Management Discussion and Analysis

Dated as of November 26, 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 nine months ended September 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 and natural gas liquids 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, and 55 gallons of natural gas liquids 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 discloses the initial results from new 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 volume, and commodity prices for the referenced periods:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Sales ($000's)				
Light oil	5,733	5,926	18,671	12,861
Natural gas	63	67	233	209
Natural gas liquids	87	-	97	-
Total petroleum and natural gas sales	5,883	5,993	19,000	13,070
Average Daily Sales Volume				
Light oil (bbl/day)	755	721	792	545
Natural gas (Mcf/day)	227	201	232	235
Natural gas liquids (boe/day)	14	-	8	-
Total (boe/d)	807	754	839	584
% oil and NGL production	95%	96%	95%	93%
Average Mountainview Realized Commodity Prices				
Light oil ($ per bbl)	84.33	91.33	86.63	86.74
Natural gas ($ per Mcf)	3.06	3.69	3.69	3.27
Naturl gas liquids ($ per bbl)	67.28	-	46.38	-
Barrels of oil equivalent ($ per boe, 6:1)	82.40	88.27	84.06	82.24
Benchmark Pricing				
WTI crude oil (US$ per bbl)	97.17	105.82	99.61	98.15
NYMEX natural gas (US$ per MCF)	3.95	3.56	4.42	3.62
Exchange rate (US$/Cdn$)	0.92	0.96	0.91	0.98

Sales for the three and nine months ended September 30, 2014 were $5.9 million and $19.0 million, respectively, compared to $6.0 million and $13.1 million for the three and nine months ended September 30, 2013, respectively. This represents a decrease of less than $0.1 million or 2% over the prior period quarter and an increase of $5.9 million or 45% over the nine month period ended September 30. While average daily production volumes increased when compared to the prior period quarter and nine months ended September 30, the average realized commodity price decreased, particularly on a current quarter over prior period quarter comparison. The result is increased sales for the nine months ended September 30, however a slight decrease in sales for current quarter compared to the prior period quarter. Excluding the impact of derivative instruments, the average realized commodity price decreased from $87.69 per boe in the third quarter of 2013 to $82.40 per boe during the third quarter of 2014. This 6% decrease in realized price is due to a lower WTI benchmark price, upon which the Company’s sales contract is based. Compared to the prior year quarter, the WTI crude oil benchmark decreased 8%. This decrease was partially offset by narrowing 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 transportation costs and overall production increases in North Dakota, leading to take away capacity constraints.

Production also increased from 754 boe/d in the three months ended September 30, 2013, to 807 boe/d for the three months ended September 30, 2014. This increase of 53 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. Mountainview has begun selling natural gas liquids from its production in North Dakota. The Company has been working with an area natural gas midstream group to get its gas production into a sales line in advance of State legislation limiting flaring in North Dakota. This added revenue stream will ensure the Company is getting full value for its reserves produced. Natural gas sales currently account for 5% of production volumes, and only 1% of sales revenue.

ROYALTIES

	Three months ended September 30		Nine months ended September 30	
($000's except per boe amounts)	2014	2013	2014	2013
Light oil	1,169	836	3,476	1,836
Natural gas	33	12	53	26
Total royalties	1,202	848	3,529	1,862
Total royalties per boe	16.84	12.49	15.61	11.71
% of P&NG Sales	20.4%	14.2%	18.6%	14.2%

Royalties for the three months ended September 30, 2014 were $1.2 million, compared to $0.8 million for the three months ended September 30, 2013. As a percentage of sales, the average royalty rate for the three and nine month periods ended September 30, 2014 increased to 20%. This increase was attributable to production outages from wells with lower royalty rates, resulting in 38% of quarterly production attributable to wells with a royalty rate of 20.5%. As production from Divide County, North Dakota, increases, the Company expects the average companywide royalty rate to remain at approximately 20%, as North Dakota has a higher royalty environment than the legacy production in Montana.

