

MOUNTAINVIEW ENERGY LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

Unaudited

(Canadian funds)

NOTICE

These interim consolidated financial statements for the six months ended June 30, 2005 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 | June 30, 2005 | December 31, 2004 |
|--|--------------------------|------------------------------|
| Current | | |
| Cash and term deposits | \$ 704,049 | \$ 664,695 |
| GST receivable | 233 | - |
| Accounts receivable – production revenue | 135,380 | 128,287 |
| Inventory | 5,392 | 3,391 |
| | 845,054 | 796,373 |
| Property, Plant and Equipment , <i>net of accumulated amortization of \$4,585</i> | 97,461 | 13,905 |
| Petroleum & Natural Gas Interest <i>(Note 4)</i> | 1,215,872 | 1,213,360 |
| | \$ 2,158,387 | \$ 2,023,638 |
| LIABILITIES | | |
| Current | | |
| Accounts payable - trade | \$ 197,838 | \$ 251,136 |
| Income tax payable | 80,561 | 32,454 |
| | 278,399 | 283,590 |
| Future Income Tax Payable <i>(Note 8)</i> | 30,635 | 30,050 |
| SHAREHOLDERS' EQUITY | | |
| Share Capital <i>(Note 5)</i> | 1,647,551 | 1,647,551 |
| Retained Earnings - <i>Statement 2</i> | 201,802 | 62,447 |
| | 1,849,353 | 1,709,998 |
| | \$ 2,158,387 | \$ 2,023,638 |

ON BEHALF OF THE BOARD:

“Joseph V. Montalban”, Director

“Bruce P. Young”, Director

Interim Consolidated Statement of Income and Retained Earnings (Deficit)

CANADIAN FUNDS

Unaudited

| | Six Months Ended June 30, 2005 | Three Months Ended June 30, 2005 | Six Months Ended June 30, 2004 | Three Months Ended June 30, 2004 |
|--|--|--|--|--|
| Revenue | | | | |
| Gross sales | \$ 817,562 | \$ 415,874 | \$ 557,026 | \$ 284,442 |
| Less royalties | (116,543) | (59,295) | (63,632) | (34,405) |
| | 701,019 | 356,579 | 493,394 | 250,037 |
| Cost of Sales | | | | |
| Inventory - Beginning of year | 3,391 | 3,391 | 10,515 | 10,515 |
| Production taxes | 105,891 | 53,632 | 60,741 | 31,513 |
| Field labour | 74,839 | 26,807 | 20,076 | 11,562 |
| Utilities | 53,680 | 20,865 | 56,190 | 28,536 |
| Amortization and depletion | 50,459 | 20,163 | 39,638 | 19,428 |
| Vehicle expenses | 31,327 | 17,339 | 18,723 | 9,844 |
| Field repairs and maintenance | 15,420 | 2,620 | 40,678 | 32,148 |
| Materials | 10,350 | 5,547 | 18,957 | 8,428 |
| Engineering reports - Citadel | 6,745 | - | 9,770 | 6,475 |
| Liability insurance | 6,633 | 5,317 | 3,750 | 641 |
| Property taxes | 3,598 | 3,598 | 5,868 | 5,868 |
| Consulting fees | 1,380 | - | 13,866 | 300 |
| Miscellaneous production costs | 502 | 266 | 1,801 | 285 |
| | 364,215 | 159,545 | 300,573 | 165,543 |
| Inventory - End of period | (5,392) | (5,392) | (8,104) | (8,104) |
| | 358,823 | 154,153 | 292,469 | 157,439 |
| Gross Margin | 342,196 | 202,426 | 200,925 | 92,598 |
| General and Administrative - Schedule | (121,929) | (74,390) | (117,199) | (79,877) |
| Income from Operations | 220,267 | 128,036 | 83,726 | 12,721 |
| Provision for Income Taxes | (80,913) | (47,044) | (29,234) | (8,856) |
| Net Income for the Period | 139,354 | 80,992 | 54,492 | 3,856 |
| Retained earnings (deficit) - Beginning of period | 62,448 | 120,810 | (64,402) | (13,775) |
| Retained Earnings (Deficit) - End of Period | \$ 201,802 | \$ 201,802 | \$ (9,910) | \$ (9,910) |
| Income per Share - Basic | \$ 0.01 | \$ 0.01 | \$ 0.01 | \$ 0.01 |
| Income per Share - Diluted | \$ 0.01 | \$ 0.01 | \$ 0.01 | \$ 0.01 |

Mountainview Energy Ltd.

