Management Discussion and Analysis

Dated as of August 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 six months ended June 30, 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, 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 – All calculations converting natural gas to barrels of oil equivalent ("boe") have been made using a conversion ratio of six thousand cubic feet (six "Mcf") of natural gas to one barrel of oil, unless otherwise stated. The use of boe may be misleading, particularly if used in isolation, as the conversion ratio of six Mcf of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

FORWARD-LOOKING STATEMENTS OR INFORMATION

Certain statements contained in this MD&A constitute forward-looking statements or information within the meaning of securities laws. Forward-looking statements or 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, among other things, expected growth, results of operations, performance, business prospects and opportunities, the impact of increasing competition; the general stability of the economic and political environment in which Mountainview operates; the timely receipt of any required regulatory approvals; the ability of Mountainview to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability of Mountainview or the operator of the projects which Mountainview has an interest in to operate the field in a safe, efficient and effective manner; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of Mountainview to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Mountainview operates; and the ability of Mountainview to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used. 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 the ability of management to execute its business plan; general economic and business conditions; the risk of instability affecting the jurisdictions in which Mountainview operates; the risks of the oil and natural gas industry, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand; the possibility that government policies or laws may change or governmental approvals may be delayed or withheld; risks and uncertainties involving geology of oil and natural gas deposits; the uncertainty of reserves estimates and reserves life; the ability of Mountainview to add production and reserves through acquisition, development and exploration activities; Mountainview's ability to enter into or renew leases; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to production (including decline rates), costs and expenses; fluctuations in oil and natural gas prices, foreign currency exchange rates and interest rates; risks inherent in Mountainview's marketing operations, including credit risk; uncertainty in amounts and timing of royalty payments; health, safety and environmental risks; risks associated with potential future law suits and regulatory actions against Mountainview; uncertainties as to the availability and cost of financing; and financial risks affecting the value of Mountainview's investments. Readers are cautioned that the foregoing list is not exhaustive of all possible risks and uncertainties.

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.

Any financial outlook or future oriented financial information in this presentation, as defined by applicable securities legislation, has been approved by management of Mountainview. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to Mountainview Energy Ltd and its subsidiaries, drilling plans, production forecasts, operating costs or any future market activity. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

Please see "Assessment of Business Risks" in this MD&A.

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

INITIAL PRODUCTION

Any references in this MD&A to test rates, flow rates, initial and/or final raw test or production rates, early production, test volumes and/or "flush" production rates are useful in confirming the presence of hydrocarbons, however, such rates are not necessarily indicative of long-term performance or of ultimate recovery. Such rates may also include recovered "load" fluids used in well completion stimulation. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Mountainview. In addition, certain of Mountainview's assets may be subject to high initial decline rates. While Mountainview is encouraged by the initial results from certain wells, the information disclosed herein should be considered preliminary and is not indicative of long-term performance. Ongoing technical work and operational enhancements are expected to continue to improve the Company's understanding of the ultimate potential of its assets.

PETROLEUM AND NATURAL GAS SALES

Mountainview realized the following sales, production volume, and commodity prices for the referenced periods:

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Sales ($000's)				
Light oil	6,918	5,050	12,937	6,974
Natural gas	92	58	180	142
Total petroleum and natural gas sales	7,010	5,108	13,118	7,116
Average Daily Sales Volume				
Light oil (bbl/day)	813.58	601.40	1604.74	908.55
Natural gas (Mcf/day)	242.64	243.52	493.27	508.68
Total (boe/d)	915.13	702.92	1828.41	908.55
% oil production	89%	86%	88%	100%
Average Mountainview Realized Commodity Prices				
Light oil ($ per bbl)	94.47	92.25	89.23	84.59
Natural gas ($ per Mcf)	4.09	2.63	4.06	3.11
Barrels of oil equivalent ($ per boe, 6:1)	91.06	87.46	86.08	79.01

