MOUNTAINVIEW ENERGY LTD

Consolidated Financial Statements

For the Years Ended December 31, 2013 and 2012

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

"Brent Osmond"
Brent A. Osmond
VP Finance & CFO

Cut Bank, Montana
April 22, 2014

April 22, 2014

Independent Auditor's Report

To the Shareholders of
Mountainview Energy Ltd.

We have audited the accompanying consolidated financial statements of Mountainview Energy Ltd. and its subsidiaries, which comprise the consolidated statements of financial position, as at December 31, 2013 and December 31, 2012 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, 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 audit 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mountainview Energy Ltd. and its subsidiaries as at December 31, 2013 and December 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

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.

PricewaterhouseCoopers LLP

Chartered Accountants

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

	Notes	December 31, 2013	December 31, 2012
ASSETS			
Cash at bank		$ 5,409,820	$ 460,720
Restricted cash		-	474,121
Short-term investments	5	5,590	105,656
Trade and other receivables	6	4,636,402	820,948
Prepaid expense		30,000	-
Crude oil inventory		115,039	18,544
Assets held for sale	9	2,613,523	-
		12,810,374	1,879,989
Non-current assets			
Reclamation Deposits		265,436	263,071
Exploration and evaluation assets	7	27,613,975	42,593,713
Property, plant and equipment	8	44,054,182	4,318,827
TOTAL ASSETS		**$ 84,743,967**	**$ 49,055,600**
LIABILITIES			
Trade payables and other liabilities	10	$ 8,039,804	$ 8,576,036
Convertible debenture		-	2,123,947
Line of credit	11	8,660,000	8,494,000
Liabilities held for sale	9	1,136,797	-
Current portion of long-term debt	13	109,187	58,775
Short-term derivative liability	22	101,518	-
Income tax payable	19	-	108,952
Total current liabilities		18,047,306	19,361,710
Non-current liabilities			
Deferred tax liabilities		-	-
Long-term derivative liability	22	25,020	-
Long-term debt	13	281,980	120,257
Credit facility	13	38,203,410	1,004,308
Promissory notes payable	13	9,886,533	8,061,005
Convertible debenture	12	2,211,746	-
Decommissioning obligations	14	1,166,131	276,291
TOTAL LIABILITIES		**69,822,126**	**28,823,571**
SHAREHOLDERS' EQUITY			
Common shares	15	24,945,036	24,596,977
Convertible common shares	8	2,558,126	2,558,126
Contributed surplus	15	4,919,309	4,603,406
Deficit		(17,500,630)	(11,526,480)
TOTAL EQUITY		14,921,841	20,232,029
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 84,743,967**	**$ 49,055,600**

Contingent liabilities (Note 16)

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 Loss
(Expressed in US Dollars)

	Notes	Year Ended December 31, 2013	2012
Revenues			
Oil revenue and natural gas sales		$ 20,527,098	$ 3,559,782
Miscellaneous revenue		71,399	146,502
Royalties		(3,329,738)	(298,547)
Revenues, net of royalties		17,268,759	3,407,737
Expenses			
Production and operating expenditures		6,565,525	1,799,832
General and administrative		2,219,556	1,726,042
Impairment of oil and natural gas properties		281,029	6,903,662
Depletion, accretion and depreciation		6,000,222	1,479,268
Foreign exchange (gain) loss		105,841	(21,191)
(Gain) loss on disposal of PP&E		(7,876)	16,607
(Gain) on disposal of E&E assets		-	(576,269)
Exploration and evaluation expiries		2,513,784	-
General E&E Expenses		9,023	-
Share-based compensation		528,833	94,347
		18,215,937	11,422,298
Earnings (loss) from operations		(947,178)	(8,014,561)
Other (income) expense			
Finance income		(2,642)	(3,692)
Finance costs		4,992,334	295,652
Loss on derivatives	21	126,538	-
		5,116,230	291,960
Earnings (loss) before income taxes		(6,063,408)	(8,306,521)
Provision for (recovery of) current tax	18	(89,258)	90,382
Net earnings (loss) and comprehensive income (loss)		**$ (5,974,150)**	**$ (8,396,903)**
Net earnings (loss) per share			
Basic and diluted		**$ (0.07)**	**$ (0.11)**
Weighted average number of common shares outstanding	14	87,563,662	75,836,349

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	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance at December 31, 2012		$ 24,596,977	$ 2,558,126	$ 4,603,406	$ (11,526,480)	$ 20,232,029
Exercise of options		348,059	-	(212,930)	-	135,129
Share-based compensation		-	-	528,833	-	528,833
Net loss for the year		-	-	-	(5,974,150)	(5,974,150)
Balance at December 31, 2013		$ 24,945,036	$ 2,558,126	$ 4,919,309	$ (17,500,630)	$ 14,921,841

	Notes	Common Shares	Convertible Common Shares	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		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

