MOUNTAINVIEW ENERGY LTD

Consolidated Financial Statements

For the Years Ended December 31, 2012 and 2011

Expressed in US Dollars

Consolidated Financial Statements

Management's Responsibility Statement

The consolidated financial statements of Mountainview Energy Ltd. and all the information in this report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto in accordance with International Financial Reporting Standards. The consolidated financial statements include amounts that are based on estimates, which have been objectively developed by management using all relevant information. All financial and operating data in this report is consistent with the information in the consolidated financial statements.

Mountainview Energy Ltd. maintains appropriate systems of internal control to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or misuse and financial records are properly maintained to provide reliable information for the preparation of financial statements.

PricewaterhouseCoopers LLP, an independent firm of chartered accountants, has been engaged to examine the financial statements and provide their auditor's report. Their report is presented with the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is comprised entirely of independent directors who are all financially literate. The Audit Committee meets regularly with management and with the Company's external auditors to discuss the results of their audit examination and to review issues related thereto. The external auditors have full access to the Audit Committee with and without the presence of management. The Audit Committee reviews the consolidated financial statements and Management's Discussion and Analysis and recommends their approval to the Board of Directors.

Signed

"Patrick M. Montalban"
Patrick M. Montalban
President and CEO

Signed

"Angelique Hatch"
Angelique Hatch
CFO

Vancouver, British Columbia
May 15, 2013

May 15, 2013

Independent Auditor's Report

To the Shareholders of Mountainview Energy Ltd.

We have audited the accompanying consolidated financial statements of Mountainview Energy Ltd., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mountainview Energy Ltd. as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T:604 806 7000, F:604 806 7806, www.pwc.com/ca

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Mountainview Energy Ltd. to continue as a going concern.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

MOUNTAINVIEW ENERGY LTD
Consolidated Statements of Financial Position
(Expressed in US Dollars)

	Notes		December 31, 2012		December 31, 2011
ASSETS					
Cash at bank		$	460,720	$	820,829
Restricted cash	3		474,121		-
Short-term investments	4		105,656		209,413
Trade and other receivables	5		820,948		751,377
Deposit			-		283,000
Crude oil inventory			18,544		23,665
Total current assets			1,879,989		2,088,284
Non-current assets					
Reclamation Deposits			263,071		160,539
Exploration and evaluation assets	6		42,593,713		12,341,690
Oil and gas properties	7		3,476,193		3,528,395
Property, plant and equipment	8		842,634		1,032,683
TOTAL ASSETS		**$**	**49,055,600**	**$**	**19,151,591**
LIABILITIES					
Trade payables and other liabilities	9	$	8,576,036	$	1,807,268
Convertible debenture	11		2,123,947		-
Line of credit	10		8,494,000		-
Current portion of long-term debt	12		58,775		55,819
Income tax payable	16		108,952		112,624
Total current liabilities			19,361,710		1,975,711
Non-current liabilities					
Long-term debt	12		120,257		124,473
Credit facility	12		1,004,308		-
Promissory note payable	12		8,061,005		-
Decommissioning obligations	13		276,291		419,681
TOTAL LIABILITIES			**28,823,571**		**2,519,865**
SHAREHOLDERS' EQUITY					
Common shares	14		24,596,977		15,252,244
Convertible common shares	7		2,558,126		-
Contributed surplus	14		4,603,406		4,509,059
Retained earnings (deficit)			(11,526,480)		(3,129,577)
TOTAL EQUITY			20,232,029		16,631,726
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**49,055,600**	**$**	**19,151,591**

Contingent liabilities (Note 15)

See accompanying notes to the consolidated financial statements

On behalf of the Board of Directors:

Patrick M. Montalban (signed)

Keith Macdonald (signed)

MOUNTAINVIEW ENERGY LTD
Consolidated Statements of Comprehensive Income (Loss)
(Expressed in US Dollars)

	Notes	Year Ended December 31, 2012	2011
Revenues			
Gross oil and natural gas revenue		$ 3,559,782	$ 3,439,500
Water disposal revenue		146,502	191,037
Royalties		(298,547)	(314,559)
Revenues, net of royalties		3,407,737	3,315,978
Expenses			
Production and operating expenditures	17	1,799,832	1,584,852
General and administrative	18	1,726,042	1,940,116
Impairment of oil and natural gas properties	7	6,903,662	-
Depletion, accretion and depreciation		1,479,268	872,483
Foreign exchange (gain) loss		(21,191)	145,473
(Gain) loss on disposal of PP&E		16,607	(1,547)
(Gain) loss on disposal of E&E assets		(576,269)	-
Share-based compensation	14	94,347	3,597,911
		11,422,298	8,139,288
Earnings (loss) from operations		(8,014,561)	(4,823,310)
Other (income) expense			
Finance income		(3,692)	(15,896)
Finance costs		295,652	5,260
		291,960	(10,636)
Earnings (loss) before income taxes		(8,306,521)	(4,812,674)
Provision for current tax	16	90,382	63,193
Provision for (recovery of) deferred tax	16	-	(139,629)
Net earnings (loss) and comprehensive income (loss)		**$ (8,396,903)**	**$ (4,736,238)**
Net earnings (loss) per share			
Basic and diluted		**$ (0.11)**	**$ (0.10)**
Weighted average number of common shares outstanding	14	75,836,349	49,208,929

See accompanying notes to the consolidated financial statements

MOUNTAINVIEW ENERGY LTD
Consolidated Statements of Changes in Equity
(Expressed in US Dollars)