Statement 3

Interim Consolidated Statement of Cash Flows

CANADIAN FUNDS

Unaudited

| | Six Months Ended June 30, 2005 | Three Months Ended June 30, 2005 | Six Months Ended June 30, 2004 | Three Months Ended June 30, 2004 |
|---|--|--|--|--|
| Cash Resources Provided By (Used In) | | | | |
| Operating Activities | | | | |
| Cash receipts from customers | \$ 693,926 | \$ 378,293 | \$ 499,398 | \$ 274,101 |
| Direct costs | (310,365) | (136,369) | (250,420) | (135,600) |
| Cash paid to suppliers and employees | (219,059) | (229,304) | (101,508) | (97,091) |
| Interest income | 2,133 | 1,082 | 2,487 | 1,282 |
| | <u>166,635</u> | <u>13,702</u> | <u>149,957</u> | <u>42,692</u> |
| Investing Activities | | | | |
| Resource property costs - workover | (41,594) | (18,478) | (36,248) | (268) |
| Purchase of office equipment | (85,687) | (36,964) | (7,043) | - |
| | <u>(127,281)</u> | <u>(55,442)</u> | <u>(43,291)</u> | <u>(268)</u> |
| Financing Activities | | | | |
| Due from related party | - | - | (13,338) | (13,338) |
| | <u>-</u> | <u>-</u> | <u>(13,338)</u> | <u>(13,338)</u> |
| Net Increase (Decrease) in Cash | 39,354 | (41,740) | 93,328 | 29,086 |
| Cash position - Beginning of period | 664,695 | 745,789 | 516,746 | 580,988 |
| Cash Position - End of Period | \$ 704,049 | \$ 704,049 | \$ 610,074 | \$ 610,074 |
| Supplemental Schedule of Non-Cash Investing and Financing Transactions | | | | |
| Amortization and depletion | \$ 50,459 | \$ 20,163 | \$ 39,998 | \$ 19,788 |
| Foreign exchange | \$ (16,961) | \$ (6,561) | \$ (12,120) | \$ (6,636) |
| Provision for income tax | \$ 80,913 | \$ 47,044 | \$ 29,234 | \$ 8,856 |
| | <u>\$ 114,411</u> | <u>\$ 60,646</u> | <u>\$ 57,112</u> | <u>\$ 22,008</u> |

- See Accompanying Notes -

Mountainview Energy Ltd.

Schedule

Interim Consolidated Schedule of Administrative Expenses

CANADIAN FUNDS

Unaudited

| | Six Months Ended June 30, 2005 | Three Months Ended June 30, 2005 | Six Months Ended June 30, 2004 | Three Months Ended June 30, 2004 |
|-------------------------------|---|---|---|---|
| Wages and benefits | 57,891 | 31,129 | 37,159 | 24,215 |
| Office supplies and utilities | 28,500 | 15,485 | 23,742 | 11,791 |
| Travel and promotion | 20,262 | 9,677 | 24,697 | 18,674 |
| Legal and accounting | 16,673 | 16,211 | 25,483 | 21,483 |
| Telephone | 6,826 | 3,350 | 10,279 | 5,615 |
| Regulatory and exchange fees | 5,607 | 2,557 | 4,737 | 1,848 |
| Transfer agent fees | 3,133 | 2,551 | 5,349 | 3,809 |
| Amortization | 2,131 | 1,073 | 360 | 360 |
| Interest and bank charges | (2,133) | (1,082) | (2,487) | (1,282) |
| Foreign exchange | \$ (16,961) | \$ (6,561) | \$ (12,120) | \$ (6,636) |
| | \$ 121,929 | \$ 74,390 | \$ 117,199 | \$ 79,877 |

- See Accompanying Notes -

Mountainview Energy Ltd.

