# Management's Discussion and Analysis

June 30, 2014

3MV ENERGY

*The following Management's Discussion and Analysis ("**MD&A**") as provided by the management of 3MV Energy Corp. ("**3MV Energy**", or the "**Corporation**") formerly Noravena Capital Corporation ("**Noravena**") reports on the financial condition and the results of operations for the three and six month periods ended June 30, 2014 and June 30, 2013 and should be read in conjunction with the December 31, 2013 and December 31, 2012 audited consolidated financial statements and notes thereto. The audited financial statements for the period ended December 31, 2013 and December 31, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial measures are expressed in Canadian dollars unless otherwise indicated. This commentary is based on the information available as at and is dated August 21, 2014.*

## Description of the Company

3MV Energy Corp. ("3MV Energy") is the corporation resulting from the 3-cornered amalgamation (the "Amalgamation") of 3MV Energy Inc., Noravena Capital Corporation ("Noravena"), a capital pool company listed on the TSX Venture Exchange and Noravena's wholly owned subsidiary Noravena Acquisition Corporation, completed on January 29, 2012. Noravena issued 20.27 shares for each 3MV Energy Inc. share then consolidated its shares one for ten (1:10) and changed its name to "3MV Energy Corp." 3MV Energy is based in Calgary and engaged in the exploration, development, production and acquisition of petroleum and natural gas reserves in Western Canada primarily Saskatchewan. The address of the registered office is #1150, 444-5th Ave SW Calgary, Alberta T2P 2T8.

## Basis of Presentation

On February 23, 2012, 3MV Energy filed notice as required to change its yearend. As such the Corporation's year-end has been changed from April 30 to December 31 in order to be consistent with peer companies. Notice of this change can be viewed on the SEDAR web site at www.sedar.com. The condensed consolidated interim financial statements and comparative information have been prepared in accordance with IFRS. For a summary of the Corporation's detailed accounting policies, refer to notes 3 and 4 of the Corporation's December 31, 2013 consolidated financial statements. The following MD&A compares the results of the three and six months ended June 30, 2014 to the three and six months ended June 30, 2013. The term "Q2 2014" or similar terms are used throughout this document and refer to the three and six month periods ended June 30, 2014.

## Forward-Looking Information

This document contains forward-looking statements. More particularly, this document contains statements concerning the anticipated exploration and development activities of the Corporation.

The forward-looking statements contained in this document are based on certain key expectations and assumptions made by the Corporation, including expectations and assumptions concerning the application of regulatory regimes, prevailing commodity prices and exchange rates, availability and cost of labour and services, the timing and receipt of regulatory approvals, the performance of existing wells, the success obtained in drilling new wells, the performance of new wells and the sufficiency of budgeted capital expenditures in carrying out planned activities.

Although 3MV Energy believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements as the Corporation can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks.

Such factors include, but are not limited to: the risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; health and safety and environmental risks; commodity price and exchange rate fluctuations; uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures; regulatory risks including royalty regimes; and financial liquidity risks).

Forward-looking statements contained in this document are made as of the date hereof and 3MV Energy undertakes no obligation to update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

## BOE Conversion

Where amounts are expressed on a barrel of oil equivalent ("boe") basis, natural gas volumes have been converted to boe using a ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel of oil equivalent. This conversion ratio is based upon an industry standard energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. Boe figures may be misleading, particularly if used in isolation.

## Non-IFRS Measurements

Certain financial measures referred to in this MD&A, such as funds generated from operations, are not prescribed by IFRS. Funds generated from operations is calculated based on cash flows from operating activities before changes in non-cash working capital, transaction costs and decommissioning provision expenditures incurred. 3MV Energy uses funds generated from operations to analyze operating performance and leverage, and considers funds generated from operations to be a key measure as it demonstrates the Corporation's ability to generate cash necessary to fund future capital investments and repay debt.

This MD&A also contains other industry benchmarks and terms, such as working capital (deficiency) (calculated as current assets less current liabilities) and operating netbacks (calculated on a per unit basis as oil, gas and natural gas liquids revenues, less royalties, transportation and operating costs), which are not recognized measures under IFRS. Management believes that in addition to net income and cash flow from operating activities, working capital, and operating netbacks are useful supplemental measures as they provide an indication of 3MV Energy's operating performance, leverage and liquidity. Investors should be cautioned, however, that these measures should not be construed as an alternative to both net income and cash flow from operating activities, which are determined in accordance with IFRS, as indicators of 3MV Energy's performance.

The following table reconciles funds generated from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| $ | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 |
| Cash flows from operating activities | **321,193** | 244,220 | **(291,429)** | (19,926) |
| Changes in non-cash working capital | **(383,399)** | (233,387) | **214,489** | 198,929 |
| Funds generated by operation (as defined above) | **(62,206)** | 10,833 | **(76,940)** | (218,854) |

## Fiscal 2014 highlights

- Related Party Loan
    - During the fiscal 2014 year, 3MV Energy obtained a secured draw down facility term loan in the amount of $2 million from a corporation controlled by the Interim CEO, a director and control person of 3MV Energy. The loan has an annual interest rate of 8%, and matures on June 1, 2016. Included in the loan is a provision whereby accrued interest will be settled quarterly through the issuance of common shares in the Corporation at the average market price of the last five trading days at time of disbursement. As of June 30, 2014 $1,501,629 was drawn on the facility. The proceeds of the loan were used to fund the Corporation's capital spending during the period as well as for general corporate purposes.

