire an average of 30% in all the Property except for the spacing drilled by the JV Partner where the JV Partner earned a working interest of 70% in each drilling space unit plus one additional spacing unit.

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.

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(Expressed in Canadian Dollars)

6. SHAREHOLDER'S EQUITY

Capital Stock

At March 31, 2015 and December 31, 2014, the authorized share capital comprised an unlimited number of common shares with no par value.

In April 2014, the Company issued 10,000,000 common shares to Pinetree, as part of a securities purchase agreement between the two companies (see Note 4). In October 2014, the Company issued a further 7,601,665 common shares as part of a non-brokered private placement financing.

	# of Common Shares	Amount
Balance, December 31, 2013	149,934,520	19,642,831
Issued for investment (a)	10,000,000	280,124
Issued for cash (b)	7,601,665	259,487
Share issue costs	-	(6,864)
Balance, March 31, 2015 and December 31, 2014	167,536,185	\$20,175,578

Warrants

Details of warrant transactions for the period ended March 31, 2015 are as follows:

	# of Warrants	Amount	Weighted Average Exercise Price
Balance, December 31, 2013	11,448,492	41,100	0.1
Warrants issued April 1, 2014 (a)	10,000,000	219,876	0.1
Warrants issued October 15, 2014 (b)	7,601,665	196,613	0.1
Warrants issue costs	-	-5,274	
Balance March 31, 2015 and December 31, 2014	29,050,157	\$452,315	\$0.10

- a. On April 1, 2014, the Company completed a securities purchase agreement with Pinetree. Pursuant to the terms of the securities purchase agreement, Pinetree subscribed for 10,000,000 units of the Company at a price of \$0.05 per unit comprised of one common share of the Company and one common share purchase warrant entitling Pinetree to acquire one common share of the Company at \$0.10 per share for a period of 2 years from date of issuance. The fair value of the warrants was estimated on the date of issuance using the Black-Scholes option pricing model, using the following assumptions: risk-free interest rate – 1.07%; expected dividend yield – nil; expected stock price volatility of 219% (based on the Company's historical share price); a share price of \$0.028 and warrant life of 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.
- b. On October 15, 2014, the Company completed a non-brokered private placement financing. Pursuant to the terms of the financing agreement, the subscribers subscribed for 7,601,665 units of the Company at a price of \$0.06 per unit comprised of one common share of the Company and one common share purchase warrant to acquire one common share of the Company at \$0.10 per share for a period of 2

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years from date of issuance. The fair value of the warrants was estimated on the date of issuance using the Black-Scholes option pricing model, using the following assumptions: risk-free interest rate – 0.91%; expected dividend yield – nil; expected stock price volatility of 204% (based on the Company's historical share price); a share price of \$0.03 and warrant life of 2 years. Pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The following table summarizes information about warrants outstanding as at March 31, 2015.

Issue date	# of warrants	Expiry date	Estimated fair	
			Exercise price	value on issue date
13-Jun-13	11,448,492	13-Jun-18	\$0.10	\$41,100
1-Apr-14	10,000,000	1-Apr-16	0.1	217,785
1-Oct-14	7,601,665	1-Oct-16	0.1	193,430
	29,050,157		\$0.10	\$452,315

Stock options

Details of stock option transactions for the three months ended March 31, 2015 and year ended December 31, 2014 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2013	1,952,500	\$0.22
Expired	(1,328,750)	0.24
Balance, March 31, 2015 and December 31, 2014	623,750	\$0.20

The following table summarizes information about the options outstanding and exercisable as at March 31, 2015:

# of Options Outstanding and Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life
270,000	\$0.25	19-Nov-20	5.89
75,000	0.2	8-Apr-21	6.27
67,500	0.23	4-May-21	6.35
211,250	0.14	29-Nov-21	6.92
623,750	\$0.20		6.32

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7. RECLAMATION AND DECOMMISSIONING OBLIGATION

The Company provided \$285,815 for the estimated future cost of reclamation and abandonment work on its oil and gas leases. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary reclamation work required, which will reflect market conditions at the relevant time. The estimated reclamation cost at March 31, 2015 is as follows:

Balance, December 31, 2013	\$72,050
Decommissioning obligation	10,692
Accretion expense	1,481
Balance, December 31, 2014	\$84,223
Accretion expense	377
Addition	201,215
Balance, March 31, 2015	\$285,815

8. 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. All amounts owing to related parties are unsecured, non-interest bearing and due on demand.

