MOUNTAINVIEW ENERGY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 and 2004

US Funds

Staley, Okada & Partners
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Directors of Mountainview Energy Ltd.:

We have audited the consolidated balance sheets of Mountainview Energy Ltd. as at December 31, 2005 and 2004 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Staley, Okada & Partners"

Vancouver, B.C.
April 4, 2006

STALEY, OKADA & PARTNERS
CHARTERED ACCOUNTANTS

Mountainview Energy Ltd. Statement 1

Consolidated Balance Sheets

As at December 31
US Funds

ASSETS		2005		2004
Current				
Cash and term deposits	**$**	**462,991**	$	552,996
Accounts receivable - trade		**148,163**		106,728
Inventory		**4,333**		2,821
Property held for resale		**165,784**		-
		781,271		662,545
Property, Plant and Equipment, *net of accumulated amortization of $2,397 (2004 - $1,886)*		**98,917**		10,685
Petroleum & Natural Gas Interest *(Note 4)*		**1,225,414**		836,221
	$	**2,105,602**	$	1,509,451

LIABILITIES				
Current				
Accounts payable - trade	**$**	**479,647**	$	208,913
Income tax payable		**84,200**		27,000
		563,847		235,913
Future Income Tax Payable *(Note 9)*		**75,300**		25,000

SHAREHOLDERS' EQUITY				
Share Capital *(Note 5)*		**1,071,140**		1,071,140
Retained Earnings - *Statement 2*		**395,315**		177,398
		1,466,455		1,248,538
	$	**2,105,602**	$	1,509,451

ON BEHALF OF THE BOARD:

"Joseph V. Montalban" , Director

"Bruce P. Young" , Director

- See Accompanying Notes -

Mountainview Energy Ltd. <u>Statement 2</u>

Consolidated Statements of Income and Retained Earnings

For the Years Ended December 31
US Funds

		2005		2004
Revenue				
Gross sales	$	1,519,770	$	1,028,616
Less royalties		(216,439)		(116,430)
		1,303,331		912,186
Cost of Sales				
Inventory - Beginning of year		2,821		8,110
Production taxes		206,191		133,282
Amortization and depletion - Petroleum & Natural Gas Interest		142,387		72,466
Utilities		102,759		90,858
Labour		86,425		42,559
Vehicle		64,583		33,693
Repairs and maintenance		37,714		48,961
Materials		32,084		26,074
Amortization - Equipment		11,453		-
Consulting fees		10,950		21,742
Engineering		8,908		7,300
Insurance		5,627		2,802
Miscellaneous production costs		4,277		3,944
Property taxes		3,702		5,196
Inventory - End of year		(4,333)		(2,821)
		715,548		494,166
Gross Margin *(2005 – 45.10%; 2004 – 45.83%)*		587,783		418,020
General and Administrative Expenses *(Schedule)*		(235,103)		(198,438)
Income from Operations Before Income Taxes		352,680		219,582
Provision for Income Tax – Current		(84,463)		(36,234)
Provision for Income Tax - Future		(50,300)		(25,000)
Net Income for the Year		217,917		158,348
Retained Earnings - Beginning of year		177,398		19,050
Retained Earnings - End of Year	$	395,315	$	177,398
Income per Share - Basic	$	0.02	$	0.02
Income per Share - Fully Diluted	$	0.02	$	0.02
Weighted Average Number of Common Shares Outstanding - Basic & Fully Diluted		9,766,850		9,766,850

- See Accompanying Notes -

Mountainview Energy Ltd. Statement 3

Consolidated Statement of Cash Flows

For the Years Ended December 31
US Funds

Cash Resources Provided By (Used In)		**2005**		2004
Operating Activities				
Cash receipts from customers	**$**	**1,373,395**	$	883,972
Cost of sales		**(711,668)**		(306,482)
Cash paid to suppliers and employees		**(251,517)**		(218,385)
Interest		**2,534**		4,350
		412,744		363,455
Investing Activities				
Petroleum and natural gas interest		**(400,667)**		(196,458)
Property, plant and equipment		**(102,082)**		(12,571)
		(502,749)		(209,029)
Net Increase (Decrease) in Cash		**(90,005)**		154,426
Cash position - Beginning of year		**552,996**		398,570
Cash Position - End of Year	**$**	**462,991**	$	552,996

Supplemental Schedule of Non-Cash Transactions:				
Amortization and depletion	**$**	**156,237**	$	74,352
Foreign exchange	**$**	**795**	$	331
Petroleum and natural gas interest payable	**$**	**225,874**	$	1,815
Provision for income tax - current	**$**	**84,463**	$	27,000
Provision for income tax - future	**$**	**50,300**	$	25,000