- Asset Sale
    - On July 21, 2014 the Corporation announced that it entered into an Asset Purchase and Sale Agreement to dispose of assets in south west Saskatchewan. 3MV Energy agreed to sell a land package in its Dodsland area with corresponding production, related inventory and equipment within the property for a purchase price of $4.35 million less any usual adjustments. The transaction was successfully closed on August 15, 2014. The net proceeds from the sale will be applied to reduce 3MV Energy's corporate liabilities, strengthen its financial position as well as provide additional funds for future acquisitions. The sale of these assets advances the Corporation's strategic goal of reducing its debt load and further focuses its development strategy on its Fiske area Viking property in west central Saskatchewan.

- Joint Venture Arrangement
    - On August 5, 2014 the Corporation announced that it entered into a Joint Venture ("JV") agreement with an arm's length private company to form a joint venture to drill, develop and exploit its Fiske area property in south west Saskatchewan. The JV partner has agreed to spend $5 million on the property in order to earn a 50% working interest in the Fiske lands and related assets currently held by 3MV Energy. Under the terms of the agreement, the JV partner will become the operator of the assets. The joint venture agreement is subject to approval from the TSX Venture Exchange. The JV will allow the Corporation to increase cash flows with minimal capital outlay until earning has been achieved by the 3MV Energy's partner. It also allows 3MV Energy to de-risk the Fiske play with less corporate exposure and provides the Corporation with access to an experienced technical team who will aide in exploiting the assets. 3MV Energy currently holds over 42 net sections in the Fiske play.

# Results of Operations

## Production

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| | June 30, 2014 | June 30, 2013 | *% change* | June 30, 2014 | June 30, 2013 | *% change* |
| **Daily Production:** | | | | | | |
| Light crude oil (bbls/d) | **64.9** | 90.2 | (28%) | **65.1** | 79.0 | (18%) |
| Natural gas (Mcf/d) | **63.9** | 126.7 | (50%) | **62.5** | 109.1 | (43%) |
| Natural gas liquids (bbls/d) | **1.0** | 4.3 | (76%) | **1.1** | 3.4 | (67%) |
| Total boe/d (6:1) | **76.6** | 115.6 | (34%) | **76.6** | 100.6 | (24%) |

Production for the three months ended June 30, 2014 was 76.6 boe/d which represents a 34 percent decrease from Q2 2013, in which the Corporation produced 115.6 boe/d. Average production for the six months ended June 30, 2014 of 76.6 boe/d was 24 percent lower than production for the six months ended June 30, 2013 of 100.6 boe/d. The decrease in average daily production for the three and six month periods in Q2 2014 compared to Q2 2013 was a result of diminished drilling activity in prior periods. Due to decreased capital funding and cash flow limitations the Corporation was not able to replace production depleted from natural decline.

During the first quarters of 2013 the Corporation benefited from the drilling of 2 net (2 gross) wells at the very end of 2012. These wells came on to production in the first quarter of 2013 resulting in a rise in production in the comparative period. Conversely in 2014, one of the Corporation’s working interest partner’s drilled 1 gross (0.5 net) well that was brought on to production at the end of Q2 2014. In the first quarter of 2014, 3MV Energy experienced a cold winter resulting in wells going down due to freezing, limiting run times and production. This is similar to conditions experienced by the Corporation last winter. The Corporation executed a joint venture agreement, subsequent to the end of the quarter, to further develop and exploit its Fiske assets and plans to recommence drilling and work over activities in Q3 of 2014.

Production for the quarter ended June 30, 2014 was comprised of 65.9 bbls/d of light crude oil and natural gas liquids (“NGLs”) and 63.9 thousand cubic feet per day (“Mcf/d”) of natural gas. 3MV Energy’s product volume mix during the quarter ended June 30, 2014 was 86 percent oil and NGLs and 14 percent natural gas. The product mix is virtually unchanged from Q2 2013 when the Company produced 82 percent oil and NGL’s and 18 percent natural gas.

## Commodity Markets

3MV Energy's realized price for its light crude oil and NGLs in the second quarter of 2014 was $101.30/bbl (Q2 2013 – $86.06/bbl) compared to an Edmonton Light Sweet par price of $104.51/bbl (Q2 2013 – 92.55). For the six months ended June 30, 2014, the Company's realized price for its light crude oil and NGLs was $97.41 compared to the 2013 year-to-date realized price of $83.91/bbl, and an Edmonton Light Sweet benchmark price of $102.12.