Sales for the three and six months ended June 30, 2014 were $7.0 million and $13.1 million, respectively, compared to $5.1 million and $7.1 million for the three and six months ended June 30, 2013, respectively. This represents an increase of $1.9 million or 37% over the prior period quarter and an increase of $6.0 million or 84% over the six month period ended June 30. Both production and the average realized commodity price increased from the prior period quarter and six months ended June 30, resulting in increased sales. Excluding the impact of derivative instruments, the average realized commodity price increased from $87.46 per boe in the second quarter of 2013 to $91.06 per boe during the second quarter of 2014. This 4% increase in realized price is due to a higher WTI benchmark price, upon which the Company’s sales contract is based. Compared to the prior year quarter, the WTI crude oil benchmark increased 9%. This increase was partially offset by widening discounts between benchmark WTI and sales contract pricing in North Dakota, where the majority of the Company’s oil is produced. This realized price discount is the result of overall production increases in North Dakota, leading to take away capacity constraints. Mountainview’s production mix continues to become more oil weighted, which also increased the average realized price when compared to the prior period quarter and six months ended June 30.

Production also increased from 703 boe/d in the three months ended June 30, 2013, to 915 boe/d for the three months ended June 30, 2014. This increase of 212 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 11% of production volumes, and only 1% of sales revenue.

ROYALTIES

	Three months ended June 30		Six months ended June 30	
($000's except per boe amounts)	2014	2013	2014	2013
Light oil	1,232	732	2,295	1,000
Natural gas	17	8	32	13
Total royalties	1,249	740	2,327	1,013
Total royalties per boe	14.99	11.57	14.01	10.22
% of P&NG Sales	18%	14%	18%	14%

Royalties for the three months ended June 30, 2014 were $1.2 million, compared to $0.7 million for the three months ended June 30, 2013. As a percentage of sales, the average royalty rate for the three and six month periods ended June 30, 2014 increased to 18%, compared to 14% in the three and six month periods ended June 30 2013. Light oil and natural gas royalties both averaged 18% of sales. 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 increased from 14% to 18% from the prior year quarter as a result of increased production from Divide County, which has a higher royalty environment than the legacy production in Montana.

PRODUCTION TAX AND OPERATING EXPENSE

	Three months ended June 30		Six months ended June 30	
($000's except per boe amounts)	2014	2013	2014	2013
Production taxes	624	594	1,157	779
Operating expenses	2,185	1,308	3,923	1,877
Total production and operating expenses	2,809	1,902	5,081	2,655
Production taxes per boe	7.48	9.28	6.97	7.85
Operating expense per boe	26.22	20.45	23.61	18.92
Total production and operating expense per boe	33.71	29.73	30.58	26.77

Operating expenses were $2.2 million or $26.22 per boe for the quarter ended June 30, 2014, compared to $1.3 million or $20.45 per boe for the three months ended June 30, 2013. Operating expenses were $3.9 million or $23.61 per boe for the six months ended June 30, 2014 as compared to $1.9 million or $18.92 per boe for the six month period ended June 30, 2013. Production taxes are calculated as a percentage of revenues and are payable to the state governments in Montana and North Dakota where Mountainview operates. In comparison to the prior year periods, the Company is facing overall cost pressure associated with optimizing new well operations. The Divide County operations have seen increased workovers as the Company changes to pumping units that are optimal for the long term fluid levels. In addition, increased produced water disposal costs were incurred as a result of flow back from completion operations. The Company has entered into a contract with a local service provider to install salt water disposal lines which will flow the produced water to an existing salt water disposal well. The third party service provider will fund the installation of the water disposal lines. The agreement will reduce the Company’s saltwater disposal costs by 50%. The Company also plans 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 June 30		Six months ended June 30	
($000's except per boe amounts)	2014	2013	2014	2013
G&A expense	753	500	1,441	1,091
Capitalized G&A expense	(82)	-	(124)	-
Net G&A	670	500	1,316	1,091
Total net G&A expense per boe	8.05	7.81	7.92	11.00

General and administrative expenses, net of recoveries and capitalized G&A, were $0.7 million or $8.05 per boe for the current quarter, and $1.3 million or $7.92 per boe for the six months ended June 30, 2014. This is compared to $0.5 million or $7.81 per boe in the prior year comparative quarter and $1.1 million or $11.00 per boe in the six months ended June 30, 2013. The Company's expenses increased slightly on a quarter over prior period quarter basis due to additional staff required to manage the Company's increased operations. On a per boe basis, G&A has increased by $0.24 per boe or 3% over the prior period quarter, however G&A per boe is down 28% when comparing the six month period to the prior year six month period as production increased at a greater rate than G&A.

In line with continued production synergies, the Company targets G&A for 2014 to be less than $8.00 per boe.