	Notes	Common Shares	Convertible Common Shares	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance at December 31, 2011		$ 15,252,244	$ -	$ -	$ 4,509,059	$ (3,129,577)	$ 16,631,726
Issued on acquisition	6, 7	9,344,733	2,558,126	-	-	-	11,902,859
Share-based compensation		-	-	-	94,347	-	94,347
Net loss for the year		-	-	-	-	(8,396,903)	(8,396,903)
Balance at December 31, 2012		$ 24,596,977	$ 2,558,126	$ -	$ 4,603,406	$ (11,526,480)	$ 20,232,029

	Notes	Common Shares	Convertible Common Shares	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance at December 31, 2010		$ 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	6	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 for the year		-	-	-	-	(4,736,238)	(4,736,238)
Balance at December 31, 2011		$ 15,252,244	$ -	$ -	$ 4,509,059	$ (3,129,577)	$ 16,631,726

MOUNTAINVIEW ENERGY LTD
Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Notes	Year Ended December 31, 2012	2011
Operating			
Net and comprehensive income (loss)		$ (8,396,903)	$ (4,736,238)
Items not affecting cash:			
Depletion and depreciation		1,479,268	872,482
Share-based compensation		94,347	3,597,911
Deferred income tax (recovery)		-	(139,629)
Interest expense		262,899	-
Gain on sale of oil and natural gas assets		(576,629)	-
Loss on disposal of property, plant and equipment		16,607	-
Impairment on oil and natural gas interests		6,903,662	-
Changes in non-cash working capital	20	487,336	(382,187)
Income tax	20	(3,672)	(162,617)
		266,915	(950,278)
Financing			
Issue of shares		-	7,176,783
Share issue expenditures		-	(212,707)
Promissory note		7,850,000	-
Line of credit		8,494,000	-
Proceeds from borrowings under Credit Facility		530,187	-
Increase (decrease) in long-term debt		(1,260)	96,678
		16,872,927	7,060,754
Investing			
Exploration and evaluation assets		(14,737,242)	(6,397,705)
Reclamation deposit		(102,532)	(45,216)
Property, plant and equipment expenditures		(92,168)	(255,389)
Oil and gas properties		(6,294,679)	(1,250,378)
Disposal of oil and natural gas assets		3,622,913	-
Short-term investments		103,757	(2,077)
		(17,499,951)	(7,950,765)
Change in cash at bank		(360,109)	(1,840,289)
Cash at bank, beginning of year		$ 820,829	2,661,118
Cash at bank, end of year		**$ 460,720**	**$ 820,829**

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

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, and the State of North Dakota USA. Mountainview's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "MVW" and the Company's head office is located at 2400, 525 8th Avenue S.W., Calgary, Alberta T2P 1G1 Canada.

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company has experienced losses in the years ended December 31, 2012 and 2011. At December 31, 2012, and 2011 the Company had a deficit of $11,526,480 and $3,129,577 respectively and working capital (deficit) of ($17,481,721) and $112,573 respectively. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, credit facilities, asset sales or a combination thereof, which is not assured, especially in today's volatile and uncertain financial markets. There can be no assurance that management's plans will be successful. These uncertainties cast substantial doubt on the entity's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

a) Preparation

These consolidated financial statements are presented under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 15, 2013, the date the Board of Directors approved the statements.

b) Functional and presentation currency

These consolidated financial statements are prepared in US dollars. The functional currency of the Company and the subsidiary is US dollar. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to comprehensive income.

The balance sheet of the Company is translated into US dollars using the exchange rate at the balance sheet date and the income statement is translated into US dollars using the average exchange rate for the period. All gains and losses on translation of a subsidiary from the functional currency to the presentation currency are charged to other comprehensive income.

c) 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.

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.

The determination of impairment of the carrying amount of oil and gas properties and 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.
At December 31, 2012, due to the indicators of possible impairment, the Company reviewed the carrying value of the oil and gas properties by cash-generating units for impairment. As a result of the review, it was determined that the oil and gas properties were impaired and an impairment charge of $6,903,662 was recognized to reduce the carrying value to the recoverable amount. The recoverable amount was determined based on the fair value less cost to sell method using discounted future cash flows at a discount rate of 12%. The key assumptions in calculation are as follows:

- Forecast realised sales prices and Oil and gas reserves available to be extracted - with other variables unchanged, a 10% increase in the forecast realised sales price or forecast of reserves would reduce and impairment by $360,000.
- Discount rate - with other variables unchanged, a 1.0% reduction in the discount rate would reduce an impairment by $82,000.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The consolidated financial statements include the accounts of the Company, including the consolidated accounts of its wholly owned subsidiaries as follows:

- Mountain View Energy Inc (United States)
- Mountainview Energy (USA) Ltd (United States)
- Mountain Divide LLC (United States)
- Mountainview Energy LLC (United States)
- Mountainview Gathering Inc (United States)
- Numbers Inc (United States))
- Immgen Inc (Canadian)
- DBD Investments (Canadian)
- MC2 Inc (Canadian)

All intercompany transactions, balances, and unrealized gains and losses from the intercompany transactions have been eliminated.

b) Cash and cash equivalents

Cash and cash equivalents consist of cash in the bank and short-term deposits with an original maturity of less than three months. The deposits with an original maturity of more than three months, but less than 12 months are classified as short-term investments.

c) Restricted cash

As of December 31, 2012 and 2011, the Company had $474,121 and $Nil in restricted cash in current assets. The initial restricted cash balance was $500,000 on our Senior Secured Advancing Line Credit Facility. Once the original amount has been drawn down we are required to have a minimum balance of $100,000 be maintained at all times.