Mountainview Energy Ltd. <u>Schedule</u>

Consolidated Schedule of General and Administrative Expenses

For the Years Ended December 31

US Funds

		2005		2004
General and Administrative Expenses				
Wages and benefits	**$**	**106,541**	$	62,935
Travel and promotion		**38,095**		45,296
Office supplies and utilities		**34,767**		33,016
Legal, accounting and consulting fees		**34,371**		33,275
Telephone		**9,774**		11,923
Listing and filing fees		**4,809**		3,648
Transfer agent fees		**3,554**		6,128
Amortization		**2,397**		1,886
Foreign exchange		**795**		331
	$	**235,103**	$	198,438

- See Accompanying Notes -

1. Nature of Business

The Company was incorporated on May 31, 2000 in the province of British Columbia. The Company was classified as a Capital Pool company as defined in the TSX Venture Exchange ("TSX-V") Policy. 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 on the TSX-V and is an operating oil and gas company.

2. Significant Accounting Policies

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Mountain View Energy, Inc., incorporated in Montana, USA. The subsidiary was incorporated on April 7, 1999 and remained inactive until purchased by the Company for nominal cost in 2001.

b) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less. The Company places its cash and cash equivalents with institutions of high-credit worthiness.

c) Inventory

Inventory is recorded at the lower of cost or net realizable value. Cost of oil and gas is determined on a first in, first out basis.

d) Oil and Gas Properties

The Company follows the full cost method of accounting for oil and gas operations, whereby all costs of exploring for and developing oil and gas reserves are capitalized and accumulated in cost centres established on a country-by-country basis. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, interest costs on significant investments in unproved properties and major development projects and overhead charges directly related to acquisition, exploration and development activities, less any government incentives relating thereto.

The costs related to each cost centre from which there is production, together with the costs of production equipment, are depleted and amortized on the unit-of-production method based on the estimated gross proved reserves of each country. Oil and natural gas reserves and production are converted into equivalent units based upon estimated relative energy content. Costs of acquiring and evaluating significant unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment in value has occurred. When proved reserves are assigned or the value of the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion.

2. Significant Accounting Policies - *Continued*

d) Oil and Gas Properties – *Continued*

The capitalized costs less accumulated amortization in each cost centre from which there is production are limited to an amount equal to the estimated future net revenue from proved reserves (based on prices and costs at the balance sheet date) plus the cost (net of impairments) of unproved properties. The total capitalized costs less accumulated depletion and amortization and deferred taxes of all cost centres is further limited to an amount equal to the estimated future net revenue from proved reserves plus the cost (net of impairments) of all cost centres less estimated future general and administrative expenses, future financing costs and taxes.

The costs (including exploratory dry holes) related to cost centres from which there has been no commercial production are not subject to depletion until commercial production commences. The capitalized costs are periodically assessed to determine whether it is likely such costs will be recovered in the future. Costs unlikely to be recovered in the future are written off. Proceeds from the sale of oil and gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and amortization.

e) Property, Plant and Equipment

Property, plant and equipment are valued at cost less accumulated amortization. The Company provided for amortization on the declining balance method as follows:

- Computer equipment – 30%
- Vehicle – 30%
- Field equipment – 30%

One-half of the above rate is taken in the year of acquisition.

f) Share Capital

i) The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

All costs related to issuances of share capital will be charged against the proceeds received from the related share capital.

g) Earnings per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

2. Significant Accounting Policies - *Continued*

h) Revenue Recognition

Revenue from the sale of oil and gas is recognized in the accounts when title and the risks and rewards of ownership passes to the buyer, and reasonable collection is assured.

i) Management's Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

j) Foreign Currency Translations

The Company's functional currency is the U.S. dollar. The Company's reporting currency is the U.S. dollar. All transactions initiated in other currencies are re-measured into the functional currency as follows:

i) Monetary assets and liabilities at the rate of exchange in effect at the balance sheet date,
ii) Non-monetary assets and liabilities, and equity at historical rates, and
iii) Revenue and expense items at the average rate of exchange prevailing during the period.

Gains and losses on re-measurement are included in determining net income for the period

Translation of balances from the functional currency into the reporting currency is conducted as follows:

i) Assets and liabilities at the rate of exchange in effect at the balance sheet date,
ii) Equity at historical rates, and
iii) Revenue and expense items at the average rate of exchange prevailing during the period.

