Management Discussion and Analysis

Dated as of May 29, 2014

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") is management's assessment of Mountainview Energy Ltd.'s ("Mountainview" or the "Company") financial and operating results and should be read in conjunction with the reviewed interim financial statements of the Company for the three months ended March 31, 2014 and the audited financial statements and MD&A for the year ended December 31, 2013. This MD&A is presented in U.S. dollars (except where otherwise noted). Additional information relating to the Company can be found on www.sedar.com.

The Company's principal activity is the acquisition of, exploration for and the development and production of petroleum and natural gas properties in North Dakota and Montana, U.S.A.

Non-GAAP Measures – Certain measures in this document do not have a standardized meaning as prescribed by IFRS, such as operating netback, funds flow from operations, funds flow per share, payout ratio, total payout ratio, and net debt and therefore are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented in this document in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. The term funds flow from operations or funds flow should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS as an indicator of the Company's performance. Management's use of these measures has been disclosed further in this document as these measures are discussed and presented.

Basis of Presentation – The reporting and measurement currency is the U.S. dollar.

boe Presentation – Barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion rate of 6 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the report are derived by converting gas to oil equivalent barrels at the ratio of six thousand cubic feet of gas to one barrel of oil.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving Mountainview. Particularly, statements regarding future operating results and economic performance are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts.

These statements are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. While we consider these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect.

Forward looking-information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what we currently expect. These factors include risk associated with oil and gas exploration, production, marketing, and transportation such as loss of market, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risk, and competition from other producers and ability to access sufficient capital from internal and external resources.

Other than as required under securities laws, we do not undertake to update this information at any particular time.

All statements, other than statements of historical fact, which address activities, events, or developments that Mountainview expects or anticipates will or may occur in the future, are forward-looking statements within the meaning of applicable securities laws. These statements are subject to certain risks and uncertainties, and may be based on estimates or assumptions that could cause actual results to differ materially from those anticipated or implied.

Further, the forward-looking statements contained in this MD&A are made as of the date hereof, and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. Certain risk factors associated with these forward-looking statements include, but are not limited to, the following:

- Fluctuations in natural gas, condensate, NGL's, and crude oil production levels;
- Mountainview's inability to successfully market its natural gas and crude oil;
- Lower than expected market prices for natural gas and crude oil;
- Adverse changes in foreign currency exchange rates and/or interest rates;
- Uncertainties associated with estimating reserves;
- Competition for capital, asset acquisitions, undeveloped lands, and skilled personnel;
- Operational hazards characteristic of the oil and gas industry such as: geological and drilling problems; and well production, pipeline, and mechanical difficulties;
- Lower than envisaged success in the finding and development of reserves and/or higher than expected costs;
- Adverse changes in general economic conditions in Western Canada, Canada more generally, North America or globally;
- Adverse weather conditions;
- The inability of Mountainview to obtain financing on favorable terms, or at all;
- Adverse impacts from the actions of competitors;
- Adverse impacts of actions taken and/or policies established by governments or regulatory authorities including changes to tax laws, incentive programs, royalty calculations, and environmental laws and regulations; and
- Reliance on natural gas and NGL processing, pipeline, and storage infrastructure not operated by Mountainview, the availability of which is essential to Mountainview's sales and marketing activities.

Additional information relating to Mountainview, including Mountainview's financial statements can be found on SEDAR at www. sedar.com or the Company's website at www.mountainviewenergy.com

PETROLEUM AND NATURAL GAS SALES

Mountainview realized the following sales, production volumes, and commodity prices:

	Three months ended March 31	
	2014	2013
Sales ($000's)		
Light oil	6,020	1,924
Natural gas	88	85
Total petroleum and natural gas sales	6,108	2,009
Average Daily Sales Volume		
Light oil (bbl/day)	778.18	307.15
Natural gas (Mcf/day)	718.97	498.92
Total (boe/d)	898.01	390.30
% oil production	87%	79%
Average Mountainview Realized Commodity Prices		
Light oil ($ per bbl)	85.28	69.47
Natural gas ($ per Mcf)	1.35	1.88
Barrels of oil equivalent ($ per boe, 6:1)	75.01	57.05
Benchmark Pricing		
WTI crude oil (US$ per bbl)	98.68	94.37
NYMEX natural gas (US$ per MCF)	4.72	3.49
Exchange rate (US$/Cdn$)	1.10	1.01