d) Reclamation deposits

At December 31, 2012, the Company has $263,071 of reclamation deposits. The reclamation deposits consist of cash bonds required by the State of Montana and the State of North Dakota in order to pursue drilling in the State. The cash is held in custody by the issuing bank in the form of certificates of deposit and is restricted as to withdrawal or use. Interest income earned from the certificates of deposit is paid to the Company upon maturation of the certificates of deposit. The certificates of deposit vary in the length of terms and are automatically renewed. The Company will not receive the cash bonds back until such time that they have fulfilled their asset retirement obligations with respect to their properties. Accordingly, the reclamation bond has been classified as a non-current asset.

e) Joint interests

The Company has exploration and production activities that are conducted under joint operating agreements, whereby two or more parties jointly control the assets. These financial statements reflect only the Company's share of these jointly controlled assets and, once production commences, a proportionate share of the relevant revenue and related costs.

f) 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.

g) 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.

h) Property, Plant and equipment ("PP&E")

Property, plant and equipment includes the costs of oil and gas development and production and water disposal wells 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 delineation wells), completion, gathering and infrastructure, decommissioning costs, amounts transferred from E&E assets and directly attributable internal costs.

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 reserves. Depletion is calculated based on individual components (i.e. fields or combinations thereof and other major components with different useful lives). Gathering system and compressor station are depreciated using straight-line method over their estimated useful of 10 years.

Water disposal assets

Water disposal assets include all costs associated with the development and production of the well. These non-producing wells have been converted to water disposal assets.

Accumulated costs are depleted using the straight-line method over the useful life of the well. 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 oil and gas properties, or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

i) Provisions

Provisions are recorded when the Company has a present obligation as a result of a past event, it is probable 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.

j) Deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case, the tax is also recognized in other comprehensive loss or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

k) 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.

l) 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. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. 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.

m) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in long-term debt. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

o) Net finance expenditure

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

p) Per share amounts

Basic earnings (loss) 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 and warrants 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.

q) 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, short-term investments. The Company's financial liabilities include trade and other payables, convertible debenture, line of credit, credit facility and promissory notes.

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: loans and receivables; or financial liabilities at amortized cost.

i) 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 cash and cash equivalents, trade and other receivables and short-term investments.

ii) 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.

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.

r) Business Combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in net income. Transaction costs associated with business combinations are expensed as incurred.

s) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised as finance costs in the statement of comprehensive income (loss) in the period in which they are incurred.

t) Recent accounting pronouncements issued

The following standards and amendments have not been adopted as they apply to future periods. They may result in future changes to our existing accounting policies and disclosures. Mountainview is currently evaluating the impact that these standards will have on the Company's results of operations and financial position:

IFRS 7 Financial Instruments: Disclosures – in December 2011, the IASB issued amendments to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting or similar agreements. The standard is required to be adopted retrospectively for periods beginning on or after January 1, 2013.

IFRS 10 Consolidated Financial Statements – in May 2011, the IASB issued IFRS 10 which provides additional guidance to determine whether an investee should be consolidated. The guidance applies to all investees, including special purpose entities. The standard is required to be adopted for periods beginning January 1, 2013.

IFRS 11 Joint Arrangements – in May 2011, the IASB issued IFRS 11 which presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method. An entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. The standard is required to be adopted for periods beginning January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities – in May 2011, the IASB issued IFRS 12 which aggregates and amends disclosure requirements included within other standards. The standard requires an entity to provide disclosures about subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is required to be adopted for periods beginning January 1, 2013.

IFRS 13 Fair Value Measurement – in May 2011, the IASB issued IFRS 13 to provide comprehensive guidance for instances where IFRS requires fair value to be used. The standard provides guidance on determining fair value and requires disclosures about those measurements. The standard is required to be adopted for periods beginning January 1, 2013.

IAS 32 Financial Instruments: Presentation – in December 2011, the IASB issued amendments to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right to offset must be available on the current date and cannot be contingent on a future event. The standard is required to be adopted retrospectively for periods beginning on or after January 1, 2014.

(Expressed in US Dollars)

4. SHORT-TERM INVESTMENTS

Short-term investments are presented by guaranteed investment certificates (GICs) at December 31, 2012 are as follows:

Maturity	Face Value	Interest Rate
September 24, 2013	$ 105,656	0.40%
At December 31, 2012	$ 105,656	

Maturity	Face Value	Interest Rate
September 25, 2012	$ 105,181	0.45%
December 24, 2012	$ 104,232	0.60%
At December 31, 2011	$ 209,413	

The GICs are carried at cost plus interest, which approximates fair value and can be redeemed at any time without penalty. Subsequent to the year ended December 31, 2012 the Company redeemed the GIC.

5. TRADE AND OTHER RECEVIABLES

A reconciliation of trade and other receivables is set out below:

	Note	December 31, 2012	December 31, 2011
Value-added tax receivables		$ 49,016	$ 85,007
Sale of crude petroleum		305,018	385,597
Joint interests		440,224	-
Joint interest revenue receviable		26,690	78,683
Due from related party		-	202,090
		$ 820,948	**$ 751,377**

6. EXPLORATION AND EVALUATION ASSETS

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

	Note	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		33,298,667
Disposals		(3,046,644)
At December 31, 2012		**$ 42,593,713**

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

Property Acquisition

12 Gage Asset Acquisition

In May 2012, we closed a transaction to acquire leaseholds, called the 12 Gage property, located in Divide County, North Dakota for total cash consideration of $12,579,000. The property is approximately 12,579 net acres which is largely undeveloped. The Company is subject to an Override Royalty equating to the difference between 20% and existing royalty burdens. On the three wells that have been drilled the existing Override Royalty is between 1.42% and 2.58%

During 2012, we acquired an additional 428 net acres in Divide County, North Dakota for $535,563.

