MOUNTAINVIEW ENERGY LTD

Q3 2012 Consolidated Financial Statements

For the Nine Months Ended September 30, 2012 and 2011

Expressed in US Dollars

MOUNTAINVIEW ENERGY LTD

Consolidated Statements of Financial Position

(Expressed in US Dollars) (unaudited)

	Notes	September 30, 2012	December 31, 2011
ASSETS			
Current assets			
Cash at bank		$ 680,279	$ 820,829
Short-term investments		105,945	209,413
Trade and other receivables	12	487,880	751,377
Deposit	4	-	283,000
Crude oil inventory		18,978	23,665
		1,293,082	2,088,284
Non-current assets			
Reclamation Deposits		264,452	160,539
Exploration and evaluation assets	3	39,785,098	12,341,690
Oil and gas properties	4	7,090,083	3,528,395
Property, plant and equipment	5	926,851	1,032,683
TOTAL ASSETS		**$ 49,359,566**	**$ 19,151,591**
LIABILITIES			
Current liabilities			
Trade payables and other liabilities		$ 2,850,465	$ 1,807,268
Line of credit	7	8,393,207	-
Convertible debenture	9	2,072,053	-
Current portion of long-term debt	8	15,872	55,819
Income tax payable		-	112,624
		13,331,597	1,975,711
Non-current liabilities			
Long-term debt	7	149,593	124,473
Promissory note payable	6	8,000,000	-
Decommissioning obligations	10	445,184	419,681
		8,594,777	544,154
TOTAL LIABILITIES		21,926,374	2,519,865
SHAREHOLDERS' EQUITY			
Common shares	11	24,596,976	15,252,244
Contributed surplus	11	4,509,059	4,509,059
Deficit		(4,127,444)	(3,129,577)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS		24,978,591	16,631,726
Non-controlling interest		2,454,601	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 49,359,566**	**$ 19,151,591**
Subsequent events	16		

See accompanying notes to the consolidated financial statements

MOUNTAINVIEW ENERGY LTD

Consolidated Statements of Comprehensive Loss

(Expressed in US Dollars) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	2012	2011
Revenues				
Gross petroleum and natural gas revenue	$ 932,557	$ 828,361	$ 2,742,672	$ 2,515,240
Water disposal revenue	79,323	3,373	126,496	24,061
Royalties	(52,637)	(68,755)	(194,033)	(218,224)
Revenues, net of royalties	959,243	762,979	2,675,135	2,321,077
Expenses				
Production and operating expenditures	396,484	527,211	1,112,594	1,261,359
General and administrative	340,606	419,555	1,014,727	1,037,680
Transaction costs	(10,841)	75,269	385,510	280,627
Depletion, accretion and depreciation	273,991	128,249	795,293	373,435
Foreign exchange (gain) loss	63,569	102,996	6,571	(112,934)
Share-based compensation	-	-	-	3,597,911
	1,063,809	1,253,280	3,314,695	6,438,078
Income (loss) from operations	(104,566)	(490,301)	(639,560)	(4,117,001)
Other expense				
Finance costs	323,749	13,477	413,073	7,717
	323,749	13,477	413,073	7,717
Net loss and comprehensive loss	**$ (428,315)**	**$ (503,778)**	**$ (1,052,633)**	**$ (4,124,718)**
Net loss for the period attributable to:				
Non-controlling interest	(24,686)	-	(54,766)	-
Shareholders of the Company	(403,629)	(503,778)	(997,867)	(4,124,718)
Net loss and comprehensive loss	$ (428,315)	$ (503,778)	$ (1,052,633)	$ (4,124,718)
Net loss per share				
Basic and diluted	**$ (0.00)**	**$ (0.01)**	**$ (0.01)**	**$ (0.14)**
Weighted average number of common shares outstanding	87,245,443	53,057,397	71,841,815	28,754,013

See accompanying notes to the consolidated financial statements

MOUNTAINVIEW ENERGY LTD

Consolidated Statements of Changes in Equity

(Expressed in US Dollars) (unaudited)