Sales for the three months ended March 31, 2014 were $6.1 million, as compared to $2.0 million for the three months ended March 31, 2013, representing an increase of $4.1 million or 205%. Both production and the average realized commodity price increased from the prior period quarter, resulting in increased sales. Excluding the impact of derivative instruments, the average realized commodity price increased from $56.99 in the first quarter of 2013 to $75.01 during the first quarter of 2014. This 32% increase in realized price is due to a higher realized price, resulting from narrowing price differentials between North Dakota production and WTI benchmark. Compared to the prior year quarter, the WTI crude oil benchmark increased 5%. Changes in Mountainview's production mix due to increased oil production also increased the average realized price during the quarter.

Production also increased from 390 boe/d in the three months ended March 31, 2013, to 898 boe/d for the three months ended March 31, 2014. This increase of 508 boe/d is due to the Company's drilling program in Divide County, North Dakota. The Company has not recently targeted gas-based drilling, however the associated gas produced in Divide County has been tied in with first gas sales from Divide County in March, 2014, resulting in increased natural gas sales. Tying in produced gas reduces the Company's natural gas flaring ahead of expected legislation in North Dakota. Natural gas sales currently account for 13% of production volumes, and only 1% of sales revenue.

ROYALTIES

	Three months ended March 31	
($000's except per boe amounts)	2014	2013
Light oil	1,064	268
Natural gas	15	6
Total royalties	1,078	274
Total royalties per boe	13.24	7.77
% of P&NG Sales	18%	14%

Royalties for the three months ended March 31, 2014 were $1.1 million, as compared to $0.3 million for the three months ended March 31, 2013. As a percentage of sales, the average royalty rate for the first quarter of 2014 increased to 18%, compared to 14% in the first quarter of 2013, with light oil averaging 18% and gas averaging 21%. Light oil royalty rates increased from the prior year quarter due to increased production from Divide County, North Dakota, which has a higher royalty environment than the legacy production in Montana. Gas royalty rates were unchanged from the prior year quarter.

PRODUCTION & OPERATING EXPENSE

	Three months ended March 31	
($000's except per boe amounts)	2014	2013
Production and operating expense	2,272	753
Total production and operating expense per boe	27.90	21.40

Production and operating expenses were $2.3 million or $27.90 per boe for the quarter ended March 31, 2014 as compared to $0.8 million or $21.40 per boe for the three months ended March 31, 2013. In comparison to the prior year quarter, the Company is facing overall cost pressure associated with optimizing new well operations. The Divide County operations have seen increased workovers as the Company adjusts the downhole assembly. In addition, increased produced water disposal costs were incurred as a result of flow back from completion operations. The Company has taken steps to reduce produced water disposal costs, and the Company has planned to drill its own water disposal wells on existing well pads to further reduce operating costs going forward.

GENERAL AND ADMINSTRATIVE ("G&A") EXPENSES

	Three months ended March 31	
($000's except per boe amounts)	2014	2013
G&A expense	688	591
Capitalized G&A expense	(42)	-
Net G&A	646	591
Total net G&A expense per boe	7.93	16.79

General and administrative expenses, net of recoveries and capitalized G&A, were $0.6 million or $7.93 per boe for the current quarter as compared to $0.6 million or $16.79 per boe in the prior year comparative quarter. The Company's expenses increased slightly due to additional staff, but were offset by increased capital spending which increased G&A recoveries. On a per boe basis, G&A has decreased, as production increased at a greater rate than G&A due to acquisition synergies.

In line with continued production synergies, the Company targets G&A for 2014 to be less than $7.00 per boe.

SHARE-BASED PAYMENT EXPENSE

	Three months ended March 31	
($000's except per boe amounts)	2014	2013
Share based payment expense	106	140
Total per boe	1.30	3.99

During the three months ended March 31, 2014, the Company expensed $0.1 million in share-based payment expense as compared to $0.1 million in the three month period ended March 31, 2013.

