MOUNTAINVIEW ENERGY LTD

Unaudited Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2011

Expressed in US Dollars

MOUNTAINVIEW ENERGY LTD

Condensed Consolidated Statements of Financial Position
(Unaudited)

	Note		September 30, 2011		December 31, 2010 (Note 11)
ASSETS					
Current assets					
Cash and cash equivalents		$	2,674,813	$	2,661,118
Short-term investments	4		209,984		207,336
Trade and other receivables			315,982		323,838
Inventory			28,497		5,014
			3,229,276		3,197,306
Non-current assets					
Reclamation Deposits			152,543		115,323
Property, plant and equipment	6		4,579,662		3,383,663
Exploration and evaluation assets	5		15,879,346		150,934
TOTAL ASSETS		**$**	**23,840,827**	**$**	**6,847,226**
LIABILITIES					
Current liabilities					
Trade payables and other liabilities		$	830,085	$	717,092
Current portion of long-term debt			41,398		26,077
Income tax payable			201,217		275,241
			1,072,700		1,018,410
Non-current liabilities					
Deferred tax liabilities			221,463		221,463
Long-term debt			162,837		57,537
Decommissioning obligations	7		307,717		295,811
			692,017		574,811
TOTAL LIABILITIES			**1,764,716**		1,593,221
SHAREHOLDERS' EQUITY					
Common shares	8		19,867,748		1,071,140
Share subscriptions			-		2,142,561
Contributed surplus	8		4,505,707		212,930
Retained equity			(2,297,344)		1,827,374
TOTAL EQUITY			22,076,111		5,254,005
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**23,840,827**	**$**	**6,847,226**
Subsequent events	12				

The accompanying notes are an integral part of these condensed interim financial statements

MOUNTAINVIEW ENERGY LTD

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

	Note	Three months Ended September 30, 2011	Three months Ended September 30, 2010	Nine months Ended September 30, 2011	Nine months Ended September 30, 2010
Revenues					
Gross petroleum and natural gas revenue		$ 807,673	$ 691,409	$ 2,515,240	$ 2,111,249
Miscellaneous revenue		24,061	-	24,061	-
Royalties		(68,755)	(103,679)	(218,224)	672,180
Revenues, net of royalties		762,979	587,730	2,321,077	2,783,429
Interest income (expense)		(13,477)	(4,792)	(7,717)	(3,736)
		749,502	582,938	2,313,360	2,779,693
Expenses					
Production and operating expenditures		527,211	314,215	1,261,359	846,341
General and administrative		597,820	262,739	1,205,373	910,900
Depletion and depreciation		128,249	109,602	373,435	335,125
Share-based compensation	8	-	-	3,597,911	-
		1,253,280	686,556	6,438,078	2,092,366
Earnings (loss) from operations		(503,778)	(103,618)	(4,124,718)	687,327
Net earnings (loss) and comprehensive income (loss)		**$ (503,778)**	**$ (103,618)**	**$ (4,124,718)**	**$ 687,327**
Net earnings (loss) per share					
Basic and diluted		**$ (0.01)**	**$ (0.01)**	**$ (0.10)**	**$ 0.07**

The accompanying notes are an integral part of these condensed interim financial statements

MOUNTAINVIEW ENERGY LTD

Condensed Consolidated Statements of Changes in Equity

(Unaudited)

		Common Shares		Warrants		Contributed Surplus		Retained Earnings		Total Equity
		(Note 8, 11)				(Note 8, 11)				
Balance at January 1, 2011	$	1,071,140	$	-	$	212,930	$	1,827,374	$	3,111,444
Private placement proceeds		7,846,832		-		-		-		7,846,832
Issued on acquisition		10,392,723		-		-		-		10,392,723
Share issue costs		(916,784)		-		-		-		(916,784)
Fair value of warrants		(2,247,208)		2,247,208		-		-		-
Issued for cash on exercise of warrants		1,930,905		-		-		-		1,930,905
Fair value of warrants		1,524,867		(1,524,867)		-		-		-
Fair value of broker warrants		214,426		-		-		-		214,426
Fair value of warrants expired		-		(722,341)		722,341		-		-
Issues for cash on exercise of options		23,373								23,373
Fair value of options exercised		27,475				(27,475)				-
Share-based compensation expenditures		-		-		3,597,911		-		3,597,911
Net loss for the period		-		-		-		(4,124,718)		(4,124,718)
Balance at September 30, 2011	$	19,867,748	$	-	$	4,505,707	$	(2,297,344)	$	22,076,111

		Common Shares		Warrants		Contributed Surplus		Retained Earnings		Total Equity
Balance at January 1, 2010	$	1,071,140		-	$	212,930	$	1,286,948	$	2,571,018
Net earnings for the period		-		-		-		687,327		687,327
Balance at September 30, 2010	$	1,071,140	$	-	$	212,930	$	1,974,275	$	3,258,345