PRODUCTION TAXES

	Three months ended September 30		Nine months ended September 30	
($000's except per boe amounts)	2014	2013	2014	2013
Production taxes	485	265	1,675	831
Production taxes per boe	6.80	3.90	7.41	5.23

Production taxes are calculated as a percentage of revenues and are payable to the state governments in Montana and North Dakota where Mountainview operates. For the quarter ended September 30, 2014, production taxes were $0.5 million, or $6.80 per boe, compared to $0.3 million, or $3.90 per boe for the prior period quarter. On a per barrel basis, this is 74% higher than the prior period quarter reflecting the growing production volume from North Dakota, which has a higher production tax environment than the State of Montana.

OPERATING AND TRANSPORTATION COSTS

	Three months ended September 30		Nine months ended September 30	
($000's except per boe amounts)	2014	2013	2014	2013
Operating costs	2,072	1,473	5,963	3,562
Transportation costs	65	-	65	-
Total operating and transportation costs	2,137	1,473	6,027	3,562
Operating costs per boe	29.02	21.70	26.38	22.42
Transporation costs per boe	0.90	-	0.29	-
Total operating and transportation costs per boe	29.93	21.70	26.66	22.42

Operating and transportation expenses were $2.1 million or $29.93 per boe for the quarter ended September 30, 2014, compared to $1.5 million or $21.70 per boe for the three months ended September 30, 2013. Operating and transportation expenses were $6.0 million or $26.66 per boe for the nine months ended September 30, 2014 as compared to $3.6 million or $22.42 per boe for the nine month period ended September 30, 2013.

Management has determined that the Divide County operations reach optimal production with the use of an electric submersible pump until the fluid levels have reduced to a level better managed by a Rotoflex artificial lift system.

During the period ended September 30, 2014, a one-time successful fishing job occurred on three of the eight producing wells to replace the electric submersible pumps. These one-time operational expenses added to the current quarter's increase to production and operating expenses. Specific costs relating to the fishing jobs are outlined in the table below.

	Three months ended September 30		Nine months ended September 30	
($000's except per boe amounts)	2014	2013	2014	2013
Non recurring fishing jobs cost	202	-	422	-
Non recurring fishing jobs cost per boe	2.82	-	1.87	-

As of September 30, 2014 four of the Company's eight producing wells have been converted to a Rotoflex artificial lift system. Of the remaining four, one is scheduled to convert in Q4 2014 and the second in 2015. The remaining two wells will remain on electric submersible pumps until the fluid levels is reduced to a level better managed by the Rotoflex artificial lift system.

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. This salt water disposal system is expected to be operational early in Q4, 2014. 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 September 30		Nine months ended September 30	
($000's except per boe amounts)	2014	2013	2014	2013
G&A expense	799	344	2,239	1,434
Capitalized G&A expense	(81)	-	(205)	-
Net G&A	718	344	2,034	1,434
Total net G&A expense per boe	10.05	5.06	9.00	9.03

General and administrative expenses, net of recoveries and capitalized G&A, were $0.7 million or $10.05 per boe for the current quarter, and $2.0 million or $9.00 per boe for the nine months ended September 30, 2014. This is compared to $0.3 million or $5.06 per boe in the prior year comparative quarter and $1.4 million or $9.03 per boe in the nine months ended September 30, 2013. The Company's expenses increased slightly on a quarter over prior period quarter basis due to additional legal fees and travel related to the announced private placement financing. On a per boe basis, G&A has increased by $4.99 per boe or 99% over the prior period quarter, however G&A per boe is relatively unchanged when comparing the nine month period to the prior year nine 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 September 30		Nine months ended September 30	
($000's except per boe amounts)	2014	2013	2014	2013
Share based payment expense	106	136	318	415
Total per boe	1.48	2.01	1.41	2.61

During the three months ended September 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 September 30, 2013.

