

**B.C. FORM 51-901F**

**QUARTERLY AND YEAR END REPORT**

Incorporated as part of:

<u>          X          </u>	Schedule A
<u>          X          </u>	Schedules B & C

**ISSUER DETAILS:**

**Name of Issuer:** Mountainview Energy Ltd.  
**Issuer Address:** P.O. Box 200, Cut Bank, Montana, U.S.A. 59427  
**Issuer Fax No.:** (406) 873-2835  
**Issuer Telephone No.:** (406) 873-2235  
**Contact Name:** Joseph V. Montalban  
**Contact Position:** Chairman of the Board, President and CEO  
**Contact Telephone Number:** (406) 873-2235  
**Contact Email Address:** N/A  
**Web Site Address:** N/A  
**For Quarter Ended:** 2003/09/30  
**Date of Report:** 2003/11/12

*CERTIFICATE:*

THE THREE SCHEDULES REQUIRED TO COMPLETE THIS REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT. PLEASE NOTE, THIS FORM IS INCORPORATED AS PART OF BOTH THE REQUIRED FILING OF SCHEDULE A AND SCHEDULES B & C.

<u>"Joseph V. Montalban"</u>	Joseph V. Montalban	2003/11/26
<u>"Bruce P. Young"</u>	Bruce P. Young	2003/11/26

**MOUNTAINVIEW ENERGY LTD.**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**Unaudited - See Notice to Reader**

**STALEY, OKADA & PARTNERS**  
*Chartered Accountants*

## **NOTICE TO READER**

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We have compiled the interim consolidated balance sheet of Mountainview Energy Ltd. as at September 30, 2003 and 2002 and the interim consolidated statements of income (loss) and deficit and cash flows for the nine months then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

***“Staley, Okada & Partners”***

Surrey, B.C.  
November 12, 2003

STALEY, OKADA & PARTNERS  
CHARTERED ACCOUNTANTS

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**Interim Consolidated Balance Sheet**

Canadian Funds

Unaudited - See Notice to Reader

<b>ASSETS</b>	<b>September 30 2003</b>	December 31 2002
<b>Current</b>		
Cash and term deposits	\$ 488,007	\$ 361,637
GST receivable	14,697	12,987
Accounts receivable - trade	74,902	94,449
Inventory	11,254	8,293
	<u>588,860</u>	<u>477,366</u>
<b>Petroleum &amp; Natural Gas Interest</b>		
Red Creek Unit, <i>net of accumulated amortization (Note 4)</i>	988,114	936,781
<b>Reclamation Bond (Note 5)</b>	136,122	132,225
	<u>\$ 1,713,096</u>	<u>\$ 1,546,372</u>
 <b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable - trade	\$ 125,882	\$ 88,900
- related party	-	15,776
Income taxes payable	16,469	-
	<u>142,351</u>	<u>104,676</u>
 <b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 6)</b>	1,647,551	1,637,551
<b>Deficit - Statement 2</b>	<u>(76,806)</u>	<u>(195,855)</u>
	<u>1,570,745</u>	<u>1,441,696</u>
	<u>\$ 1,713,096</u>	<u>\$ 1,546,372</u>

ON BEHALF OF THE BOARD:

"Joseph V. Montalban", Director"Bruce P. Young", Director

**Interim Consolidated Statement of Income (Loss) and Deficit**

Canadian Funds

Unaudited - See Notice to Reader

	Nine Months Ended September 30 2003	Three Months Ended September 30 2003	Nine Months Ended September 30 2002	Three Months Ended September 30 2002
<b>Revenue</b>				
Gross sales	\$ 841,613	\$ 269,427	\$ 387,311	\$ 195,588
Less royalties	(109,071)	(38,048)	(40,263)	(23,344)
	<b>732,542</b>	<b>231,379</b>	<b>347,048</b>	<b>172,244</b>
<b>Cost of Sales</b>				
Inventory - Beginning of year	8,293	8,293	1,618	1,618
Production taxes	91,490	34,569	29,019	14,841
Depletion	76,189	24,953	54,699	24,550
Utilities	74,149	25,346	59,269	20,794
Labour	29,509	12,204	28,958	10,510
Materials	26,913	14,069	9,425	1,044
Repairs and maintenance	22,601	16,297	55,742	14,360
Consulting fees	20,744	12,632	-	-
Vehicle expenses	18,010	7,795	14,170	4,944
Engineering expenses	7,527	152	-	-
Insurance	4,499	1,295	2,187	2,187
Miscellaneous production costs	835	321	1,036	588
Interest expense	352	7	5,232	-
Property taxes	-	-	7,021	-
	<b>381,111</b>	<b>157,933</b>	<b>268,376</b>	<b>95,436</b>
Inventory - End of period	(11,254)	(11,254)	(11,203)	(11,203)
	<b>369,857</b>	<b>146,679</b>	<b>257,173</b>	<b>84,233</b>
<b>Gross Margin</b>	<b>362,685</b>	<b>84,700</b>	<b>89,875</b>	<b>88,011</b>
<b>General and Administrative - Schedule</b>	<b>230,576</b>	<b>51,568</b>	<b>190,411</b>	<b>27,620</b>
<b>Income (Loss) from Operations Before the Undernoted</b>	<b>132,109</b>	<b>33,132</b>	<b>(100,536)</b>	<b>60,391</b>
<b>Other Income (Expense)</b>				
Interest income	3,409	1,186	-	-
Provision for income taxes	(16,469)	(16,469)	-	-
<b>Net Income (Loss) for the Period</b>	<b>119,049</b>	<b>17,849</b>	<b>(100,536)</b>	<b>60,391</b>
Deficit - Beginning of period	(195,855)	(94,655)	(183,854)	(344,781)
<b>Deficit - End of Period</b>	<b>\$ (76,806)</b>	<b>\$ (76,806)</b>	<b>\$ (284,390)</b>	<b>\$ (284,390)</b>
<b>Income (Loss) per Share - Basic</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>	<b>\$ (0.02)</b>	<b>\$ 0.01</b>
<b>Income (Loss) per Share - Diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>	<b>\$ (0.02)</b>	<b>\$ 0.01</b>

- See Accompanying Notes -

**Interim Consolidated Statement of Cash Flows**

Canadian Funds

Unaudited - See Notice to Reader

	Nine Months Ended September 30 2003	Three Months Ended September 30 2003	Nine Months Ended September 30 2002	Three Months Ended September 30 2002
<b>Cash Resources Provided By (Used In)</b>				
<b>Operating Activities</b>				
Cash receipts from customers	\$ 752,089	\$ 241,500	\$ 305,282	\$ 154,605
Direct costs	(296,629)	(124,687)	(212,191)	(69,668)
Cash paid to suppliers and employees	(214,977)	(29,270)	(307,877)	(59,972)
Interest income	3,409	1,186	-	-
	<u>243,892</u>	<u>88,729</u>	<u>(214,786)</u>	<u>24,965</u>
<b>Investing Activities</b>				
Resource property costs	<u>(127,522)</u>	<u>(80,126)</u>	3,000	3,000
<b>Financing Activities</b>				
Share capital issued for cash	10,000	-	1,134,970	10,400
Payments to related party	-	-	(39,820)	(39,820)
	<u>10,000</u>	<u>-</u>	<u>1,095,150</u>	<u>(29,420)</u>
<b>Net Increase (Decrease) in Cash</b>	<b>126,370</b>	<b>8,603</b>	<b>883,364</b>	<b>(1,455)</b>
Cash position - Beginning of period	<u>361,637</u>	<u>479,404</u>	<u>(462,872)</u>	<u>421,947</u>
<b>Cash Position - End of Period</b>	<b>\$ 488,007</b>	<b>\$ 488,007</b>	<b>\$ 420,492</b>	<b>\$ 420,492</b>