The accompanying notes are an integral part of these condensed interim financial statements

MOUNTAINVIEW ENERGY LTD

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30, 2011	2010
Operating		
Net and comprehensive income (loss)	$ (4,124,718)	$ 687,327
Add items no involving cash:		
Depletion and depreciation	373,435	335,125
Share-based compensation	3,597,911	-
Unrealized foreign exchange	(74,024)	-
Royalty (recovery)	-	(841,427)
Changes in non-cash working capital	72,362	148,044
	(155,034)	329,069
Financing		
Issue of shares, net of share issue expenditures	6,956,189	-
Increase (decrease) in long-term debt	115,753	(12,556)
	7,071,942	(12,556)
Investing		
Asset acquisitions	(5,335,689)	-
Reclamation deposit	(35,000)	-
Property, plant and equipment expenditures	(1,532,524)	(168,246)
	(6,903,213)	(168,246)
Change in cash and cash equivalents	13,695	148,267
Cash and cash equivalents, beginning of period	2,661,118	353,506
Cash and cash equivalents, end of period	**$ 2,674,813**	**$ 501,773**

The accompanying notes are an integral part of these condensed interim financial statements

1. REPORTING ENTITY

Mountainview Energy Ltd. ("Mountainview" or " the Company") was incorporated under the laws of the Province of British Columbia, Canada and its principal business is the exploration, acquisition, development and production of petroleum and natural gas reserves in the State of Montana, USA. Mountainview's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "MVW" and the Company is based in Montana, USA.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

On January 1, 2011, International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") became the generally accepted accounting principles in Canada. Previously, the Company prepared its annual and interim financial statements in accordance with Canadian generally accepted accounting principles in effect prior to January 1, 2011 ("Previous GAAP").

These condensed interim financial statements have been prepared by management and reported in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" and IFRS 1 "First Time Adoption of International Financial Reporting Standards ("IFRS 1") as issued by the IASB, and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These are the Company's first IFRS condensed interim financial statements for part of the period covered by the first annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2011. The condensed interim financial statements do not include all of the information required for full annual financial statements. These condensed interim financial statements, including comparative figures, have been prepared using the accounting policies the Company expects to adopt in its annual financial statements as at and for the year ended December 31, 2011.

The preparation of these condensed interim financial statements resulted in changes to the accounting policies as compared to the applied consistently to all periods presented in these condensed interim financial statements with the exception of certain IFRS 1 exemptions the Company applied in its transition from Previous GAAP to IFRS. The impact of the transition from Previous GAAP to IFRS is explained in note 11.

These condensed interim financial statements have been prepared on a historical cost basis, except for the revaluation of financial derivatives assets and liabilities which are measured at their fair value. These condensed interim financial statements are prepared in US dollars, which is the Company's functional currency. Certain of the comparative figures have been reclassified to conform to current period presentation.

These condensed interim financial statements were authorized for issuance by Mountainview's Board of Directors on November 28, 2011.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **Use of estimates, judgments and assumptions**

The timely preparation of the financial statements requires that management make estimates and assumptions and use judgment regarding the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ materially from estimated amounts as future confirming events occur.

Oil and gas development and production assets within property, plant and equipment are depleted and depreciated using the unit-of-production method, which includes estimates of proved plus probable reserves. By their nature, estimates of reserves are subject to measurement uncertainty.

Estimates of the stage of completion of capital projects at the financial statement date affect the application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether future economic benefits are likely to exist before the exploration and evaluation activity has reached a stage where technical feasibility and commercial viability has been established.

The determination of impairment of the carrying amount of property, plant and equipment requires management to make estimates and assumptions for future commodity prices, expected volumes of production and reserves, operating, capital and other costs, and discount rates.

Amounts recorded for decommissioning liabilities are based on management's best estimate of the timing and amount of expenditures required to settle the liabilities using current technology, as well as an estimated risk free discount rate.

Amounts recorded for share-based compensation are based on estimates of risk free interest rates, the expected option life, forfeiture rates and expected share price volatility. Share price volatility is based on the historical share price volatility of Mountainview, and may not be indicative of future volatility.

Deferred income tax calculations reflect current tax interpretations, regulations and legislation which are subject to change. Additionally, the recognition of deferred income tax assets requires management to estimate the Company's future taxable income in determining the recoverability of such assets.

b) **Cash and cash equivalents**

Cash and cash equivalents consist of cash in the bank, less outstanding cheques and short-term deposits with an original maturity of less than three months.

c) **Joint interests**

Exploration, development, and production activities may be conducted jointly with others and accordingly, the Company only reflects its proportionate interest in such activities.

d) **Crude oil inventory**

Crude oil inventory consists of amounts produced and in storage tanks or in transit, and is recorded at the lower of the average cost of production and estimated net realizable value. Net realizable value is the estimated selling price in the normal course of business less applicable selling expenses.

e) **Exploration and evaluation assets**

Pre-license costs

Pre-license exploration costs are costs incurred before the legal right to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred as exploration and evaluation expense.