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

At September 30, 2014, the Company has 6,320,000 options outstanding, of which 3,976,667 had vested and were exercisable.

FINANCE EXPENSE

	Three months ended September 30		Nine months ended September 30	
($000's except per boe amounts)	2014	2013	2014	2013
Interest and bank charges	(6)	7	5	7
Interest on line of credit	141	119	404	354
Interest on long-term debt	12	1	16	3
Interest on credit facility	951	614	2,613	1,071
Finance costs on credit facility	(143)	-	137	-
Finance costs on line of credit	(0)	-	20	-
Interest on convertible debenture	22	22	66	66
Interest on promissory notes	199	199	594	554
Accretion on decommissioning liabilities	(44)	-	-	-
Accretion on credit facility	548	883	1,795	1,684
Total Finance expense	1,681	1,846	5,649	3,740
Total interest and accretion per boe	23.54	27.18	24.99	23.53

For the three and nine months ended September 30, 2014, finance charges were $1.7 million and $5.6 million respectively as compared to $1.8 million and $3.7 million in the three and nine month periods, respectively, ended September 30, 2013. This increase is due to increased bank debt for the quarter and nine month periods, which was $58.7 million compared to $35.6 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 7.4%.

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 September 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 recognized a realized loss of less than $0.1 million ($0.57 per boe) and a realized loss of $0.2 million ($1.04 per boe) for the three and nine month periods, respectively, ended September 30, 2014. During the quarter, the realized 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 unrealized gain on financial derivatives in the amount of $0.5 million ($6.33 per boe) and $0.2 million ($0.79 per boe) for the three and nine month periods, respectively, ended September 30, 2014. This unrealized gain is due to a decrease in forward WTI pricing for the second half of 2014.

The following is a summary of the derivative as at September 30, 2014:

	Three months ended September 30		Nine months ended September 30	
($000's except per boe amounts)	2014	2013	2014	2013
Realized gain (loss)	(28)	-	(235)	-
Unrealized gain (loss) - Financial derivatives	452	-	178	-
Gain (loss) and proceeds derivatives	424	-	(57)	-
Realized gain (loss) on derivatives per boe	(0.39)	-	(1.04)	-
Unrealized gain (loss) on derivatives per boe	6.33	-	0.79	-
Gain (loss) per boe	5.94	-	(0.25)	-

Crude Oil Sales Price Derivatives

As at September 30, 2014, there was an unrealized mark to market gain of $178,000 (September 30, 2013 - $Nil) on this contract. The following table outlines the volumes hedged for the remainder of the contract:

Month	Monthly barrel (bbl) quantity
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 September 30		Nine months ended September 30	
($000's except per boe amounts)	2014	2013	2014	2013
Depletion & depreciation	1,443	1,496	4,366	4,228
Depletion & depreciation per boe	20.21	22.03	19.31	26.60

For the three and nine month periods ended September 30, 2014, depletion and depreciation of capital assets was $1.4 million ($20.21 per boe) and $4.4 million ($19.31 per boe), respectively. This is compared to $1.5 million ($22.03 per boe) and $4.2 million ($26.60 per boe) for the prior year's three and nine 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 nine month period over the prior year nine month period ended September 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 nine month periods ended September 30, 2014 was $1.6 million ($0.02 per share) and $9.4 million ($0.11 per share) respectively. This is compared to a net and comprehensive loss of $0.4 million ($nil per share) and $2.8 million ($0.03 per share) for the three and nine month periods ended September 30, 2013. The net loss was mainly due to decreased commodity price, increased financing expenses and increased workover expenses in the quarter ended September 30, 2014.

