

MOUNTAINVIEW ENERGY LTD.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
Unaudited

NOTICE

These interim consolidated financial statements for the nine months ended September 30, 2004 of Mountainview Energy Ltd. have been prepared by management and have not been subject to review by the Company's auditors.

Interim Consolidated Balance Sheet

Canadian Funds

Unaudited

ASSETS	September 30, 2004	December 31, 2003
Current		
Cash and term deposits	\$ 546,915	\$ 516,746
GST receivable	1,608	14,697
Accounts receivable - trade	104,221	87,226
Inventory	3,666	10,515
	<u>656,410</u>	<u>629,184</u>
Property, Plant and Equipment	6,515	-
Petroleum and Natural Gas Interest (Note 4)	1,064,959	951,340
Reclamation Bond (Note 5)	138,555	137,442
	<u>\$ 1,866,439</u>	<u>\$ 1,717,966</u>
LIABILITIES		
Current		
Accounts payable - trade	\$ 190,459	\$ 106,390
- related party	-	20,000
Income taxes payable	33,926	8,427
	<u>224,385</u>	<u>134,817</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	1,647,551	1,647,551
Deficit - Statement 2	(5,497)	(64,402)
	<u>1,642,054</u>	<u>1,583,149</u>
	<u>\$ 1,866,439</u>	<u>\$ 1,717,966</u>

ON BEHALF OF THE BOARD:

"J.V. Montalban", Director

"Bruce P. Young", Director

Interim Consolidated Statement of Income (Loss) and Deficit

Canadian Funds

Unaudited

	Nine Months Ended September 30, 2004	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2003	Three Months Ended September 30, 2003
Revenue				
Gross sales	\$ 882,549	\$ 325,523	\$ 841,613	\$ 269,427
Less royalties	(110,126)	(46,494)	(109,071)	(38,048)
	<u>772,423</u>	<u>279,029</u>	<u>732,542</u>	<u>231,379</u>
Cost of Sales				
Inventory - Beginning of year	10,515	10,515	8,293	8,293
Production taxes	103,163	42,422	91,490	34,569
Utilities	83,637	27,447	74,149	25,346
Field repairs and maintenance	68,600	27,922	22,601	16,297
Depletion	59,447	19,809	76,189	24,953
Field labour	28,374	8,298	29,509	12,204
Vehicle expenses	27,623	8,900	18,010	7,795
Consulting fees	27,010	13,144	20,744	12,632
Materials	22,951	3,994	26,913	14,069
Engineering expenses	9,696	-	7,527	152
Property taxes	5,824	-	-	-
Liability insurance	3,722	-	4,499	1,295
Miscellaneous production costs	3,314	1,367	835	321
Interest expense	-	-	352	7
	<u>453,876</u>	<u>163,818</u>	<u>381,111</u>	<u>157,933</u>
Inventory - End of period	(3,666)	(3,666)	(11,254)	(11,254)
	<u>450,210</u>	<u>160,152</u>	<u>369,857</u>	<u>146,679</u>
Gross Margin	322,213	118,877	362,685	84,700
General and Administrative – Schedule	215,810	98,611	227,167	50,382
Income from Operations Before the Undernoted	106,403	20,266	135,518	34,318
Provision for Income Taxes	(47,498)	(18,264)	(16,469)	(16,469)
Net Income for the Period	58,905	2,002	119,049	17,849
Deficit - Beginning of period	(64,402)	(7,499)	(195,855)	(94,655)
Deficit – End of Period	\$ (5,497)	\$ 5,497	\$ (76,806)	\$ (76,806)
Income per Share – Basic	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00
Income per Share – Diluted	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00