During 2012, the Company commenced a three well drill program and had paid or accrued drilling costs of $7.2 million. In addition, the Company capitalized interest of $717,345.

Medicine Lake Asset Acquisition

In May 2012, the Company closed a transaction to acquire assets in Medicine Lake, located in Sheridan County, Montana and Divide County, North Dakota, consisting of approximately 8,836 net acres of undeveloped land in exchange for 23,110,020 common stock of the Company. Total consideration for the acquisition of Medicine Lake was $7,790,580. The Company is subject to an Override Royalty equating to the difference between 20% and existing royalty burdens.

Other Asset Acquisitions and Sales

During 2012 and 2011, the Company acquired various other oil and gas undeveloped properties for $1,069,252.

In October, 2012, the Company entered into an agreement to sell a portion of its leases in the Glacier County and Toole County, Montana for $1,000,000. The Company recorded a gain of $576,269.

On February 17, 2011, Mountainview completed the acquisition of 62 oil and gas leases, and all rights, title and interests thereto, 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 $5,772,685 (approximately $0.31 per share). The issued shares are subject to a Value Securities Escrow Agreement and will be released over a 3 year period. As part of the terms the vendor has guaranteed a minimum working interest of 78% below this the Company would received a refund of $600 per acre.

(Expressed in US Dollars)

7. OIL AND GAS PROPERTIES

	Note		Oil and gas properties
Cost			
At December 31, 2010		$	4,740,093
Additions			1,630,873
Change in asset retirement obligation	13		(20,371)
Transfers from exploration and evaluation assets			388,011
At December 31, 2011			6,738,606
Additions			8,103,081
Change in asset retirement obligation	13		(170,963)
Transfers from exploration and evaluation assets			-
Impairment of oil and gas properties			(6,903,662)
At December 31, 2012		**$**	**7,767,062**
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			(1,080,658)
At December 31, 2012		**$**	**(4,290,869)**
Carrying amounts			
At December 31, 2010		$	2,197,057
At December 31, 2011		$	3,528,395
At December 31, 2012		**$**	**3,476,193**

Pondera Business Acquisition

In May 2012, the Company closed a transaction to acquire assets in the Williams and Lake Frances areas of Pondera County, Montana, consisting of approximately 15,520 net acres of developed land and 31,593 net acres of undeveloped land ("Leaseholds") in exchange for 5,027,273 common stock of the Company and 7,822,727 class B shares of a wholly owned subsidiary of the Company. The transaction was done as follows:

1. The Company acquired 100% of the three Canadian companies (holders of the 39% of the Leaseholds) and issued 5,027,273, common stock as consideration.
2. The Company's wholly owned US subsidiary then issued its common stock for the exchange of 100% of the Leaseholds to the three Canadian companies (intercompany transaction). This same US subsidiary then issued 7,822,727 of its class B shares to a company whose shareholder is also a Director and officer of the Company (holder of the 61% of the Leaseholds).
   These class B shares are convertible to common stock of the Company and therefore have been accounted as the Company's Equity.
3. The Company acquired the gathering system and compressor station in the Pondera County, Montana.

(Expressed in US Dollars)

This transaction has been identified as a business combination and the Company applied IFRS 3 Business Combinations and measured the identifiable assets and liabilities at fair value as determined by the Company through industry knowledge and activity in the region. As the consideration issued included exchangeable shares of the subsidiary for the Company these have been valued according to the quoted price of the shares of the Company based upon the exchange terms.

The Company also acquired the gathering system and compressor station used for the gas field on the Pondera property for $2,660,000 of which $283,000 was paid in cash and $2,377,000 was a debenture convertible into shares of the Company for $2.50 per share. Fair value measurement of the gathering system and compressor acquired involved the use of the replacement cost approach, which is based on the premise that a market participant would not pay more than the amount necessary to replace the asset. The convertible debt was recorded as its issuance amount which represents fair value.

Details are as follows:

Fair value of net assets acquired:	
Oil and gas properties	$ 2,048,990
Exploration and evaluation assets	2,179,917
Gathering system and compresor station	2,660,000
Decomissioning obligations	(26,805)
Total net assets acquired	6,862,102
Consideration:	
Common share	1,643,977
Class B shares	2,558,125
Cash	283,000
Convertible debenture	2,377,000
Total purchase price	$ 6,862,102

Acquisition-related costs of $91,283 have been charged to general and administrative expenses for the year ended December-31, 2012.

From the date of acquisition the Company recorded gross revenues of $131,842 and a loss of $541,854 relating to the acquisition of the Pondera Assets. Included in the loss is $364,327 of depreciation, depletion and amortization.

The unaudited pro forma financial information below presents the combined revenue and net losses for the Pondera business and the Company for the years ending December 31, 2012 and 2011 as if the acquisition occurred as of January 1, 2011:

	Unaudited Proforma 2012		
	Mountainview Energy Ltd	Pondera Business Acquisition	Total
Revenue	$ 3,407,737	$ 89,373	$ 3,497,110
Net income (loss)	$ (8,396,903)	$ 36,682	$ (8,360,221)

At December 31, 2012, due to the indicators of possible impairment, the Company reviewed the carrying value of the oil and gas properties by cash generating units for impairment. As a result of the review, it was determined that the oil and gas properties were impaired and an impairment charge of $6,903,662 was recognized to reduce the carrying value to the recoverable amount. The recoverable amount was determined based on the fair value less cost to sell method using discounted future cash flows at a discount rate of 12%. The estimated future cash flows utilized in the calculation incorporated the Company's best estimates of future oil and gas production based on the current plans, estimates of future oil and gas prices, operating costs and residual values.