See accompanying notes to the consolidated financial statements

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

	Notes	Year Ended December 31, 2013	2012
Operating			
Net and comprehensive income (loss)		$ (5,974,150)	$ (8,396,903)
Items not affecting cash:			
Depletion and depreciation		6,000,222	1,479,268
Share-based compensation		528,833	94,347
Gain on sale of oil and natural gas assets		-	(576,629)
Loss on disposal of property, plant and equipment		(7,876)	16,607
Finance costs		3,093,544	262,899
Exploration and evaluation expiries		2,513,784	-
Impairment on oil and natural gas interests		281,029	6,903,662
Loss on derivatives		126,538	-
Income tax (recovery)		(108,952)	(3,672)
Changes in non-cash working capital		2,024,767	487,336
		8,477,739 -	266,915
Financing			
Exercise of options		135,129	-
Promissory note		1,055,154	7,850,000
Increase (decrease) line of credit		165,022	8,494,000
Proceeds from borrowings under Credit Facility		35,398,419	530,187
Increase (decrease) in long-term debt		212,135	(1,260)
		36,965,859	16,872,927
Investing			
Exploration and evaluation assets		(22,324,861)	(14,737,242)
Reclamation deposit		(2,365)	(102,532)
Property, plant and equipment expenditures		(18,291,338)	(6,386,847)
Disposal of oil and natural gas assets		24,000	3,622,913
Short-term investments		100,066	103,757
		(40,494,498)	(17,499,951)
Change in cash at bank		4,949,100	(360,109)
Cash at bank, beginning of year		460,720	820,829
Cash at bank, end of year		**$ 5,409,820**	**$ 460,720**

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 was continued into the Province of Alberta in May 2012. 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, 2013 and December 31, 2012. As at December 31, 2013 and December 31, 2012, the Company had a deficit of $17,500,630 and $11,526,480 respectively, and a working capital (deficit) of ($5,236,932) and ($17,481,721) 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 Company’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 Company has consistently applied the same accounting policies throughout all years presented in these financial statements, except as identified in note 4. The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of April 15, 2014, 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) Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates, and differences could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Estimates and assumptions

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 8 – valuation of property, plant and equipment;
- Note 14 – measurement of decommissioning provision;
- Note 15 – measurement of share-based compensation;
- Note 17 – valuation of financial instruments;
- Note 19 – income tax expense;

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which may have the most significant effect on the amounts recognized in the financial statements.

(a) Exploration and evaluation assets

The decision to transfer assets from exploration and evaluation to property and equipment is based on the estimated proved and probable reserves used in the determination of an area's technical feasibility and commercial viability (note 7).

(b) Reserves base

The oil and gas development and production properties are depreciated on a unit of production ("UOP") basis at a rate calculated by reference to total proved reserves determined in accordance with national Instrument 51-101 "Standards of Disclosure for oil and Gas Activities" and incorporate the estimated future cost of developing and extracting those reserves. Total proved reserves are determined using estimates of oil and natural gas in place, recovery factors and future prices. Future development costs are estimated using assumptions as to number of wells required to produce the reserves, the cost of such wells and associated production facilities and other capital costs (note 8).

Total proved reserves are estimated using independent reserve engineer reports and represent the estimated quantities of oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is highly likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(c) Depletion of oil and gas assets

Oil and gas properties are depleted using the UOP method over proved reserves. The calculation of the UOP rate of depletion could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves (note 8).

(d) Determination of cash generating units

Oil and gas properties are grouped into cash generating units for purposes of impairment testing. Management has evaluated the oil and gas properties of the Company, and grouped the properties into cash generating units on the basis of their ability to generate independent cash inflows, similar reserve characteristics, geographical location, and shared infrastructure (note 8).

(e) Impairment indicators and calculation of impairment

At each reporting date, Mountainview assesses whether or not there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets and property and equipment are not recoverable, or impaired. Such circumstances include incidents of deterioration of commodity prices, changes in the regulatory environment, or a reduction in estimates of proved and probable reserves. At December 31, 2013, Management exercised judgment and determined that there were impairment indicators present for certain CGUs (note 7). When management judges that circumstances clearly indicate impairment, property and equipment and exploration and evaluation assets are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of cash generating units are determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions that are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves, discount rates, as well as future development and operating costs (note 8).

3. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The principal undertakings of Mountainview Energy Ltd (the “Company” or “Mountainview”) are to carry on the business of acquiring, developing and holding interests in petroleum and natural gas properties and assets related thereto through a general partnership and wholly owned subsidiaries.

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)

The consolidated financial statements include the accounts of the Company and its subsidiaries and any reference to the "Company" throughout these consolidated financial statements refers to the Company and its subsidiaries. All transactions between the Company and its subsidiaries 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, 2013 and 2012, the Company had $NIL and $474,121 in restricted cash in current assets. The initial restricted cash balance was $500,000 on the Senior Secured Advancing Line Credit Facility. Once the original amount has been drawn down the Company is required to have a minimum balance of $100,000 be maintained at all times.

d) Reclamation deposits

At December 31, 2013, the Company has $265,436 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 arrangements

A portion of the Company's oil and natural gas activities involve joint arrangements classified as joint operations. The Company's share of these joint operations and a proportionate share of the relevant revenue and costs are reflected in the financial statements. Joint control exists for contractual arrangements governing Mountainview assets where all partners collectively control the arrangement and share the associated risks, Mountainview has less than 100 percent working interest, all of the partners have control of the arrangement collectively and spending on the project requires unanimous consent of all parties. Mountainview does not have any joint arrangements that are material to the Company or that are structured through joint venture arrangements.

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 and equipment ("PP&E")

Property and equipment includes the costs of oil and gas development and production and water disposal assets 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).

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.

(i) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. the remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in income in the period incurred. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the statement of income (loss).