During the three-month period ended June 30, 2014 the Corporation saw its realized price for light crude oil increase as its benchmark crude oil price rose 13% from the same period last year. Lower oil inventories in key US refinery areas and widespread geopolitical risk of production disruptions throughout many parts of the world, provided support for oil prices during the period. In addition the Edmonton light price differential to WTI decreased and can be attributed to increased light oil production in both Canada and the US.

3MV Energy's production is sold in Canada and is sensitive to world crude oil price variations.

3MV Energy realized a natural gas sales price of $4.68/Mcf for Q2 2014 compared to $3.26/Mcf in Q2 2013. In the current quarter the Corporation's realized gas price represented 101 percent of its benchmark price, AECO-C spot, which averaged $4.62/Mcf over the period. During Q2 2013 the Corporation saw realized gas prices of $3.26/Mcf or 101 percent of AECO-C. It should be noted the gas revenue currently earned is minimal in relation to the total revenues of the Corporation. The Corporation's current natural gas production is associated gas from oil production.

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| | June 30, 2014 | June 30, 2013 | *% change* | June 30, 2014 | June 30, 2013 | *% change* |
| **Average Benchmark Prices** | | | | | | |
| Crude oil – Edm Light Sweet ($ per bbl) | **104.51** | 92.55 | 13% | **102.12** | 90.36 | 13% |
| Natural gas – AECO-C Spot ($ per mcf) | **4.62** | 3.59 | 29% | **5.25** | 3.40 | 54% |
| **3MV`s Average Realized Prices** | | | | | | |
| Crude oil and natural gas liquids ($ per bbl) | **101.30** | 86.06 | 18% | **97.41** | 83.91 | 16% |
| Natural gas ($ per mcf) | **4.68** | 3.26 | 44% | **5.02** | 3.14 | 60% |

## Revenues

For the quarter ended June 30, 2014, 3MV Energy's revenues decreased 18 percent to $635 thousand from $778 thousand for Q2 2013. Quarter over quarter, the increase of the Corporation's benchmark prices led to an $92 thousand rise in revenues offset by a decrease of $235 caused by lower production levels. On a six month year to date basis, rising prices caused a $172 thousand rise in revenues offset by a reduction of $262 thousand due to lower production levels. As mentioned above the production dip is a result of the Corporation limiting drilling activity as it works to improve is financial health and stability.

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| $ | June 30, 2014 | June 30, 2013 | *% change* | June 30, 2014 | June 30, 2013 | *% change* |
| **Revenues by product** | | | | | | |
| Light crude oil | **602,854** | 722,596 | (17%) | **1,155,175** | 1,221,110 | (5%) |
| Natural gas | **27,227** | 37,594 | (28%) | **56,812** | 61,988 | (8%) |
| Natural gas liquids | **4,866** | 17,393 | (72%) | **12,071** | 30,040 | (60%) |
| Total revenues | **634,947** | 777,583 | (18%) | **1,224,058** | 1,313,138 | (7%) |
| Total revenues per boe | **91.12** | 73.91 | 23% | **88.26** | 72.14 | 22% |

## Royalties

Royalty payments are made to the owners of the mineral rights on leases, which include provincial governments and freehold landowners, as well as to other third parties by way of contractual overriding royalties. Overriding royalties are generally paid to third parties where 3MV Energy has entered into agreements to earn an interest in their mineral rights by investing capital in their property.

For the three months ended June 30, 2014, total royalties decreased 14 percent to $34 thousand from $40 thousand for the same period of 2013. The Corporation's average royalty rate for the three months ended June 30, 2014 remained consistent and was 5.4 percent of revenue compared to 5.1 percent for the same period of 2013. For the six months ended June 30, 2014, royalties were $69 thousand or 5.7 percent of revenue as compared to $92 thousand or 7.0 percent of revenue for the same period in 2013. The decrease in total royalty charges incurred on a year to date basis can be directly attributed to a 25 percent decrease in total production.

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| $ | June 30, 2014 | June 30, 2013 | *% change* | June 30, 2014 | June 30, 2013 | *% change* |
| **Royalty expenses** | | | | | | |
| Total | **34,137** | 39,735 | (14%) | **69,276** | 92,486 | (25%) |
| $ per boe | **4.90** | 3.78 | 30% | **4.99** | 5.08 | (2%) |
| % of revenue | **5.4%** | 5.1% | 5% | **5.7%** | 7.0% | (20%) |

## Production and Operating Expenses

Operating expenses totaled $265 thousand or $37.96/boe for the second quarter of 2014 as compared to $288 thousand or $27.37/boe for the Q2 2013, representing an 8 percent total cost decrease but a 39 percent increase on a per boe basis. The large increase in operating expenses per barrel in Q2 2014 compared to Q2 2013 is principally attributable to the Corporation's sizeable decrease in production over the same periods. With a number of relatively fixed costs incurred monthly, a decrease in production leads to an increase in the operating costs on a per barrel basis. On a year to date basis, operating expenses remained very flat not changing on a percentage basis. Again, on a per barrel basis this result in an increase of 32 percent as operating expense per barrel climbed to $42.57 from $32.33.