		Common Shares	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Non-Controlling Interest	Total Equity
Balance at January 1, 2012		$ 15,252,244	$ -	$ 4,509,059	$ (3,129,577)	$ -	$ 16,631,726
Issued on acquisition		9,344,733	-	-	-	-	9,344,733
Issued on acquisition		-	-	-	-	2,509,367	2,509,367
Net earnings		-	-	-	(997,867)	(54,766)	(1,052,633)
Balance at September 30, 2012		$ 24,596,976	$ -	$ 4,509,059	$ (4,127,444)	$ 2,454,601	$ 27,433,193

	Notes	Common Shares	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Non-Controlling Interest	Total Equity
Balance at January 1, 2011		$ 1,071,140	$ -	$ 212,930	$ 1,606,661	$ -	$ 2,890,731
Private placement proceeds		4,815,932	2,461,356	-	-	-	7,277,288
Issued on acquisition		5,772,685	-	-	-	-	5,772,685
Exercise of warrants		3,542,115	(1,735,662)	-	-	-	1,806,453
Fair value of warrants expired		-	(725,694)	725,694	-	-	-
Exercise of options		50,372	-	(27,476)	-	-	22,896
Share-based compensation		-	-	3,597,911	-	-	3,597,911
Net loss		-	-	-	(4,124,718)	-	(4,124,718)
Balance at September 30, 2011		$ 15,252,244	$ -	$ 4,509,059	$ (2,518,057)	$ -	$ 17,243,246
Net loss		-	-	-	(611,520)	-	(611,520)
Balance at December 31, 2011		$ 15,252,244	$ -	$ 4,509,059	$ (3,129,577)	$ -	$ 16,631,726

See accompanying notes to the consolidated financial statements

MOUNTAINVIEW ENERGY LTD

Consolidated Statements of Cash Flows

(Expressed in US Dollars) (unaudited)

	Notes	Nine Months Ended September 30, 2012	2011
Operating			
Net and comprehensive income (loss)		$ (1,052,633)	$ (4,124,718)
Items not affecting cash:			
Depletion and depreciation		820,796	373,435
Share-based compensation		-	3,597,911
Changes in non-cash working capital	13	(633,970)	(244,383)
Income tax paid		(112,624)	(74,024)
		(978,431)	(471,779)
Financing			
Issue of shares		9,344,733	7,176,783
Promissory note		8,000,000	-
Line of credit		8,393,207	-
Convertible debenture		2,072,053	-
Increase (decrease) in long-term debt		(14,827)	117,973
		27,795,166	7,294,756
Investing			
Exploration and evaluation assets		(23,065,432)	(5,254,848)
Reclamation deposit		(103,913)	(37,220)
Property, plant and equipment expenditures		(50,853)	(223,857)
Oil and gas property		(3,840,555)	(1,293,357)
Short-term investment		104,506	-
Interest (income)		(1,038)	-
		(26,957,285)	(6,809,282)
Change in cash at bank		(140,550)	13,695
Cash at bank, beginning of period		820,829	2,661,118
Cash at bank, end of period		**$ 680,279**	**$ 2,674,813**

See accompanying notes to the consolidated financial statements

(Expressed in US Dollars) (unaudited)

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's registered office is located at 2400 – 525 8th Avenue SW, Calgary, Alberta, T2P 1G1 Canada.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

Recent accounting pronouncements and amendments effective January 1, 2012 have no impact on the Company's consolidated financial statements.

3. EXPLORATION AND EVALUATION ASSETS

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

			Exploration and evaluation assets
Cost			
At December 31, 2010		$	900,580
Additions			12,533,069
Transfers to property, plant and equipment			(703,948)
Transfers to oil and gas properties			(388,011)
At December 31, 2011			12,341,690
Additions			28,622,843
Transfers to oil and gas properties	7		(1,179,435)
At September 30, 2012		**$**	**39,785,098**

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

The Company agreed to acquire, subject to TSX Venture (approved) and shareholder approval (approved), certain oil and gas leaseholds in Pondera County, Montana. As consideration the Company has agreed to issue 7,822,727 Class B Shares of a new wholly owned subsidiary Mountainview USA, to a company with a Director and officer in common (and in the event the Company develops production on the assets below a certain horizon and additional sum of $100 per acre spacing unit for each such productive well will be payable as additional consideration), and to issue 5,072,273 common shares of Mountainview to arms-length parties.