(Expressed in US Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Note	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		97,918	12,489	-	110,407
Disposals		(52,898)	-	-	(52,898)
At December 31, 2012		**$ 813,323**	**$ 716,437**	**$ 27,165**	**$ 1,556,925**
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		(121,047)	(142,038)	(2,524)	$ (265,609)
Disposals		18,051	-	-	$ 18,051
At December 31, 2012		**$ (505,526)**	**$ (187,489)**	**$ (21,276)**	**$ (714,291)**
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 December 31, 2012		**$ 307,797**	**$ 528,948**	**$ 5,889**	**$ 842,634**

Property, plant and equipment at December 31, 2012 and 2011 of $1,556,925 and $1,499,416, respectively, which consisted primarily of computer equipment, field equipment, vehicles and water disposal wells. Accumulated depreciation associated with other fixed assets at December 31, 2012 and 2011 was $714,291 and $466,733, respectively.

The Company acquired two new vehicles during the year and traded in one vehicle during the year.

(Expressed in US Dollars)

9. TRADE PAYABLES AND OTHER LIABILITIES

A reconciliation of trade and other liabilities is set out below:

	Note	December 31, 2012	December 31, 2011
Trade accounts payable		$ 463,876	$ 423,226
Accrued liabilities		177,400	65,291
Accounts payable - capital costs		7,684,380	1,026,174
Royalties payable		194,523	199,973
Production taxes payable		55,857	92,604
		$ 8,576,036	**$ 1,807,268**

10. LINE OF CREDIT

On April 17, 2012, the Company entered into a revolving line of credit for $5,500,000 and on June 27, 2012, increased the line of credit to $8,700,000. The outstanding balance at December 31, 2012 was $8,494,000. The Company's subsidiary provided a general security over its assets and, a director and officer and a major shareholder have provided security over the assets of the Company as collateral for the line of credit. The carrying amount of the collateral is $22,817,437. 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.

11. CONVERTIBLE DEBENTURE

The Company acquired from a related company, a compressor, plant and equipment for consideration of $2,660,000. The Company paid $283,000 (deposit paid March 31, 2011) and agreed to issue a $2,377,000 debenture convertible into common shares of the Company at a price of $2.50 per share (actual convertible debenture issued was $2,072,053, which was reduced by costs incurred of $304,947 on behalf of the related company prior to the transaction closing). The maturity date of the debenture is on or before June 1, 2013. At December 31, 2012 the convertible debenture was $2,072,053 plus accrued interest of $51,894. At December 31, 2012, if the convertible debenture had been converted the Company would have issued 828,821 additional common shares of the Company.

12. DEBT AND CREDIT AGREEMENTS

The Company's long-term debt consists of the following:

Credit Facility

The Company entered into a Senior Secured Advancing Line of Credit Facility (the "Facility") for up to $75.0 million. The Facility includes an initial borrowing base of $19.0 million, which is to be used to fund the drilling of the Company's initial three wells in the 12 Gage Project. The Facility matures in 32 months (July, 2015) and, bears interest at a float rate with an 8% minimum. Monthly repayments are required based on 85% of net revenues from the 12 Gage Project. In connection with the Facility, the Lender and the Company will have an area of mutual interest ("AMI"), which will be in northern Divide County, North Dakota. In addition, pursuant to the Facility, upon the earlier of the maturity date or the date the Facility is paid fully off, the Lender will trigger the start of a 39% after pay-out net profits interest (the "NPI") in all of the Company's oil and gas properties within Divide County, North Dakota.

(Expressed in US Dollars)

The NPI is defined as all revenues received by the Company, less all operating costs, production taxes, and capital costs incurred by the Company. Payments on the NPI shall commence upon repayment in full of the outstanding Facility. The NPI will automatically reduce to 20% once the Lender achieves a 1.65 x return on investment. The Facility is secured by a first priority mortgage and security interest in the 12 Gage properties. The carrying amount of the collateral is $20,454,559. The borrowing base under the Facility will be subject to re-determination in the absolute discretion of the Lender within 45 days of the third well being turned into sales and thereafter semi-annually. The Company's subsidiary is required to maintain a current ratio of 1.0: 1.0.

The Company received proceeds of $3,883,071 under the Facility at December 31, 2012. The transaction has been recorded as a borrowing and a sale of conveyance relating to the 20% NPI. The Company has determined the fair value of the conveyance portion of the arrangement using a relative percentage of the conveyed property's fair value determined at its acquisition date and has recorded this amount of $2,622,912 as an adjustment to the property. The residual amount of the initial proceeds has been determined to be a borrowing and has been recorded as long term debt based upon the expected terms of repayment. The discount to the face amount of the debt will be accreted over the term of the debt.

Vehicle loans

The Company has various vehicle loans outstanding at December 31, 2012 and 2011 of $179,032 and $180,292, respectively. The current portion of vehicle loans at December 31, 2012 and 2011 is $58,775 and 55,819. The loans vary from 0% interest to 4% and will be repaid in less than five years.

Promissory notes

The Company entered into two unsecured promissory notes payable with major shareholders of the Company, each for $4,000,000 (total $8,000,000), bearing interest at 9% per annum. The principal is payable on or before May 30, 2014 and the interest is payable quarterly. During 2012 the Company repaid $150,000 on one of the promissory notes, has paid interest of $209,178 and has accrued interest of $211,005.