Exploration and evaluation ("E&E") costs

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Such E&E costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. E&E costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of an oil and gas resource is considered to be established when proved and/or probable reserves are determined to exist. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the exploratory activity. When this is no longer the case, the impairment costs are charged to exploration and evaluation expense. Upon determination of proved and/or probable reserves, E&E assets attributed to those reserves are first tested for impairment and then reclassified to oil and gas development and production assets within property, plant and equipment, net of any impairment. Expired land costs are also expensed to exploration and evaluation expense as they occur.

E&E assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount, and upon transfer to property, plant and equipment whereby they are allocated to cash-generating units based on geographical proximity and other factors.

f) **Property, Plant and equipment ("PP&E)**

Property, plant and equipment includes the costs of oil and gas development and production that are not E&E assets, and costs for corporate (office) assets. PP&E is recorded at cost less accumulated depletion and depreciation and accumulated impairment losses, net of recovered impairment losses.

Oil and gas development and production assets

Development and production assets are capitalized on an area-by-area basis and include all costs associated with the development and production of oil and natural gas reserves. These costs may include proved property acquisitions, development drilling (including unsuccessful or delineation wells), completion, gathering and infrastructure, decommissioning costs, amounts transferred from E&E assets and directly attributable internal costs. Borrowing costs are capitalized during the construction phase of qualifying assets.

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred.

Any gains or losses from the divestiture of development and production assets are recognized in earnings.

Accumulated costs are depleted using the unit-of-production method based on estimated proved plus probable reserves. Costs subject to depletion include estimated future costs to be incurred in developing proved plus probable reserves and exclude residual amounts. Depletion is calculated based on individual components (i.e. fields or combinations thereof and other major components with different useful lives).

Corporate assets

Corporate assets consist primarily of office furniture and equipment, vehicles and leasehold improvements. Office furniture and equipment and vehicles are depreciated over the estimated useful life of the assets using the declining balance method at 30% per annum. Leasehold improvements are depreciated on a straight-line basis over the term of the lease. Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required.

Impairment of non-current assets

The carrying amounts of the Company's property, plant and equipment are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the Cash Generating Unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in earnings for the period to the extent that the carrying amount of the asset (or CGU) exceeds the recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date 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 estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset (or CGU) does not exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the asset (or CGU). A reversal of an impairment loss is recognized immediately in earnings.

E&E assets are assessed for impairment when they are reclassified to property, plant and equipment, or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

g) **Provisions**

Provisions are recorded when the Company has a present obligation as a result of a past event, it is probably that an outflow of resources will be required and a reliable estimate can be made of the amount of the obligation. Provisions are measured based on the discounted expected future cash outflows.

Decommissioning liabilities

Decommissioning liabilities are recognized for the future legal or constructive obligation to abandon and reclaim the Company's oil and natural gas properties. The amount of the decommissioning liabilities represents the net present value of the estimated future expenditures required to abandon and reclaim the Company's net ownership in wells and facilities determined in accordance with local conditions, current technology and current requirements. The liabilities are calculated using currently estimated abandonment and reclamation costs inflated to the estimated decommissioning date and then discounted using a risk free discount rate. A liability is recorded in the period in which an obligation arises with a corresponding decommissioning cost added to the carrying amount of the related asset. The liability is progressively accreted over time as the effect of discounting unwinds, creating an accretion expense which is recognized as part of finance expense. The related decommissioning cost capitalized in property, plant and equipment is depreciated in a manner consistent with the depletion and depreciation of the underlying asset.

Changes in the estimated liability resulting from revisions to estimated timing of decommissioning, expected amount of cash flows or changes in the discount rate are recognized as a change in the decommissioning liability and the related decommissioning cost.

Actual decommissioning expenditures incurred are charged against the accumulated liability to the extent recorded.

h) **Deferred income taxes**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be recovered. To the extent that the Company does not consider it probable that a future tax asset will be recovered, a valuation allowance is provided against the excess.

i) **Share capital**

Common shares are classified as share capital within equity. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of equity.

j) Share-based payments

The grant date fair value of options to employees and directors is recognized as share-based compensation expense, with a corresponding increase in contributed surplus, over the vesting period of the options. Each tranche in an award is considered a separate grant with its own vesting period and grant date fair value. Fair value is determined using the Black-Scholes option pricing model. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the consideration received by the Company plus the associated amount recorded in contributed surplus are transferred to common shares within equity.

k) Revenue recognition

Revenues from the sale of petroleum and natural gas are recorded when title passes to an external party.

l) Net finance expenditure

Finance expense is comprised of interest expense on borrowings, and accretion on the discount of decommissioning obligations.

m) Per share amounts

Basic net earnings per share is computed by dividing the net earnings or loss for the period by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if the Company's stock options outstanding are exercised into common shares. Diluted shares are calculated using the treasury stock method which assumes that any proceeds received from "in-the-money" stock options would be used to buy back common shares at the average market price for the period. No adjustment is made to the weighted average number of common shares if the result of these calculations is anti-dilutive.

n) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Mountainview's financial assets include cash and cash equivalents, trade and other receivables and prepaid expenses and deposits. The Company's financial liabilities include trade and other payables, bank debt and financial derivatives liabilities.