The Company received all approvals on May 14, 2012 and the transaction closed on May 29, 2012.
Details for this transaction are as follows:

Pursuant to the Immgen Share Purchase Agreement "SPA", Mountainview will acquire all of the outstanding Immgen Shares in exchange for an aggregate of 4,593,183 Mountainview Shares, such that Immgen will become a wholly-owned subsidiary of Mountainview.

Pursuant to the DBD SPA, Mountainview will acquire all of the outstanding DBD Shares in exchange for an aggregate of 370,455 Mountainview Shares, such that DBD will become a wholly-owned subsidiary of Mountainview.

Pursuant to the MC2 SPA, Mountainview will acquire all of the outstanding MC2 Shares in exchange for an aggregate of 63,636 Mountainview Shares, such that MC2 will become a wholly-owned subsidiary of Mountainview.

Pursuant to the Medicine Lake SPA, Mountainview LLC will acquire the Medicine Lake Assets in exchange for an aggregate of 23,110,019 Mountainview Shares.

The Company agreed to acquire, subject to TSX Venture (approved) and shareholder approval (approved), certain oil and gas leaseholds in Divide County, North Dakota. As consideration the Company has agreed to a purchase price of $12,579,000, to arms-length parties. At September 30, 2012 the Company has paid $12,579,000. The purchase was funded from Company's working capital and credit line as well as $8,000,000 borrowed from two major shareholders in the form of promissory notes bearing interest at 9% payable May 30, 2014.

(Expressed in US Dollars) (unaudited)

4. OIL AND GAS PROPERTIES

			Oil and gas properties
Cost			
At December 31, 2010		$	4,740,093
Additions			1,630,873
Change in asset retirement obligation			(20,371)
Transfers from exploration and evaluation assets			388,011
At December 31, 2011			6,738,606
Additions			2,995,358
Transfers from exploration and evaluation assets	6		1,179,435
At September 30, 2012		**$**	**10,913,399**
Accumulated depletion and depreciation			
At December 31, 2010		$	(2,543,036)
Depletion and depreciation			(667,175)
At December 31, 2011			(3,210,211)
Depletion and depreciation			(613,105)
At September 30, 2012		**$**	**(3,823,316)**
Carrying amounts			
At December 31, 2010		$	2,197,057
At December 31, 2011		$	3,528,395
At September 30, 2012		**$**	**7,090,083**

During the period, the Company agreed to participate in the drilling of six wells for a working interest of .63% to 12.5%. The Company's share of costs in these wells was $3,130,340. As at September 30, 2012 the Company share of revenue of $76,972 was accrued in accounts receivable and the Company accrued $76,741 in accounts payable relating to these wells.

The Company agreed to acquire, subject to shareholder approval (approved), from a company with a Director and officer in common, a compressor plant and equipment for consideration of $2,660,000. The Company paid $283,000 (deposit paid during the three months ended March 31, 2011) and issued a $2,377,000 debenture convertible into common shares at a price of $2.50 per share. The convertible debenture was reduced by $304,947 that was due from the company with a Director and officer in common. The convertible debenture is due on or before June 1, 2013.

(Expressed in US Dollars) (unaudited)

5. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas development assets	Water disposal assets	Corporate assets	Total
Cost				
At December 31, 2010	$ 556,160	$ -	$ 22,757	$ 578,917
Additions	288,437	703,948	4,408	996,793
Disposals	(76,294)	-	-	(76,294)
At December 31, 2011	768,303	703,948	27,165	1,499,416
Additions	38,363	12,489	-	50,852
At September 30, 2012	**$ 806,666**	**$ 716,437**	**$ 27,165**	**$ 1,550,268**
Accumulated depletion and depreciation				
At December 31, 2010	$ (338,476)	$ -	$ (16,091)	$ (354,567)
Depletion and depreciation	(102,893)	(45,451)	(2,661)	(151,005)
Disposals	38,839	-	-	38,839
At December 31, 2011	(402,530)	(45,451)	(18,752)	(466,733)
Depletion and depreciation	(86,615)	(68,176)	(1,893)	(156,684)
At September 30, 2012	**$ (489,145)**	**$ (113,627)**	**$ (20,645)**	**$ (623,417)**
Carrying amounts				
At December 31, 2010	$ 217,684	$ -	$ 6,666	$ 224,350
At December 31, 2011	$ 365,773	$ 658,497	$ 8,413	$ 1,032,683
At September 30, 2012	**$ 317,521**	**$ 602,810**	**$ 6,520**	**$ 926,851**