The Company did not award any share purchase options in the first quarter of 2014 or in the first quarter of 2013. Although no options were granted this quarter or the prior year quarter, share-based payment expense decreased this quarter due to a decrease in the fair value of options granted.

At March 31, 2014, the Company has 6,370,000 options outstanding, of which 4,217,639 were exercisable.

FINANCE EXPENSE

	Three months ended March 31	
($000's except per boe amounts)	2014	2013
Interest and bank charges	7	-
Interest on Line of credit	185	111
Interest on long-term debt	1	1
Interest on credit facility	734	206
Finance costs on credit facility	2	-
Interest on convertible debenture	22	22
Interest on promissory notes	196	175
Accretion on decommissioning liabilities	30	-
Accretion on credit facility	643	364
Total Finance expense	1,820	878
Total interest and accretion per boe	22.35	24.94

For the three months ended March 31, 2014, finance charges were $1.8 million as compared to $0.9 million in the three month period ended March 31, 2013. This increase is due to increased bank debt for the quarter, which was $55.8 million compared to $22.7 million in the prior year quarter, interest on the promissory notes with a face value of $8.9 million, and interest on the convertible debentures with a face value of $2.1 million.

The Company’s current interest charge on the credit facility is a floating rate with a minimum of 8.0%. The Company’s promissory notes pay interest rates ranging from 5.0% to 9.0% and the convertible debentures pay an interest rate of 5.0% annually. The combined effective interest rate for the quarter was 7.1%.

DERIVATIVE ACTIVITIES

As part of the financial management strategy to protect cash flows available for capital expenditures, the Company has adopted a commodity price risk management program. The purpose of the program is to stabilize and hedge future cash flow against the unpredictable commodity price environment, with an emphasis on protecting downside risk. In Q4 2013, Mountainview entered into an eighteen month crude oil collar for January 2014 through June 2015 with a floor of $85.00 per barrel and a ceiling of $97.70 per barrel.

With derivative instruments, there is a risk that the counterparty could become illiquid or that Mountainview may not have the actual sales volumes to offset the hedge position. To manage risk, the Company's counterparties on derivative instruments are major international banks and the maximum volumes hedged for the subsequent 15 months are limited to 15% of current production.

Realized gains and cash proceeds

The Company realized a total loss of $0.1 million ($0.40 per boe) for the three month period ended March 31, 2014. During the quarter, the total loss was comprised of a $0.1 million loss on crude oil sales price derivatives. There were no hedges in place for the prior quarter comparative period.

Unrealized derivative assets and liabilities

The Company has recognized an unrealised loss on financial derivatives in the amount of $0.2 million for the three month period ended March 31, 2014. This unrealized loss is due to an increase in forward WTI pricing for the second half of 2014.

The following is a summary of the derivative as at March 31, 2014:

	Three months ended March 31	
($000's except per boe amounts)	2014	2013
Realized gain (loss)	(32)	-
Unrealized gain (loss) - Financial derivatives	(98)	-
Gain (loss) and proceeds derivatives	(130)	-
Realized gain (loss) on derivatives per boe	(0.40)	-
Unrealized gain (loss) on derivatives per boe	(1.20)	-
Gain (loss) and proceeds per boe	(1.60)	-

Crude Oil Sales Price Derivatives

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. For the period ended March 31, 2014, the Company realized a hedging loss of $32,724 (March 31, 2013 - $Nil). As at March 31, 2014, there was an unrealized mark to market loss of $97,569 (March 31, 2013 - $Nil) on this contract.