Notes to Interim Consolidated Financial Statements

June 30, 2005

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 ("TSX-V") 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 and is an operating oil and gas company.

2. Significant Accounting Policies

These interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual consolidated financial statements, except as follows below. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at December 31, 2004

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:

| | June 30, 2005 | December 31, 2004 |
|--|---------------------|----------------------|
| <u>Proved and Producing</u> | | |
| 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 |
| Due diligence and investigation costs | 47,560 | 47,560 |
| Workover and completion costs | 359,439 | 350,448 |
| Accumulated amortization and depletion | (374,624) | (331,327) |
| | <u>\$ 945,323</u> | <u>\$ 979,629</u> |
| <u>Reclamation Bond –Montana, USA:</u> | <u>\$ 112,151</u> | <u>\$ 107,936</u> |
| <u>Unproved</u> | | |
| Shannon Properties, Montana, USA: | | |
| Purchase price | \$ 82,613 | \$ 82,613 |
| Lease rentals | 75,785 | 43,182 |
| | <u>\$ 158,398</u> | <u>\$ 125,795</u> |
| Total petroleum and natural gas interests | <u>\$ 1,215,872</u> | <u>\$ 1,213,360</u> |

Mountainview Energy Ltd.

Notes to Interim Consolidated Financial Statements

June 30, 2005

CANADIAN FUNDS

Unaudited

4. Petroleum and Natural Gas Interest - *Continued*

- b) Workover expenditures incurred during the period were \$41,594 (2004 - \$36,248).
- c) 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 \$112,151 (2004 - \$138,182), which includes accrued interest of \$2,133 (2004 - \$2,487).
- d) During the current year, the Company purchased a 100% interest in the Shannon Property (petroleum leasehold interests) for \$61,895 (US). This interest represents a 100% working interest and an 87.5% revenue interest. The interests are also subject to a 5% overriding royalty in favour of the vendor.

5. Share Capital

- a) Authorized:
 - 100,000,000 common shares without par value
 - 100,000,000 preferred shares without par value

- b) Issued and fully paid:

| | Common Shares | | Amount | |
|-----------------|-----------------|---------------------|--------------|---------------------|
| | June 30 2005 | December 31 2004 | June 30 2 | December 31 2004 |
| Opening balance | 9,766,850 | 9,766,850 | \$ 1,647,551 | \$ 1,647,551 |
| Closing balance | 9,766,850 | 9,766,850 | \$ 1,647,551 | \$ 1,647,551 |

6. Related Party Transactions

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

- During the six months ended June 30, 2005, wages and benefits of \$23,253 (2004 - \$22,954) were paid to a director and officer of the Company.

7. Comparative Figures

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

Mountainview Energy Ltd.

Notes to Interim Consolidated Financial Statements

June 30, 2005

CANADIAN FUNDS

Unaudited

8. Future Income Tax

The Company has reviewed its future income tax provision and the Company has determined that it is more likely than not that the Company will continue to have taxable income. Therefore, the Company has decided to record the future income tax liability that will arise due to the difference between the accounting value of the oil & gas properties and the taxation value of such.

Form 51-102F1
Management Discussion and Analysis
For
MOUNTAINVIEW ENERGY LTD
Quarter Ended June 30, 2005

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 also acquired the Shannon River Project located in Carter County, Montana in July 2004 and Management continues to study the acreage for optimum drilling potential.

Operations and Financial Condition

Gross Revenues for 2nd Quarter 2005 of US\$331,411 (CDN\$415,874) increased by US\$123,581 from the US\$207,830 (CDN\$284,442) in Gross Revenues reported during the same period in 2004. In addition there was a slight increase in Gross Revenues of \$5,905 from 1st Quarter 2005 to 2nd Quarter 2005. There is a striking comparison between revenues received for 2nd Quarter 2005 (US\$331,411) and those received in the same periods in 2002 and 2003, in which the Company saw Gross Revenues of US\$85,280 and US\$183,635 respectively. The persistent increase in the revenues is a direct result of the increase in the price received per barrel of oil, as well as constant Sales Volumes. The following schedule shows a trend of increasing revenues received by the Company during the past thirteen quarterly periods:

| Period | Sales Volumes | Average Price (US\$) | Gross Sales (US\$) | Gross Sales (CDN\$) |
|------------------------------|----------------------|-----------------------------|---------------------------|----------------------------|
| 2 nd Quarter 2005 | 7,591 | 43.66 | 331,411 | 415,874 |
| 1 st Quarter 2005 | 8,006 | 40.66 | 325,506 | 401,688 |
| 4 th Quarter 2004 | 8,573 | 41.84 | 358,658 | 451,639 |
| 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 |
| 2 nd Quarter 2002 | 4,056 | 21.05 | 85,280 | 133,167 |

As depicted in the foregoing schedule the average price per barrel increased by approximately \$10.94 at US\$43.66 for the Second Quarter 2005 compared to the US\$32.72 received during the Second Quarter 2004. As detailed there has been a steady increase in the price received per barrel of oil over the past thirteen quarters. The Company continues to see steady oil prices into the Third Quarter of 2005.

Summary of Quarterly Results

| Period | Net Revenue | Net Income (Loss) | Income per Share Basic Earnings (Loss) | Income Per Share Diluted | Total Assets | Total Long-Term Liabilities |
|---------------------------------|--------------------|------------------------------|---|---|-------------------------|--|
| 2 nd Quarter 2005 | 356,579 | 80,992 | 0.01 | 0.01 | 2,158,387 | 30,635 |
| 1 st Quarter 2005 | 344,440 | 57,984 | 0.00 | 0.00 | 2,183,241 | 30,240 |
| 4 th Quarter 2004 | 410,255 | 62,706 | 0.00 | 0.00 | 2,023,638 | 30,050 |
| 3 rd Quarter 2004 | 279,029 | 2,002 | 0.00 | 0.00 | 1,866,439 | Nil |
| 2 nd Quarter 2004 | 250,037 | 3,865 | 0.01 | 0.01 | 1,808,635 | Nil |
| 1 st Quarter 2004 | 243,357 | 58,276 | 0.00 | 0.00 | 1,818,996 | Nil |
| 4 th Quarter 2003 | 258,987 | 20,452 | 0.00 | 0.00 | 1,717,966 | Nil |
| 3 rd Quarter 2003 | 231,379 | 17,849 | 0.00 | 0.00 | 1,713,096 | Nil |
| 2 nd Quarter 2003 | 188,658 | 16,874 | 0.00 | 0.00 | 1,651,336 | Nil |
| 1 st Quarter 2003 | 312,505 | 76,278 | 0.01 | 0.00 | 1,672,777 | Nil |
| 4 th Quarter 2002 | 200,844 | 74,187 | 0.01 | 0.01 | 1,596,372 | Nil |
| 3 rd Quarter 2002 | 172,244 | 60,391 | 0.01 | 0.01 | 1,528,785 | Nil |
| 2 nd Quarter 2002 | 124,738 | (50,305) | (0.01) | (0.01) | 1,505,740 | Nil |

The Company continues to maintain consistent production volumes in the Red Creek Field, which in turn should sustain our steady revenue stream. However, the amount of generated revenue is not only relative to production but also to the price received per barrel of oil. Management has evaluated the overall workover program conducted during 2004 and has identified the Northeast part of the Red Creek Field as the area for further development. Several locations have been surveyed for possible drilling during the Third and Fourth Quarter of 2005.