6. PROMISSORY NOTE

The Company entered into a promissory note payable for $2,000,000, bearing interest at 8% per annum and drawdown of the full principal balance. The principal was payable on or before 24 months from drawdown and the interest was payable quarterly. The Company repaid this balance in full plus interest of $31,561.

The Company entered into two promissory notes payable each for $4,000,000 (total $8,000,000), bearing interest at 9% per annum and drawdown of the full principal balance. The principal is payable on or before May 30, 2014 and the interest is payable quarterly.

(Expressed in US Dollars) (unaudited)

7. LINE OF CREDIT

The Company entered into a revolving line of credit for $5,500,000 and during the period increased it to $8,700,000. The Company has drawn $8,400,000 to pay the promissory note of $2,000,000 in full and to acquire additional acreage. The Company, a director and officer and a major shareholder have provided security over the assets of the Company as collateral for the line of credit. Interest is payable monthly at a variable rate of prime plus 1.25%. The minimum interest rate is 5.25%. The line of credit is due June 17, 2013.

8. LONG-TERM DEBT

As at September 30, 2012		**Total**		**< 1 Year**		**1-3 years**		**4-5 years**		**After 5 years**
Long-term debt	$	165,465	$	15,872	$	145,780	$	3,813	$	-
Total contractual obligations	$	165,465	$	15,872	$	145,780	$	3,813	$	-

As at December 31, 2011		**Total**		**< 1 Year**		**1-3 years**		**4-5 years**		**After 5 years**
Long-term debt	$	180,292	$	55,819	$	123,024	$	1,449	$	-
Total contractual obligations	$	180,292	$	55,819	$	123,024	$	1,449	$	-

Long-term debt relates to loans for the purchase of vehicles. These loans range from 3-5 years, interest rates vary from 0% - 4%. Interest payments relating to the current portion are approximately $3,300.

9. CONVERTIBLE DEBENTURE

The Company issued a convertible debenture to a company with a Director and officer in common for the purchase of a compressor plant and equipment for consideration of $283,000 cash (deposit paid during the three months ended March 31, 2011) and a $2,377,000 debenture convertible into common shares at a price of $2.50 per share. The convertible debenture was reduced by $304,947 that was due from the company with a Director and officer in common. The convertible debenture is due on or before June 1, 2013.

10. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flow required to settle its decommissioning obligations is approximately $555,000 (2011 – $555,000) which will be incurred over the operating lives of the assets, with the majority of costs to be incurred between 2016 and 2036. An inflation factor of 1.5% has been applied to the estimated decommissioning cost at June 30, 2012 and December 31, 2011. The Company's risk-free rate of 1.56% was used to calculate the fair value of the decommissioning liabilities at September 30, 2012 (December 31, 2011– 2.00%).

(Expressed in US Dollars) (unaudited)

A reconciliation of the decommissioning liability is provided below:

	September 30, 2012	December 31, 2011
Balance, beginning of period	$ 419,681	$ 385,748
Obligations acquired	-	8,849
Revisions of obligations	-	(29,220)
Accretion expenditure	25,503	54,304
Balance, end of period	**$ 445,184**	**$ 419,681**

11. Share Capital

a) Authorized

Unlimited common shares without par value
Unlimited preference shares without par value

b) Issued

Common Shares	**Number of Shares**	**Amount**
Balance December 31, 2010	9,766,850	$ 1,071,140
Private placement proceeds on sale of units	23,777,777	7,357,292
Common shares issued for finders fees	876,660	489,540
Share issue costs paid in cash	–	(212,707)
Share issue costs paid in stock	–	(687,571)
Issued on acquisition	18,611,110	5,772,685
Fair value of warrants issued pursuant to private placement	–	(2,130,622)
Warrants exercised	5,975,753	1,939,156
Fair value of warrants exercised	–	1,602,959
Stock options exercised	100,000	22,896
Fair value of options exercised	–	27,476
Balance, December 31, 2011	**59,108,150**	**$ 15,252,244**
Issued on acquisition	28,137,293	9,344,733
Balance, September 30, 2012	**87,245,443**	**$ 24,596,977**

(Expressed in US Dollars) (unaudited)

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 table summarizes the changes in stock options outstanding.