Month	Monthly barrel (bbl) quantity
January 1, 2014	11,000
February 1, 2014	11,000
March 1, 2014	11,000
April 1, 2014	9,000
May 1, 2014	9,000
June 1, 2014	9,000
July 1, 2014	6,000
August 1, 2014	6,000
September 1, 2014	6,000
October 1, 2014	6,000
November 1, 2014	6,000
December 1, 2014	6,000
January 1, 2015	4,000
February 1, 2015	4,000
March 1, 2015	4,000
April 1, 2015	4,000
May 1, 2015	4,000
June 1, 2015	4,000

DEPLETION, DEPRECIATION & IMPAIRMENT

	Three months ended March 31	
($000's except per boe amounts)	2014	2013
Depletion & depreciation	1,382	848
Depletion & depreciation per boe	16.97	24.08

For the three month period ended March 31, 2014, depletion and depreciation of capital assets was $1.4 million or $16.97 per boe compared to $0.8 million or $24.08 per boe for the prior year comparative period. On an absolute basis, this increase relates to increased production associated with the successful drilling operation and increased production from the Divide County asset base. The rate per boe decreased from the prior period quarter due to the increase in reserve base.

In addition, during the period the Company changed its estimate for depletion and depreciation (See Note 3 of the accompanying Financial Statements).

There were no impairment indicators noted for Property & Equipment (PP&E) or Exploration and Evaluation (E&E) assets during the quarter.

NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

The net and comprehensive loss for the three month period ended March 31, 2014 was $1.5 million, compared to a net loss of $1.3 million in the three months ended March 31, 2013. The net loss was mainly due to increased financing expenses.

	Three months ended March 31	
($000's except per share amounts)	2014	2013
Net Income (loss)	(1,561)	(1,381)
Net Income (loss) per share	(0.02)	(0.02)

QUARTERLY FINANCIAL SUMMARY

The following table highlights Mountainview's performance for each of the past eight quarters

($000's except per share amounts)	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Average production (boe/d)	898	1,183	711	703	391	194	190	157
Petroleum and natural gas sales	6,108	7,418	5,993	5,107	2,009	778	933	739
Operating netback (per boe)	33.87	34.39	26.13	24.98	24.12	(0.66)	26.93	22.25
Funds flow from operations	310	2,085	2,156	2,419	(207)	150	(177)	(72)
Per share basic	0.00	0.02	0.02	0.03	nil	nil	nil	nil
Per share diluted	0.01	0.02	0.02	0.02	nil	nil	nil	nil
Net income (loss)	(1,561)	(3,141)	(387)	(1,065)	(1,381)	(7,344)	(428)	(362)
Per share basic	(0.02)	(0.00)	(0.01)	(0.02)	(0.02)	(0.08)	(0.00)	(0.01)
Per share diluted	(0.02)	(0.00)	(0.01)	(0.02)	(0.02)	(0.08)	(0.00)	(0.01)
Capital expenditures	7,910	16,584	7,262	1,682	21,401	6,489	1,137	2,814
Total assets	90,214	84,744	74,265	67,253	65,131	49,056	49,360	47,945
Net debt excluding financial derivatives	65,314	59,244	46,883	35,772	33,287	19,804	18,605	15,619

(1) Operating netback is a non-GAAP measure calculated as the average per boe of the Company's oil and gas sales, realized gains (losses) on derivatives, less royalties, operating and transportation expenses.

(2) Funds flow from operations is a non-GAAP measure that represent the total per boe, respectively, of cash provided by operating activities, before adjusting for changes in non-cash working capital items.

(3) Capital expenditures are a non-GAAP measure, calculated as the purchase or sale price of an asset, plus development capital expenditures added to PP&E.

Quarterly variances in sales are connected to changes in production volumes and prices. In Q1 2013, the Company added production volumes with the completion and tie-in of two wells. In Q1 2014, average daily production was 898 boe/d. The production profile of a Three Forks (Torquay) well demonstrates initial flush production rates, with a significant decline in the first months of the production life. The production rate then stabilizes and the wells produce for an extended reserve life with relatively low decline rates. In Q4 2013 and Q1 2014, the Company realized these expected declines from initial production rates. In addition, road restrictions in Divide County limited Mountainview's ability to mobilize service equipment to complete workover and well service work. As a result, various wells were intermittently shut in for short periods of time, further contributing to the reduced average daily production rate for the quarter ended March 31, 2014. This production decrease was offset by high commodity prices in Q1 2014, moderating the overall decrease in sales.

