MOUNTAINVIEW ENERGY LTD

Q2 2013 Consolidated Financial Statements

For the Six and Three Months Ended June 30, 2013 and 2012

Expressed in US Dollars

unaudited

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

	Notes		June 30, 2013		December 31, 2012
ASSETS					
Cash at bank		$	2,438,518	$	460,720
Restricted cash	2		-		474,121
Short-term investments	4		5,656		105,656
Trade and other receivables	5		5,937,766		820,948
Oil inventory			70,401		18,544
Total current assets			8,452,341		1,879,989
Non-current assets					
Reclamation Deposits			264,398		263,071
Exploration and evaluation assets	6		33,679,550		42,593,713
Oil and gas properties	7		24,017,995		3,476,193
Property, plant and equipment	8		838,298		842,634
TOTAL ASSETS		**$**	**67,252,582**	**$**	**49,055,600**
LIABILITIES					
Trade payables and other liabilities	9	$	12,842,199	$	8,576,036
Convertible debenture	11		-		2,123,947
Line of credit	10		8,660,000		8,494,000
Promissory note payable	12		4,360,000		-
Current portion of long-term debt	12		53,405		58,775
Income tax payable			108,952		108,952
Total current liabilities			26,024,556		19,361,710
Non-current liabilities					
Long-term debt	12		193,249		120,257
Credit facility	12		16,084,972		1,004,308
Promissory note payable	12		4,306,133		8,061,005
Convertible debenture			2,167,353		-
Decommissioning obligations	13		276,318		276,291
TOTAL LIABILITIES			**49,052,581**		**28,823,571**
SHAREHOLDERS' EQUITY					
Common shares	14		24,945,036		24,596,977
Convertible common shares	14		2,558,126		2,558,126
Contributed surplus	14		4,669,422		4,603,406
Retained earnings (deficit)			(13,972,583)		(11,526,480)
TOTAL EQUITY			18,200,001		20,232,029
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**67,252,582**	**$**	**49,055,600**

Contingent liabilities (Note 15)

Subsequent events (Note 20)

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) (unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Revenues				
Gross oil and natural gas revenue	$ 5,107,241	$ 738,729	$ 7,116,240	$ 1,810,115
Water disposal revenue	7,048	34,900	18,429	47,173
Royalties	(739,997)	(68,970)	(1,013,703)	(141,396)
Revenues, net of royalties	4,374,292	704,659	6,120,966	1,715,892
Expenses				
Production and operating expenditures	1,902,056	282,571	2,655,391	716,110
General and administrative	499,549	376,312	1,090,736	674,121
Transaction costs	-	113,111	-	396,351
Depletion, accretion and depreciation	1,884,112	267,023	2,731,777	521,302
Foreign exchange (gain) loss	(294)	(62,365)	(77,008)	(56,998)
(Gain) loss on disposal of PP&E	-	-	(5,639)	-
Share-based compensation	138,452	-	278,946	-
	4,423,875	976,652	6,674,203	2,250,886
Earnings (loss) from operations	(49,583)	(271,993)	(553,237)	(534,994)
Other (income) expense				
Finance income	(639)	1,972	(1,517)	-
Finance costs	1,016,332	88,048	1,894,383	89,324
	1,015,693	90,020	1,892,866	89,324
Net earnings (loss) and comprehensive income (loss)	**$ (1,065,276)**	**$ (362,013)**	**$ (2,446,103)**	**$ (624,318)**
Net earnings (loss) per share				
Basic and diluted	**$ (0.01)**	**$ (0.01)**	**$ (0.03)**	**$ (0.01)**
Weighted average number of common shares outstanding	87,359,179	69,002,582	87,302,625	59,108,150

See accompanying notes to the consolidated financial statements

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

	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	6, 12	348,059	-	(212,930)	-	135,129
Share-based compensation		-	-	278,946	-	278,946
Net loss for the period		-	-	-	(2,446,103)	(2,446,103)
Balance at June 30, 2013		$ 24,945,036	$ 2,558,126	$ 4,669,422	$ (13,972,583)	$ 18,200,001

	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	6, 12	9,344,733	2,558,126	-	-	11,902,859
Net loss for the period		-	-	-	(594,238)	(594,238)
Balance at June 30, 2012		24,596,977	2,558,126	4,509,059	(3,723,815)	27,940,347
Issued on acquisition		-	-	-	-	-
Share-based compensation		-	-	94,347	-	94,347
Net loss for the year		-	-	-	(7,802,665)	(7,802,665)
Balance at December 31, 2012		$ 24,596,977	$ 2,558,126	$ 4,603,406	$ (11,526,480)	$ 20,232,029