Financial instruments must initially be recognized at fair value on the statement of financial position based on their initial classification. Each financial instrument is classified as one of the following categories: financial assets and liabilities at fair value through income or loss; held-to-maturity investments; available-for-sale financial assets; loans and receivables; or financial liabilities at amortized cost.

i) Financial assets and liabilities at fair value through income or loss

Financial assets and liabilities in this category are either "held-for-trading" or have been "designated at fair value through income or loss". In both cases the financial assets and financial liabilities are measured at fair value with changes in fair value recognized in earnings. Cash and cash equivalents are classified as "held-for-trading." Financial derivatives liabilities are classified as "held-for-trading" unless designated for hedge accounting.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are measured at amortized cost at the settlement date using the effective interest rate method of amortization. The Company's loans and receivables are comprised of trade and other receivables and prepaid expenses and deposits.

iii) Financial liabilities at amortized cost

These financial liabilities are measured at amortized cost at the settlement date using the effective interest method of amortization. The Company's financial liabilities at amortized cost are comprised of trade and other payables and bank debt. The Company has no held-to-maturity investments or available-for-sale financial assets.

Impairment of financial assets

At each reporting date, the Company assesses whether there are any indicators that its financial assets are impaired. An impairment loss is only recognized if there is objective evidence of impairment and the loss event has an impact on future cash flow and can be reliably estimated.

Derivative financial instruments

The Company may use derivative financial instruments in the form of commodity price contracts to manage its risk related to commodity price fluctuations. The Company's policy is not to utilize derivative instruments for speculative purposes. All commodity price contracts are recorded at fair value through income or loss, and are presented on the statement of financial position as either a derivative asset or liability with changes in value recognized in earnings. Realized gains and losses from derivative instruments are recognized in revenue as the contracts are settled. Unrealized gains and losses on re-measurement of fair value are included in earnings at the end of each respective reporting period.

New accounting pronouncements adopted

The six month period ended June 30, 2011 is Mountainview's first reporting period under IFRS. Accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transition to IFRS.

o) **Recent accounting pronouncements issued**

The following are new and revised accounting pronouncements that have been issued but are not yet effective:

IFRS 7 "Disclosures - Transfers of Financial Assets":

IFRS 7 was amended in October 2010 to require additional disclosure on the transfer of financial assets to: (i) understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities, and (ii) to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. IFRS 7 is effective for annual periods beginning on or after January 1, 2012. The Company is currently evaluating the impact of IFRS 7 on its financial statements.

IFRS 9 "Financial Instruments":

IFRS 9 was issued by the IASB in November 2009 and amended in October 2010 and is the first step to 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

IAS 12 "Income Taxes":

IAS 12 was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for annual periods beginning on or after January 12, 2012 with early adoption permitted. The Company is currently evaluating the impact of this IAS 12 amendment on its financial statements.

IFRS 10 "Consolidated Financial Statements":

IFRS 10 was issued in May 2011 and will replace portions of IAS 27 "Consolidation and Separate Financial Statements" and interpretation SIC-12 "Consolidation - Special Purpose Entities." The key features of IFRS 10 include consolidation using a single control model, definition of control, considerations on power and continuous reassessment. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact of IFRS 10 on its financial statements.

IFRS 11 "Joint Arrangements":

IFRS 11 was issued in May 2011 and will replace the guidance in IAS 31 "Interests in Joint Ventures." Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. The legal form of the arrangement will no longer be the most significant factor when classifying the joint arrangement as either a joint operation or joint venture, but rather the rights and obligations of the arrangements will be focused on. In addition, IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation; instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact of IFRS 11 on its financial statements.

(Expressed in US Dollars – unaudited)

IFRS 12 "Disclosure of Interests in Other Entities":

IFRS 12 was issued in May 2011 and contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The disclosures are intended to provide information in order to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. IFRS 12 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact of IFRS 12 on its financial statements.

IFRS 13 "Fair Value Measurement":

IFRS 13 was issued in May 2011 and replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as 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, i.e. an exit price. IFRS 13 is effective for annual periods beginning on or after January 13, 2013 and is to be applied prospectively. The Company is currently evaluating the impact of IFRS 13 on its financial statements.

IAS 27 "Separate Financial Statements":

IAS 27 was reissued in May 2011 as a result of the new consolidation suite of standards, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact of IAS 27 on its financial statements.