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment, as oil and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less cost 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. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. Fair value less cost of disposal is assessed utilizing market valuation based on an arm's length transaction between active participants. In the absence of any such transactions, fair value less costs of disposal is estimated by discounting the expected after-tax cash flows of the cash generating unit at an after-tax discount rate that reflects the risk of the properties in the cash generating unit. The discounted cash flow calculation is then increased by a tax-shield calculation, which is an estimate of the amount that a prospective buyer of the cash generating unit would be entitled. The carrying value of the cash generating unit is reduced by the deferred tax liability associated with its property and equipment.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been objective change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or depletion, if no impairment loss had been recognized.

j) Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. For the sale to be highly probable, Management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell, with impairments recognized in the statements of income in the period measured. Non-current assets held for sale are presented as current assets and liabilities within the balance sheet. Assets held for sale are not depleted, depreciated or amortized.

k) 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

q) Net finance expenditure

Finance expense is comprised of interest expense on borrowings, promissory notes, convertible debentures, accretion on the credit facility and accretion on the discount of decommissioning obligations.

r) 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.

s) 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.

t) 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.

4. NEW ACCOUNTING POLICIES

Changes in Accounting Policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

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 was adopted retrospectively for periods beginning on or after January 1, 2013 and has no material impact.

IFRS 10 Consolidated Financial Statements – replaces IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 revised the definition of control and focuses on the need to have power and variable returns for control to be present. Adoption did not result in any change in the consolidation status of the Company and/or any of its subsidiaries.

IFRS 11 Joint Arrangements – requires a company to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint

operation the Company will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31 Interest in Joint Ventures, and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. The Company has analyzed its joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements. The Company's share of the assets, liabilities, revenues and expenses are recognized in the annual consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities – replaces the disclosure requirements previously included in IAS 27, IAS 31, and IAS 28 Investment in Associates. It sets out the extensive disclosure requirements relating to an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structure entities. The Company assessed its interests in other entities on January 1, 2013 and determined that no additional disclosure was necessary.

IFRS 13 Fair Value Measurement – is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013. The Company has complied with the new disclosure requirements of IFRS 13 in Note 17 – Financial Instruments, as applicable to interim financial statements in accordance with IAS 34.

IAS 36 Impairment of Assets - IAS 36 was amended in May 2013 to reduce the circumstances in which the recoverable amount of CGUs containing goodwill, and adds disclosures of the recoverable amount of a CGU with impairment. As allowed by the standard the Company early adopted the amendment in the current period. Refer to note 8 for the amended disclosures.

Future Accounting Policy Changes

The following are standards issued but not yet effective up to the date of issuance of these financial statements. The Company reasonably expects these standards to be applicable at a future time and intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments - contains three phases, of which phase one, relating to accounting for financial assets and financial liabilities, and phase two, relating to hedge accounting, have been published. The third phase will address impairment of financial instruments. For financial assets, IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in OCI rather than net earnings, unless this creates an accounting mismatch. IFRS 9 also introduces a simplified hedge accounting model, aligning hedge accounting more closely with risk management. Mountainview does not currently apply hedge accounting. A mandatory effective date for IFRS 9 in its entirety will be announced when the project is closer to completion. Early adoption of the two completed phases is permitted only if adopted in their entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the Consolidated Financial Statements.

IAS 32 Financial Instruments: Presentation – was amended in December 2011 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 amendments to IAS 32 were effective for annual

periods beginning on or after January 1, 2014, requiring retrospective application. IAS 32 will not have a significant impact on Mountainview.

5. SHORT-TERM INVESTMENTS

Short-term investments are presented by guaranteed investment certificates ("GICs") at December 31, 2013 are as follows:

Maturity		Face Value	Interest Rate
September 24, 2014	$	5,590	0.25%
At December 31, 2013	$	5,590	

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

The GICs are carried at cost plus interest, which approximates fair value and can be redeemed at any time without penalty. During the year the Company redeemed $100,000 of the GIC.

6. TRADE AND OTHER RECEIVABLES

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

	Note		December 31, 2013		December 31, 2012
Value-added tax receivables		$	11,286	$	49,016
Sale of crude petroleum			2,838,574		305,018
Joint interests			1,724,968		440,224
Joint interest revenue receviable			-		26,690
Employee loan			800		-
Due from related party	16		60,774		-
		$	**4,636,402**	**$**	**820,948**

The Company had a joint interest receivable of $351,097 from two companies owned by two of its major shareholders (see Note 16).

7. 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, 2011		$ 12,341,690
Additions		33,298,667
Disposals		(3,046,644)
At December 31, 2012		42,593,713
Additions		4,935,923
Disposals		(24,000)
Exploration and evaluation expiries		(2,513,784)
Transfers to oil and gas properties	8	(17,366,817)
Transfers to held for sale assets		(11,060)
At December 31, 2013		**$ 27,613,975**

Exploration and evaluation ("E&E") assets consist of the Company's land and exploration projects which are pending the determination of technical feasibility and commercial viability. In the year ended December 31, 2013, the Company recognized an expense of $2.5 million ($Nil – December 31, 2012) for 14,364 net acres of current land expiries for which management has neither budgeted for nor planned further exploration.

During the year ended December 31, 2013, the Company assigned three leases to a related party after the related party paid for the leases. During the year ended December 31, 2012 – the Company sold a portion of its non-core leases in the Glacier County and Toole County, Montana for gross proceeds of $1.0 million. The Company recorded a gain of $0.5 million.