The Company experienced income from operations of \$128,036 during the Second Quarter 2005, which is a significant increase of \$115,315 over the income from operations reported for Second Quarter 2004 of \$12,721. This variance is due to the increase in Gross Revenues for the period. As reported, General and Administrative Expenses decreased slightly from \$79,877 during Second Quarter of 2004 to \$74,390 for Second Quarter 2005. A variance worth noting is the decrease in Legal and Accounting Fees from Second Quarter 2004, in which we reported an expense of \$21,483 compared to the \$16,211, reported in the Second Quarter of 2005. These expenses are a result of the cost of preparing and filing the Year-End 2004 and 1st Quarter 2005 Financial Statements. In addition the Company shows a significant decrease in Travel and Promotion from the \$18,674 reported for the Second Quarter 2004 to the \$9,677 reported for Second Quarter 2005. The Company realized Net Income during Second Quarter 2005 of \$80,992 after the Provision for Income Tax of \$47,044, which is only an estimate of what our future income tax liability will be. This is a significant increase over the Net Income reported for Second Quarter 2004 of \$3,865. Also, in comparison our tax burden has increased from the \$8,856 estimated for Second Quarter 2004 to the \$47,044 for Second Quarter 2005. As the Company realizes more income the tax burden increases. In addition, all non-capital/business losses, which are carried forward each year and help to minimize the tax burden by offsetting revenue, have since been used. Consequently, there were no losses carried forward, thus resulting in a larger tax burden for the current period.

The Company's Cash Position (consisting of Cash & Term Deposits) increased during the Second Quarter 2005 with a reported figure of \$704,049 compared to Second Quarter 2004 in which the Company reported a Cash Position of \$610,074. This increase of approximately \$93,975 is a direct result of an increase in cash receipts. However, the Company saw a decrease in Cash Position from 1st Quarter 2005 of \$745,789 to Second Quarter 2005 of \$704,049 due to the purchase of field equipment (1982 Kenworth Picker Truck) necessary to carry out day-to-day operations, such as hauling units, equipment and conducting well site repairs.

As depicted in the Consolidated Statement of Income and Retained Earnings (Deficit), the major operating expense during the Second Quarter 2005 was Production Taxes. The increase from the \$31,513 in Production Tax burden reported during Second Quarter 2004 to the \$53,632 reported for Second Quarter 2005 is a result of the increase in sales and the higher price received per barrel of oil. The Company is again subject to a higher tax rate based on the price received per barrel, as tax rates for the Second Quarter 2005 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 a 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 or utilities. This expense is comprised of charges for electricity used in operating electrical pumps, water disposal units, etc in the Red Creek Field.

There were no dispositions of capital assets during Second Quarter of 2005 nor have there been any material write-offs or write-downs of assets during the period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions which affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the reporting period. Actual results could differ from those reported.

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.

Related Party Transactions

As reported earlier in the Notes to Consolidated Financial Statements, the following related party transactions occurred during the six-months ended June 30, 2005:

- a) Wages and benefits of \$23,253 (2004 - \$22,954) were paid to a Director of the Company.

Company Progress:

As a result of the successful workovers during the prior 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 and Term Deposits, GST Receivable and 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.

Outstanding Share Data

To-date the Company has 9,766,850 outstanding shares with Shareholder Equity of \$1,647,551. As of June 30, 2005, there were no shares held in escrow, all options to directors had expired and no options were granted during the period.

Liquidity and Solvency

Working Capital for the Quarter Ending June 30, 2005 was \$566,655 (Current Assets less Current Liabilities). This is an increase of \$21,830 from the same period in 2004 in which the Company reported Working Capital of \$544,825. 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 June 30, 2005, the Company had an obligation of \$197,838 in Accounts Payable. This figure is mainly comprised of costs associated with accrued royalty and production tax expenses for 2005. The \$80,561 for Current Income Taxes Payable will be paid when it becomes due. The \$30,635 for Future Income Tax Payable is an estimate of what the Company will owe for future income taxes, based on the assumption that the Company will continue to have taxable income. Steady monthly revenues enable the Company to continue to meet its ongoing obligations.

Changes in Accounting Policies

The Company's Financial Statements follow the same accounting policies and methods of application as the most recent Annual Consolidated Financial Statements for the Quarter Ended March 31, 2005.

Subsequent Events

The Company's Annual General Meeting was held on July 15, 2005. The meeting resulted in the following individuals being elected as Directors of the Company: Joseph V. Montalban, Carla Barringer, Bruce P. Young, Bo L. Mikkelsen and Clarence Munson. 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 and Steven Sobolewski-Corporate Secretary.

Approval

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

"Joseph V. Montalban"

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