Interim Consolidated Statement of Cash Flows

Canadian Funds

Unaudited

Cash Resources Provided By (Used In)	Nine Months Ended September 30, 2004	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2003	Three Months Ended September 30, 2003
Operating Activities				
Cash receipts from customers	\$ 755,428	\$ 256,030	\$ 752,089	\$ 241,500
Direct costs	(383,914)	(133,494)	(296,629)	(124,687)
Cash paid to suppliers and employees	(165,298)	(63,790)	(214,977)	(29,270)
Interest income	4,062	1,575	3,409	1,186
	<u>210,278</u>	<u>60,321</u>	<u>243,892</u>	<u>88,729</u>
Investing Activities				
Resource property costs	(173,066)	(136,818)	(127,522)	(80,126)
Purchase of property, plant and equipment	(7,043)	-	-	-
	<u>(180,109)</u>	<u>(136,818)</u>	<u>(127,522)</u>	<u>(80,126)</u>
Financing Activities				
Share capital issued for cash	-	-	10,000	-
Payments from related party	-	13,338	-	-
	<u>-</u>	<u>13,338</u>	<u>10,000</u>	<u>-</u>
Net Increase (Decrease) in Cash	30,169	(63,159)	126,370	8,603
Cash position - Beginning of period	<u>516,746</u>	<u>610,074</u>	<u>361,637</u>	<u>479,404</u>
Cash Position - End of Period	\$ 546,915	\$ 546,915	\$ 488,007	\$ 488,007

Interim Consolidated Schedule of Administrative Expenses

Canadian Funds

Unaudited

	Nine Months Ended September 30, 2004	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2003	Three Months Ended September 30, 2003
General and Administrative Expenses				
Wages and benefits	\$ 62,591	\$ 25,432	\$ 50,066	\$ 18,805
Travel and promotion	40,184	15,487	35,588	(1,179)
Office	38,954	15,212	49,638	16,746
Foreign exchange	31,246	43,366	55,585	6,913
Legal and accounting	22,014	(3,469)	10,660	2,500
Telephone	12,729	2,450	-	-
Transfer agent fees	6,425	1,076	-	-
Listing and filing fees	5,201	464	29,039	7,783
Amortization	528	168	-	-
Interest and bank charges, <i>net</i>	(4,062)	(1,575)	(3,409)	(1,186)
	\$ 215,810	\$ 98,611	\$ 227,167	\$ 50,362

Mountainview Energy Ltd.

Notes to Interim Consolidated Financial Statements

September 30, 2004

Canadian Funds

Unaudited

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.

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. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at December 31, 2003.

3. Fair Value of Financial Instruments

The company's financial instruments consist of cash and term deposits, GST receivable, accounts receivable, accounts payable and income tax 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.

4. Petroleum and Natural Gas Interest

a) Details are as follows:

	September 30, 2004	December 31, 2003
Red Creek Unit, Montana, USA:		
Purchase price (Note 4b)	\$ 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	301,085	209,844
	<u>1,261,593</u>	<u>1,170,352</u>
Accumulated amortization and depletion	(278,459)	(219,012)
	983,134	951,340
Judith River/Shannon Project, Montana, USA:		
Purchase price	81,825	-
	<u>\$ 1,064,959</u>	<u>\$ 951,340</u>

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.

Mountainview Energy Ltd.

Notes to Interim Consolidated Financial Statements

September 30, 2004

Canadian Funds

Unaudited

4. Petroleum and Natural Gas Interest - *Continued*

- c) The lease acquisition of the Judith River/Shannon project in Carter County, Montana was completed during the quarter. The acquisition, with exploratory wells proposed consists of 61,894.15 net acres in the southeast corner of Montana. It was acquired at a purchase price of US \$1.00 per net acre.

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 \$138,555 (2003 - \$137,442), which includes accrued interest of \$11,329 (2003 - \$8,896).

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, 2004	December 31, 2003	September 30, 2004	December 31, 2003
Opening balance	9,766,850	9,716,850	\$ 1,647,551	\$ 1,637,551
Share options exercised	-	50,000	-	10,000
	9,766,850	9,766,850	\$ 1,647,551	\$ 1,647,551

- 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, 2004, NIL (December 31, 2003 - 600,000) shares were held in escrow.

- d) As at September 30, 2004, there were no share purchase warrants outstanding.
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Mountainview Energy Ltd.