The following is a schedule of debt payments over the next five years:

As at December 31, 2012	Total	< 1 Year	1-3 years	4-5 years	After 5 years
Credit facility	$ 3,883,072	$ -	$ 3,883,072	$ -	$ -
Promissory note	8,061,005	-	8,061,005	-	-
Vehicle loans	179,032	58,775	96,141	24,116	-
Total contractual obligations	$ 12,123,109	$ 58,775	$ 12,040,218	$ 24,116	$ -

13. 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 $289,500 (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 December 31, 2012 and 2011. The Company's risk-free rate of 2.95% was used to calculate the fair value of the decommissioning liabilities at December 31, 2012 (December 31, 2011 – 2.00%).

(Expressed in US Dollars)

A reconciliation of the decommissioning liability is provided below:

	Year ended December 31, 2012	Year ended December 31, 2011
Balance, beginning of year	$ 419,681	$ 385,748
Obligations acquired	56,979	8,849
Revisions of obligations	(227,942)	(29,220)
Accretion expenditure	27,573	54,304
Balance, end of year	**$ 276,291**	**$ 419,681**

14. Share Capital

a) Authorized

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

b) Issued

		2012		2011	
	Note	**Number of Shares**	**Amount**	Number of Shares	Amount
Common shares, beginning of year		59,108,150	$ 15,252,244	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	6, 7	28,137,293	9,344,733	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
Common shares, end of year		**87,245,443**	**$ 24,596,977**	**59,108,150**	**$ 15,252,244**

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.

(Expressed in US Dollars)

All stock-based compensation equity awards to employees and non-employee directors are currently granted under the 2012 Stock Plan (our 2012 Plan). The fair value of grants is determined utilizing the Black-Scholes option-pricing model for stock options. The aggregate number of options that are available to be issued under the plan is 10% of the outstanding common shares. At December 31, 2012 the Company had a remaining 2,529,544 shares that could be issued under the 2012 Plan.

Prior to 2012, the Company granted stock options under the Plan, which generally expire five years from the date of grant. The exercise price of the option could be less than the fair market value per share of the Company's common stock on the grant date and the options vested immediately.

During 2012, the Company amended its stock option plan. Under the new amended Plan the exercise price can not be less that the fair market value per share of the Company's common stock on the grant date and the options vest over a three year period and options generally expire five years from the date of grant.

The following table summarizes information related to outstanding and exercisable options held by the Company's employees and directors at December 31, 2012:

	Shares		Weighted Average Exercise Price per Share (C$)	Weighted Average Remaining Contractual Terms (In years)
Outstanding at December 31, 2010	775,000	$	0.24	2.50
Granted	3,555,000		1.20	
Expired	(300,000)		0.88	
Exercised	(100,000)		0.24	
Outstanding at December 31, 2011	3,930,000		1.06	3.80
Granted	2,815,000		0.41	
Expired	(550,000)		1.20	
Exercised	-		-	
Outstanding at December 31, 2012	6,195,000	$	0.75	3.80
Exercisable at December 31, 2012	3,536,389	$	1.01	2.80

The stock price was C$0.40 on the date of the stock option exercises in the year ended December 31, 2011.

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 as the options vest. The following table presents the weighted average assumptions and resulting weighted average fair value of the stock options granted.

(Expressed in US Dollars)

	Year ended December 31, 2012	2011
Risk free interest rate (%)	1.29	2.38
Average expected life (years)	5	5.00
Average expected volatility (%)	113.91	117.07
Estimated Forfeiture rate (%)	-	-
Dividend yield (%)	-	-
Fair value per option (C$)	0.41	1.20

As of December 31, 2012, the Company has $831,967 unrecognized stock-based compensation expense related to unvested stock-based compensation awards. The compensation expense is expected to be recognized on a graded-vesting basis over the applicable remaining vesting periods. The full amount is expected to be recognized within three years.

For the year ended December 31, 2012, Mountainview recorded non-cash share-based compensation expense of $94,347 (December 31, 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 2012	–	$ -

The exercise price of the warrants, which were exercised and expired in the year ended December 31, 2011, was C$0.32 per warrant.

	Year ended December 31, 2012	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)

e) Contributed surplus

	December 31, 2012	December 31, 2011
Balance, beginning of year	$ 4,509,059	$ 212,930
Share-based compensation expensed	94,347	3,597,911
Stock options exercised	-	(27,476)
Fair value of warrants expired	-	725,694
Balance, end of year	**$ 4,603,406**	**$ 4,509,059**

f) Per Share Amounts

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

	Year ended December 31, 2012	2011
Net income (loss) for the year	$ (8,396,903)	$ (4,736,238)
Weighted average shares - basic and diluted	75,836,349	49,208,929
Income (loss) per share - basic and diluted	$ (0.11)	$ (0.10)

	Year ended December 31, 2012	2011
Weighted average number of basic and diluted shares	75,836,349	49,208,929

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.

15. RELATED PARTY TRANSACTIONS

On January 19, 2012, we entered into a Purchase and Sale Agreement with eight sellers whereby we agreed, through one of our wholly-owned subsidiaries, to purchase the Medicine Lake property from the sellers in exchange for, among other things, 23,110,020 of our common shares. Two of such sellers, Stewart Geological, Inc. (“Stewart Geological”) and MBI Oil & Gas, LLC (“MBI”), were shareholders holding in excess of five percent of our issued and outstanding common shares as of the date of such agreement. The transactions contemplated by such agreement were completed on May 28, 2012. Of the 23,110,020 shares issued in such transactions, 6,921,867 and 5,794,377 shares were issued to Stewart Geological and MBI, respectively, which shares had an approximate market value of $CAD 2,353,434 and $CAD 1,970,088, respectively, based on the closing trading price of our common shares on the TSX Venture Exchange as of May 28, 2012. See details in Note 4 and Note 6.