**Interim Consolidated Schedule of Administrative Expenses**

Canadian Funds

Unaudited - See Notice to Reader

	Nine Months Ended September 30 2003	Three Months Ended September 30 2003	Nine Months Ended September 30 2002	Three Months Ended September 30 2002
<b>General and Administrative Expenses</b>				
Foreign exchange	\$ 55,585	\$ 6,913	\$ 9,548	\$ (22,584)
Wages and benefits	50,066	18,805	56,752	24,897
Office	44,922	15,097	29,839	5,455
Travel and promotion	35,588	(1,179)	46,740	15,205
Legal	16,428	130	(711)	(9,207)
Listing and filing fees	12,611	7,653	16,599	1,495
Accounting and auditing	10,660	2,500	14,915	3,427
Shareholder relations	3,916	849	370	-
Automotive	800	800	8,916	2,727
Interest and bank charges	-	-	6,318	6,205
Professional fees	-	-	1,125	-
	<b>\$ 230,576</b>	<b>\$ 51,568</b>	<b>\$ 190,411</b>	<b>\$ 27,620</b>

**Mountainview Energy Ltd.**

**Notes to Interim Consolidated Financial Statements**

**September 30, 2003**

*Canadian Funds*

*Unaudited - See Notice to Reader*

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**1. Nature of Business**

The company was incorporated on May 31, 2000 under the Company Act of British Columbia. The company was classified as a Capital Pool company as defined in the TSX Venture Exchange policies. Upon acquisition of the Red Creek Unit oil and gas property on April 12, 2001, which constituted the company's qualifying transaction, the company ceased to be a Capital Pool company. The company is now considered a Tier 2 issuer.

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**2. Significant Accounting Policies**

These interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements, except as follows. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at December 31, 2002.

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**3. Fair Value of Financial Instruments**

The company's financial instruments consist of cash and term deposits, GST receivable, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

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**4. Petroleum and Natural Gas Interest**

a) Details are as follows:

	<b>September 30 2003</b>	December 31 2002
Red Creek Unit, Montana, USA:		
Purchase price	\$ 735,728	\$ 735,728
Engineering reports	32,575	32,575
Legal and other costs (Title opinions and professional fees)	144,645	144,645
Other (Due diligence and investigation costs)	47,560	47,560
Workover expenses	204,539	77,017
	<b>1,165,047</b>	1,037,525
Accumulated amortization and depletion	<b>(176,933)</b>	(100,744)
	<b>\$ 988,114</b>	\$ 936,781

b) By letter of agreement dated April 12, 2001, the property was acquired for \$735,728 (U.S. \$475,000) from Summit Resources Inc., a Toronto Stock Exchange listed company.

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**Mountainview Energy Ltd.**

**Notes to Interim Consolidated Financial Statements**

**September 30, 2003**

*Canadian Funds*

*Unaudited - See Notice to Reader*

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**5. Reclamation Bond**

The company is required by the State of Montana to deposit monies into a reclamation bond. The bond is refundable at the time that the company performs the site restoration of the wells that are dry or are no longer in use. The amount of the bond is \$136,122 (2002 - \$132,225), which includes accrued interest of \$8,896 (2002 - \$4,959).

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**6. Share Capital**

a) Authorized:

100,000,000 common shares without par value  
100,000,000 preference shares without par value

b) Issued and fully paid:

	Common Shares		Amount	
	September 30 2003	December 31 2002	September 30 2003	December 31 2002
Opening balance	9,716,850	4,057,000	\$ 1,637,551	\$ 505,581
Private placement	-	5,579,350	-	1,115,870
Share options exercised	50,000	50,000	10,000	10,000
Warrants exercised	-	30,500	-	6,100
	<u>9,766,850</u>	<u>9,716,850</u>	<u>\$ 1,647,551</u>	<u>\$ 1,637,551</u>

c) The 2,000,000 shares issued in 2000 are held in escrow to be released as follows:

- i) 10% upon acceptance of the qualifying transaction (released)
- ii) 15% six months after initial release (released)
- iii) 15% every six months thereafter

As at September 30 2003, 600,000 (December 31, 2002 - 1,200,000) shares were held in escrow.

d) As at September 30, 2003, there were 400,000 (December 31, 2002 - 400,000) share purchase options to directors exercisable at \$0.25 per share until June 18, 2004.

e) As at September 30, 2003, the following share purchase warrants were outstanding:

Number	Exercise Price	Expiry Date
797,050	\$0.30	April 19, 2004
<u>4,782,300</u>	<u>\$0.30</u>	<u>June 18, 2004</u>
<u>5,579,350</u>		

**Mountainview Energy Ltd.**

**Notes to Interim Consolidated Financial Statements**

**September 30, 2003**

*Canadian Funds*

*Unaudited - See Notice to Reader*

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**6. Share Capital - Continued**

- f) During the prior year, the company granted 850,000 incentive stock options to directors and officers of the company at the exercise price of \$0.25 per share expiring June 18, 2004. Of these, 450,000 options expired as a result of directors and officers resigning.