Translation adjustments resulting from translation of balances from functional to reporting currency are accumulated as a separate component of shareholders' equity as a component of comprehensive income or loss. Upon sale or liquidation of the net investment in the foreign entity the amount deferred will be recognized in income.

k) Stock-Based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital

2. Significant Accounting Policies - *Continued*

l) **Asset Retirement Obligations**

The recommendations of CICA Handbook Section 3110, Asset Retirement Obligations ("CICA 3110"), became effective on January 1, 2004. This section requires the recognition of a legal liability for obligations relating to the retirement of property, plant and equipment and obligations arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which the liability is incurred. A corresponding increase to the carrying amount of the related asset, where one is identifiable, is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, changes in the extent of the environmental remediation required, changes in the means of reclamation or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised.

m) **Income Taxes**

The asset and liability method is used for determining future income taxes. Under the asset and liability method, the change in the net future tax asset or liability is included in income. The income tax effects of temporary differences in the time when income and expenses are recognized in accordance with Company accounting practices and the time they are recognized for income tax purposes are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using statutory rates that are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

n) **Variable Interest Entities - Change in Accounting Policy**

The Accounting Standards Board (AcSB) issued Accounting Guideline AcG 15 *"Consolidation of Variable Interest Entities"*, to harmonize the Guideline with the equivalent FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities." The Guideline provides criteria for identifying VIEs and further criteria for determining what entity, if any, should consolidate them. The Guideline is effective for annual and interim periods beginning on or after November 1, 2004, and upon adoption, will not materially impact the Company's results of operations and financial position. The Guideline is effective January 1, 2005 for the Company.

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and term deposits, 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 & Natural Gas Interest

a) Details are as follows:

Proved and Producing		2005		2004
Red Creek Unit, Montana, USA:				
Purchase price	**$**	**475,000**	$	475,000
Engineering Reports		**22,968**		22,968
Legal and other costs (Title opinions and professional fees)		**105,525**		105,525
Due diligence and investigation costs		**30,706**		30,706
Workover costs		**267,867**		230,318
Drilling and completion costs		**587,177**		-
Accumulated amortization and depletion		**(356,160)**		(213,773)
	$	**1,133,083**	$	650,744
Reclamation Bond – Montana, USA:	**$**	**92,331**	$	89,797
Unproved				
Shannon Properties, Montana, USA:				
Purchase price	**$**	**-**	$	61,895
Lease rentals		**-**		33,785
	$	**-**	$	95,680
Total petroleum and natural gas interests	**$**	**1,225,414**	$	836,221

b) Workover expenditures incurred during the year were $37,549 (2004 - $187,217).

c) Drilling and completion expenditures incurred during the year were $587,177 (2004 - $Nil).

d) 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 $92,331 (2004 - $89,797), which includes accrued interest of $12,331 (2004 - $9,797).

e) In 2003, the Company purchased a 100% interest in the Shannon Property (petroleum leasehold interests) for $61,895. This interest represents a 100% working interest and a 87.5% revenue interest. The interests are also subject to a 5% overriding royalty in favour of the vendor. Subsequent to year-end, the company has decided to hold this property for resale.

5. 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	
	2005	2004	**2005**	2004
Balance	**9,766,850**	9,766,850	**$ 1,071,140**	$ 1,071,140

c) As at December 31, 2005 and 2004, there were no share purchase options or warrants outstanding.

6. Related Party Transactions

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

a) During the year, legal fees of $7,683 (2004 - $Nil) were paid or accrued to a former director of the Company.

b) During the year, geological consulting fees of $6,300 (2004 - $19,408) were paid to a company that is owned by a relative of a director and officer of the Company.

c) During the year, wages and benefits of $54,920 (2004 - $48,057) were paid to a director and officer of the Company.

d) During the year, consulting fees of $2,100 (2004 - $Nil) were paid to a relative of a director and officer of the Company.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Income Taxes

Details of income taxes for the year are as follows:

	2005	2004
Net income before income taxes for accounting purposes	**$ 318,801**	$ 219,582
Adjustments for differences between accounting and taxable income:		
Amortization and depletion for accounting less than amount deductible for tax purposes	**(65,844)**	(97,113)
Foreign exchange	**37,769**	331
Other timing differences	**(68,755)**	(1,764)
Income for tax purposes	**221,971**	121,036
Tax rate	**38%**	30%
Expected tax expense for the year	**84,463**	36,234
Tax expense for the year	**$ 84,463**	$ 36,234

8. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

9. 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.