The largest cause for the decrease in total operating costs quarter over quarter is the result of decreased trucking and processing charges in relation to the decreased production. These cost reductions were offset slightly by an increase in property tax and swabbing charges incurred. With a continued focus on cost saving, the Corporation limited all non-essential operating costs during the quarter. It is the Corporation's belief that continuing this strategy in conjunction with an increase in production will bring operating costs per barrel in line with industry averages.

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| $ | June 30, 2014 | June 30, 2013 | *% change* | June 30, 2014 | June 30, 2013 | *% change* |
| **Operating & transportation expenses** | | | | | | |
| Total | **264,533** | 287,984 | (8%) | **590,426** | 588,556 | 0% |
| Total operating costs per boe | **37.96** | 27.37 | 39% | **42.57** | 32.33 | 32% |

## General and Administrative ("G&A") Expenses

During the second quarter of 2014, G&A expenses totaled $274 thousand or $39.34/boe as compared to Q2 2013 where G&A expenses were $324 thousand or $30.84/boe. The 16 percent decrease in general and administrative charges was predominantly the result of corporate head office staff resignations which occurred in early 2013. These reductions resulted in a 22 percent decrease to salary and consulting costs incurred for the three months ended June 30, 2014 when compared to the same period in 2013. During the current period, the Corporation also experienced a slight decrease in professional service charges. These charges relate to legal and other professional fees incurred in conjunction with the Corporation's financial restructuring, as well as audit and review work. For the six months ended June 30, 2014 3MV Energy's general and administrative expenses decreased 37 percent to $411 thousand from $655 thousand over the same period in 2013. The Corporation continues to focus its efforts on cost savings in the coming periods.

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| $ | June 30, 2014 | June 30, 2013 | *% change* | June 30, 2014 | June 30, 2013 | *% change* |
| **General & administrative expenses** | | | | | | |
| Total | **274,148** | 324,417 | (16%) | 410,740 | 654,894 | (37%) |
| Total G&A expenses per boe | **39.34** | 30.84 | 41% | 29.61 | 35.98 | (18%) |

## Share-Based Compensation

During the three month period ended June 30, 2014, 3MV Energy recovered $125 thousand in share-based compensation related to outstanding stock options compared to $24 thousand during Q2 2013. Over the first six months of 2014 the Corporation recovered $113 thousand in share-based compensation compared to an expense of $704 thousand over the same period in 2013. Share-based compensation decreased in the current year as a result of the Corporation retracting conditional options previously granted to directors in the third quarter of 2013. The retracting of these 1,500,000 options issued with immediate vesting terms resulted in a reversal of $151,842 in share based payments costs incurred in 2013. The retractment of the options was pursuant of the disenactment of the draft plan adopted during 2013 and amended in June of 2014.

4.3 million stock options were granted in Q1 2013 at an exercise price of $0.25. Of this total, 3.75 million were issued to the directors of the Corporation and vested immediately. The compensation amount relating to these 3.75 million options was determined to be $631 thousand and was fully expensed in the first 6 months of 2013. No new stock options were issued during 2014.

Share-based compensation is a non-cash calculation, utilizing the Black-Scholes model, or the estimated cost associated with options granted to purchase common shares of the Corporation. The share-based compensation expense reflects the value ascribed to the non-cash compensation provided by 3MV Energy to directors, officers, employees and consultants of the Corporation. This expense may not represent actual cash compensation realized by the recipients of the options upon the eventual exercise and disposition of these options.

## Depletion and Depreciation

For the quarter ended June 30, 2014, depletion and depreciation expense totaled $230 thousand or $33.00/boe as compared to Q2 2013 in which the expense was $352 thousand or $33.47/boe. On a cumulative basis, 3MV Energy incurred depletion and depreciation expenses of $467 thousand or $33.64/boe for the six months ended June 30, 2014 compared to $630 or $34.59/boe in 2013. The decrease in depletion expense is largely the result of the reduction in average production in 2014 compared to 2013. This was offset somewhat by the change in net book value of 3MV Energy's property and equipment ("PPE") period over period. At June 30, 2013 3MV Energy's PPE net book was $12.8 million compared to $16.5 million as at June 30, 2013.

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| $ | June 30, 2014 | June 30, 2013 | *% change* | June 30, 2014 | June 30, 2013 | *% change* |
| **Depletion & Depreciation** | | | | | | |
| Total | **229,915** | 352,134 | (35%) | 466,599 | 629,595 | (26%) |
| Total Depletion & Depreciation costs per boe | **33.00** | 33.47 | (1%) | 33.64 | 34.59 | (3%) |

## Impairment

The Corporation assesses the recoverability of the carrying values of its oil and gas properties on a CGU basis. As of June 30, 2014, management assessed the Corporation's CGU's (Dodsland-Other) as having indicators of impairment as a result of the Corporation entering into a purchase and sale agreement to dispose assets included in the Dodsland-Other CGU in July 2014. Accordingly, the Corporation tested the Dodsland-Other CGU for impairment. Management used the carrying value of the assets and related abandonment costs less decommissioning liabilities compared to the sale price or fair market value. The Corporation determined that the aggregate carrying value of the Dodsland-Other CGU was $4.3 million higher than the recoverable amount and therefore impairment was recorded.