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

	Six Months Ended June 30, 2013	2012
Operating		
Net and comprehensive income (loss)	$ (2,446,103)	$ (624,318)
Items not affecting cash:		
Depletion and depreciation	2,731,777	543,631
Share-based compensation	278,946	-
Interest expense	1,652,583	-
Loss on disposal of property, plant and equipment	(5,639)	-
Changes in non-cash working capital	(5,110,024)	(810,799)
Income tax	-	(112,624)
	(2,898,460)	(1,004,110)
Financing		
Issue of shares	135,129	9,344,732
Promissory notes	250,000	8,000,000
Line of credit	166,000	5,399,208
Proceeds from borrowings under Credit Facility	14,965,611	-
Repayments under Credit Facility	(655,133)	-
Convertible debenture	-	2,072,053
Increase (decrease) in long-term debt	67,622	(535)
	14,929,229	24,815,458
Investing		
Exploration and evaluation assets	8,914,163	(21,412,516)
Reclamation deposit	(1,327)	(2,608)
Property, plant and equipment expenditures	(110,122)	(50,852)
Oil and gas properties	(18,955,685)	(2,631,504)
Short-term investments	99,881	-
Interest (income) expense	119	(1,039)
	(10,052,971)	(24,098,519)
Change in cash at bank	1,977,798	(287,171)
Cash at bank, beginning of year	460,720	820,829
Cash at bank, end of year	**$ 2,438,518**	**$ 533,658**

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 interim 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 periods ended June 30, 2013 and December 31, 2012. As at June 30, 2013 and December 31, 2012, the Company had a deficit of $13,972,583 and $11,526,480 respectively and a working capital (deficit) of ($17,572,215) 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 interim consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim consolidated financial statements, including IAS 34, *Interim Financial Reporting*, and have been prepared following the same accounting policies as the annual consolidated financial statements for the year ended December 31, 2012 except as described in Note 3. The disclosures provided below are incremental to those included with the annual consolidated financial statements. Certain information and disclosures included in the notes to the annual consolidated financial statements are condensed herein or are disclosed on an annual basis only. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of August 29, 2013, the date the board of directors approved the statements.

These interim consolidated financial statements are prepared in US dollars. The functional currency of the Company and it's wholly owned subsidiaries 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.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2013, the Company adopted the following IFRS:

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

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

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

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

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

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

4. SHORT-TERM INVESTMENTS

Short-term investments are presented by guaranteed investment certificates ("GICs") at June 30, 2013 are as follows:

Maturity		Face Value	Interest Rate
September 24, 2013	$	5,656	0.45%
At June 30, 2013	$	5,656	

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

5. TRADE AND OTHER RECEIVABLES

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

		June 30, 2013		December 31, 2012
Value-added tax receivables	$	67,174	$	49,016
Sale of crude petroleum		1,652,087		305,018
Joint interests		4,135,802		440,224
Joint interest revenue receivable		82,703		26,690
	$	**5,937,766**	**$**	**820,948**

6. EXPLORATION AND EVALUATION ASSETS

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

	Note		Exploration and evaluation assets
Cost			
At December 31, 2011		$	12,341,690
Additions			33,298,667
Disposals			(3,046,644)
At December 31, 2012			42,593,713
Additions			12,530,870
Transfers to oil and gas properties	7		(21,445,033)
At June 30, 2013		**$**	**33,679,550**

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

Property Acquisition

12-Gage Asset Acquisition

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

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

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

During the three months ended March 31, 2013, the Company completed the three well drilling program and transferred $21,445,033 to oil and gas properties.

Medicine Lake Asset Acquisition

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

Other Asset Acquisitions and Sales

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

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

On February 17, 2011, Mountainview completed the acquisition of 62 oil and gas leases, and all rights, title and interests thereto, in Montana and North Dakota. In consideration, the Company paid $3,350,000 in cash and issued 18,611,110 common shares at a fair value of $5,772,685 (approximately $0.31 per share). The issued common shares are subject to a Value Securities Escrow Agreement and will be released over a 3 year period. As part of the terms the vendor has guaranteed a minimum working interest of 78% below this the Company would received a refund of $600 per acre.