	Number of Options		Weighted Average Exercise Price (C$)
Balance at December 31, 2010	775,000		0.24
Granted	3,555,000		1.20
Forfeited	(100,000)		1.20
Exercised	(100,000)		0.24
Balance at December 31, 2011	**4,130,000**	**$**	**1.04**
Granted	-		-
Forfeited	-		-
Exercised	-		-
Balance at September 30, 2012	**4,130,000**	**$**	**1.04**

Options outstanding and exercisable are summarized below as at September 30, 2012:

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options	Weighted Average Price	Weighted Average Life Remaining	Number Exercisable	Weighted Average Price
(C$)		(C$)	(Years)		(C$)
0.24	675,000	0.24	0.75	675,000	0.24
1.20	3,455,000	1.20	3.50	3,455,000	1.20
	4,130,000	**1.04**	**3.05**	**4,130,000**	**1.04**

(Expressed in US Dollars) (unaudited)

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 table presents the weighted average assumptions and resulting weighted average fair value of the stock options granted.

	September 30, 2012	**December 31, 2011**
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 (C$)	-	1.20

For the period ended September 30, 2012, Mountainview recorded non-cash share-based compensation expense of $NIL (September 30, 2011 $3,597,911).

d) Warrants

	Number of Warrants	**Amount**
Balance, December 31, 2010	–	$ -
Issued pursuant to private placement	5,944,444	2,130,622
Broker warrants issued pursuant to private placement	738,253	198,031
Exercised	(5,975,753)	(1,602,959)
Expired	(706,944)	(725,694)
Balance, December 31, 2011 and September 30, 2012	–	$ -

	September 30, 2012	**December 31, 2011**
Risk free interest rate (%)	-	1.58
Average expected life (years)	-	0.50
Average expected volatility (%)	-	95.10
Estimated Forfeiture rate (%)	-	-
Dividend yield (%)	-	-
Fair value per warrant (C$)	-	0.26

(Expressed in US Dollars) (unaudited)

e) Contributed surplus

	September 30, 2012	December 31, 2011
Balance, beginning of period	$ 4,509,059	$ 212,930
Share-based compensation expensed	-	3,597,911
Stock options exercised	-	(27,476)
Fair value of warrants expired	-	725,694
Balance, end of period	**$ 4,509,059**	**$ 4,509,059**

f) Per Share Amounts

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

	Three months ended September 30		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Net loss for the period	$ (428,315)	$ (503,778)	$ (1,052,633)	$ (4,124,718)
Weighted average shares - basic and diluted	87,245,443	53,057,397	71,841,815	28,754,013
Loss per share - basic and diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.14)

	Three months ended September 30		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Weighted average number of basic and diluted shares	87,245,443	53,057,397	71,841,815	28,754,013

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.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments of the Company include trade and other receivables (excluding value-added tax receivable), short-term investments, cash and cash equivalents, trade and other payables (excluding production taxes payable), and bank debt. Trade and other receivables (excluding value-added tax receivable), short-term investments and cash and cash equivalents are classified as loans and receivables and are measured at amortized cost. Trade and other payables (excluding production taxes payable) and bank debt are classified as other financial liabilities and are similarly measured at amortized cost. As at September 30, 2012, the fair values of these financial instruments approximate their carrying value.

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 $370,000 change in the Company's net loss for the period ended September 30, 2012 (September 30, 2011 - $96,300) 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 has a line of credit and two promissory notes that are interest bearing at the period ended September 30, 2012. The line of credit is subject to an interest rate of prime plus 1.25% and the promissory notes have a fixed interest rate.