Through its strategy to protect cash flows, Mountainview hedges a percentage of production using financial derivatives. As such, commodity price swings in oil have a moderated effect on funds flow from operations, as only current quarter realized cash gains or losses are included. Funds flow from operations grew with production throughout 2012, 2013 as production increased from drilling operations in Divide County, North Dakota. This increase in production was accompanied by an increase in produced water, and also required artificial lift maintenance. The increased water disposal and well workover costs resulted in decreased funds flow from operations in Q1 2014 when compared to Q4 2013. Mountainview has planned its own water disposal facilities as part of its future capital program, which will enable the Company to dispose of produced water independently of outside contractors. This is projected to have a positive effect on funds flow from operations.

Quarterly variances in net income, however, are largely driven by financing costs and non-cash items, such as depletion and unrealized gains or losses on derivatives. In Q1 2013, low sales resulted in an overall net loss. The Company funded its initial eight well program with debt, resulting in increased financing expenses as wells were drilled and completed. The net loss in Q1 was largely due to financing costs, further impacted by a realized loss on derivatives.

FUNDS FLOW FROM OPERATIONS(1) AND NETBACKS

Funds flow from operations is a non-GAAP measure. Funds flow from operations represents cash flow from operating activities adjusted for changes in non-cash operating working capital. Mountainview considers this to be a key measure of performance as it demonstrates the Company's ability to generate the cash flow necessary to fund capital investment and ultimately, satisfy corporate strategy.

	Three months ended March 31	
($000's except per share amounts)	2014	2013
Cash flow from operating activities	(935)	(4,018)
Change in non-cash working capital	1,245	3,811
Funds flow	310	(207)
Funds flow per share	0.00	(0.00)

(1) Funds flow from operations is a non-GAAP measure that represents cash provided by operating activities, before adjusting for changes in non-cash working capital items and expenditures on decommissioning liabilities.

Mountainview's corporate strategy aims to provide shareholders with long term total returns comprised of appreciation of share value, with a focus on production and reserve growth. The Company uses funds flow to monitor performance, and will adjust capital expenditures to ensure that the total capital budget does not exceed cash flow plus available capital, on an on-going basis where required.

Funds flow from operations for the three month period ended March 31, 2014 were $0.3 million, an increase from the first quarter 2013 funds flow of ($0.2) million, due to increased sales revenue. This represents $nil per diluted share compared to $nil per diluted share for in 2013, as increased funds flow outpaced the increase in number of shares outstanding.

The following table summarizes netbacks for the past eight quarters on a barrel of oil equivalent basis:

($ per boe)	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Petroleum and natural gas sales	75.01	68.16	83.47	73.72	66.45	54.98	58.01	54.33
Royalties	(13.24)	(13.49)	(12.96)	(11.57)	(7.77)	(5.62)	(2.77)	(3.86)
Production and operating expense	(27.90)	(20.08)	(26.57)	(29.73)	(21.40)	(36.94)	(20.84)	(15.83)
Operating netback	33.87	34.59	43.94	32.42	37.28	12.42	34.40	34.64
General and administrative expense	(7.93)	(8.05)	(5.25)	(7.72)	(16.43)	(36.94)	(20.84)	(15.83)
Interest and bank charges	(22.35)	(11.50)	(28.21)	(15.89)	(24.95)	(6.28)	(8.19)	(2.29)
Funds flow from operations	3.59	15.04	10.48	8.81	(4.10)	(30.80)	5.37	16.52

(1) Operating netback is a non-GAAP measure calculated as the average per boe of the Company's oil and gas sales, realized gains (losses) on derivatives, less royalties, operating and transportation expenses.

(2) Funds flow from operations is a non-GAAP measure that represents the total of funds provided by operating activities, before adjusting for changes in non-cash working capital items and expenditures on decommissioning liabilities.

CAPITAL EXPENDITURES AND PP&E ADDITIONS

	Three months ended March 31	
($000's)	**2014**	**2013**
Land acquisition	126	-
Geological and geophysical	-	-
Drilling and completions	6,535	10,727
Equipping and facilities	1,196	2,970
Other	-	-
Development capital	7,857	13,696
Property acquisitions - cash paid	-	-
Property dispositions - cash received	-	-
Capital expenditures	7,857	13,696
Net other additions to PP&E	52	41
Corporate acquisitions to PP&E	1	-
Total net additions to PP&E	7,910	13,737

(1) Capital expenditures is a non-GAAP measure and is defined as the total cash consideration paid or received for property acquisitions and dispositions, plus development and exploration capital expenditures. This measure is used by management to calculate the Payout and Total Payout Ratios.