On January 19, 2012, we entered into a Purchase and Sale Agreement and a related Amending Agreement with Genesis Energy, Inc. (“Genesis”) whereby we agreed to purchase property from Genesis in exchange for $283,000 in cash and convertible debentures having an aggregate face amount of $2,377,000 (Note 4 and 8). The transactions contemplated by this agreement with Genesis were closed on May 28, 2012. Patrick M. Montalban, our President and Chief Executive Officer and one of our directors and significant shareholder, is a 50% owner of Genesis.

On January 19, 2012, we entered into a Contribution Agreement with Mountainview Energy (USA) Ltd. ("MVUSA") and various contributors whereby, we and our affiliates and various other contributors agreed to contribute property or other assets to MVUSA in exchange for shares of MVUSA. After the transaction, MVUSA became one of our subsidiaries, with all of its Class A Shares held by us or our subsidiaries. At the closing of the transactions contemplated by the Contribution Agreement on May 28, 2012, MVUSA issued 7,822,727 Class B Shares to Altamont Energy, Inc., one of the contributors. Altamont Energy, Inc. is 100% owned by Patrick M. Montalban, our President and Chief Executive Officer and one of our directors and significant shareholder. The Class B Shares of MVUSA can be exchanged at the option of the holder, on a share for share basis with common stock of the Company or at the option of the Company be paid by cash at the current market value calculated as weighted average price per common stock of the Company for 20 consecutive trading days of the TSX-V. The exchange dates are as follows: (i) June 4, 2012 to June 4, 2013 (33%), (ii) June 5, 2013 to June 5, 2014 (66%), (iii) June 6, 2014 to June 6, 2019 (100%) and (iv) June 8, 2019 to June 9, 2022 (100% mandatory exchangeable or payable by cash). See details in Note 4.

On April 30, 2012, we entered into a Guaranty and Indemnity Agreement with James R. Arthaud, Carter Steward and Patrick M. Montalban whereby, the Messrs. Arthaud, Stewart and Montalban agreed to jointly and severally guarantee the transfer or payment to the Company of $12,579,000 on or before May 30, 2012, to be used for the acquisition of a 100% working interest in the 12 Gage Prospect pursuant to the Murex Purchase and Sale Agreement. In connection with the Guaranty and Indemnity Agreement, on May 30, 2012, each of Stewart Geological and James R. Arthaud loaned us $4 million pursuant to a Promissory Note bearing interest at nine percent with a maturity date of May 30, 2014. Each of Stewart Geological and James R. Arthaud is a significant holder of our issued and outstanding common shares. See details in Note 4 and 9.

On April 17, 2012, we entered into a revolving line of credit with First Interstate Bank that, as amended, permits Company borrowings of up to $8.7 million. Patrick M. Montalban, our President and Chief Executive Officer and one of our directors and significant shareholder, and Carter Stewart, one of our major shareholders, personally guaranteed the Company's obligations under the Line of Credit. (Note 7)

During the year the Company paid or accrued $719,900 to three companies owned by one of the major shareholders for services provided in the drilling of the three wells in the 12 Gage Property.

During the year the Company issued a note payable to one of its major shareholders for $2,000,000. During the year this note payable was repaid plus $31,564 in interest was paid

Key management includes the Company's directors and officers. Compensation awarded to key management includes salaries and benefits including director fees, consulting fees and awards granted under the Company's long-term incentive plan.

The following table presents key management compensation at December 31, 2012:

(Expressed in US Dollars)

	Year ended December 31, 2012	Year ended December 31, 2011
Key management compensation		
Salaries, benefits and other short-term compensation	$ 429,642	$ 366,427
Share-based compensation	61,669	2,793,314
Total key management compensation	**$ 491,311**	**$ 3,159,741**

16. DEFERRED TAXES

Income tax expense differs from the amount that would result from applying the Canadian and the federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	2012	2011
Earnings (loss) before income taxes	$ (8,306,521)	$ (4,812,674)
Canadian federal and provincial income tax rates	25.00%	26.50%
Income tax (recovery) expense based on the above rates	(2,076,630)	(1,275,359)
Increase (decrease) due to:		
Non-deductible items and other	(9,672)	987,671
Difference in foreign tax rates	(1,131,601)	19,604
Tax effect of tax losses and other temporary differences not recognized	3,308,285	191,648
Income tax expense (recovery)	**$ 90,382**	**$ (76,436)**
Current income tax	90,382	63,193
Deferred income tax (recovery)	-	(139,629)
Income tax expense (recovery)	**$ 90,382**	**$ (76,436)**

(Expressed in US Dollars)

Recognized components of deferred income taxes are as follows:

	2012	2011
Deferred income tax assets		
Non-capital losses	$ 265,403	$ 63,488
Oil and natural gas properties	4,162,982	123,053
Share issue costs	31,480	41,063
Asset Retirement Obligation	73,167	56,735
Total deferred income tax assets	4,533,032	284,339
Deferred income tax liabilities		
Oil and natural gas properties	(1,033,099)	-
Property, plant and equipment	-	(92,690)
Total deferred income tax liabilities	(1,033,099)	(92,690)
Recognized deferred income tax liability	$ -	**$ -**

Unrecognized deductible temporary differences, unused tax losses, and unused tax credits are attributable to the following:

	2012	2011
Non-capital losses	265,403	63,488
Oil and natural gas properties	3,129,883	30,362
Share issue costs	31,480	41,063
Asset Retirement Obligation	73,167	56,735
Total unrecognized deferred income tax assets, net	**$ 3,499,933**	**$ 191,648**