IAS 28 "Investments in Associates and Joint Ventures":

IAS 28 was amended in May 2011 as a consequence of the issuance of IFRS 10, IFRS 11 and IFRS 12 and will provide the accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact of IAS 28 on its financial statements.

4. GUARANTEED INVESTMENT CERTIFICATES

Guaranteed investment certificates (GICs) at June 30, 2011 are as follows:

Maturity		Face Value	Interest Rate
September 25, 2012	$	104,823	0.95%
December 24, 2011	$	105,161	1.49%

The GICs are carried at cost plus interest, which approximates fair value and can be redeemed at any time without penalty.

(Expressed in US Dollars – unaudited)

5. EXPLORATION AND EVALUATION ASSETS

A reconciliation of the carrying amount of exploration and evaluation assets is set out below:

	Note		Intangible exploration and evaluation assets
Cost			
At January 1, 2010	11	$	-
Acquisitions			150,934
At December 31, 2010	11		150,934
Capital expenditures			1,599,185
Acquisitions			14,129,227
At September 30, 2011		**$**	**15,879,346**

Exploration and evaluation assets consist of the Company's exploration projects which are pending the determination of proved or probably reserves.

On February 17, 2011, Mountainview completed the acquisition of 62 oil and gas leases, and all rights, title and interests thereto, covering 11,066 acres in Montana and North Dakota. In consideration, the Company paid $3,350,000 in cash and issued 18,611,110 common shares at a fair value of $0.55 per share. The issued shares are subject to a Value Securities Escrow Agreement and will be released in over a 3 year period.

In April 2011, the Company acquired 506 Net Acres in Sheridan County, Montana. The Company acquired these leases for a total purchase price of $379,500.

In April 2011, the Company acquired an additional 15% working interest in all wells and oil and gas leases in the Snoose Coulee Field located in Liberty County, Montana for $48,000.

(Expressed in US Dollars – unaudited)

6. PROPERTY, PLANT AND EQUIPMENT

	Note	Oil and gas development assets	Corporate assets	Total
Cost				
At January 1, 2010	11	$ 3,478,959	$ 7,967	$ 3,486,926
Capital expenditures		386,497	-	386,497
Acquisitions		53,172	1,281	54,453
Transfers from exploration and evaluation assets		-	-	-
At December 31, 2010	11	3,918,628	9,248	3,927,876
Capital expenditures		1,299,197	-	1,299,197
Acquisitions		265,828	4,408	270,236
Transfers from exploration and evaluation assets		-	-	-
At September 30, 2011		**$ 5,483,653**	**$ 13,656**	**$ 5,497,309**
Accumulated depletion and depreciation				
At January 1, 2010		$ -	$ -	$ -
Depletion and depreciation		(541,631)	(2,582)	(544,213)
At December 31, 2010		(541,631)	(2,582)	(544,213)
Depletion and depreciation		(371,438)	(1,996)	(373,434)
At September 30, 2011		**$ (913,069)**	**$ (4,578)**	**$ (917,647)**
Carrying amounts				
At January 1, 2010		3,478,959	7,967	3,486,926
At December 31, 2010		3,376,997	6,666	3,383,663
At September 30, 2011		**4,570,584**	**9,078**	**4,579,662**

7. DECOMMISSIONING OBLIGATIONS

The total future decommissioning obligation was estimated based on the Corporation's net ownership interest in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities and the estimated timing of the cost to be incurred in future periods. The Corporation has estimated the net present value of the decommissioning obligations to be $307,717 as at September 30, 2011 (December 31, 2010 - $ 295,811; January 1, 2010 - $ 271,761) based on an undiscounted total future liability of $525,000 (December 31, 2010 - $ 525,000; January 1, 2010 - $ 492,000) and a discount factor, the risk free rate related to the liability, of 4.5% (December 31, 2010 – 4.5%; January 1, 2010 – 4.5%). This obligation is estimated to be settled in periods up to 2041.

(Expressed in US Dollars – unaudited)

8. Share Capital

a) Authorized

100,000,000 common shares without par value
100,000,000 preference shares without par value

b) Issued

Common Shares	Number of Shares		Amount
Balance, January 1, 2010 and December 31, 2010	9,766,850	$	1,071,140
Private placement proceeds on sale of units	23,777,777		7,846,832
Issued on acquisition	18,611,110		10,392,723
Share issue costs paid in cash	–		(212,818)
Share issue costs paid in stock	876,660		(703,966)
Fair value of warrants issued pursuant to private placement	–		(2,247,208)
Warrants exercised	5,975,753		1,930,905
Fair value of warrants exercised	–		1,739,293
Stock options exercised	100,000		23,373
Fair value of options exercised	–		27,475
Balance, September 30, 2011	**59,108,150**	**$**	**19,867,748**

c) Share-based payments

The Company has a stock option plan whereby employees and others in similar roles may be granted options to purchase one common share for each option granted. Under this plan, the Company is authorized to grant options to purchase common shares up to the equivalent of 10% of the number of common shares outstanding at the time of grant. Stock options granted under this plan vest immediately following the date of grant, and expire after a five year term. The exercise price of each option is equal to the market price of the Company's shares on the date of the grant. The following tables summarizes the changes in stock options outstanding.