	Three months ended September 30		Nine months ended September 30	
($000's except per share amounts)	2014	2013	2014	2013
Net Income (loss)	(1,638)	(387)	(9,448)	(2,833)
Net Income (loss) per share	(0.02)	(0.00)	(0.11)	(0.03)

QUARTERLY FINANCIAL SUMMARY

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

($000's except per share amounts)	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Average production (boe/d)	807	915	898	1,183	711	703	391	194
Petroleum and natural gas sales	5,883	7,010	6,108	7,418	5,993	5,107	2,009	778
Operating netback (per boe)(1)	28.83	35.42	34.56	34.39	26.13	24.98	24.12	(0.66)
Funds flow from operations(2)	(332)	(28)	310	2,085	3,830	766	(207)	150
Per share basic	(0.00)	(0.00)	0.00	0.02	0.02	0.01	(0.00)	(0.00)
Per share diluted	(0.00)	(0.00)	0.01	0.02	0.02	0.02	(0.00)	(0.00)
Net income (loss)	(1,638)	(6,267)	(1,561)	(3,141)	(387)	(1,065)	(1,381)	(7,344)
Per share basic	(0.02)	(0.07)	(0.02)	(0.00)	(0.01)	(0.02)	(0.02)	(0.08)
Per share diluted(3)	(0.02)	(0.07)	(0.02)	(0.00)	(0.01)	(0.02)	(0.02)	(0.08)
Capital expenditures(4)	7,403	6,333	7,910	16,584	7,262	1,682	21,401	6,489
Total assets	101,208	86,800	90,214	84,744	74,265	67,253	65,131	49,056
Net debt excluding financial derivatives(5)	75,911	71,304	65,314	59,244	46,883	35,772	33,287	19,804

(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 Q3 2014, average daily production was 807 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, workover and well service work has been ongoing as original pumps reach the end of their useful life. 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 September 30, 2014. This production decrease was further compounded by weaker commodity prices in Q3 2014, impacting 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. Currently, four of eight producing wells have been converted to the Rotoflex pump. The increased water disposal and well workover costs resulted in decreased funds flow from operations in Q3 2014 when compared to Q2 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 independent of outside contractors. The Company has also entered into a contract with a local service provider that will reduce its current produced water disposal costs by 50%. 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 is projected to have a positive effect on funds flow from operations.

Quarterly variances in net income, however, are largely driven by commodity price variance, financing costs and non-cash items, such as depletion, lease expiries, and unrealized gains or losses on derivatives. 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 Q3 was largely due to lower realized oil prices, further compounded by increased operating expenses due to well workovers, and 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 September 30		Nine months ended September 30	
($000's except per share amounts)	2014	2013	2014	2013
Cash flow from operating activities	(6,678)	5,892	(7,735)	1,341
Change in non-cash working capital	6,346	(2,063)	7,684	3,047
Funds flow[(1)]	(332)	3,830	(50)	4,389
Funds flow per share	(0.00)	0.04	(0.00)	0.05

(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 nine month periods ended September 30, 2014 were $(0.3) million ($nil per share) and less than $(0.1) million ($nil per share), respectively. This is a decrease from the third quarter 2013 funds flow of $3.8 million, and $4.4 million for the nine month period ended September 30, 2013 due to a decrease in commodity pricing and required workover expenses as production equipment reaches the end of its useful life. This represents $nil per diluted share compared to $0.05 per diluted share for in 2013.