(2) Net other additions to PP&E reconciles the Non-GAAP Capital Expenditures measure to the IFRS measure of capital additions, and is the net adjustments made to account for the assets purchased under IFRS 3 - Business Combinations, assets sold for cash, reclassification of E&E assets, and corresponding changes in PP&E due to changes in the decommissioning liability.

During the first quarter of 2014, the Company invested $7.9 million on development capital, a decrease from $13.7 million in development capital invested in Q1 2013. The Company's development capital expenditures for the quarter were focused in Divide County, with successful drilling of 2 (1.9 net) oil wells.

Drilling Results

Three months ended March 31	2014		2013	
	Gross	Net	Gross	Net
Crude Oil	2.0	1.9	3.0	2.4
Dry and abandoned	-	-	-	-
Total	2.0	1.9	3.0	2.4
Success Rate %		100%		100%

Undeveloped Land

The Company's undeveloped land holdings have decreased from the December 31, 2013, as expiries were greater than purchases.

	At March 31 2014	At December 31 2013
Gross Acres	93,454	106,535
Net Acres	53,765	58,411

LIQUIDITY AND CAPITAL RESOURCES

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 which are detailed below. The Company was in compliance with all of its financial covenants at the end of the reporting period. Company confirms there are no off-balance sheet financing arrangements.

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 profits 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 $33.25 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 $64,431,034. 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 1.66:1.0.

At March 31, 2014, the Company received proceeds of $8,690,000 (December 31, 2013 - $38,575,824) under the Facility. 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 $2,819,132 (December 31, 2013 - $2,810,249) 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 March 31, 2014, the Company owed $46,484,588 under the Facility. During the period ended March 31, 2014, the Company has repaid $1,488,852 of the principal and has paid or accrued $858,203 in interest.

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

	March 31, 2014	December 31, 2013
Opening balance	$ 38,203,410	$ 1,004,308
Proceeds received	8,690,000	38,575,824
Principal payments	(1,488,852)	(3,175,455)
Conveyance fee	(8,883)	(187,336)
Accretion	643,176	1,569,632
Deferred finance costs	-	-
Amortization of deferred finance costs	-	141,449
Interest accrual	41,146	274,988
Total	$ 46,079,997	$ 38,203,410

Long-term debt

The Company has various vehicle loans outstanding as at March 31, 2014 and December 31, 2013 of $364,459 and $391,167, respectively. The current portion of vehicle loans as at March 31, 2014 and December 31, 2013 is $108,686 and $109,187 respectively. 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 is payable on or before May 30, 2015 At the period ended March 31, 2014, the balance due on the promissory notes was $7,850,000 plus accrued interest of $1,093,907.

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 period ended March 31, 2014, the balance due on the promissory notes is $250,000 plus accrued interest of $13,116.

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 period ended March 31, 2014, the balance due on the promissory notes is $805,123 plus accrued interest of $70,659.

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

As at March 31, 2014	Total	< 1 Year	1-3 years	4-5 years	After 5 years
Credit facility	$ 46,484,588	$ -	$ 46,484,588	$ -	$ -
Promissory notes	10,082,835	767,596	9,315,239	-	-
Convertible Debenture	2,233,460	-	2,233,460	-	-
Vehicle loans	364,459	108,686	254,764	1,009	-
Total contractual obligations	$ 59,165,342	$ 876,282	$ 58,288,051	$ 1,009	$ -

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	$ -

SHARE CAPITAL

In the first quarter of 2014, there were no shares issued on account of vested share purchase options that were exercised, nor were any shares issued on account of vested share purchase options that were exercised in the first quarter of 2013.