8. OIL AND GAS PROPERTIES

Cost:	Note	Oil and gas properties	Oil and gas development assets	Water disposal assets	Corporate assets	Total
Balance at December 31, 2011		$ 6,738,606	$ 768,303	$ 703,948	$ 27,165	$ 8,238,022
Additions		8,214,338	97,918	12,489	-	8,324,745
Change in ARO	14	(170,963)	-	-	-	(170,963)
Disposals		-	(52,898)	-	-	(52,898)
Balance at December 31, 2012		$ 14,781,981	$ 813,323	$ 716,437	$ 27,165	$ 16,338,906
Additions		29,806,712	302,723	14,347	188,969	30,312,751
Change in ARO	14	1,003,138	-	-	-	1,003,138
Transfers from E&E	7	17,377,877	-	-	-	17,377,877
Transfer to held for sale assets		(2,602,463)	-	-	-	(2,602,463)
Disposals		-	(174,707)	-	-	(174,707)
Balance at December 31, 2013		**$ 60,367,245**	**$ 941,339**	**$ 730,784**	**$ 216,134**	**$ 62,255,502**

Accumulated depletion, depreciation and impairment losses:					
At December 31, 2011	$ (3,210,211)	$ (402,530)	$ (45,451)	(18,752)	$ (3,676,944)
Depletion and depreciation	(1,191,915)	(121,047)	(142,038)	(2,524)	(1,457,524)
Impairment expense	(6,903,662)	-	-	-	(6,903,662)
Disposals	-	18,051	-	-	18,051
At December 31, 2012	(11,305,788)	(505,526)	(187,489)	(21,276)	(12,020,079)
Depletion and depreciation	(5,743,071)	(102,464)	(143,286)	(11,401)	(6,000,222)
Impairment expense	(281,029)	-	-	-	(281,029)
Disposals	-	100,010	-	-	100,010
At December 31, 2013	**$ (17,329,888)**	**$ (507,980)**	**$ (330,775)**	**$ (32,677)**	**$ (18,201,320)**
Net Carrying Value:					
At December 31, 2011	$ 3,528,395	$ 365,773	$ 658,497	$ 8,413	$ 4,561,078
At December 31, 2012	$ 3,476,193	$ 307,797	$ 528,948	$ 5,889	$ 4,318,827
At December 31, 2013	**$ 43,037,357**	**$ 433,359**	**$ 400,009**	**$ 183,457**	**$ 44,054,182**

The Company has no capitalized general and administrative expenses or share based compensation expenses directly related to development and production activities for the year ended December 31, 2013 and 2012.

Future development costs on proved undeveloped reserves of $0.5 million as at December 31, 2013 are included in the calculation of depletion ($Nil – December 31, 2012).

Exploration and evaluation costs are excluded from depletion until proved and/or probable reserves are determined.

At December 31, 2013, the Company assessed for indicators of impairment for all of its CGUs. Reductions to long term forecasted future natural gas benchmark pricing indicated that CGUs that produce a high level of natural gas may be impaired. For the purposes of determining whether impairment of assets has occurred, and the extent of any impairment or its reversal, management exercises their judgment in estimating future cash flows for the recoverable amount, being the higher of fair value less costs of disposal and value in use. These key judgments include estimates about recoverable reserves (see note 2 – Significant accounting judgments, estimates and assumptions), forecast benchmark commodity prices, royalties, operating costs and discount rates.

Mountainview estimated the recoverable amount for these CGUs based on the fair value less costs of disposal, determined with an after-tax discount rate of 10 percent (December 31, 3012 – 12 percent), forecasted cash flows over the estimated life of reserves, and an independent industry reserve engineer price deck. The discount rate is derived from the post-tax weighted average cost of capital for Mountainview's peer group. The forecasted cash flows are prepared over the estimated life of the reserves in the CGUs, which range from 20 to 50 years. The commodity prices used to estimate the fair value less costs of disposal are those used by independent industry reserve engineers.

At December 31, 2013, the Company reviewed the carrying value of the oil and gas properties by cash-generating units for indicators of possible impairment. As a result of the review, it was determined that the asset values of the oil and gas properties for Donovan, Jody Fields and Lake Frances were greater than the value of the future reserves associated with those properties. The carried net book value at December 31, 2013 was $363,289, while the estimated recoverable amount was $82,260. This resulted in an impairment charge of $281,029. Increasing or decreasing the discount rate by 1% in the calculation of estimated recoverable amount would result in a change of less than $30,000 on the overall impairment. At December 31, 2012, due to lower gas current and forward prices

and estimated life of reserves, the Company recognized an impairment of $6,903,662 on Donovan, Lake Frances, Pondera County, Medicine Lake and its gathering plant.

The following table outlines forecasted commodity prices used in Mountainview's CGU impairment tests at December 31, 2013.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
WTI (US$/bbl)	94.65	88.37	84.25	95.52	96.96	98.41	99.89	101.38	102.91	104.45	106.02
Henry Hub (US$/mmbtu)	4.169	4.154	4.166	5.041	5.117	5.194	5.272	5.351	5.431	5.513	5.595

Oil and gas prices were escalated thereafter 2024 at 1.5%.

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 shares 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 shares as consideration.
2. The Company's wholly owned US subsidiary then issued its common shares 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 61% of the Leaseholds).
   These class B shares are convertible to common shares 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.

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 US subsidiary for common shares of 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 the issuance of a debenture convertible into common shares of the Company at a price of $2.50 per common 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 $Nil (December 31, 2012 - $91,283) were charged to general and administrative expenses.