SHARE-BASED PAYMENT EXPENSE

	Three months ended June 30		Six months ended June 30	
($000's except per boe amounts)	2014	2013	2014	2013
Share based payment expense	106	138	212	279
Total per boe	1.27	2.16	1.28	2.81

During the three months ended June 30, 2014, the Company expensed $0.1 million in share-based payment expense as compared to $0.1 million in the three month period ended June 30, 2013.

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

At June 30, 2014, the Company has 6,370,000 options outstanding, of which 4,514,722 had vested and were exercisable.

FINANCE EXPENSE

	Three months ended June 30		Six months ended June 30	
($000's except per boe amounts)	2014	2013	2014	2013
Interest and bank charges	4	-	11	-
Interest on line of credit	99	124	263	235
Interest on long-term debt	2	1	3	2
Interest on credit facility	928	252	1,662	457
Finance costs on credit facility	278	-	280	-
Finance costs on line of credit	-	-	20	-
Interest on convertible debenture	22	22	44	44
Interest on promissory notes	198	180	395	355
Accretion on decommissioning liabilities	14	-	44	-
Accretion on credit facility	603	437	1,247	801
Total Finance expense	2,148	1,016	3,968	1,894
Total interest and accretion per boe	25.77	15.89	23.88	19.10

For the three and six months ended June 30, 2014, finance charges were $2.1 million and $4.0 million respectively as compared to $1.0 million and $1.9 million in the three and six month periods, respectively, ended June 30, 2013. This increase is due to increased bank debt for the quarter and six month periods, which was $55.2 million compared to $46.9 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.

Realized gains and cash proceeds

The Company realized a total loss of less than $0.1 million ($0.57 per boe) and a loss of $0.2 million ($1.24 per boe) for the three and six month periods, respectively, ended June 30, 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 $0.3 million ($3.63 per boe) and $0.3 million ($1.65 per boe) for the three and six month periods, respectively, ended June 30, 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 June 30, 2014:

	Three months ended June 30		Six months ended June 30	
($000's except per boe amounts)	2014	2013	2014	2013
Realized gain (loss)	(47)	-	(207)	-
Unrealized gain (loss) - Financial derivatives	(303)	-	(274)	-
Gain (loss) and proceeds derivatives	(350)	-	(480)	-
Realized gain (loss) on derivatives per boe	(0.57)	-	(1.24)	-
Unrealized gain (loss) on derivatives per boe	(3.63)	-	(1.65)	-
Gain (loss) and proceeds per boe	(4.20)	-	(2.89)	-

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 June 30, 2014, the Company realized a hedging loss of $32,724 (June 30, 2013 - $Nil). As at June 30, 2014, there was an unrealized mark to market loss of $273,757 (June 30, 2013 - $Nil) on this contract.

Month	Monthly barrel (bbl) quantity
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 June 30		Six months ended June 30	
($000's except per boe amounts)	2014	2013	2014	2013
Depletion & depreciation	1,541	1,884	2,923	2,732
Depletion & depreciation per boe	18.50	29.45	17.59	27.54

For the three and six month periods ended June 30, 2014, depletion and depreciation of capital assets was $1.5 million ($18.50 per boe) and $2.9 million ($17.59 per boe), respectively. This is compared to $1.9 million ($29.45 per boe) and $2.7 million ($27.54 per boe) for the prior year three and six month comparative periods, respectively. On an absolute basis, this quarter over prior period quarter decrease relates to the change in estimate for depletion and depreciation (See Note 3 of the accompanying Financial Statements). The rate per boe decreased from the prior period quarter due to the increase in reserve base. The increase in depletion, on an absolute basis, for the six month period over the prior year six month period ended June 30 is a result of increased production.

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 and six month periods ended June 30, 2014 was $6.3 million ($0.07 per share) and $7.8 million ($0.09 per share) respectively. This is compared to a net and comprehensive loss of $1.1 million ($0.01 per share) and $2.4 million ($0.02 per share) for the three and six month periods ended June 30, 2013. The net loss was mainly due to increased financing expenses and lease expiries in the quarter ended June 30, 2014.