- a. Officers and directors and a corporation controlled by an officer and director of the Company subscribed for 3,001,666 units in the October 2014 private placement for gross proceeds of \$180,100.
- b. See Note 4.
- c. Included in professional fees for the three months ended March 31, 2015 are \$4,389 (2014 - \$5,000) for legal fees and disbursements owing to a law firm in which an officer, Robbie Grossman, is a partner. Included in accounts payable and accrued liabilities on March 31, 2015 are \$43,867 (December 31, 2014 - \$51,478) owing to this law firm.
- d. Included in accounts payable and accrued liabilities at March 31, 2015 and December 31, 2014 is \$28,330 for legal fees and disbursements owing to a law firm (Garfinkle Biderman LLP) of which an officer of the Company, Robbie Grossman, was a former partner.
- e. During the three months ended March 31, 2015, \$nil (2014 - \$nil) 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. At March 31, 2015 and December 31, 2014, \$39,818 is included in accounts payable and accrued liabilities relating to these services.
- f. At March 31, 2015, \$93,750 (December 31, 2014 - \$75,000) has been included in accounts payable and accrued liabilities for remuneration of the CEO.
- g. During the three months ended March 31, 2015, the Company paid \$6,000 (2013 - \$1,050) of rent to Fox-Tek Inc., a company with common management.

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Key management compensation

The compensation of 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.

	3 Months ended March 31, 2015	3 Months ended March 31, 2014
Short-term compensation	\$18,750	\$nil

These transactions are in the normal course of operations.

9. 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 as disclosed in Note 5, the Company has entered into the following GORR agreement:

Database

As part of the purchase of a database of technical information of Lloydminster property, 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.

Deposits

The Company is liable to undertake reclamation and abandonment work on its leases. The Company has lodged deposits of \$386,611 (2013 - \$349,381) with the Alberta Energy Resource Conservation Board as required by legislation. The Company has also lodged a drilling deposit of \$67,817 with regulatory bodies in Montana, USA.

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10. ACQUISITION OF PRIMARY PETROLEUM COMPANY USA INC. (See note 5)

During the three months ended March 31, 2015, the Company purchased 100% of the issued and outstanding common shares of Primary Petroleum Company USA Inc. ("Primary"), a private company incorporated under the laws of the Montana, USA. The Company paid \$1 for Primary and the acquisition was accounted for by the purchase method. The results of operations of Primary are included in the accounts from the effective date of acquisition on January 27, 2015. Primary holds direct interests in oil & gas properties in the United States ("USA") (See note 5). Details of the acquisition of Primary is as follows:

	As at January 27, 2015
Purchase price	
Cash paid	\$ 1
	1
Fair value of Primary's net assets acquired	
Current assets	\$ 71,884
Oil and gas property interest	201,484
	273,368
Less: total liabilities	276,591
Deficit of net assets assumed	\$ (3,223)
Deficit of fair value of net assets acquired over purchase price	\$ (3,222)
Deficit of fair value of net assets acquired over purchase price, net of income taxes	\$ (3,222)
Allocation of the deficit:	
Cost of acquisition of Primary (i)	\$ (3,222)

- i. The deficit of the fair value of net assets of Primary over the purchase price, in the amount of \$3,222, was written off in the interim condensed consolidated statements of comprehensive loss.