On a per boe basis, Mountainview's operating netbacks have decreased in Q3, 2014, as the realized price for product sales has decreased on a quarter over quarter basis, while operating expenses associated with workovers have increased. Four of the Company's eight producing wells have been converted to new long-life pumping units. The remaining three will be converted as the existing pumps reach the end of their useful life. Mountainview expects to realize improvements in salt water disposal costs as the infrastructure discussed in prior quarters will be operational in Q4, 2014, eliminating trucking of salt water and reducing disposal costs by 50%. This is expected to reduce per boe operating costs in the fourth 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)	**Q3 2014**	**Q2 2014**	**Q1 2014**	**Q4 2013**	**Q3 2013**	**Q2 2013**	**Q1 2013**	**Q4 2012**
Petroleum and natural gas sales	82.40	91.06	75.01	68.16	83.47	73.72	66.45	54.98
Royalties	(16.84)	(14.99)	(13.02)	(13.49)	(12.96)	(11.57)	(7.77)	(5.62)
Production and operating expense	(36.73)	(33.71)	(27.43)	(20.08)	(26.57)	(29.73)	(21.40)	(36.94)
Operating netback (1)	28.83	42.36	34.56	34.59	43.94	32.42	37.28	12.42
General and administrative expense	(10.05)	(8.05)	(7.80)	(8.05)	(5.25)	(7.72)	(16.43)	(36.94)
Interest and bank charges	(23.54)	(25.77)	(21.98)	(11.50)	(28.21)	(15.89)	(24.95)	(6.28)
Funds flow from operations (2)	(4.76)	8.54	4.78	15.04	10.48	8.81	(4.10)	(30.80)

(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

	Nine months ended September 30	
($000's)	**2014**	**2013**
Land acquisition	567	652
Geological and geophysical	13	-
Drilling and completions	17,338	17,489
Equipping and facilities	3,732	6,047
Other	-	-
Development capital	21,650	24,188
Property acquisitions - cash paid	-	-
Property dispositions - cash received	(400)	-
Capital expenditures (1)	21,250	24,188
Net other additions to PP&E (2)	171	352
Corporate acquisitions to PP&E	115	18
Total net additions to PP&E	21,536	24,558

(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 nine months ended September 30, 2014, the Company invested $21.7 million on development capital, a decrease from $24.2 million in development capital invested in the first nine months of 2013. The Company's development capital expenditures for the nine months ended September 30 were focused in Divide County, with successful drilling of 4 (1.9 net) oil wells.

Mountainview plans to complete the three wells drilled in the third quarter. The Company plans to finance the drilling operations using the proceeds from a non-core, non-operated asset sale, and from its previously announced equity offering. 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 discretionary; however, the wells will meet drilling commitments on acreage leased in the Company's core Divide County area.

Drilling Results

Nine months ended September 30	2014		2013	
	Gross	Net	Gross	Net
Crude Oil	4.0	1.9	1.0	0.6
Dry and abandoned	-	-	-	-
Total	4.0	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 September 30 2014	At December 31 2013
Gross Acres	83,148	106,535
Net Acres	47,014	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 September 30, 2014 was $8,680,000. The Company's US subsidiary provided a general security over its assets and, a director and officer of the Company and major shareholder have provided security over the assets of the Company as collateral for the line of credit. The carrying amount of the collateral is $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 September 30, 2014, the line of credit was converted to a term loan extending the maturity date from October 17, 104 to November 1, 2015. A principal payment in the amount of $3,000,000 is due on December 1, 2014 with subsequent principal and interest payments due monthly beginning January 1, 2015 until the entire unpaid principal and interest obligation has been satisfied. All other terms of the agreement have remained in effect.

Convertible debenture

On May 28, 2012, the Company acquired from a related company, a compressor, plant and equipment for consideration of $2,660,000. The Company paid $283,000 and agreed to issue a $2,377,000 debenture convertible into common shares of the Company at a price of $2.50 per common share (the actual convertible debenture issued was $2,072,053, which was reduced by costs incurred of $304,947 on behalf of the related company prior to the transaction closing). During the year ended December 31, 2013 the original Convertible Debenture was cancelled and a new Convertible Debenture was signed to extend the maturity date to June 1, 2015. Subsequent to September 30, 2014 an amendment to the debenture was issued extending the maturity date to July 1, 2016 all other terms remained unchanged. At September 30, 2014 the convertible debenture was $2,072,053 plus accrued interest of $205,318. At September 30, 2014, if the convertible debenture had been converted the Company would have issued 828,821 additional common shares.