7. OIL AND GAS PROPERTIES

	Note		Oil and gas properties
Cost			
At December 31, 2011		$	6,738,606
Additions			8,103,081
Change in asset retirement obligation	11		(170,963)
Impairment of oil and gas properties			(6,903,662)
At December 31, 2012			7,767,062
Additions			1,722,398
Change in asset retirement obligation	11		(13,949)
Transfers from exploration and evaluation assets			21,445,033
At June 30, 2013		**$**	**30,920,544**

Accumulated depletion and depreciation			
At December 31, 2011		$	(3,210,211)
Depletion, accretion and depreciation			(1,080,658)
At December 31, 2012			(4,290,869)
Depletion, accretion and depreciation			(2,611,680)
At June 30, 2013		**$**	**(6,902,549)**

Carrying amounts		
At December 31, 2011	$	3,528,395
At December 31, 2012	$	3,476,193
At June 30, 2013	**$**	**24,017,995**

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

At June 30, 2013, the Company reviewed the carrying value of the oil and gas properties by cash generating units for impairment. As a result of the review, it was determined that there was no impairment on the oil and gas properties. The recoverable amount is determined based on the fair value less cost to sell method using discounted future cash flows at a discount rate of 12%. The estimated future cash flows utilized in the calculation incorporated the Company's best estimates of future oil and gas production based on the current plans, estimates of future oil and gas prices, operating costs and residual values.

8. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas development assets	Water disposal assets	Corporate assets	Total
Cost				
At December 31, 2011	$ 768,303	$ 703,948	$ 27,165	$ 1,499,416
Additions	97,918	12,489	-	110,407
Disposals	(52,898)	-	-	(52,898)
At December 31, 2012	813,323	716,437	27,165	1,556,925
Additions	183,225	-	-	183,225
Disposals	(142,696)	-	-	(142,696)
At June 30, 2013	**$ 853,852**	**$ 716,437**	**$ 27,165**	**$ 1,597,454**
Accumulated depletion and depreciation				
At December 31, 2011	$ (402,530)	$ (45,451)	$ (18,752)	$ (466,733)
Depletion and depreciation	(121,047)	(142,038)	(2,524)	(265,609)
Disposals	18,051	-	-	18,051
At December 31, 2012	(505,526)	(187,489)	(21,276)	(714,291)
Depletion and depreciation	(47,570)	(71,644)	(883)	$ (120,097)
Disposals	75,232	-	-	75,232
At June 30, 2013	**$ (477,864)**	**$ (259,133)**	**$ (22,159)**	**$ (759,156)**
Carrying amounts				
At December 31, 2011	$ 365,773	$ 658,497	$ 8,413	$ 1,032,683
At December 31, 2012	$ 307,797	$ 528,948	$ 5,889	$ 842,634
At June 30, 2013	**$ 375,988**	**$ 457,304**	**$ 5,006**	**$ 838,298**

Property, plant and equipment costs as at June 30, 2013 and December 31, 2012 of $1,597,454 and $1,556,925, respectively, consisted primarily of computer equipment, field equipment, vehicles and water disposal wells. Accumulated depreciation associated with property, plant and equipment as at June 30, 2013 and December 31, 2012 was $759,156 and $714,291, respectively.

The Company acquired three new vehicles and traded in three vehicles during the period.

9. TRADE PAYABLES AND OTHER LIABILITIES

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

	June 30, 2013	December 31, 2012
Trade accounts payable	$ 2,009,229	$ 463,876
Accrued liabilities	624,272	177,400
Accounts payable - capital costs	8,621,420	7,684,380
Joint interest payable	190,535	-
Royalties payable	420,992	194,523
Production taxes payable	242,597	55,857
Related party payable	733,154	-
	$ 12,842,199	**$ 8,576,036**

10. LINE OF CREDIT

On April 17, 2012, the Company entered into a revolving line of credit for $5,500,000 and on June 27, 2012, increased the line of credit to $8,700,000. The outstanding balance at June 30, 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 $23,829,705. Interest is payable monthly at a variable rate of prime plus 1.25%. The minimum interest rate is 5.25%. During the period the line of credit was extended to December 17, 2013. .

11. 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 (deposit paid March 31, 2011) and agreed to issue a $2,377,000 debenture convertible into common shares of the Company at a price of $2.50 per 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 quarter ended June 30, 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 June 30, 2013 the convertible debenture was $2,072,053 plus accrued interest of $95,300. At June 30, 2013, if the convertible debenture had been converted the Company would have issued 828,821 additional common shares of the Company.

12. DEBT AND CREDIT AGREEMENTS

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

Credit Facility

The Company entered into a senior secured advancing line of credit facility (the "Facility") for a line of credit up to $75.0 million. The Facility includes an initial borrowing base of $19.0 million, which is to be used to fund the drilling of the Company's initial three wells in the 12-Gage Project. The Facility matures in 32 months (July, 2015) and, bears interest at a float rate with an 8% minimum. Monthly repayments are required based on 85% of net revenues from the 12-Gage Project. In connection with the Facility, the lender and the Company will have an area of mutual interest ("AMI"), which will be in northern Divide County, North Dakota. In addition, pursuant to the

Facility, upon the earlier of the maturity date or the date the Facility is paid fully off, the Lender will trigger the start of a 39% after pay-out net profits interest (the "NPI") in all of the Company's oil and gas properties within Divide County, North Dakota.