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11. OPERATIONAL EXPENSES

The operation costs during the three months ended March 31, 2015 and 2014 were as follows:

	3 Months ended 31 March 2015	3 Months ended 31 March 2014
Annual lease renewal costs	\$ 2,685	\$ 22,489
Others	183	0
	\$ 2,868	\$ 22,489

12. OFFICE & GENERAL EXPENSES

The office and general expenses during the three months ended March 31, 2015 and 2014 were as follows:

	3 Months ended 31 March 2015	3 Months ended 31 March 2014
Accounting services	\$ 5,000	\$ 5,000
Management salary	18,750	0
Corporate Services	5,200	2,321
Rent Expense	9,219	0
Telephone Expense	236	0
Transfer Agent	1,018	0
Others	2,259	1,782
	\$ 41,682	\$ 9,103

13. CAPITAL DISCLOSURES

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

- a. To safeguard the Company's ability to continue as a going concern.
- b. To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties.
- c. 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 March 31, 2015 totaled \$404,842 (December 31, 2014 - \$494,902).

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 has been no changes in the way the Company manages its capital since December 31, 2014.

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14. 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. There were no changes to the Company's risks, objectives, policies and procedures from the previous year.

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, deposits and sundry receivables. Cash and cash equivalents and deposits are held at reputable Canadian financial institutions.

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 sundry receivables 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.

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.

At March 31, 2015, the Company had a cash balance of \$252,295 (December 31, 2014 – \$322,648) to settle current liabilities of \$831,762 (December 31, 2014 - \$737,722). The Company has a working capital deficiency of \$511,407 at March 31, 2015 (December 31, 2014 – \$323,178).

Foreign exchange

The Company operates primarily in Canada and the United States.

The presentation currency is Canadian dollars and the functional currency of the parent company is the Canadian dollars. As at March 31, 2015, the Company's US dollar net monetary liabilities totaled \$3,087. Accordingly a 5% change in the US dollar exchange rate as at March 31, 2015 on this amount would have resulted in an exchange gain or loss and therefore net loss would have increased (decreased) by \$154.

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Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices for commodities. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors may in turn be influenced by changes in international investment patterns, monetary systems and political developments.

15. SEGMENTED INFORMATION

The Company's reportable segments are strategic business units that are located in and operate in Canada and in the USA. They are managed separately because each segment requires different strategies and involves different aspects of management expertise.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company carries out its operations through wholly-owned entities.

For Three Months Ended March 31, 2015

	Canadian		US Operation		Total
	Operation		US Operation		Total
Interest Income	\$ -		\$ -		\$ -
Total revenue	\$ -		\$ -		\$ -
EXPENSES					
Professional fees and disbursements	9,519		-		9,519
Operational expenses	2,685		183		2,868
Office and general	41,682		-		41,682
Finance costs	-		-		-
Travel	3,766		-		3,766
Insurance	6,520		948		7,468
Total expenses	\$ 64,172		\$ 1,131		\$ 65,303
Loss before undernoted	(64,172) ^F		(1,131)		(65,303)
Deficit of fair value of net assets acquired over purchase price	-		(3,222)		(3,222)
Losses on foreign exchange	-		(698)		(698)
Net investment loss on sale of shares	(20,837)		-		(20,837)
Net and comprehensive loss for the period	\$ (85,009)		\$ (5,051)		\$ (90,060)

As Of March 31, 2015

Total assets	\$ 1,249,740	\$ 272,678	\$ 1,522,418
Property interests	\$ 515,692	\$ 231,943	\$ 747,635

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For Three Months Ended March 31, 2014

	Canadian		US Operation		Total
	Operation		Operation		
Interest Income	\$ -		\$ -		\$ -
Total revenue	\$ -		\$ -		\$ -
EXPENSES					
Professional fees and disbursements	9,255		-		9,255
Operational expenses	22,489		-		22,489
Office and general	9,103		-		9,103
Insurance	8,349		-		8,349
Total expenses	\$ 49,197		\$ -		\$ 49,197
Loss before undernoted	(49,197)^F		-		(49,197)
Net and comprehensive loss for the period	\$ (49,197)		\$ -		\$ (49,197)
As Of March 31, 2015					
Total assets	\$ 1,316,847		\$ -		\$ 1,316,847
Property interests	\$ 515,692		\$ -		\$ 515,692