	Number of Options		Weighted Average Exercise Price
Balance at December 31, 2009	775,000	$	0.24
Balance at December 31, 2010	775,000		0.24
Granted	3,555,000		1.20
Forfeited	-		-
Exercised	(100,000)		0.24
Balance at September 30, 2011	**4,230,000**	**$**	**1.03**

(Expressed in US Dollars – unaudited)

Options outstanding and exercisable are summarized below as at September 30, 2011:

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options	Weighted Average Price	Weighted Average Life Remaining	Number Exercisable	Weighted Average Price
($)		($)	(Years)		
0.24	675,000	0.24	1.75	675,000	0.24
1.20	3,555,000	1.20	4.50	3,555,000	1.20
	4,230,000	**1.03**	**4.06**	**4,230,000**	**1.03**

Share-Based Compensation

Stock option grants are accounted for using the fair value method. The fair value of each option granted is estimated using the Black-Scholes option pricing model and the amount is recognized immediately. The following tables presents the weighted average assumptions and resulting weighted average fair value of the stock options granted.

	Nine months ended September 30, 2011	**2010**
Risk free interest rate (%)	2.38	-
Average expected life (years)	5.00	-
Average expected volatility (%)	117.07	-
Estimated Forfeiture rate (%)	-	-
Dividend yield (%)	-	-
Fair value per option ($)	1.20	-

For the nine months ended September 30, 2011, Mountainview recorded non-cash share-based compensation expense of $3,597,911 (September 30, 2010 $Nil).

d) Contributed surplus

	September 30, 2011	**December 31, 2010**
Balance, beginning of period	$ 212,930	$ 212,930
Share-based compensation expensed	3,597,911	-
Stock options exercised	(27,475)	-
Fair value of warrants expired	722,341	-
Balance, end of period	**$ 4,505,707**	**$ 212,930**

(Expressed in US Dollars – unaudited)

e) Per Share Amounts

The following table summarizes the weighted average shares used in calculating net earnings (loss) per share:

	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Net income for the period	$ (503,778)	$ (103,618)	$ (4,124,718)	$ 687,327
Weighted average shares - basic	55,544,053	9,766,850	45,882,920	9,766,850
Weighted average shares - diluted	55,544,053	10,541,850	45,882,920	10,541,850
Income (loss) per share - basic	$ (0.01)	$ (0.01)	$ (0.09)	$ 0.07
Income (loss) per share - diluted	$ (0.01)	$ (0.01)	$ (0.09)	$ 0.07

The impact of outstanding stock options is not included in the calculation of diluted shares outstanding when a net loss is recorded, as the result would be anti-dilutive. Accordingly, nil shares were added to the weighted average number of basic shares outstanding due to the net loss reported in the current period.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments of the Company include trade and other receivables, prepaid expenses and deposits, trade and other payables, bank debt and derivative liabilities. Trade and other receivables and prepaid expenses and deposits are classified as loans and receivables and are measured at amortized cost. Trade and other payables and bank debt are classified as other financial liabilities and are similarly measured at amortized cost. As at September 30, 2011, the fair values of these financial instruments approximate their carrying values due to their short terms to maturity.

The Company is required to present information about those financial instruments measured at fair value in accordance with a three-level hierarchy. The Company's commodity price contracts, which are recorded at fair value on a recurring basis, have been classified in one of the following three categories based on the amounts of observable inputs used to value the instrument:

- Level 1 - quoted prices are available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date and valuations are based on inputs, including quoted forward prices for commodities, which can be substantially observed or corroborated in the marketplace.
- Level 3 - valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company is exposed to market risk (most significantly from changes in commodity prices, foreign exchange rates and interest rates), credit risk and liquidity risk which may impact the Company's future cash flows and value of its financial instruments. The Company manages risk through its policies and processes and may use derivative instruments to manage these risks.

a) Commodity Price Risk

Commodity price risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that dictate the levels of supply and demand. A $10.00 per bbl change in the price received for Mountainview’s oil and natural gas liquids production is estimated to result in a $96,300 change in the Company’s net loss for the three months ended September 30, 2011 (September 30, 2010 - $97,100) Any significant price decline in commodity prices would adversely affect the amount of funds available for capital reinvestment purposes. As such, the Company has a risk management program to partially mitigate that risk and to ensure adequate funds are available for planned capital activities and other commitments. Changes in natural gas prices do not currently have a significant impact to the Company’s operations.

b) Interest Rate Risk

Mountainview is charged a fixed interest rate on its long-term debt. The Company had no interest rate swap or financial contracts in place as at or during the three month period ended June 30, 2011.

c) Foreign Exchange Risk

The majority of the Company’s operations are conducted in U.S. dollars. The Company is exposed to foreign currency fluctuations to the extent cash, GST receivable and accounts payable and accrued liabilities of the Company not denominated in US dollars.