Credit Facility

The Company entered into a senior secured advancing credit facility (the "Facility") for up to a maximum of $75.0 million. At September 30, 2014 the Company had $55.6 million available on the Facility, with $49.4 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 principal 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.

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 September 30, 2014 the return on investment required to trigger this reduction in NPI is $36.9 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 $78,879,672. 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. At September 30, 2014 the US subsidiary's current ratio was 0.68:1.0. Subsequent to the period end the lender issued a waiver in relation to the current ratio covenant breach.

For the period ended September 30, 2014, the Company incurred fees of $61,591 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, $1.37 million was accrued at September 30,2014.

During the period ended September 30, 2014, the Company received proceeds of $13,218,423 (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 $2,650,461 (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 a current liability 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 September 30, 2014, the Company owed $49,459,290 under the Facility. During the period ended September 30, 2014, the Company has repaid $3,042,573 of the principal and has paid or accrued $2,613,359 in interest.

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

	September 30, 2014	December 31, 2013
Balance, beginning of period	$ 38,203,410	$ 1,004,308
Proceeds received	13,218,423	38,575,824
Principal payments	(3,042,573)	(3,175,455)
Conveyance Fee	159,788	(187,336)
Accretion	1,795,063	1,569,632
Amortization of deferred finance costs	-	141,449
Interest accrual(payment)	(274,987)	274,988
Balance, end of period	**$ 50,059,123**	**$ 38,203,410**

Long-term debt

The Company has various vehicle loans outstanding as of September 30, 2014 and December 31, 2013 with balances of $413,187 and $391,167, respectively. The current portion of vehicle loans as at September 30, 2014 and December 31, 2013 is $127,357 and $109,187. There are thirteen vehicle loans with fixed rates 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. During the period ended September 30, 2014, amendments to the promissory notes were executed extending the maturity to July 1, 2016. At September 30, 2014, the balance due on the promissory notes was $7,850,000 plus accrued interest of $1,450,664.

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 September 30, 2014, amendments to the promissory notes were executed extending the maturity to July 1, 2016. At September 30, 2014, the balance due on the promissory notes is $250,000 plus accrued interest of $19,349.

On November 26, 2013, the Company signed three unsecured promissory notes payable with a major shareholder of the Company, for $460,949, $248,205, 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 September 30, 2014, amendments to the promissory notes were executed extending the maturity to July 1, 2016. At September 30, 2014, the balance due on the promissory notes is $805,154 plus accrued interest of $106,792.The following is a schedule of debt payments over the next five years:

At September 30, 2014	Total	< 1 Year	1-3 years	4-5 years	After 5 years
Credit facility	$ 50,059,123	$ 50,059,123	$ -	$ -	$ -
Line of credit	8,680,000	$ 8,680,000	$ -	$ -	$ -
Promissory notes	10,481,959	-	10,481,959	-	-
Convertible Debenture	2,277,371	-	2,277,371	-	-
Vehicle loans	413,187	127,357	277,618	8,213	-
Total contractual obligations	$ 71,911,641	$ 58,866,480	$ 13,036,948	$ 8,213	$ -

SHARE CAPITAL

In the third 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 November 24, 2014 the Company has 87,820,443 Common Shares, 6,320,000 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:

- September 4, 2012 to September 4, 2013 33%
- September 5, 2013 to September 5, 2014 66%
- September 6, 2014 to September 7, 2019 100%
- September 8, 2019 to September 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 September 30, 2014 and 2013. As at September 30, 2014 none of the shares have been exchanged.