	Three months ended June 30		Six months ended June 30	
($000's except per share amounts)	2014	2013	2014	2013
Net Income (loss)	(6,267)	(1,065)	(7,809)	(2,446)
Net Income (loss) per share	(0.07)	(0.01)	(0.09)	(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)	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Average production (boe/d)	915	898	1,183	711	703	391	194	190
Petroleum and natural gas sales	7,010	6,108	7,418	5,993	5,107	2,009	778	933
Operating netback (per boe)(1)	35.42	34.56	34.39	26.13	24.98	24.12	(0.66)	26.93
Funds flow from operations(2)	(28)	310	2,085	2,156	766	(207)	150	(177)
Per share basic	0.00	0.00	0.02	0.02	0.01	0.00	0.00	0.00
Per share diluted	0.00	0.00	0.02	0.02	0.01	0.00	0.00	0.00
Net income (loss)	(6,267)	(1,561)	(3,141)	(387)	(1,065)	(1,381)	(7,344)	(428)
Per share basic	(0.07)	(0.02)	(0.00)	(0.01)	(0.02)	(0.02)	(0.08)	(0.00)
Per share diluted(3)	(0.07)	(0.02)	(0.00)	(0.01)	(0.02)	(0.02)	(0.08)	(0.00)
Capital expenditures(4)	6,333	7,910	16,584	7,262	1,682	21,401	6,489	1,137
Total assets	86,800	90,214	84,744	74,265	67,253	65,131	49,056	49,360
Net debt excluding financial derivatives(5)	71,304	65,314	59,244	46,883	35,772	33,287	19,804	18,605

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

(2) Funds flow from operations should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with International Financial Reporting Standards as an indicator of Mountainview's performance. Funds flow from operations represents cash flow from operating activities prior to changes in non-cash working capital, transaction costs and decommissioning provision expenditures incurred. Mountainview also presents funds flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

(3) Due to the anti-dilutive effect of Mountainview's net loss for the three months and year ended December 31, 2013 and 2012, the diluted number of shares is equal to the basic number of shares. Therefore, diluted per share amounts of the net loss are equivalent to basic per share amounts.

(4) 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. Corporate acquisitions are excluded from this measure.

(5) Net debt is a non-GAAP measure representing the total of bank indebtedness, accounts payables and accrued liabilities, less accounts receivables, deposits and prepaid expenses.

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 Q2 2014, average daily production was 915 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. While the Company worked to minimize the production interruptions, various wells were still intermittently shut in for short periods of time, further contributing to the reduced average daily production rate for the quarter ended June 30, 2014. This production decrease was offset by high commodity prices in Q2 2014, moderating the overall impact on sales revenue.

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 and 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 a pump change to optimally handle the expected long term fluid levels. In future, the Company expects improvements in per boe operating expenses as the installation of new Rotoflex pumps will require fewer workovers and have a lower per boe operating cost. The increased water disposal and well workover costs resulted in decreased funds flow from operations in Q2 2014 when compared to Q1 2014. Mountainview has planned its own water disposal facilities as part of its future capital program, which will enable the Company to dispose of a significant portion of its produced water independently of outside contractors. The Company has also entered into a contract with a local service provider that will cut its produced water disposal costs in half. This contract requires the installation of a produced water pipeline that will take the produced water to a nearby disposal well, thereby eliminating trucking costs on produced salt water. This will reduce the Company's salt water disposal costs by 50%. In addition, Mountainview has developed a plan for artificial lift that is expected to reduce the frequency of required workover operations. The new pumps will also cost less to operate. 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, lease expiries in a non-core area, 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 Q2 was largely due to expiring leases, further compounded by increased financing costs.

FUNDS FLOW FROM OPERATIONS 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 June 30		Six months ended June 30	
($000's except per share amounts)	2014	2013	2014	2013
Cash flow from operating activities	(121)	(533)	(1,057)	(4,551)
Change in non-cash working capital	93	1,299	1,338	5,110
Funds flow from operations (1)	(28)	766	281	559
Funds flow per share	(0.00)	0.01	0.00	0.01

(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 and six month periods ended June 30, 2014 were less than $(0.1) million ($nil per share) and $0.3 million ($nil per share) respectively. This is a decrease from the second quarter 2013 funds flow of $0.8 million, and $0.6 million for the six month period ended June 30, 2013 due to workover expenses. This represents $nil per diluted share compared to $nil per diluted share for in 2013.