Notes to Interim Consolidated Financial Statements

September 30, 2004

Canadian Funds

Unaudited

7. Related Party Transactions

Related party transactions not disclosed elsewhere in the financial statements are as follows:

- a) During the nine-month period ended September 30, 2004, legal fees of \$20,000 (2003 - \$7,500) were paid to a former Director and current Officer of the Company.
 - b) During the nine-month period ended September 30, 2004, fees of \$10,226 (2003 - \$5,422) were paid to a company owned by a relative of a Director and Officer of the Company.
 - c) During the nine-month period ended September 30, 2004, wages and benefits of \$31,576 (2003 - \$23,597) were paid to an Officer of the Company, who became an Officer or Director in 2004.
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8. Comparative Figures

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

Form 51-102F1
Interim Management Discussion and Analysis
For
MOUNTAINVIEW ENERGY LTD
Quarter Ending September 30, 2004

Description of Business

Mountainview Energy Ltd (the “Company”), an oil and gas exploration and production company was incorporated in British Columbia on May 31, 2000. The Company was listed for trading as a capital pool company on the Canadian Venture Exchange, now known as the TSX Venture Exchange, (the “TSX”) in March 2001. Mountainview Energy Ltd currently operates the Red Creek Field located south of the U.S./Canadian Border in Northern Glacier County, Montana. The Red Creek Field was acquired as a qualifying transaction on July 1, 2001. The completion of this transaction qualified the Company as a “Tier II Issuer.” The Company is continuing with the development of the Red Creek Field and the study of the recently acquired Shannon River Project.

Forward Looking Information

This MD&A contains forward-looking statements relating to regulatory compliance and the sufficiency of current working capital to continue the on-going enhancement program. These statements reflect Management’s view with respect to future events. Assumptions made herein, with respect to these future events, are subject to certain uncertainties and many factors could cause actual results to differ from those implied by these forward-looking statements.

Operations and Financial Condition

Revenues for the Third Quarter 2004 of US\$246,369 (CDN\$325,523) increased by US\$61,491 from the \$184,878 reported during the same period in 2003 (CDN\$269,427). The change in the revenues for these two periods, as reported in Canadian Dollars on the Income Statement, is a direct result of the extreme fluctuation in the Foreign Exchange, as well as the increase in production and the price received per barrel of oil. The following schedule shows a trend of steady revenues received by the Company during the past nine quarterly periods:

Period	Sales Volumes	Average Price (US\$)	Gross Sales (US\$)	Gross Sales (CDN\$)
3 rd Quarter 2004	6,450	38.24	246,639	325,523
2 nd Quarter 2004	6,352	32.72	207,830	284,442
1 st Quarter 2004	6,876	29.83	205,081	272,584
4 th Quarter 2003	7,534	26.03	196,047	257,939
3 rd Quarter 2003	7,285	25.34	184,878	269,427
2 nd Quarter 2003	7,659	24.00	183,635	213,499
1 st Quarter 2003	8,171	28.92	235,529	358,687
4 th Quarter 2002	6,299	23.42	149,110	235,910
3 rd Quarter 2002	5,278	23.23	124,418	195,588

Period	Net Income (Loss) From Operations	Income per Share Basic Earnings (Loss)	Income Per Share Diluted
3 rd Quarter 2004	2,002	0.00	0.00
2 nd Quarter 2004	3,865	0.01	0.01
1 st Quarter 2004	58,276	0.00	0.00
4 th Quarter 2003	20,452	0.01	0.01
3 rd Quarter 2003	17,849	0.00	0.00
2 nd Quarter 2003	16,874	0.01	0.00
1 st Quarter 2003	76,278	0.01	0.00
4 th Quarter 2002	74,187	0.00	0.00
3 rd Quarter 2002	60,391	0.01	0.01

This sustained level of revenues can be attributed to the consistent increase in production and oil prices. As depicted in the foregoing schedule the average price per barrel increased by approximately \$13.00 per barrel at US\$38.24 for the Third Quarter 2004 compared to the US\$25.34 received during the Third Quarter 2003. As detailed there has been a steady increase in the price received per barrel of oil over the past nine quarters. The Company continues to see an increase in oil production and prices into the Fourth Quarter of 2004.