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, and accounts payable and accrued liabilities of the Company not denominated in US dollars.

The following identifies the amounts in Canadian dollars that the Company is exposed to foreign currency fluctuations:

	September30, 2012	December 31, 2011
Cash at bank (C$)	$ 5,459	$ 216,995
Value-added tax receivables (C$)	120,978	86,451
Trade accounts payable (C$)	(188,717)	(227,314)
	$ (62,280)	**$ 76,132**

Based on the net exposures in the preceding table as at September 30, 2012, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the US dollar would result in an increase/decrease of $6,200 (2011 – $7,600) in the Company's net income (loss).

(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, other receivables, cash and cash equivalents and short-term investments. 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’s cash and cash equivalents and short-term investments are held in the banks with high credit ratings. The Company has not experienced any collection issues with its marketers in 2010 or 2011 to date. At September 30, 2012, 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 currently has a concentration risk of 75% with one customer. 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, normal course of business, sale of undeveloped land, debt and equity financings to fund its ongoing capital programs and operating requirements. The Company has a working capital deficiency of $12,038,515 as at September 30, 2012, of the $12,038,515, $10,465,260 will be due in June 2013. The Company has long-term debt and a promissory note as disclosed in Note 8 and Note 6.

13. SUPPLEMENTAL INFORMATION

The following is a reconciliation of the financial position changes in working capital items to the balances recorded on the consolidated statement of cash flows as change in non-cash working capital:

	Nine Months Ended September 30,			
		2012		**2011**
Changes in non-cash working capital:				
Accounts receivable	$	263,497	$	7,856
Inventory		4,686		(154,357)
Accounts payable and accrued liabilities		(902,153)		(97,882)
Changes in non-cash working capital	$	(633,970)	$	(244,383)

(Expressed in US Dollars) (unaudited)

Non-cash investing and financing activities are summarized as follows:

	Nine Months Ended September 30,	
	2012	**2011**
Exploration and evaluation assets	$ 1,868,609	$ -
Oil and gas properties	$ 76,741	$ 210,876
Shares issued on acquisition	$ 9,344,733	$ 5,772,685

14. 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, line of credit and promissory notes. In order to maintain or adjust the capital structure, the Company may from time to time issue shares, and debt and adjust its capital spending to manage current and projected debt levels.

15. RELATED PARTY TRANSACTIONS

a) As at September 30, 2012, the Company has received $304,947 (2011 - $NIL) due from a company that has a director and officer in common. The Company has paid these costs on behalf of Genesis Energy Inc, these costs relate to the deal that is being done with Genesis Energy Inc, the convertible debenture was reduced by this amount.

b) During the period, the Company paid $NIL (September 30, 2011 $283,000) to a company with a director and officer in common as a partial payment for the purchase of Genesis Energy Inc.

16. Subsequent Events

a) Subsequent to the period ended September 20, 2012, the Company entered into a $75 million senior secured advancing line of credit facility ("Facility"). The Facility includes an initial borrowing base of $19 million which will be used to fund the drilling of the three wells in the 12 Gage Project. The Facility matures in 32 months and bears interest at 8%. The Company and the lender will have an area of mutual interest which will be in Northern Divide County, North Dakota. Monthly repayments are required based on 85% of net revenues from the 12 Gage Project. In addition the Lender will be assigned a 39% after pay-out of net profits interest ("NPI") in all the oil and gas properties within Divide County, Montana. The NPI is defined as all revenues less all operating costs, production taxes and capital costs incurred. Payments on the NPI shall commence upon repayment in full of the Facility. The NPI will automatically reduce to 20% once the Lender achieves 1.65 times return on investment. The Facility is secured by a first priority mortgage and security interest in the 12 Gage Project. The Company is required to maintain a current ratio of 1.0 :1.0. The Company is subject to a 4% finder's fee on the gross proceeds of the Facility agreement.

b) Subsequent to the period ended September 20, 2012, the Company sold a 100% undivided working interest in 4,373 net acres of fee and state leases for consideration of $1 million.

c) Subsequent to the period ended September 30, 2012, the Company granted 3,040,000 options at an exercise price of $0.41 for five years. 2.165,000 options were granted to directors and officers of the Company.