On a per boe basis, Mountainview's operating netbacks have continued to improve in Q2, as the realized price for product sales has increased on a quarter over quarter basis. In addition, Mountainview has negotiated with a North Dakota service provider to install pipelines to carry produced water to a disposal well near its core 12 Gage area. The elimination of trucking the produced water will result in reduced produced water disposal costs by 50%. This is expected to reduce per boe operating costs late in the third quarter of 2014. The full impact of this project is expected to be realized in Q1, 2015 as all wells will be tied into this system for the entire quarter.

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

($ per boe)	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Petroleum and natural gas sales	91.06	75.01	68.16	83.47	73.72	66.45	54.98	58.01
Royalties	(14.99)	(13.02)	(13.49)	(12.96)	(11.57)	(7.77)	(5.62)	(2.77)
Production tax and operating expense	(33.71)	(27.43)	(20.08)	(26.57)	(29.73)	(21.40)	(36.94)	(20.84)
Operating netback (1)	42.36	34.56	34.59	43.94	32.42	37.28	12.42	34.40
General and administrative expense	(8.05)	(7.80)	(8.05)	(5.25)	(7.72)	(16.43)	(36.94)	(20.84)
Interest and bank charges	(25.77)	(21.98)	(11.50)	(28.21)	(15.89)	(24.95)	(6.28)	(8.19)
Funds flow from operations (2)	8.54	4.78	15.04	10.48	8.81	(4.10)	(30.80)	5.37

(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

	Six months ended June 30	
($000's)	**2014**	**2013**
Land acquisition	348	652
Geological and geophysical	(29)	-
Drilling and completions	11,917	12,018
Equipping and facilities	1,882	3,400
Other	-	-
Development capital	14,119	16,071
Property acquisitions - cash paid	-	-
Property dispositions - cash received	-	-
Capital expenditures (1)	14,119	16,071
Net other additions to PP&E (2)	49	41
Corporate acquisitions to PP&E	115	-
Total net additions to PP&E	14,283	16,111

(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 six months ended June 30, 2014, the Company invested $14.1 million on development capital, a decrease from $16.1 million in development capital invested in the first six months of 2013. The Company's development capital expenditures for the six months ended June 30 were focused in Divide County, with successful drilling of 2 (1.9 net) oil wells.

Mountainview plans to drill three gross wells (1.8 net wells) in the second half of 2014 with an average working interest of 60%. The Company plans to finance the drilling operations using the proceeds from a non-core, non-operated asset sale, and cash flow from operations. The assets held for sale have been disclosed in the quarterly financial statements. The budgeted gross cost for drilling operations is $1.8 million per well ($1.1 million net). Management considers these expenditures to be non-discretionary, as the wells will meet drilling commitments on acreage leased in the Company's core Divide County area.

Drilling Results

Six months ended June 30	2014		2013	
	Gross	Net	Gross	Net
Crude Oil	2.0	1.9	1.0	0.6
Dry and abandoned	-	-	-	-
Total	2.0	1.9	1.0	0.6
Success Rate %		100%		100%

Undeveloped Land

The Company's undeveloped land holdings have decreased from the December 31, 2013, as acreage expiries in non-core areas were greater than purchases.

	At June 30 2014	At December 31 2013
Gross Acres	84,489	106,535
Net Acres	47,739	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 not in compliance with all of its financial covenants at the end of the reporting period, resulting in the reclassification of the senior credit facility as a current liability. The lender has granted a waiver for the non-compliance of the current ratio covenant for the quarter. The Company confirms there are no off-balance sheet financing arrangements.

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, 2014 was $8,680,000. The line of credit has been collateralized by assets in a U.S. subsidiary, and personal guarantees by a director and officer of the Company and a major shareholder of the Company. The carrying amount of the collateral is $14,795,346. Interest is payable monthly at a variable rate of prime plus 1.25%. The minimum interest rate is 5.25%. Subsequent to the period ended June 30, 2014 the line of credit was extended to October 17, 2014.

Credit Facility

The Company entered into a senior secured advancing credit facility (the “Facility”) for up to a maximum of $75.0 million. At June 30, 2014 the Company had $52.6 million available on the Facility, with $46.5 million drawn. 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”), 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.