Management has postponed the planned multi-well drilling program in the Red Creek Field until Spring 2005. As a rig was not available this Fall, Management did not want to begin drilling operations during winter weather; equipment tends to freeze up, cold weather adds to winter hazard and costs increase significantly. Management has evaluated the overall workover program conducted in the Red Creek Field and has identified the Northeast part of the Field as the area for further development. Several locations have been surveyed for Spring drilling next year.

The Company completed a successful workover program during the Third Quarter 2004, bringing four new wells on production for a total of 18 producing oil wells, 2 water disposal wells and 1 shut-in Bow Island Gas well discovery in the Red Creek Field. Following are the results of the workover program:

- **Red Creek No. 12A-12:** The Red Creek No. 12A-12 was acidized and re-completed for production in the Madison/Cut Bank formations.
- **Red Creek No. 13:** The Red Creek No. 13 well was re-completed as a Madison oil well.
- **Red Creek 22:** The Red Creek No. 22 well was acidized and re-completed as a Cut Bank oil well.
- **Red Creek 23:** The Red Creek No. 23 well was re-completed as a Madison oil well.

This has increased total average daily field production to some 95 barrels, which will in turn lead to an increase in revenues. However, the amount of generated revenue is not only relative to production but also to the price received per barrel of oil.

The Company experienced income from operations of \$20,266 during the Third Quarter of 2004, which is a decrease of \$14,052 over the income from operations reported for the same period in 2003 of \$34,318. This variance is due to an increase in Administrative Expenses. The Company reported General and Administrative Expenses of \$50,382 during the Third Quarter 2003 compared to \$98,611 reported for the Third Quarter 2004. This is an increase of \$48,249, which can be directly attributed to

the fluctuating Foreign Exchange Expense. This expense was \$6,913 for the Third Quarter 2003 and increased to \$43,366 during the Third Quarter of 2004. As a result of the fluctuating value of the U.S. dollar when converting our cash-on-hand to Canadian dollar equivalent, this expense is in constant change. For example, the rate of exchange used for conversion as of June 30, 2004 was \$1.3338 compared to the \$1.2225 used for conversion from U.S. dollars to Canadian equivalent as of September 30, 2004, thus resulting in a dramatic fluctuation from one quarter to the next. The Company realized Net Income of \$2,002 for the Third Quarter 2004, as a result of the Provision for Income Tax in the amount of \$18,264.

The Company's Cash Position decreased slightly during the Third Quarter of 2004 with a figure of \$546,915 compared to the prior quarter in which the Company reported a figure of \$610,074 as of June 30, 2004. The decrease in the Company's Cash Position relates to the acquisition of the Judith River Shannon Project during Third Quarter 2004.

As depicted in the Consolidated Statement of Income (Loss) and Deficit, the major operating expense for the Third Quarter of 2004 was Production Taxes. The increase from the \$34,569 reported in Third Quarter 2003 to the \$42,422 report in Third Quarter 2004 is a result of the increase in sales, as reported above. The Company is again subject to a higher tax rate based on the price received per barrel, as tax rates for the quarter reverted to the non-stripper rate, as implemented by the State of Montana. Normally, the wells in the Red Creek Field would be taxed at a stripper rate of 5.76%. However, if at any time during the quarterly period the West Texas Intermediary posting price for a barrel of oil exceeds \$30.00, the stripper rate becomes null and void and the wells are taxed at the regular rate of 12.76%, thus leading to a higher tax liability. Another major operating expense continues to be electrical costs. This expense is comprised of charges for electricity used in operating electrical pumps, water disposal units, etc in the Red Creek Field. An additional significant expense of note was for equipment maintenance. These expenses were a result of an on-going tank and treater-cleaning project in the Red Creek Field for the purposes of enhancing the efficiency and lifetime of the equipment.