## Extinguishment of Debt

During the period, the Corporation settled outstanding amounts owing to various counterparties whereby the counterparties agreed to accept an amount less than the original balance owing as consideration in full for all outstanding debts. The difference between the carrying amount of the liabilities and the consideration paid totaled $333 thousand ($nil - 2013) and was recorded to the statement of comprehensive loss.

## Finance Costs

Finance costs include both interest charges and as accretion expense incurred in the quarter.

Financing costs incurred during Q2 2014 totaled $159 thousand compared to $144 thousand for the three month period ended June 30, 2013. The increase in the charges between the two periods is the result of the Corporation increasing its operating loan from $500 thousand in 2013 to $622 thousand at the end of June 2014. During both Q2 2014 and 2013, 3MV Energy had $3 million in convertible debentures outstanding for the entire quarter. The convertible debentures incur interest at a rate of 12% per annum. In conjunction with convertible debentures, the Corporation obtained a related party loan from its majority shareholder and director. At June 30, 2014 the proceeds received from the loan totaled $1.5 million. The loan accrues interest at a rate of 8 percent settled quarterly through the issuance of shares.

Accretion expense for Q2 2014 totaled $52 thousand compared to $29 thousand for Q2 2013. The accretion expense represents the change in the time value of the underlying decommissioning provision. Included in the accretion expense for the quarter was $42 thousand ($18 thousand – Q2 2013) relating to the convertible debenture financings issued by the Corporation. The debentures, net of the equity component and issue costs are accreted using the effective interest rate method over the two year term of debentures. Also included is $10 thousand relating to the related party loan financing obtained by the Corporation. The loan, net of the equity component and issue costs are accreted using the effective interest rate method over a two year term.

## Funds Generated by Operations and net loss

For the quarter ended June 30, 2014, funds generated by operations decreased over six hundred percent to a deficit of $63 thousand or ($8.93)/boe compared to earnings of $11 thousand or $1.03/boe during Q2 2013. The decrease in funds generated by operations is attributed to an increase in operating expense per BOE. In addition, general and administrative expenses and interest charges per BOE also increased fairly significantly. As previously mentioned, the cause for the increase is mainly the result of a decrease in production. On a year to date cumulative basis, the total loss generated by operations decreased from $219 thousand to $77 thousand. On a per boe basis, operations generated a loss of $5.55/boe in 2014 compared to $12.02/boe in 2013. The largest cause for the decrease in loss from 2013 is a rise in realized prices and drop in G&A costs incurred offset by a rise in interest expense and operating costs per barrel. On a per BOE basis, all the Corporation's expenses rose largely due to a decrease in production. With many fixed costs, a decrease in production will cause a large increase in the per barrel costs reported.

For the three months ended June 30, 2014 3MV Energy incurred a net loss of $4.4 million compared to a loss of $394 thousand in the second quarter of 2013. The large increase in loss incurred for the respective periods is mainly the result of the $4.3 million impairment expense recorded in Q2 2014. The impairment expense was incurred as a result of the purchase and sale agreement signed by the corporation subsequent to the end of Q2 2014. The impairment costs were offset slightly by a recovery enjoyed on the retracement of stock based compensation and debt extinguishment. These cost savings are likely to be non-recurring items.

For the six month period closing June 30, 2014, the Corporation increased its net loss by 182 percent over the prior year comparative period. As discussed above this was mainly the result the impairment expense incurred during the period.

The following table summarizes the netbacks on a barrel of oil equivalent basis for the three and six month periods ended June 30, 2014 and June 30, 2013. These figures are determined by taking the revenue and expense amounts from the financial statements divided by total production for the period.

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| $/boe | June 30, 2014 | June 30, 2013 | *% change* | June 30, 2014 | June 30, 2013 | *% change* |
| Petroleum & natural gas revenues | 91.12 | 73.91 | 23% | 88.26 | 72.14 | 22% |
| Royalties | 4.90 | 3.78 | 30% | 4.99 | 5.08 | (2%) |
| Operating costs | 37.96 | 27.37 | 39% | 42.57 | 32.33 | 32% |
| **Operating netback** | 48.26 | 42.76 | 13% | 40.69 | 34.72 | 17% |
| General & admin. expenses | 39.34 | 30.84 | 28% | 29.61 | 35.98 | (18%) |
| Interest expense | 17.84 | 10.89 | 64% | 16.62 | 10.77 | 54% |
| Income taxes – current | - | - | - | - | - | - |
| **Funds generated from operations** | (8.93) | 1.03 | (967%) | (5.55) | (12.02) | (54%) |
| **$** | | | | | | |
| **Funds generated from operations** | (62,206) | 10,833 | (674%) | (76,940) | (218,854) | (65%) |