The Company has non-capital loss carry-forwards of approximately $919,524 that may be available for tax purposes. The loss carry-forwards are all in respect of its Canadian operations and expire as follows:

2028	$ 3,767
2029	$ 23,566
2030	$ 22,198
2031	$ 277,206
2032	$ 592,787
	$ 919,524

(Expressed in US Dollars)

17. PRODUCTION AND OPERATING EXPENDITURES

The following table presents a breakdown of the production and operating expenditures included in the consolidated statement of income (loss):

	Year ended December 31,	
	2012	2011
Labour and consulting	$ 361,207	$ 341,496
Production and property taxes	200,190	328,996
Repairs and maintenance	505,716	267,183
Materials	276,288	212,974
Electrical	168,893	159,841
Vehicle	129,519	136,531
Engineering	63,993	56,336
Other production costs	58,708	86,392
Insurance	30,197	13,753
Beginning Inventory	23,665	5,014
Ending Inventory	(18,544)	(23,665)
	$ 1,799,832	$ 1,584,852

18. GENERAL AND ADMINISTRATIVE

The following table presents a breakdown of the general and administrative expenditures included in the consolidated statement of income (loss):

	Year ended December 31,	
	2012	2011
Travel and promotion	$ 383,407	$ 524,960
Salaries and Wages	485,678	331,527
Legal Fees	180,170	320,002
Accounting and Auditing	268,388	269,727
Office expense	104,771	180,285
Shareholder relations	111,279	121,611
Investor Relations	40,184	56,605
Listing and filing fees	6,671	52,005
Director fees	15,504	23,097
Insurance	58,456	21,742
Professional fees	50,000	19,441
Transfer Agent Fees	21,534	19,115
	$ 1,726,042	$ 1,940,116

19. 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), convertible debenture, line of credit, credit facility, promissory note and long-term 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), convertible debenture, line of credit, credit facility, promissory note and long-term debt are classified as other financial liabilities and are similarly measured at amortized cost. As at December 31, 2012, the fair values of these financial assets approximate their carrying value. The carrying values of the Company's financial liabilities may be higher than their fair value due to the Company's liquidity position (see Note 1).

The Company classifies the fair value of these transactions according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument:

• Level 1 – Values are based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.

• Level 2 – Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.

• Level 3 – Values are based on prices or valuation techniques 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 $453,000 change in the Company's net loss for the year ended December 31, 2012 (December 31, 2011 - $398,500) 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 convertible debenture, long-term debt and promissory notes. The interest rate on line of credit and credit facility is variable and based on the bank's prime rates. A 1% change in the prime rates is estimated to result in a $198,000 change in the Company's net loss for the year ended December 31, 2012. The Company had no interest rate swap or financial contracts in place as at or during the year ended December 31, 2012 and 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, 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:

	December 31, 2012	December 31, 2011
Cash at bank (C$)	$ 84,892	$ 216,995
Value-added tax receivables (C$)	48,767	86,451
Trade accounts payable (C$)	257,105	(227,314)
	$ 390,764	**$ 76,132**

Based on the net exposures in the preceding table as at December 31, 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 $39,000 (2011 – $7,600) in the Company's net income (loss).

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 2012 or 2011 to date. At December 31, 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 has a concentration of credit risk in respect of trade receivables as approximately 87% of its sales and resulting receivables are within one unrelated third party, which is engaged in the energy industry in Montana, United States. 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. The Company has short-term debt as disclosed in Note 10 & 11, and long-term debt as disclosed in Note 12. See also liquidity position discussion in Note 1.

20. 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:

(Expressed in US Dollars)

	Year ended December 31, 2012	2011
Changes in non-cash working capital:		
Accounts receivable	$ 371,653	$ (427,539)
Inventory	5,121	(18,651)
Accounts payable and accrued liabilities	110,562	64,003
Changes in non-cash working capital	$ 487,336	$ (382,187)

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

	2012	2011
Exploration and evaluation assets	$ 11,902,859	$ 6,337,138
Oil and gas properties	$ -	$ 349,754
Shares issued on acquisition	$ 11,902,859	$ 5,772,685

	2012	2011
Taxes:		
Income tax paid	$ 164,876	$ 224,024
Income tax refund	$ (70,822)	$ -
Current income tax	$ (90,382)	$ (63,193)
Interest:		
Cash interest paid	$ 295,652	$ 5,260

21. 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.

22. CONTINGENCIES AND COMMITMENTS

The Company had a contract with a drilling company to drill three wells. The Company had a commitment to pay this company $102,500 for each of the three wells if not drilled. Subsequent to the year end all three wells were drilled.

23. SEGMENT INFORMATION

Operating Segments

The Company has one reportable segment, oil and natural gas exploration and production, as determined in accordance with authoritative guidance regarding disclosure about segments of an enterprise and related information. All of the Company's operations are located in the United States.

Economic dependence and major customers

In 2012, two customers, C.H.S. Inc, and Energy West Resources Inc, accounted for approximately, 87% and 5%, respectively, of the Company's consolidated revenue. The Company enters into short term contracts with its primary customers, which are subject to periodic renewals at the discretion of both parties at market rates. Should the customer relationship with C.H.S. Inc. discontinue in the future, the loss of revenue might result in a material adverse effect on the Company and its going concern. For further details on the Company's assessment of its going concern basis of preparation refer to Note 1.

In 2011, two customers, C.H.S. Inc, and Altamont Oil and Gas (related party), accounted for approximately 93%, and 1%, respectively, of the Company's consolidated revenue.