The NPI is defined as all revenues received by the Company, less all operating costs, production taxes, and capital costs incurred by the Company. Payments on the NPI shall commence upon repayment in full of the outstanding Facility. The NPI will automatically reduce to 20% once the lender achieves a 1.65 x return on investment. The Facility is secured by a first priority mortgage and security interest in the 12-Gage properties. The carrying amount of the collateral is $36,275,849. The borrowing base under the Facility will be subject to re-determination in the absolute discretion of the lender within 45 days of the third well being turned into sales and thereafter semi-annually. The Company's US subsidiary is required to maintain a current ratio of 1.0: 1.0. As at June 30, 2013 the US subsidiary's current ratio was .84:1.0, the Lender has agreed to waive the current ratio covenant at June 30, 2013.

The Company received proceeds of $3,883,071 under the Facility at December 31, 2012. The transaction has been recorded as a borrowing and a sale of conveyance relating to the 20% NPI. The Company has determined the fair value of the conveyance portion of the arrangement using a relative percentage of the conveyed property's fair value determined at its acquisition date and has recorded this amount of $2,622,912 as an adjustment to the property. The residual amount of the initial proceeds has been determined to be a borrowing and has been recorded as long-term debt based upon the expected terms of repayment. The discount to the face amount of the debt will be accreted over the term of the Facility. At June 30, 2013, the Company had received $17,858,462 under the Facility.

Vehicle loans

The Company has various vehicle loans outstanding as at June 30, 2013 and December 31, 2012 of $246,654 and $179,032, respectively. The current portion of vehicle loans as at June 30, 2013 and December 31, 2012 is $53,405 and $58,775. The loans vary from 0% interest to 3.90% and will be repaid after five years.

Promissory notes

The Company entered into two 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 period one 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. 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. During the period ended June 30, 2013, the balance due on the promissory notes was $7,850,000 plus accrued interest of $562,401.

On March 12, 2013, the Company entered into two unsecured promissory notes payable to 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 period ended June 30, 2013, the balance due on the promissory notes is $250,000 plus accrued interest of $3,732.

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

As at June 30, 2013	Total	< 1 Year	1-3 years	4-5 years	After 5 years
Credit facility	$ 16,084,972	$ -	$ 16,084,972	$ -	$ -
Promissory note	8,666,133	4,360,000	4,306,133	-	-
Convertible debenture	2,167,353	-	2,167,353	-	-
Vehicle loans	246,653	53,405	108,794	76,191	8,263
Total contractual obligations	$ 27,165,111	$ 4,413,405	$ 22,667,252	$ 76,191	$ 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 note	8,061,005	-	8,061,005	-	-
Vehicle loans	179,032	58,775	96,141	24,116	-
Total contractual obligations	$ 12,123,109	$ 58,775	$ 12,040,218	$ 24,116	$ -

13. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flow required to settle its decommissioning obligations is approximately $319.500 (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 1.5% has been applied to the estimated decommissioning cost as at June 30, 2013 and December 31, 2012. The Company's risk-free rate of 3.10% was used to calculate the fair value of the decommissioning liabilities at June 30, 2013 (December 31, 2012 – 2.95%).

A reconciliation of the decommissioning liability is provided below:

	Six months ended June 30, 2013	**Year ended December 31, 2012**
Balance, beginning of year	$ 276,291	$ 419,681
Obligations acquired	26,108	56,979
Revisions of obligations	(40,057)	(227,942)
Accretion expenditure	13,976	27,573
Balance, end of period	**$ 276,318**	**$ 276,291**

14. Share Capital

a) Authorized

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

b) Issued

		June 30, 2013		December 31, 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
Stock options exercised		575,000	138,000	–	–
Fair value of options exercised		–	212,930	–	–
Common shares, end of period		**87,820,443**	**$ 24,947,907**	**87,245,443**	**$ 24,596,977**

c) 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 June 30, 2013 the Company had a remaining 3,162,044 shares that could be issued under the 2012 Plan.

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

During 2012, the Company amended its 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 did not issue options during the period ended June 30, 2013.

As of June 30, 2013, the Company has $553,226 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 period ended June 30, 2013, Mountainview recorded non-cash share-based compensation expense of $278,946 (June 30, 2012 $Nil).