## Earnings per share

### Basic and diluted loss per share

| | Loss for the period $ | Weighted average number of shares | Per share amount $ |
|---|---|---|---|
| Three months ended June 30, 2014 Basic and dilute | (4,359,724) | 51,217,402 | (0.09) |
| Six months ended June 30, 2014 Basic and diluted | (4,439,684) | 51,217,402 | (0.09) |
| Three months ended June 30, 2013 Basic and diluted | (394,174) | 50,917,690 | (0.01) |
| Six months ended June 30, 2013 Basic and diluted | (1,573,904) | 49,675,169 | (0.03) |

The effect of warrants and stock options outstanding on loss per share for the periods ended June 30, 2014 and June 30, 2013 is anti-dilutive.

### Cash Flow from Operations

| | Cash flow from operations for period $ | Weighted average number of shares # | Per share amount $ |
|---|---|---|---|
| Three months ended June 30, 2014 Basic and dilute | 321,193 | 51,217,402 | 0.01 |
| Six months ended June 30, 2014 Basic and diluted | (291,429) | 51,217,402 | (0.01) |
| Three months ended June 30, 2013 Basic and diluted | 244,220 | 50,917,690 | 0.00 |
| Six months ended June 30, 2013 Basic and diluted | (19,926) | 49,675,169 | (0.00) |

## Summary of Quarterly Results

| ($, except per share and per boe amounts) | Three months ended Jun. 30 2014 | Mar. 31 2014 | Dec. 31 2013 | Sept. 30 2013 |
|---|---|---|---|---|
| Petroleum & natural gas revenues, before royalties [1] | 634,947 | 589,112 | 598,292 | 968,388 |
| Funds flow from operations ($/boe)[1] | (8.93) | (2.14) | (7.73) | 24.19 |
| Operating netback ($/boe) [1] | 48.26 | 33.05 | 32.05 | 53.49 |
| Capital expenditures [1] | 382,856 | 223,959 | - | 27,209 |
| Earnings (Loss) | (4,359,724) | (79,960) | 258,896 | (324,346) |
| Earnings (Loss) per share (Basic and Diluted) [1] | (0.09) | (0.00) | 0.01 | (0.01) |

| ($, except per share and per boe amounts) | Three months ended Jun. 30 2013 | Mar. 31 2013 | Dec. 31 2012 | Sept. 30 2012 |
|---|---|---|---|---|
| Petroleum & natural gas revenues, before royalties [1] | 777,583 | 535,555 | 632,154 | 832,753 |
| Funds flow from operations [1] | 1.03 | (29.90) | (59.02) | (38.62) |
| Operating netback [1] | 42.76 | 23.72 | 17.11 | 26.03 |
| Capital expenditures[1] | 60,978 | 2,704,302 | 2,493,854 | 113,157 |
| Earnings (Loss) | (394,174) | (1,179,728) | 97,046 | (1,327,868) |
| Earnings (Loss) per share (Basic and Diluted) [1][2] | (0.01) | (0.02) | 0.00 | (0.09) |

The variations in 3MV Energy's revenue, funds flow from operations and net earnings from quarter to quarter are primarily due to decreases in production volumes, changes in realized commodity pricing and the related impact on royalties. Revenues have been in a general state of decline as a result of limited capital activity resulting in declining oil production from the Corporation's producing assets. This has been somewhat offset by an increase in realized commodity prices in more recent periods. Large swings in net earnings in certain quarters have been fundamentally driven by impairment charges and impairment recoveries in accordance with IFRS reporting requirements.

Please refer to the funds generated by operations and net loss section of this MD&A for detailed discussions of changes in the second quarter of 2014.

## Net Capital Expenditures

The following table details the capital additions relating to the Corporation's property and equipment for the three and six month periods ended June 30, 2014 and June 30, 2013:

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| $ | June 30, 2014 | June 30, 2013 | *% change* | June 30, 2014 | June 30, 2013 | *% change* |
| **Capital expenditures and disposals** | | | | | | |
| Drilling and completions | 354,780 | 7,095 | 4900% | 546,780 | 648,631 | (16%) |
| Facilities and equipment | 28,076 | 50,383 | (44%) | 28,076 | 59,463 | (53%) |
| Land and seismic | - | 3,500 | (100%) | 31,958 | 2,057,186 | (98%) |
| Corporate assets | - | - | - | - | - | - |
| Total capital expenditures | 382,856 | 60,978 | 528% | 606,815 | 2,765,280 | (78%) |
| Other | (40,141) | (157,702) | (75%) | (40,141) | (157,702) | (75%) |
| Total net capital expenditures | 342,715 | (96,724) | (454%) | 566,673 | 2,607,578 | (78%) |

Total capital expenditures for the quarter ended June 30, 2013 were $383 thousand compared to $61 thousand for Q2 2013 representing a 528 percent increase. The Corporation participated in the drilling of one gross (0.5 net) well during Q2 2014 compared to nil in Q2 2013. This well was drilled by the Corporation's working interest partner in the Forgan area. Drilling began in Q1 2014 and the well was completed late the 2nd quarter of 2014 after breakup. Over the first six months of 2014 3MV Energy incurred $607 million in capital expenditures compared to $2.8 million in 2013. In 2013 the Corporation finished completing the two wells acquired in the acquisition of 1696704 Alberta Ltd. In addition, 3MV Energy incurred approximately $504 thousand in drilling costs as it concluded the drilling work on a well started at the end of fiscal 2012.