As of May 29, 2014 the Company has 87,820,443 Common Shares, 6,370,000 stock options and 7,822,727 class B shares outstanding. In addition, there is a convertible debenture outstanding which, if converted at March 31 2014, would have resulted in the issuance of 828,821 Common Shares.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The Company enters into short term contractual obligations in the normal course of business, including purchase of assets and services, operating agreements, transportation commitments, sales commitments, royalty obligations, lease rental obligations and employee agreements. These obligations are of a recurring, consistent nature and impact cash flows in an ongoing manner.

Mountainview also has long-term contractual obligations and commitments. The Company is responsible for the retirement of long-lived assets related to its oil and gas properties at the end of their useful lives. Mountainview has recognized a liability of $1.5 million (December 31, 2013 – $1.2 million) based on current legislation and estimated costs. Actual costs may differ from those estimated due to changes in legislation or actual costs.

Additional contractual obligations and commitments are as follows:

As at March 31, 2014	< 1 Year	1-3 years	3-5 years	After 5 years	Total
Trade and accrued liabilities	$ 6,381,906	$ -	$ -	$ -	$ 6,381,906
Line of credit	8,680,000	-	-	-	8,680,000
Long-term debt	108,686	254,764	1,009	-	364,459
Credit facility - principal	-	46,484,588	-	-	46,484,588
Credit facility - interest	3,718,767	1,859,384	-	-	5,578,151
Convertible debenture - principal	-	2,072,053	-	-	2,072,053
Convertible debenture - interest	-	161,407	-	-	161,407
Promissory notes - principal	710,949	8,194,205	-	-	8,905,154
Promissory notes - interest	56,647	1,121,034	-	-	1,177,681
Total	$ 19,656,955	$ 60,147,435	$ 1,009	$ -	$ 79,805,399

(1) Repayment of this principal amount in one to three years is based on the revolving debt agreement currently in place and does not consider the annual review for extension. The 2014 renewal review is currently underway. Management fully expects the facility to be extended.
(2) Repayment of the Convertible Debentures assumes that all holders of the debentures will not convert their holdings into shares.
(3) Purchase obligations include contracts to purchase and consume electricity during 2014 and 2015. The fair value of these contracts is recorded as a financial asset.
(4) Other includes contractual obligations and commitments for office rent and equipment.

RELATED PARTY TRANSACTIONS

During the period ended March 31, 2014 the Company paid or accrued $1,133,995 (March 31, 2013 - $2,455,571) 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 period ended March 31, 2014, the Company had a joint interest receivable of $407,826 (March 31, 2013 - $Nil) from two companies owned by two of its major shareholders. The companies are participants in certain joint venture activities.

During the period ended March 31, 2014, the Company had a joint interest receivable of $60,774 (March 31, 2013 - $Nil) from three companies owned by a Director and officer in common. The companies are participants in certain joint venture activities.

During the period ended March 31, 2014, the Company had a payable of $48,577 (March 31, 2013 - $Nil) due to a company owned by a Director and officer in common for the purchase of equipment.

During the period ended March 31, 2014, the Company had a joint interest payable of $122,599 (March 31, 2013 - $Nil) to two companies owned by two of its major shareholders. The companies are participants in certain joint venture activities.

SUBSEQUENT EVENT

Subsequent to March 31, 2014, the Company increased the borrowing base under the Credit Facility by an additional $1.5 million. The terms are the same as in Note 11.

CRITICAL ACCOUNTING ESTIMATES

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 for the three months ended March 31, 2014 is included in the following annual notes to the audited financial statements for the year ended December 31, 2013:

- Note 6 – valuation of property, plant and equipment;
- Note 12 – measurement of decommissioning provision;
- Note 13 – measurement of share-based compensation;
- Note 19 – valuation of financial instruments;

The Company’s significant areas of estimation uncertainty have not changed during the quarter.

Judgments

In the process of applying the Company’s accounting policies, management makes judgments, apart from those involving estimates, which may have a significant effect of the amounts recognized in the financial statements.

Management’s areas of judgment have not significantly changed from the annual financial statements for the year ended December 31, 2013.