The following table summarizes information related to outstanding and exercisable options held by the Company's employees and directors at June 30, 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	3.80
Granted	2,815,000	0.41	
Expired	(550,000)	1.20	
Exercised	-	-	
Outstanding at December 31, 2012	6,195,000	0.75	3.80
Granted	-	-	
Expired	-	-	
Exercised	(575,000)	0.24	
Outstanding at June 30, 2013	5,620,000	$ 0.80	2.75
Exercisable at June 30, 2013	3,430,555	$ 1.06	3.00

d) Contributed surplus

	June 30, 2013	December 31, 2012
Balance, beginning of year	$ 4,603,406	$ 4,509,059
Share-based compensation expensed	278,946	94,347
Stock options exercised	(212,930)	-
Balance, end of period	**$ 4,669,422**	**$ 4,603,406**

e) Per Share Amounts

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income (loss) for the period	$ (1,065,276)	$ (362,013)	$ (2,446,103)	$ (624,318)
Weighted average shares - basic and diluted	87,359,179	69,002,582	87,302,625	59,108,150
Income (loss) per share - basic and diluted	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.01)

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 period.

15. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2013 the Company paid or accrued $2,971,360 (June 30, 2012 - $Nil) to three companies owned by one of its major shareholders for services provided in the drilling of the three wells in the 12-Gage Property.

During the six months ended June 30, 2013, the Company had a related party payable of $733,154, (June 30, 2012 - $Nil) that was due to of its major shareholders.

During the six months ended June 30, 2013, the Company had a joint interest receivable of $451,036 (June 30, 2012 - $Nil) from two companies owned by two of its major shareholders. The companies are participants in certain joint venture activities based on normal industry terms and agreements. Subsequent to the period ended June 30, 2013 one of the companies owned by a major shareholder paid $225,518.

16. 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 June 30, 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 Mountainview's oil and natural gas liquids production is estimated to result in a $993,150 change in the Company's net loss for the six months ended June 30, 2013 (June 30, 2012 - $103,000). 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

Mountainview 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 $123,000 change in the Company's net loss for the six months ended June 30, 2013. The Company had no interest rate swap or financial contracts in place as at or during the year ended December 31, 2012 and 2011.

c) Foreign Exchange Risk

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

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

	June 30, 2013	December 31, 2012
Cash at bank (C$)	$ 192,338	$ 130,358
Value-added tax receivables (C$)	70,651	48,767
Trade accounts payable (C$)	482,088	257,105
	$ 745,077	**$ 436,230**

Based on the net exposures in the preceding table as at June 30, 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 $74,500 (December 31, 2012 – $43,000) 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 June 30, 2013, the Company did not have any allowance for doubtful accounts.

The carrying amount of trade and other receivables represents the maximum credit exposure The Company has a concentration of credit risk in respect of trade receivables as approximately 92% of its sales and resulting receivables are within 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 the Company will be unable to meet its financial obligations as they become due. Mountainview generally uses operating cash flows and equity financings to fund its ongoing capital programs and operating requirements. The Company has short-term debt as disclosed in Note 10 & 11, and long-term debt as disclosed in Note 12. See also liquidity position discussion in Note 1.

17. 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:

	Six Months Ended June 30,	
	2013	**2012**
Changes in non-cash working capital:		
Accounts receivable	$ (5,116,818)	$ 379,279
Inventory	(51,857)	7,244
Accounts payable and accrued liabilities	58,651	(1,197,322)
Changes in non-cash working capital	$ (5,110,024)	$ (810,799)
Non-cash investing and financing activities are summarized as follows:		
Exploration and evaluation assets	$ (8,914,163)	$ 21,412,516
Oil and gas properties	$ 18,955,685	$ 2,631,504
Interest:		
Cash interest paid	$ 578,326	$ 35,218

18. CAPITAL MANAGEMENT

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

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

19. SEGMENT INFORMATION

Operating Segments

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

Economic dependence and major customers

In 2013, three customers, C.H.S. Inc, Sunoco Inc, and Energy West Resources Inc, accounted for approximately, 20%, 71% and 2%, 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.

20. SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the Company increased the borrowing base under the Facility by an additional $14.0 million increasing the borrowing base to $32.0 million, which will be used to fund the drilling of the Company's next three wells. Terms are the same as in Note 12.

Subsequent to June 30, 2013 one of the major shareholders signed a new promissory note for $4 million to extend the maturity date from May 30, 2013 to May 30, 2015. The previous promissory note for $4 million was canceled. See Note 12.