Land and seismic expenditures for Q2 2014 and Q2 2013 were negligible. On a year to date basis, land and seismic spending totaled $32 thousand compared to $2.1 million for the three months ended June 30, 2013, representing a 98 percent decrease. The expenditure from the prior year relates to the acquisition of land in the Corporation's core Fiske area. The purchase also included the acquisition of the gross overriding royalty ("GORR") on land that was subject to its main farm-in agreement and 18 additional sections. The majority of the transaction was funded from the gross proceeds of the convertible loan offering.

## Capital Resources

### Capital Resources and Credit Facility

As at June 30, 2014, the Corporation had fully drawn $622 thousand on its recently renegotiated loan which now expires in September 2014. In exchange for providing the Facility, the Corporation shall provide security in favor of the Lender over all the real property of the Corporation. The Corporation is subject to a Debt to EBITDA ratio covenant (not to exceed 3.5:1). For the six month period ending June 30, 2014 the Corporation's Debt to EBITDA ratio was 15.2:1 which is in violation of the allowable amount. The Corporation is also subject to an asset coverage ratio (total present value of assets to be a minimum of 1.65 times total debt). As at June 30, 2014 the Corporation's asset coverage ratio was 0.64:1; which is in violation of the allowable amount. Finally, the Corporation is subject to an interest coverage ratio (minimum EBITDA of 2.5 times Interest payable). For the 6 months ended June 30, 2014 the Corporation's interest coverage ratio was 0.51:1; which is in violation of the covenant. Subsequent to the end of the period, the Corporation notified the lender of the covenant violations. A waiver has not been received; however the lender informed the Corporation it did not intend to issue a notice of default as a result of the breaches. On January 7, 2014 the loan was extended to July 30, 2014 and further extended to September 30, 2014 subsequent to the end of Q2 2014.

During the 2014 year the Corporation obtained a secured drawn down facility loan in the amount of $2,000,000 from a director and major shareholder of the Corporation. The loan has an annual interest rate of 8%, and matures on June 1, 2016. Included in the loan is a provision whereby accrued interest will be settled quarterly through the issuance of common shares in the Corporation in order to help preserve cash flow. As at June 30, 2014 $1,501,629 had been drawn on the facility. The proceeds of the loan were used to fund the Corporation's capital spending in the quarter as well as for general corporate purposes.

The Corporation plans to fund its future capital program from a combination of joint venture partnerships, equity financing, debt instruments as available and cash flow generated from operations.

## Future Operations and Liquidity Analysis

For the six months ended June 30, 2014, the Corporation reported a net loss of $4.4 million and had a working capital deficiency of $3.2 million at June 30, 2014. Of the net loss reported, $4.3 million related to impairment recorded during the period. In order to fund the Corporation's short term capital activity as well as for general corporate purposes the Corporation obtained a related party loan in Q1 2014 and increased the amount drawn on the loan in Q2 2014 to a total of $1.5 million. The funds were used to drill 1 gross (0.5 net) well and settle outstanding trade payables.

3MV Energy plans to further reduce its debt load through its recently announced asset divesture. On August 15th, 2014 the Corporation closed a transaction whereby it disposed of assets in the Dodsland-Other CGU along with the corresponding production, related inventory, land and equipment within the property for a purchase price of $4,350,000 less any usual adjustments. The Corporation expects this transaction will be sufficient to correct the current working capital deficiency.

In addition to the sale, on August 5th, 2014 the Corporation announced that it entered into a joint venture agreement with an arm's length private company to form a joint venture to drill, develop and exploit its Fiske property in south west Saskatchewan. The joint venture partner has agreed to expend $5 million on the property in order to earn a 50% working interest in the Fiske lands and related assets currently held by 3MV Energy. As a result of the joint venture deal, 3MV Energy will look to increase its production from capital spending on developing its Fiske assets with limited capital outlay.

While these actions should be able to improve the current financial position, the Corporation recognizes that when combined with the current credit facilities, they are likely not sufficient on their own to meet 3MV Energy's upcoming capital requirements. In addition, the Corporation was in violation of specific loan covenants as at June 30, 2014. These conditions create a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Additional equity, debt and/or farm-out arrangements will be required to meet the Corporation's obligations as they become due and there are no guarantees that such additional capital funding will be available when needed.

The ability of the Corporation to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements. There is no certainty that these and other strategies will be sufficient to permit the Corporation to continue as a going concern.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities.