(Expressed in US Dollars – unaudited)

d) Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from its oil and natural gas marketers, and other receivables. Receivables from marketers, which represent the Company's largest receivables, are normally collected on the 28th day of the month following production. To mitigate the risk of non-payment, the Company assesses the financial strength of its marketers and enters into relationships with large purchasers with established credit history. The Company has not experienced any collection issues with its marketers in 2010 or 2011 to date. At June30, 2011, the Company did not have any allowance for doubtful accounts.

The carrying amount of trade and other receivables represents the maximum credit exposure. The Company considers all its receivables to be not past due:

e) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. Mountainview generally uses operating cash flows and equity financings to fund its ongoing capital programs and operating requirements.

10. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company considers its capital structure to include shareholders' equity and working capital. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels.

To assess capital and operating efficiency and financial strength, the Company continually monitors its capital structure as follows:

	Nine months ended September 30, 2011	**Year ended December 31, 2010**
Working capital	$ 2,156,577	$ 2,178,896
Market value of common shares (i)	23,119,562	5,400,775
Total capitalization	**$ 25,276,138**	**$ 7,579,671**

(i) Represents the last price traded on the TSXV September 30, 2011 and December 31, 2010, respectively

11. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

As disclosed in note 2, these are the Company's first financial statements prepared in accordance with IFRS. The Company has adopted IFRS effective January 1, 2011. The Company's annual financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply fully with IFRS. The Company's transition date is January 1, 2010 and the Company has prepared its first statement of financial position at that date.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the period ended September 30, 2011, the comparative information presented in these financial statements for the period ended September 30, 2010 and December 31, 2010 and the preparation of the opening IFRS statement of financial position at January 1, 2010. The Company will ultimately prepare its opening statement of financial position and financial statements for 2010 and 2011 by applying existing IFRS effective as at December 31, 2011. Accordingly, the opening statement of financial position and financial statements for 2010 and 2011 may differ from these financial statements.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Previous GAAP. An explanation of how the transition from Previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the accompanying notes.

(Expressed in US Dollars – unaudited)

Reconciliation of Assets, Liabilities and Equity
January 1, 2010

	Note	Previous GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 353,506	$ -	$ 353,506
Short-term investments		203,805	-	203,805
Trade and other receivables		251,261	-	251,261
Inventory		8,017	-	8,017
		816,589	-	816,589
Non-current assets				
Reclamation Deposits		110,883	-	110,883
Property, plant and equipment	11	254,380	3,232,547	3,486,927
Exploration and evaluation assets	11	3,492,536	(3,492,536)	-
TOTAL ASSETS		**$ 4,674,388**	**$ (259,989)**	**$ 4,414,399**
LIABILITIES				
Current liabilities				
Trade payables and other liabilities		$ 1,235,210	$ -	$ 1,235,210
Current portion of long-term debt		24,408	-	24,408
Income tax payable		64,571	-	64,571
		1,324,189	-	1,324,189
Non-current liabilities				
Deferred tax liabilities		161,438	-	161,438
Long-term debt		85,993	-	85,993
Decommissioning obligations		271,761	-	271,761
		519,192	-	519,192
TOTAL LIABILITIES		1,843,381	-	1,843,381
SHAREHOLDERS' EQUITY				
Share capital		1,071,140	-	1,071,140
Contributed surplus		212,930	-	212,930
Retained equity	11	1,546,937	(259,989)	1,286,948
TOTAL EQUITY		2,831,007	(259,989)	2,571,018
EQUITY		**$ 4,674,388**	**$ (259,989)**	**$ 4,414,399**

(Expressed in US Dollars – unaudited)

Reconciliation of Assets, Liabilities and Equity
December 31, 2010

	Note	Previous GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 2,661,118	-	$ 2,661,118
Short-term investments		207,336	-	207,336
Trade and other receivables		323,838	-	323,838
Inventory		5,014	-	5,014
		3,197,306	-	3,197,306
Non-current assets				
Reclamation Deposits		115,323	-	115,323
Property, plant and equipment	11	224,351	3,159,312	3,383,663
Exploration and evaluation assets	11	3,489,879	(3,338,945)	150,934
Deferred costs	11	43,465	(43,465)	-
TOTAL ASSETS		**$ 7,070,324**	**$ (223,098)**	**$ 6,847,226**
LIABILITIES				
Current liabilities				
Trade payables and other liabilities		$ 717,092	$ -	$ 717,092
Current portion of long-term debt		26,077	-	26,077
Income tax payable		275,241	-	275,241
		1,018,410	-	1,018,410
Non-current liabilities				
Deferred tax liabilities		221,463	-	221,463
Long-term debt		57,537	-	57,537
Decommissioning obligations		295,811	-	295,811
		574,811	-	574,811
TOTAL LIABILITIES		1,593,221	-	1,593,221
SHAREHOLDERS' EQUITY				
Share capital		1,071,140	-	1,071,140
Share subscriptions		2,142,561	-	2,142,561
Contributed surplus		212,930	-	212,930
Retained equity		2,050,472	(223,098)	1,827,374
TOTAL EQUITY		5,477,103	(223,098)	5,254,005
EQUITY		**$ 7,070,324**	**$ (223,098)**	**$ 6,847,226**