In addition, there is a convertible debenture outstanding which, if converted at September 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 $2.0 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:

At September 30, 2014	< 1 Year	1-3 years	3-5 years	After 5 years	Total
Trade and accrued liabilities	$ 20,019,089	$ -	$ -	$ -	$ 20,019,089
Line of credit(1)	8,680,000	-	-	-	8,680,000
Long-term debt	109,187	273,717	8,263	-	391,167
Credit facility - principal (2)	49,459,290	-	-	-	49,459,290
Convertible debenture - principal	2,072,053	-	-	-	2,072,053
Convertible debenture - interest	205,318	-	-	-	205,318
Promissory notes - principal	-	8,935,154	-	-	8,935,154
Promissory notes - interest	-	1,546,806	-	-	1,546,806
Total	$ 80,544,936	$ 10,755,676	$ 8,263	$ -	$ 91,308,876

(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 September 30, 2014 the Company paid or accrued $3,103,041 (September 30, 2013 - $4,328,845) 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.

During the period ended September 30, 2014, the Company had a joint interest receivable of $106,672 (September 30, 2013 - $910,087) from three companies owned by two of its major shareholders. The companies are participants in certain joint venture activities.

During the period ended September 30, 2014, the Company had a payable of $371,352 (September 30, 2013 - $910,087) from three companies owned by three of its major shareholders. The companies are participants in certain joint venture activities.

During the period ended September 30, 2014, the Company had a joint interest receivable of $19,984 (September 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 September 30, 2014, the Company had a payable of $50,648 (September 30, 2013 - $Nil) due to two companies owned by a Director and officer in common for the purchase of equipment and certain joint venture activities.

During the period ended September 30, 2014, the Company had a related party payable of $Nil, (September 30, 2013 - $829,154) that was due to one of its major shareholders.

As of September 30, 2014 the Company executed a purchase and sale agreement for one of the company's non-operated oil and gas assets with a company owned by a major shareholder. Sales proceeds were $400,000 and a gain of $395,878 was recognized on the disposal, see further disclosure in Note 9.

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 Company adopted several new IFRS interpretations and amendments in accordance with the transitional provisions of each standard. A brief description of each new accounting policy and its impact on the Company's financial statements follows below:

- 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.

- 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 the Company's disclosures in the notes to the financial statements in periods when an impairment loss or impairment reversal is recognized.

- 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 the Company's financial statements.

- IFRIC 21 "Levies" was developed by the IFRS Interpretations Committee ("IFRIC") and is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 "Income Taxes") and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. Lastly, the interpretation clarifies that a liability should not be recognized before the specified minimum threshold to trigger that levy is reached. The retrospective adoption of this interpretation has had a nominal impact on the Company's financial statements.

Future Accounting Pronouncements

In February 2014, the IASB tentatively decided to require an entity to apply IFRS 9 "Financial Instruments" for annual periods beginning on or after January 1, 2018. IFRS 9 is available for early adoption. The full impact of the standard on the Company's financial statements will not be known until changes are finalized.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, this standard will replace IAS 18 Revenue, IAS 11 construction contracts, and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2017, with earlier adoption permitted. The company is currently evaluating the impact of the standard on the financial statements.

Subsequent Events

On October 6, 2014 the Company announced an equity offering for proceeds up to $25M. The offering will be placed through an Agent and the Agent will offer for sale units of the Corporation for an aggregate gross proceeds of up to $25M. Each unit will consist of one common share at a price to be determined in the context of the market and one half of one common share purchase warrant which shall entitle the holder thereof to purchase one common share at a price to be determined in the context of the market for a period of 24 months following the closing date of the private placement. The net proceeds from the offering will be used by the Company for further development of the Company's drilling program in its 12 Gage project, for general corporate and working capital purposes and to repay indebtedness.

On October 20, 2014, the Company announced that that its wholly-owned subsidiary, Mountain Divide, LLC has entered into a commitment letter with the current issuer of the Credit Facility with respect to a new term facility and a $16 million unsecured subordinated convertible promissory note to replace: (a) the current senior secured advancing credit facility between Mountain Divide, LLC and the lender in connection with the Company's 12-Gage Project in the Williston Basin in Divide County, North Dakota; and (b) the 39% after pay-out net profits interest (the "NPI") associated with the existing credit facility. The new term facility is contingent upon a successful equity raise of $15M by the Company.