9. ASSETS HELD FOR SALE

Assets held for sale		
Balance, December 31, 2012	$	-
Reclassified from oil and gas properties		2,602,463
Reclassified from exploration and evaluation assets		11,060
Balance, December 31, 2013	**$**	**2,613,523**

The company is focusing its capital program on operated drilling opportunities in Divide County and, as a result, the Company is strategically disposing of non-core assets. The assets held for sale are being marketed publicly and the Company has engaged a third party to market the assets on the Company's behalf. This transaction is expected to close by the middle of the second quarter, 2014. The recorded liabilities on assets held for sale of $1.1 million represent outstanding joint interest bills for non-operated wells, as well as the discounted present value of the estimated future abandonment costs associated with the assets.

10. TRADE PAYABLES AND OTHER LIABILITIES

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

		December 31, 2013		**December 31, 2012**
Trade accounts payable	$	4,663,056	$	463,876
Accrued liabilities		126,927		177,400
Accounts payable - capital costs		2,318,229		7,684,380
Royalties payable		582,898		194,523
Production taxes payable		348,694		55,857
	$	**8,039,804**	**$**	**8,576,036**

11. 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, 2013 was $8,660,000. The Company's US subsidiary provided a general security over its assets and, a director and officer of the Company and 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 $16,452,749. Interest is payable monthly at a variable rate of prime plus 1.25%. The minimum interest rate is 5.25%. Subsequent to the year the line of credit was extended to May 17, 2014.

12. CONVERTIBLE DEBENTURE

On May 28, 2012, the Company acquired from a related company, a compressor, plant and equipment for consideration of $2,660,000. The Company paid $283,000 and agreed to issue a $2,377,000 debenture convertible into common shares of the Company at a price of $2.50 per common share (the 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). During the year ended December 31, 2013 the original Convertible Debenture was cancelled and a new Convertible Debenture was signed to extend the maturity date to June 1, 2015. As at December 31, 2013 the convertible debenture was $2,072,053 plus accrued interest of $139,693. At December 31, 2013, if the convertible debenture had been converted the Company would have issued 828,821 additional common shares of the Company.

13. DEBT AND CREDIT AGREEMENTS

The Company's debt and credit agreements consists of the following:

		2013		2012
Credit Facility	$	39,283,441	$	3,883,071
Long term debt	$	391,167	$	179,032
Promissory notes	$	8,905,153	$	7,850,000

Credit Facility

The Company entered into a senior secured advancing credit facility (the "Facility") for up to a maximum of $75.0 million. The Facility granted an initial borrowing base of $19.0 million (of the $75 million), which was used to fund the drilling of the Company's initial three wells in the 12-Gage Project. During the year ended December 31, 2013, the available Facility increased to $51.15 million to find a five well drilling program. The Facility matures on July 1, 2015, and amounts borrowed bear interest at a floating rate with an 8% minimum. Monthly repayments of outstanding interest plus principle 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 in full, 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.

In addition, the Company incurred fees of $401,875 representing 1.25% of the borrowing and paid $10,000 in reimbursed expenses to the lender. The Company also accrued $1,286,000 finder's fee. The finder's fee is payable at a rate of 4% based on each increase in the financing and up to the total amount available of $75.0 million.

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 be reduced from 39%to 20% once the lender achieves a 0.65 x return on investment (ROI is based on principal plus interest and fees). At December 31, 2013 the return on investment required to trigger this reduction in NPI is $27.6 million. The Facility is secured by a first priority mortgage and security interest in the 12-Gage properties. The carrying amount of the collateral is $58,979,452. The borrowing base under the Facility will be subject to re-determination in the absolute discretion of the lender. The Company's US subsidiary, Mountain Divide LLC, is required to maintain a current ratio of 1.0: 1.0. As at December 31, 2013 the US subsidiary's current ratio was 2.85:1.0.

The Company received proceeds of $38,575,824 (December 31, 2012 - $3,883,071) under the Facility at December 31, 2013. 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 $2,810,249 (December 31, 2012 - $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 Facility. At December 31, 2013, the Company owed $39,283,441 under the Facility. During the year ended December 31, 2013, the Company has repaid $3,175,455 of the principal and has paid or accrued $1,742,255 in interest.

The following table reconciles the face value of the credit facility to the carrying value:

		2013		2012
Opening balance	$	1,004,308	$	-
Proceeds received		38,575,824		3,883,071
Principal payments		(3,175,455)		-
Conveyance fee		(187,336)		(2,622,912)
Accretion		1,569,632		121,345
Deferred finance costs		-		(377,196)
Amortization of deferred finance costs		141,449		-
Interest accrual		274,988		-
Total	$	38,203,410	$	1,004,308

Long-term debt

The Company has various vehicle loans outstanding as at December 31, 2013 and December 31, 2012 of $391,167 and $179,032, respectively. The current portion of vehicle loans as at December 31, 2013 and December 31, 2012 is $109,187 and $58,775. There are twelve vehicle loans with fixed rates on the loans that vary from 0% interest to 3.90% and will be repaid after 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 and drawdown of the full principal balance. The principal was originally due and payable on or before May 30, 2014. During the year ended December 31, 2013, both of the major shareholders signed a new promissory note to extend the maturity date to

May 30, 2015. The interest on the promissory notes is still payable quarterly. At the year ended December 31, 2013, the balance due on the promissory notes was $7,850,000 plus accrued interest of $918,554. During 2012 the Company paid interest of $209,178 on two of the notes in addition to $150,000 in principle on one of the promissory notes. Interest accrued during 2012 was $211,005.