The Company completed the acquisition of the Judith Basin-Shannon River Project located in Carter County, Montana. This was a lease acquisition of 61,895.15 Net Acres located in the Southeast corner of Montana, acquired at a purchase price of US\$1.00 per net acre. This prospect is south of the Cedar Creek Anticline and represents a significant, conventional shallow gas opportunity. The Company's Geological and Engineering Staff continue to study the Prospect for a drilling program that will be commenced next Summer.

There were no dispositions of capital assets during the Third Quarter of 2004 nor have there been any material write-offs or write-downs of assets during the period.

Related Party Transactions

As reported earlier in the Notes to Interim Consolidated Financial Statements, the following related party transactions occurred during the First Quarter of 2004:

- a) During the nine-month period ended September 30, 2004 Legal fees of CDN\$20,000 (2003 - CDN\$7,500) were paid to a former Director and Counsel.

- b) During the nine-month period ended September 30, 2004, fees of CDN\$10,226 were paid to Altamont Oil & Gas, Inc, an Engineering/Consulting Company that is owned by a relative of a Director and Officer of Mountainview Energy Ltd.
- c) Wages and Benefits of CDN\$31,576 were paid to a Director an Officer of the Company during the nine-month period ended September 30, 2004.

Company Progress:

As a result of the successful workovers during the year and the steady increase in the price of oil, the Company has met or exceeded its earlier reported estimates for monthly revenues. There have been no material variances to-date that have impacted the Company's ability to continue its objectives as previously reported.

Financial Instruments

Mountainview Energy Ltd's financial instruments consist of Cash, Term Deposits, GST Receivable, Accounts Receivable/Trade and Inventory. Unless otherwise noted, it is Management's opinion that Mountainview Energy Ltd is not exposed to significant interest, currency or credit risks arising from the financial instruments.

During the quarter ending September 30, 2004 the Company:

- was not party to any legal proceeding;
- was not in default under any of its contractual obligations;
- was not in breach of corporate, securities or other laws, or of an issuer's listing agreement with the TSX, with all filings made properly and timely;
- disclosed all management changes.

Share Data

To-date the Company has 9,766,850 outstanding shares with Shareholder Equity of \$1,647,551. As of September 30, 2004 there were no shares held in escrow nor were any options granted during the Third Quarter of 2004.

Liquidity and Solvency

Working Capital for the Quarter Ending September 30, 2004 was \$432,025 (Current Assets less Current Liabilities). This is a slight decrease from the same period in 2003 in which the Company reported Working Capital of \$446,509. This reduction in Working Capital is due to an increase in the Current Liabilities for the period, as a result of the large costs associated with the workover program. The Company's cash reserve remains healthy as a result of the steady monthly revenues the Company continues to receive, as discussed earlier in "Operations and Financial Condition." With respect to the Company's short-term liabilities, as of September 30, 2004, the Company had an obligation of \$190,459 in Accounts Payable. This figure is mainly comprised of costs associated with the workover project undertaken in the Red Creek Field during the Third Quarter 2004 and also includes accrued royalty and production tax expenses for the period. The majority of this debt has since been extinguished during the Fourth Quarter of 2004. Also, there is an amount of \$33,926 for Income Taxes

Payable, an obligation, which will be paid if and when it becomes due. The increasing monthly revenues enable the Company to continue to meet its ongoing obligations and the Company has no long-term financial liabilities or obligations.

Changes in Accounting Policies

The Interim Consolidated Financial Statements for the quarter ended September 30, 2004 followed the same accounting policies and methods of application in the most recent Consolidate Financial Statements for the year ended December 31, 2003.

Approval

The Audit Committee of Mountainview Energy Ltd has approved the disclosure contained in this interim MD&A. A copy of this interim MD&A will be provided to anyone who requests it.

“J.V. Montalban”

**J.V. Montalban, Chairman of the Board
President & Chief Executive Officer**