Elected exemptions from full retrospective application - In preparing these financial statements in accordance with IFRS 1, "First Time Adoption of International Financial Reporting Standards" ("IFRS 1"), the Company has applied certain optional exemptions from full retrospective application of IFRS at the January 1, 2010 transition date. These options exemptions are described below.

a) Oil and gas property cost basis
The Company followed a "full cost" approach under Previous GAAP which is a policy no longer permitted on transition to IFRS. The Company has elected to apply the first time adoption exemption for full cost oil and gas entities whereby the carrying amount of oil and gas assets at the date of transition to IFRS is measured on a deemed cost basis. Exploration and evaluation assets are reclassified from the Previous GAAP full cost pool to intangible exploration and evaluation assets at the amount was recorded under Previous GAAP for these assets. The remaining full cost pool has been allocated to oil and gas development and production assets by component pro rata using proved plus probable reserve values.

b) Exploration and evaluation ("E&E") assets
Upon transition to IFRS, Emerge reclassified all E&E assets that were included in the property, plant and equipment balance on the statement of financial position. This consisted of the carrying amounts for Mountainview's land and related seismic which did not have proved or probable reserves attributed to the related exploration properties. E&E assets will not be depleted, and will be assessed for impairment when indicators of impairment exist. This resulted in a transfer of $3.2 million from E&E assets to property, plant and equipment at January 1, 2010 and an expense of $259,989. At December 31, 2010, the transfer was $3.3 million, which included additions to unproved properties during the respective periods net of expires, unsuccessful exploration and amounts transferred to property, plant and equipment upon establishment of proved or probable reserves. Total exploration expenses $nil for the year ended December 31, 2010.

c) Property, plant and equipment ("PP&E") and impairment
For the purpose of impairment testing under IFRS, Mountainview's oil and gas property and equipment were allocated to its cash-generating units ("CGUs") unlike Previous GAAP where all property and equipment was accumulated into one cost centre by country. The deemed cost of Mountainview's oil and gas development and production assets were allocated to its defined CGUs based on Mountainview's total proved plus probable reserve values discounted at 10% as at January 1, 2010, in accordance with IFRS 1. These CGUs are aligned within the major geographic regions in which Emerge operates and could change in the future as a result of acquisitions or dispositions. Under Previous GAAP, impairment was recorded if the carrying amount of the PP&E balance exceeded the recoverable amount, which was calculated using undiscounted expected cash flows from proved reserves. Under IFRS, impairment tests of PP&E must be performed at the CGU level as opposed to the entire PP&E balance, and the recoverable amount of the CGU is determined based on the higher of value-in-use calculations and fair value less costs to sell. For Emerge, the recoverable amounts were determined using fair value less costs to sell based on discounted future cash flows of proved plus probable reserves using forecast prices and costs. There was no impairment to PP&E on transition at January 1, 2010, or at December 31, 2010.

d) Depletion and depreciation expense

Upon transition to IFRS, Emerge adopted a policy of depleting its oil and gas development and production assets on a unit of production basis over proved plus probable reserves, as compared to using only proved reserves under Previous GAAP. In addition, depletion and depreciation was calculated at the country cost center level under Previous GAAP while IFRS requires depletion and depreciation to be calculated based on individual components (i.e. fields or combinations thereof and other major components with different useful lives). As a result of depleting the oil and gas assets over proved plus probable reserves at the component level, depletion and depreciation expense decreased by $36,891 for the year ended December 31, 2010.

12. SUBSEQUENT EVENTS

The Company agreed to acquire, subject to TSX Venture and shareholder approval, certain oil and gas leaseholds in Pondera County, Montana. As consideration the Company has agreed to issue 7,822,727 common shares at a price of $0.44 per share to a company with a Director and officer in common, issue 5,072,273 common shares at a price of $0.44 per share to arms-length parties. In addition the Company agreed to acquire, subject to shareholder approval, from a company with a Director and officer in common a compressor plant and equipment for consideration of $283,000 (paid during the three months ended March 31, 2011) and a $1,100,000 debenture convertible into common shares at a price of $2.50 per share.

The Company signed a Letter of Intent (“LOI”) to purchase a 20% interest of an 80% Net Revenue Interest of up to 67,000 acres known as the Medicine Lake Prospect. The purchase price is $22,780,000 and will be payable through the issuance of 35,046,154 common shares, subject to TSX Venture and shareholder approval.