The NPI is defined as all revenues, less all operating costs, production taxes, and capital costs incurred by the Company. Payments on the NPI 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. Return on investment is based on principal plus interest and fees. At June 30, 2014 the return on investment required to trigger this reduction in NPI is $34.22 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 $64,579,376. The borrowing base under the Facility will be subject to re-determination in the absolute discretion of the lender. The Company’s U.S. subsidiary, Mountain Divide LLC, is required to maintain a current ratio of 1.0: 1.0. At June 30, 2014 the U.S. subsidiary’s current ratio was 0.66:1.0. As at June 30, 2014 the Company has classified the debt as current due to not meeting the current ratio covenant. Mountainview has received a waiver from the lender regarding this covenant breach and is working with the lender to resolve the current liability issue. Mountainview anticipates resolution of the covenant issue prior to the release of third quarter financial statements.

For the period ended June 30, 2014, the Company incurred fees of $23,750 representing 1.25% of the borrowing base increase to the lender. A finder’s fee was also incurred in conjunction with Facility. The finder’s fee is payable at a rate of 4% based on each borrowing base increase up to the total amount available of $75.0 million, $1.20 million was accrued at June 30,2014.

During the period ended June 30, 2014, the Company received advances of $10,191,105 (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 $2,736,150 (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 June 30, 2014, the Company owed $46,554,738 under the Facility. During the period ended June 30, 2014, the Company has repaid $2,919,807 of the principal and has paid or accrued $1,785,970 in interest. The following table reconciles the face value of the facility to the carrying value:

		June 30, 2014		December 31, 2013
Opening balance	$	38,203,410	$	1,004,308
Proceeds received		10,191,105		38,575,824
Principal payments		(2,919,807)		(3,175,455)
Conveyance fee		74,099		(187,336)
Accretion		1,246,562		1,569,632
Deferred finance costs		-		-
Amortization of deferred finance costs		-		141,449
Interest accrual		(274,988)		274,988
Total	$	46,520,381	$	38,203,410

Long-term debt

The Company has various vehicle loans outstanding as at June 30, 2014 and December 31, 2013 of $444,160 and $391,167, respectively. The current portion of vehicle loans as at June 30, 2014 and December 31, 2013 is $120,585 and $109,187. There are thirteen 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 June 30, 2014, the balance due on the promissory notes was $7,850,000 plus accrued interest of $1,271,158.

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. At June 30, 2014, the balance due on the promissory notes is $250,000 plus accrued interest of $16,232.

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. At June 30, 2014, the balance due on the promissory notes is $805,123 plus accrued interest of $88,725.

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

As at June 30, 2014		Total		< 1 Year		1-3 years		4-5 years		After 5 years
Credit facility	$	46,554,738	$	46,554,738	$	-	$	-	$	-
Promissory notes		10,281,269		10,281,269		-		-		-
Convertible Debenture		2,255,415		2,255,415		-		-		-
Vehicle loans		444,160		120,585		305,714		17,861		-
Total contractual obligations	$	59,535,582	$	59,212,007	$	305,714	$	17,861	$	-

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 second 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 August 28, 2014 the Company has 87,820,443 Common Shares, 6,370,000 stock options and 7,822,727 class B shares in a subsidiary outstanding. The Class B shares can be exchanged at the option of the holder, on a share for share basis with common stock of the Company or, at the option of the Company, be paid by cash at the current market value calculated as weighted average price per common stock of the Company for 20 consecutive trading days of the TSX-V. The exchange dates are as follows:

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

The effect of Class B shares has not been included in the EPS for the periods ended June 30, 2014 and 2013. As at June 30, 2014 none of the shares have been exchanged.

In addition, there is a convertible debenture outstanding which, if converted at June 30 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 $1.7 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 June 30, 2014	< 1 Year	1-3 years	3-5 years	After 5 years	Total
Trade and accrued liabilities	$ 7,961,221	$ -	$ -	$ -	$ 7,961,221
Line of credit(1)	8,680,000	-	-	-	8,680,000
Long-term debt	120,585	305,714	17,861	-	444,160
Credit facility - principal (2)	46,554,738	-	-	-	46,554,738
Credit facility - interest	3,724,379	-	-	-	3,724,379
Convertible debenture - principal (3)	2,072,053	-	-	-	2,072,053
Convertible debenture - interest	183,362	-	-	-	183,362
Promissory notes - principal	8,905,154	-	-	-	8,905,154
Promissory notes - interest	1,376,115		-	-	1,376,115
Total	$ 79,577,607	$ 305,714	$ 17,861	$ -	$ 79,901,182

(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 this principal amount in less than one year is based on the breech of the current ratio covenant. The Company has received a waiver from the lender and is not obligated to repay the principal at this time. A review of the credit facility is currently underway with the lender and Management fully expects the facility to be extended beyond the current due date.