On March 12, 2013, the Company entered into two unsecured promissory notes payable with major shareholders of the Company and a Company with a director and officer in common, for $250,000, bearing interest at 5% per annum. The principal is payable on or before March 12, 2015. During the year ended December 31, 2013, the balance due on the promissory notes is $250,000 plus accrued interest of $10,034.

On November 26, 2013, the Company signed three unsecured promissory notes payable with a major shareholder of the Company, for $460,949, $248,204, and $96,000, bearing interest at 9% per annum. The principal is payable on or before March 15, 2015, May 7, 2015 and June 6, 2015. During the year ended December 31, 2013, the balance due on the promissory notes is $805,123 plus accrued interest of $52,790.

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

As at December 31, 2013	Total	< 1 Year	1-3 years	4-5 years	After 5 years
Credit facility	$ 39,283,441	$ -	$ 39,283,441	$ -	$ -
Promissory notes	9,886,533	-	9,886,533	-	-
Convertible Debenture	2,211,746	-	2,211,746	-	-
Vehicle loans	391,167	109,187	273,717	8,263	-
Total contractual obligations	$ 51,772,887	$ 109,187	$ 51,655,437	$ 8,263	$ -

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 notes	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	$ -

14. 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 $2,306,500 (2012 – $289,500) 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 2.42% has been applied to the estimated decommissioning cost as at December 31, 2013 and December 31, 2012. The Company's risk-free rate of 3.79% was used to calculate the fair value of the decommissioning liabilities at December 31, 2013 (December 31, 2012 – 2.95%).

A reconciliation of the decommissioning liability is provided below:

		2013		2012
Balance, beginning of year	$	276,291	$	419,681
Obligations acquired		-		56,979
Obligations incurred		787,597		-
Revisions of obligations		77,189		(227,942)
Accretion expenditure		25,054		27,573
Balance, end of year	**$**	**1,166,131**	**$**	**276,291**

15. SHARE CAPITAL

a) Authorized

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

b) Issued

		2013		2012	
	Note	**Number of Shares**	**Amount**	Number of Shares	Amount
Common shares, beginning of year		87,245,443	$ 24,596,977	59,108,150	$ 15,252,244
Issued on acquisition	6	-	-	28,137,293	9,344,733
Fair value of warrants issued pursuant to private placement		-	-	-	-
Stock options exercised		575,000	135,129	-	-
Share-based compensation		-	212,930	-	-
Common shares, end of year		**87,820,443**	**$ 24,945,036**	**87,245,443**	**$ 24,596,977**

c) Class B Shares

During the year ended December 31, 2012, the Company's subsidiary issued 7,822,727 Class B Shares, to a company whose shareholder is a Company Director and officer. The Class B shares 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:

- June 4, 2012 to June 4, 2013 33%
- June 5, 2013 to June 5, 2014 66%
- June 6, 2014 to June 7, 2019 100%
- June 8, 2019 to June 9, 2022 100% (mandatory exchangeable or payable by cash)

The effect of Class B shares has not been included in the EPS for the year ended December 31, 2013 and 2012. As at December 31, 2013 none of the shares have been exchanged.

d) Share-based payments

The Company has a stock option plan (the "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.

All stock-based compensation equity awards to employees and non-employee directors are currently granted under the 2012 Stock Plan (the "2012 Plan"). The fair value of option 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 of the Company. At December 31, 2013 the Company had a remaining 2,412,044 shares that could be issued under the 2012 Plan.

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

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 Company issued 750,000 options during the year ended December 31, 2013.

As of December 31, 2013, the Company has $575,675 in unrecognized stock-based compensation expenses 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, 2013, Mountainview recorded non-cash share-based compensation expense of $528,833 (December 31, 2012 $94,347).

The following table summarizes information related to outstanding and exercisable options held by the Company's employees and directors at December 31, 2013:

	Shares	Weighted Average Exercise Price per Share (C$)	Weighted Average Remaining Contractual Terms (In years)
Outstanding at December 31, 2011	3,930,000	$ 1.06	3.70
Granted	2,815,000	0.41	
Expired	(550,000)	1.20	
Outstanding at December 31, 2012	6,195,000	0.75	3.70
Granted	750,000	0.50	
Exercised	(575,000)	0.24	
Outstanding at December 31, 2013	6,370,000	$ 0.77	3.25
Exercisable at December 31, 2013	3,920,556	$ 0.98	2.66

e) Contributed surplus

	December 31, 2013	December 31, 2012
Balance, beginning of year	$ 4,603,406	$ 4,509,059
Share-based compensation expensed	528,833	94,347
Stock options exercised	(212,930)	-
Balance, end of year	**$ 4,919,309**	**$ 4,603,406**

f) Per Share Amounts

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

	Year ended December 31, 2013	2012
Net income (loss) for the year	$ (5,974,150)	$ (8,396,903)
Weighted average shares - basic and diluted	87,563,662	75,836,349
Income (loss) per share - basic and diluted	$ (0.07)	$ (0.11)

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

16. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2013 the Company paid or accrued $5,619,250 (December 31, 2012 - $719,900) to three companies owned by one of its major shareholders for services provided in the drilling of the wells in the 12-Gage Property. These services were provided at a competitive market rate.

During the year ended December 31, 2013, the Company had a joint interest receivable of $351,097 (December 31, 2012 - $Nil) from two companies owned by two of its major shareholders. The companies are participants in certain joint venture activities.