## Financial Position

As mentioned above the Corporation had a working capital deficiency of $3.2 million as at June 30, 2014. In order to improve this position, the Corporation has disposed of certain assets subsequent to the end of the period. The Corporation is continuing to explore different methods to generate additional capital and resume drilling in its various properties thereby increasing cash flow and improving its statement of financial position.

## Outstanding Share Data

### Common Shares

3MV Energy is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. Holders of common shares are entitled to one vote per share at meetings of shareholders of 3MV Energy.

As at June 30, 2014 a total of 51,217,402 common shares were issued and outstanding. As at August 21, 2014 a total of 51,482,322 common shares were issued and outstanding.

As at June 30, 2014 and August 21, 2014, the Corporation had 4,670,262 options to acquire common shares.

As at June 30, 2014 the Corporation had issued 5,775,284 warrants that remain outstanding. As at August 21, 2014 a total of 4,083,388 warrants remain outstanding.

## Related party transactions

The consolidated financial statements include the financial statements of 3MV Energy Corp. and its subsidiaries listed in the following table:

| | | % ownership interest | |
|---|---|---|---|
| Name | Country of incorporation | June 30, 2014 | December 31, 2013 |
| 3MV Operations Inc. | Canada | 100% | 100% |
| 1696704 Alberta Ltd. | Canada | 100% | 100% |
| 3 Martini Ventures Inc. | Canada | 100% | 100% |
| Buckhorn Resource Ltd. | Canada | 100% | 100% |

During the period the Corporation obtained a loan in the amount of $1,501,629 from a director and major shareholder of the Corporation. The loan has an annual interest rate of 8%, and matures on June 1, 2016. Included in the loan is a provision whereby accrued interest will be settled quarterly through the issuance of common shares in the Corporation at the average market price of the last five trading days at time of disbursement. Interest in the amount of $15,720 has been accrued as at June 30, 2014.

## Contractual Obligations and Commitments

The Corporation has operating lease commitments for office premises that expire in 2017. The future minimum lease payments are as follows:

| | June 30, 2014<br>$ |
|---|---|
| 2014 | 41,471 |
| 2015 | 85,469 |
| 2016 | 89,078 |
| 2017 | 7,423 |

## Outlook

3MV Energy intends to focus its drilling and production efforts on its Fiske light oil discovery for 2014. As stated, in early 2013, the Corporation acquired a significant position of land in the area which has solidified its asset base and creates potential for further growth and expansion through the drill bit. Subsequent to the end of the period, the Corporation announced an asset disposition in the Dodsland area in the amount of $4.35 million. The Corporation plans to uses the funds from the divesture to reduce its debt and trade payables and improve is financial position. Following the divesture the Corporation also announced that it entered into a joint venture ("JV") with an arm's length party to develop 3MV Energy's Fiske properties. According to the terms of the joint venture agreement, the JV partner has agreed to invest $5 million on the property in order to earn a 50% working interest in the Fiske lands and related assets currently held by 3MV Energy. The joint venture will allow the Corporation to increase cash flows with minimal capital outlay until earning has been achieved by the JV partner. It also allows 3MV Energy to de-risk the Fiske play with less corporate exposure and provides the Corporation with access to an experienced technical team who will aide in exploiting the assets.

Through these actions, 3MV Energy plans to reestablish a strong capital spending program and growth through the drill bit. The Corporation will continue its focus on cost reductions to optimize operational margins and is currently investigating financing opportunities.

## Other Information

Additional information relating to the Corporation is available on SEDAR at www.sedar.com.

## Summary Financial and Operating Results

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| *Unaudited* ($) | June 30, 2014 | June 30, 2013 | *% change* | June 30, 2014 | June 30, 2013 | *% change* |
| Petroleum & natural gas revenues, before royalties | 634,947 | 777,583 | (18%) | 1,224,058 | 1,313,137 | (7%) |
| Net Earnings (Loss) | (4,359,724) | (394,174) | 1006% | (4,439,684) | (1,573,904) | 182% |
| Net Earnings (Loss) per share (Basic and Diluted) | (0.09) | (0.01) | 1000% | (0.09) | (0.03) | 174% |
| Production (boe/d) | 76.6 | 115.6 | (34%) | 76.6 | 100.6 | (24%) |
| Funds generated by operations | (62,206) | 10,833 | (674%) | (76,940) | (218,854) | (65%) |
| -per share basic and diluted | (0.00) | (0.00) | (0%) | (0.00) | (0.00) | 0% |
| Cash flow from (used in) operations ($/boe) | 321,193 | 244,220 | 32% | (291,430) | (19,926) | (1363%) |
| -per share basic and diluted | 0.01 | 0.00 | 100% | (0.01) | (0.00) | (100%) |
| Total Assets | 15,957,645 | 20,063,714 | (20%) | 15,957,645 | 20,063,714 | (20%) |
| Total Operating Loans | 621,914 | 500,000 | 24% | 621,914 | 500,000 | 24% |
| Net Debt (working capital) | (3,205,859) | (4,380,134) | (27%) | (3,205,859) | (4,380,134) | (27%) |