No options have been granted during the nine months ending September 30, 2003, therefore no pro-forma information has been provided for the current period.

Pro-forma disclosure related to employee stock options granted in the prior year is as follows:

	<u>2002</u>
Net Loss	
As reported	\$ 12,001
Stock based compensation	\$ 129,028
Pro forma	<u>\$ 141,029</u>
Net Loss Per Share	
As reported	\$ 0.00
Pro forma	\$ 0.01

The fair value of each option granted is estimated on the date of grant using the Black-Scholes Option-Pricing model with the following weighted average assumptions:

	<u>2002</u>
Expected dividend yield	0.00%
Expected stock price volatility	81.19%
Risk-free interest rate	3.63%
Expected life of options	2 years

Options pricing models require the input of highly subjective assumptions that can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the company's stock options.

- g) During the period, at the annual shareholders meeting held on June 17, 2003, the shareholders approved the adoption of a stock option plan whereby the company may, from time to time, grant options to directors, officers, employees and consultants to purchase shares up to a total of 10% of the issued and outstanding shares. During the first year, the maximum number of options that may be granted is for 976,685 shares, including any currently outstanding stock options. The exercise price of the options shall be not less than the closing price of the company's shares as traded on the TSX Venture Exchange on the last day preceding the date of grant, less any allowable discount. The stock option plan has been approved by the board of directors and is subject to approval by the TSX Venture Exchange.

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**7. Comparative Figures**

Certain comparative figures have been reclassified to confirm with the current period presentation.

## SCHEDULE B

1. ANALYSIS OF EXPENSES AND DEFERRED COSTS

See interim consolidated schedule of administrative expenses.

2. RELATED PARTY TRANSACTIONS

See notes to interim consolidated financial statements for details.

3. SUMMARY OF SECURITIES ISSUED AND OPTIONS GRANTED DURING THE PERIOD

a) Securities issued:

See notes to interim consolidated financial statements for details.

b) Options granted:

See notes to interim consolidated financial statements for details.

4. SUMMARY OF SECURITIES AS AT THE END OF THE REPORTING PERIOD

a) Authorized share capital:

See notes to interim consolidated financial statements for details.

b) Shares issued and outstanding:

See notes to interim consolidated financial statements for details.

c) Options, warrants and convertible securities outstanding:

See notes to interim consolidated financial statements for details.

d) Shares subject to escrow or pooling agreements.

See notes to interim consolidated financial statements for details.

5. NAMES OF DIRECTORS AND OFFICERS AS AT THE DATE THIS REPORT IS SIGNED AND FILED

Joseph V. Montalban, Chairman of the Board , President, Chief Executive Officer  
Cora Belle Montalban  
Bo Mikkelsen  
Bruce P. Young  
Julian Rowan  
Steven Sobolewski, Corporate Secretary  
Carla Barringer, Assistant Secretary

**SCHEDULE C**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**For Third Quarter Ending**  
**September 30, 2003**

**Introduction**

Mountainview Energy Ltd. (the "Company") is an oil and gas exploration and production company incorporated in British Columbia on May 31, 2000. The Company is listed for trading on the TSX Venture Exchange. Mountainview Energy Ltd. owns and operates the Red Creek Field located adjacent to the U.S./Canadian Border in Northern Glacier County, Montana. The Company continues with the development of the Red Creek Field while searching for additional acquisitions and prospective production opportunities.

**Operations and Financial Condition**

Operations during the quarter ending September 30, 2003 saw a continuation of steady production as a result of the workover project conducted in the previous quarters. With the continued efforts of the workover program, management placed two additional wells into production during the quarter. This allowed the Company to maintain production from the Red Creek Field at an average of approximately 100 barrels of oil per day over the course of the first three quarters of 2003. As of the end of the 3<sup>rd</sup> Quarter, there were 11 producing wells in the Red Creek Field and the Company continues to realize the benefits from the steady production due to the additional reworked wells.