During the year ended December 31, 2013, the Company had a joint interest receivable of $60,774 (December 31, 2012 - $Nil) from three companies owned by a Director and officer in common. The companies are participants in certain joint venture activities.

During the year ended December 31, 2013, the Company had a joint inte rest payable of $258,594 (December 31, 2012 - $Nil) to two companies owned by two of its major shareholders. The companies are participants in certain joint venture activities.

On January 19, 2012, the Company, entered into a Purchase and Sale Agreement with eight vendors whereby the Company, agreed, through one of its wholly-owned subsidiaries, to purchase the Medicine Lake property from the vendors in exchange for, among other things, 23,110,020 of the Company's common shares. Two of such vendors, Stewart Geological, Inc. ("Stewart Geological") and MBI Oil & Gas, LLC ("MBI"), were shareholders holding in excess of five percent of the Company's 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 Mountainview Energy common shares on the TSX Venture Exchange as of May 28, 2012.

On January 19, 2012, the Company, entered into a Purchase and Sale Agreement and a related Amending Agreement with Genesis Energy, Inc. ("Genesis") whereby the Company, 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. The transactions contemplated by this agreement with Genesis were closed on May 28, 2012. Patrick M. Montalban, the President, Chief Executive Officer, Director and significant shareholder of Mountainview Energy, is a 50% owner of Genesis. During the year ended December 31, 2013 the original Convertible Debenture was cancelled and a new Convertible Debenture was signed to extend the maturity date to June 1, 2015.

On January 19, 2012, the Company, entered into a Contribution Agreement with Mountainview Energy (USA) Ltd. ("MVUSA") and various contributors whereby, the Company, its 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 a subsidiary, with all of its Class A Shares held by the Company. 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, the President, Chief Executive Officer, Director and significant shareholder of Mountainview Energy. 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 in 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 15.

On April 30, 2012, the Company, 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 the Company, $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 Mountinview Energy issued and outstanding common shares. During the year ended December 31, 2013, both of the major shareholders signed a new promissory note to extend the maturity date to May 30, 2015.

On April 17, 2012, the Company, 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, the President, Chief Executive Officer, Director and significant shareholder of Mountainview Energy, and Carter Stewart, a major shareholder, personally guaranteed the Company's obligations under the Line of Credit. (Note 11)

During the prior year the ended December 31, 2012, the Company issued a note payable to one of its major shareholders for $2,000,000. During the year ended December 31, 2012 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, 2013:

		Year ended December 31, 2013		Year ended December 31, 2012
Key management compensation				
Salaries, benefits and other short-term compensation	$	583,686	$	429,642
Share-based compensation		343,995		61,669
Total key management compensation	**$**	**927,681**	**$**	**491,311**

17. 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, 2013, 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 the instruments 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 the Company's oil and natural gas liquids production is estimated to result in a $2,221,040 change in the Company's net loss for the year ended December 31, 2013 (December 31, 2012 - $453,000). 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

The Company is charged a fixed interest rate on its convertible debenture, long-term debt and promissory notes. The interest rate on the 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 $479,011 change in the Company's net loss for the nine months ended December 31, 2013. The Company had no interest rate swap or financial contracts in place as at December 31, 2013 and December 31, 2012.

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 are not denominated in US dollars.

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

	December 31, 2013	December 31, 2012
Cash at bank (C$)	$ 52,179	$ 130,358
Value-added tax receivables (C$)	12,004	48,767
Trade accounts payable (C$)	267,126	257,105
	$ 331,309	**$ 436,230**

Based on the net exposures in the preceding table as at December 31, 2013, 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 $33,000 (December 31, 2012 – $44,000) 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 banks with high credit ratings. The Company has not experienced any collection issues with its marketers in 2013 or 2012 to date. As at December 31, 2013, the Company recorded $56,209 (December 31, 2012 – $Nil) in 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 93% of its sales and resulting receivables are with three unrelated third parties, which are engaged in the energy industry in Montana and North Dakota, United States. The Company considers all its receivables to be not past due.

e) Liquidity risk

Liquidity risk is the risk that Mountainview will not be able to meet all of its financial obligations when they become due. The Company manages its liquidity risk through the active management of cash flows, debt and maintaining appropriate access to credit. Mountainview believes it has the ability to satisfy current obligations with cash provided by operating activities and where necessary, utilization of the available portion of the existing credit facility for short-term fluctuations. For longer term management, the Company considers debt and share issuances under appropriate circumstances.

The timing of cash outflows relating to financial liabilities as at December 31, 2013 are as follows:

As at December 31, 2013	< 1 Year	1-3 years	3-5 years	After 5 years	Total
Trade and accrued liabilities	$ 8,039,804	$ -	$ -	$ -	$ 8,039,804
Line of credit	8,660,000	-	-	-	8,660,000
Long-term debt	109,187	273,717	8,263	-	391,167
Credit facility - principal	-	39,283,441	-	-	39,283,441
Credit facility - interest	3,142,595	1,571,298	-	-	4,713,893
Convertible debenture - principal	-	2,072,053	-	-	2,072,053
Convertible debenture - interest	-	139,693	-	-	139,693
Promissory notes - principal	-	8,905,154	-	-	8,905,154
Promissory notes - interest	-	981,379	-	-	981,379
Total	$ 19,951,586	$ 53,226,735	$ 8,263	$ -	$ 73,186,584

To the extent that Mountainview enters derivatives to manage commodity price risk, it may be subject to liquidity risk as derivative liabilities become due. Derivative instruments are not entered for speculative purposes and management closely monitors commodity risk exposure in comparison to forecasted sales volumes. Liquidity risk is partially mitigated as losses realized due to high commodity prices are generally matched by increased cash flows from sales in the high commodity price environment.
The Company's line of credit (note 11) is drawn on a revolving credit facility of $8.7 million, and is due on May 17, 2014

The Company's credit facility (note 13) is drawn on a credit facility of $75 million with a maturity date of June 15, 2015. If not extended, the credit facility due and payable at the maturity date.