(3) Repayment of the Convertible Debentures assumes that all holders of the debentures will not convert their holdings into shares.

RELATED PARTY TRANSACTIONS

During the period ended June 30, 2014 the Company paid or accrued $2,630,429 (June 30, 2013 - $2,971360) to three companies owned by one of its major shareholders for services provided in the drilling and operating of the wells in the 12-Gage Property. These services were provided at a competitive market rate.

During the period ended June 30, 2014, the Company had a joint interest receivable of $13,998 (June 30, 2013 - $451,036) from two companies owned by two of its major shareholders. The companies are participants in certain joint venture activities.

During the period ended June 30, 2014, the Company had a net joint interest receivable of $14,503 (June 30, 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 June 30, 2014, the Company had a payable of $48,577 (June 30, 2013 - $Nil) due to a company owned by a Director and officer in common for the purchase of equipment.

During the period ended June 30, 2014, the Company had a joint interest payable of $10,818 (June 30, 2013 - $Nil) to one company owned by one of its major shareholders. The company is a participant in certain joint venture activities.

During the period ended June 30, 2014, the Company had a related party payable of $Nil, (June 30, 2013 - $733,154) that was due to one of its major shareholders.

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/U.S. 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.

Please also see the risk factors identified in Mountainview's annual information form, which is available on SEDAR.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ACCOUNTING POLICIES

For more details regarding the Company's critical accounting judgments, estimates and accounting policies the following should be read in conjunction with the Company's 2013 annual MD&A.

Management is required to make judgments, estimates and assumptions in the application of accounting policies that could have a significant impact on our financial results. Actual results may differ from those estimates and those differences may be material. The estimates and assumptions used are subject to updates based on experience and the application of new information. The Company's critical accounting policies and estimates are reviewed annually by the Audit Committee of the Board of Directors of the Company. Further details on the basis of presentation and significant accounting policies can be found in the Company's notes to the Consolidated Financial Statements and annual MD&A for the year ended December 31, 2013.

Critical Accounting Judgments in Applying Accounting Policies

Critical judgments are those judgments made by Management in the process of applying accounting policies that have the most significant effect on the amounts recognized in the Company's annual and interim Consolidated Financial Statements and accompanying notes. On January 1, 2014, as required, the Company adopted the amendments to IAS 32 and IFRIC 21. See discussion below under Changes in Accounting Policies for details. Further information on Management's critical accounting judgments in applying accounting policies can be found in the notes to the Consolidated Financial Statements and annual MD&A for the year ended December 31, 2013.

Critical accounting estimates

Critical accounting estimates are those estimates that require Management to make particularly subjective or complex judgments about matters that are inherently uncertain. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates are recognized in the period in which the estimates are revised. For 2014, there have been no changes to the Company's key sources of estimation uncertainty. Further information on the Company's key sources of estimation uncertainty can be found in the notes to the Consolidated Financial Statements and annual MD&A for the year ended December 31, 2013.

Changes in Accounting Policies

The IASB issued International Financial Reporting Interpretations Committee Interpretation ("IFRIC") 21, "Levies" which was adopted by the Company on January 1, 2014. The IFRIC clarifies that an entity should recognize a liability for a levy when the activity that triggers payment occurs. The adoption of this interpretation did not impact the Condensed Interim Consolidated Financial Statements.

Effective January 1, 2014, the Company adopted, as required, amendments to IAS 32, "Financial Instruments: Presentation" ("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 Condensed Interim Consolidated Financial Statements.

Future Accounting Pronouncements

A description of standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual Consolidated Financial Statements for the year ended December 31, 2013. In May 2014, the International Accounting Standards Board issued IFRS 15 Revenues from Contracts with Customers ("IFRS 15"). IFRS 15 provides a single, principles based five-step model to be applied to revenue recognition from all contracts with customers and applies to an annual reporting period beginning on or after 1 January 2017. The impact of this standard on the Company has not been determined.