Production for the 3<sup>rd</sup> Quarter 2003 was 8,037 barrels compared to 4,080 barrels during the same quarter in 2002. This is also an increase of approximately 500 barrels over the production reported in the 2<sup>nd</sup> Quarter 2003 of 7,594 barrels. As a result of this increase in production for the period, the Company realized an increase in revenues for the quarter ending September 30, 2003. When comparing 3<sup>rd</sup> Quarter 2003 Gross Revenues of \$269,427 to our reported revenues of \$195,588 for the same quarter in 2002, there was a significant increase of over \$73,000. The following is a comparison of sales for the first three quarters of 2002 to those in the same period in 2003:

Period	2002	2003
1 <sup>st</sup> Quarter	\$ 58,556	\$358,687
2 <sup>nd</sup> Quarter	\$133,167	\$213,499
3 <sup>rd</sup> Quarter	\$195,588	\$269,427

This steady increase in revenue is a direct result of the ongoing enhanced workover project in the Red Creek Field. The variation in these results reported to-date in 2003 is due to the fluctuation in the price received per barrel of oil. While sales remained virtually steady, the price varied on average from \$29.00 (U.S.) per barrel during the 1<sup>st</sup> Quarter 2003, \$24.00 (U.S.) per barrel during the 2<sup>nd</sup> Quarter of 2003 and \$25.00 per barrel during the 3<sup>rd</sup> Quarter 2003.

The Company's Cash Position continues to improve as a result of revenues from new production. The Cash Position for the period ending September 30, 2003 was \$488,007 compared to \$420,492 during the same period in 2002.

As a result of increased revenues for the three month period ending September 30, 2003, the Company realized a Net Gain from Operations of \$33,132 and Net Income of \$17,849 after Estimated Income Taxes. As the Company begins to show positive revenue going into 3<sup>rd</sup> Quarter 2003, provisions were made to include Income Taxes Payable, as indicated on the Statement of Income (Loss) and Deficit, thus reducing our Net Income as reported.

Operating costs were up in comparison to the same period in 2002. This increase in expenses was due to the cost of operating the additional wells that were put on production during the first three quarters of 2003. The Production Cost of Sales for the three month period ending September 30, 2003 was \$157,933 compared to \$95,436 for the period ending September 30, 2002. General and Administrative Expenses also increased from \$27,620 for the period ending September 30, 2002 to \$51,568 during the same

period in 2003. This increase was due in part to the foreign exchange expense, which is affected by the constant fluctuations in the U.S./Canadian currency exchange rate, along with increased variations in daily operating costs.

The Company made no acquisitions or dispositions of capital assets during the quarter ending September 30, 2003, nor have there been any material write-off or write-down of assets during the period. Also, there were no related party transactions to report during the 3<sup>rd</sup> Quarter of 2003.

### **Liquidity and Solvency**

The financial condition of the Company continues to improve as a result of the increase in production experienced through the enhanced workover program in the Red Creek Field. The Company's Working Capital maintains a healthy level of \$446,509, which is a significant increase of \$108,381 from the \$338,128 reported for the quarter ending September 30, 2002. The Company continues to meet its financial obligations due to the success of the enhanced workover program and there have been no material variances, to-date, which have impacted the Company's ability to continue objectives previously reported.

### **Subsequent Event**

The Company continues their progress with the workover program into the Fourth Quarter 2003. To-date one additional well has been placed on production in the Red Creek Field. Management expects to have another well on production prior to year-end. As a result, the Company heads into the 4<sup>th</sup> Quarter of 2003 on a positive note.

### **Corporate Matters**

The Company's Annual General Meeting was held on June 17, 2003. The meeting resulted in the following individuals being elected as Directors of the Company: Joseph V. Montalban, Cora Belle Montalban, Bruce P. Young, Bo L. Mikkelsen and Julian Rowan. At a subsequent Directors' meeting the Board appointed the following officers of the Company: Joseph V. Montalban, Chairman of the Board, President & Chief Executive Officer, Steven Sobolewski - Corporate Secretary, Carla Barringer - Assistant Secretary.

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