In 2013, the Company issued convertible debentures with a face value of $Nil (December 31, 2012 - $2.0 million), convertible into shares of Mountainview at the holder's option. See Note 12.

18. 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:

	Year ended December 31, 2013	2012
Changes in non-cash working capital:		
Accounts receivable	$ (3,815,454)	$ 371,653
Prepaid expense	(30,000)	-
Inventory	(96,495)	5,121
Accounts payable and accrued liabilities	4,829,919	110,562
Liabilities held for sale	1,136,797	-
Changes in non-cash working capital	$ 2,024,767	$ 487,336

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

Exploration and evaluation assets	$	24,000	$	-
Oil and gas properties	$	-	$	-
Shares issued on acquisition	$	-	$	11,902,859
Taxes:				
Income tax paid	$	19,964	$	164,876
Income tax refund	$	-	$	(70,822)
Current income tax	$	-	$	(90,382)
Interest:				
Cash interest paid	$	1,898,790	$	295,652

19. 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:

		2013		**2012**
Earnings (loss) before income taxes	$	(6,063,409)	$	(8,306,521)
Canadian federal and provincial income tax rates		25.00%		25.00%
Income tax (recovery) expense based on the above rates		(1,515,852)		(2,076,630)
Increase (decrease) due to:				
Non-deductible items and other		152,453		(9,672)
Difference in foreign tax rates		(734,884)		(1,131,601)
Change in unrecognized tax asset		174,482		3,308,285
Prior year true up		1,834,544		-
Income tax expense (recovery)	**$**	**(89,257)**	**$**	**90,382**
Current income tax (recovery)		(89,258)		90,382
Deferred income tax (recovery)		-		-
Income tax expense (recovery)	**$**	**(89,258)**	**$**	**90,382**

The Company had unrecognized deductible temporary differences, unused tax losses, and unused tax credits that are attributable to the following:

	2013	2012
Non-capital losses	$ 2,953,115	$ 265,403
Charitable contribution carryforward	23,079	-
Oil and natural gas properties	77,799	3,129,883
Unrecognized loss on derivatives	49,843	-
Capital losses	65,068	-
Share issue costs	20,880	31,480
Other deferred tax assets	(46,466)	-
Property, plant and equipment	17,639	-
Asset Retirement Obligation	491,318	73,167
Allowance for doubtful accounts	22,140	-
Total unrecognized deferred income tax assets, net	**$ 3,674,415**	**$ 3,499,933**

The Company has non-capital loss carry-forwards of approximately $7,953,718 that may be available for tax purposes. The loss carry-forwards for the Company’s Canadian operations and U.S operations and the expiry are as follows:

	Canadian	U.S.
2028	$ 3,524	$ -
2030	$ 5,874	$ -
2031	$ 5,532	$ 27,676
2032	$ 385,284	$ 930,564
2033	$ 1,003,638	$ 5,591,626
	$ 1,403,852	$ 6,549,866

20. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain a conservative, yet flexible structure which will allow it to execute on its capital investment program. The Company actively monitors its capital structure through cash flow from operating activities (before changes in non-cash working capital, which drives current and forecasted net debt levels. In forecasting these amounts, the Company includes economic conditions; investment opportunities; past and forecasted capital investment efficiencies; and current and forecasted petroleum and natural gas prices.

In order to manage the capital structure, the Company will focus on its forecasted debt to forecasted cash flow from operating activities (before changes in non-cash working capital) ratio; the current level of available credit under the bank facility; the level of bank credit that may be obtainable as a result of crude oil and natural gas reserve growth; the availability of other sources of debt; issuing new common equity if available on favorable terms; the sale of assets; and limiting the size of the investment program.

The Company's share capital is not subject to external restrictions; however, its credit facility value is based primarily on its petroleum and natural gas reserves and there are covenants Mountainview must comply with (note 13). The Company was in compliance with all of its financial covenants at the end of the reporting period.

21. SEGMENT INFORMATION

Economic dependence and major customers

In 2013, two customers, C.H.S. Inc, and Sunoco Inc, accounted for approximately, 13% and77%, 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. or Sunoco 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 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.

At December 31, 2013, one of the customers accounted for 92% (2012 – 77%) of the accounts receivable.

22. HEDGING AGREEMENT

On December 19, 2013, the Company engaged in an eighteen month Hedging Agreement with Wells Fargo. The agreement has a collar with a floor at $85.00 and a ceiling at $97.70. As at December 31, 2013, there was an unrealized mark to market loss of $126,538 on this contract. The agreed barrels per months are as follows:

Month	Barrels
Jan-14	11,000
Feb-14	11,000
Mar-14	11,000
Apr-14	9,000
May-14	9,000
Jun-14	9,000
Jul-14	6,000
Aug-14	6,000
Sep-14	6,000
Oct-14	6,000
Nov-14	6,000
Dec-14	6,000
Jan-15	4,000
Feb-15	4,000
Mar-15	4,000
Apr-15	4,000
May-15	4,000
Jun-15	4,000