Significant Accounting Policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014:

i) IAS 32 Financial Instruments: Presentation — The Company adopted, as required, amendments to IAS 32. The amendments clarify that the right to offset financial assets and liabilities must be available on the current date and cannot be contingent on a future event. IAS 32 did not impact the Company’s interim financial statements.

ii) IAS 36 "Impairment of Assets" has been amended to reduce the circumstances in which the recoverable amount of cash generating units "CGUs" is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The retrospective adoption of these amendments will only impact Mountainview's disclosures in the notes to the financial statements in periods when an impairment loss or impairment reversal is recognized.

iii) IAS 39 "Financial Instruments: Recognition and Measurement" has been amended to clarify that there would be no requirement to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The retrospective adoption of the amendments does not have any impact on Mountainview's financial statements.

iv) IFRIC 21 Levies — The International Financial Reporting Interpretation Committee clarified in IFRIC 21 that an entity recognizes a liability for a levy when the activity that triggers payment occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarified that no liability should be anticipated before the minimum threshold is reached. The adoption of this interpretation did not have an impact to the company’s interim financial statements.

There were no new or amended standards issued during the three months ended March 31, 2014 that are applicable to the Company in future periods. A description of standards and interpretations that will be adopted by the Company in future periods is disclosed in note 3 of the annual financial statements for the year ended December 31, 2013.

Estimation Uncertainty and Assumptions

Oil and gas properties

Oil and gas properties are depreciated using the unit-of-production method. In applying the unit-of-production method, oil and gas properties in general are depleted over proved and probable reserves. Prior to January 1, 2014, the Company depleted oil and gas properties over proved producing reserves. Subsequently, the depletion base was changed to include both proved producing and proved undeveloped reserves for those oil and gas properties with significant probable reserves to better reflect the increased investment by the Company in those assets. The calculation of the unit-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecasted production based on proved reserves. This would generally result from significant changes in any of the following:

- Changes in reserves;
- The effect on reserves of differences between actual commodity prices and commodity price assumptions; and/or
- Unforeseen operational issues.

ASSESSMENT OF BUSINESS RISKS

The following are the primary risks associated with the business of Mountainview. These risks are similar to those affecting other companies competing in the conventional oil and natural gas sector. Mountainview's financial position and results of operations are directly impacted by these factors and include:

Operational risk associated with the production of oil and natural gas:

- Reserve risk in respect to the quantity and quality of recoverable reserves;
- Exploration and development risk of being able to add new reserves economically;
- Market risk relating to the availability of transportation systems to move the product to market;
- Commodity risk as crude oil and natural gas prices fluctuate due to market forces;
- Financial risk such as volatility of the Canadian/US dollar exchange rate, interest rates and debt service obligations;
- Environmental and safety risk associated with well operations and production facilities;
- Changing government regulations relating to royalty legislation, income tax laws, incentive programs, operating practices and environmental protection relating to the oil and natural gas industry; and
- Continued participation of Mountainview's lenders. Mountainview seeks to mitigate these risks by:
- Acquiring properties with established production trends to reduce technical uncertainty as well as undeveloped land with development potential;
- Maintaining a low cost structure to maximize product netbacks and reduce impact of commodity price cycles;
- Diversifying properties to mitigate individual property and well risk;
- Maintaining product mix to balance exposure to commodity prices;
- Conducting rigorous reviews of all property acquisitions;
- Monitoring pricing trends and developing a mix of contractual arrangements for the marketing of products with creditworthy counterparties;
- Maintaining a hedging program to hedge commodity prices with creditworthy counterparties;
- Adhering to the Company's safety program and adhering to current operating best practices;
- Keeping informed of proposed changes in regulations and laws to properly respond to and plan for the effects that these changes may have on our operations;
- Carrying industry standard insurance;
- Establishing and maintaining adequate resources to fund future abandonment and site restoration costs; and
- Monitoring our joint venture partners' obligations to us and cash calling for capital projects to limit the Company's credit risk.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures have been designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under the Canadian securities law.

Mountainview Energy's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation, that the disclosure controls and procedures as of March 31, 2014 are effective and provide reasonable assurance that material information related to the Company is made known to them by others within Mountainview Energy.

It should be noted that a control system, including Mountainview Energy's disclosure controls and procedures, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.