10. Reporting Currency

During the year, the Company elected to change its reporting currency to the US dollar from the Canadian dollar. Because the majority of the Company's activities take place through its wholly owned subsidiary in the USA, the Company's functional currency is the US dollar.

The current and prior years' financial statements have been translated into US dollars, to reflect this change.

Form 51-102F1
Management Discussion and Analysis
For
MOUNTAINVIEW ENERGY LTD
Fiscal Year Ended December 31, 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 acquired the Shannon River Project located in Carter County, Montana in July of 2004. Due to the location of this property in relation to the Red Creek Field, being approximately 400 miles to the East, Management has concluded that it would be in the best interest of the Company to sell this acreage. Management is confident that the property can be sold at a price, which would allow for full recovery of all costs to-date.

Change in Reporting Format

As noted earlier in the Financial Statements, Mountainview Energy Ltd is reporting in U.S. Dollars for the Year-Ending December 31, 2005. Since the majority of our operations are based in the United States, Management felt it was proper to report in U.S. Dollars rather than converting everything to Canadian Dollars at reporting time. This also provides for a more accurate depiction of the Company's financial activity.

Operations and Financial Condition

Gross Revenues for 2005 of $1,519,770 increased by $491,154 from the $1,028,616 in Gross Revenues reported for 2004 (Gross Revenues include a nominal amount of bookkeeping revenue and interest income). The change in the revenues between these two periods is a direct result of the increase in the price received per barrel of oil, as well as steady sales volumes. The following schedule shows a trend of increasing revenues received by the Company during the past twelve quarterly periods:

Period	Sales Volumes	Average Price	Gross Sales
4th Quarter 2005	7,973	52.03	414,820
3rd Quarter 2005	7,912	55.31	437,598
2nd Quarter 2005	7,591	43.66	331,411
1st Quarter 2005	8,006	40.66	325,506
4th Quarter 2004	8,573	41.84	358,658
3rd Quarter 2004	6,450	38.24	246,639
2nd Quarter 2004	6,352	32.72	207,830

Period	Sales Volumes	Average Price	Gross Sales
1st Quarter 2004	6,876	29.83	205,081
4th Quarter 2003	7,534	26.03	196,047
3rd Quarter 2003	7,285	25.34	184,878
2nd Quarter 2003	7,659	24.00	183,635
1st Quarter 2003	8,171	28.92	235,529

As depicted in the foregoing schedule the average price per barrel increased by approximately $10.19 per barrel at $52.03 for the Fourth Quarter 2005 compared to the $41.84 received during the Fourth Quarter 2004. The price received per barrel of oil has doubled since the 4th Quarter 2003 where the Company saw an average of $26.03 per barrel for the period. As detailed there has been a steady increase in the price received per barrel of oil over the past twelve quarters. The Company continues to see steady oil prices into the First Quarter of 2006.

Selected Annual Information

	2005	2004	2003
Net Revenues	1,303,331	912,186	711,337
Net Income	217,917	158,348	163,646
Net Income Per Share	0.02	0.02	0.01
Dividends	Nil	Nil	Nil
Total Assets	2,105,602	1,509,451	1,194,216
Total Long-Term Liabilities	75,300	25,000	Nil

Summary of Quarterly Results

Period	Net Revenue	Net Income	Income per Share Basic Earnings	Income Per Share Diluted	Total Assets	Total Long-Term Liabilities
4th Quarter 2005	359,862	52,672	0.01	0.01	2,105,602	75,300
3rd Quarter 2005	376,852	64,175	0.01	0.01	1,763,050	25,000
2nd Quarter 2005	284,928	57,909	0.01	0.01	1,603,075	25,000
1st Quarter 2005	281,689	43,161	0.00	0.00	1,634,674	25,000
4th Quarter 2004	327,572	105,362	0.01	0.01	1,509,451	25,000
3rd Quarter 2004	214,084	21,167	0.00	0.00	1,340,071	Nil

Period	Net Revenue	Income Per Net Income	Income Per Share Basic Earnings	Income Per Share Diluted	Total Total Assets	Total Long-Term Liabilities
2nd Quarter 2004	184,989	(8,165)	0.00	0.00	1,240,3654	Nil
1st Quarter 2004	185,541	39,984	0.00	0.00	1,265,716	Nil
4th Quarter 2003	178,078	17,935	0.00	0.00	1,194,216	Nil
3rd Quarter 2003	161,022	33,134	0.00	0.00	1,167,423	Nil
2nd Quarter 2003	164,436	43,175	0.00	0.00	1,121,459	Nil
1st Quarter 2003	207,801	69,402	0.01	0.00	1,100,922	Nil

During the 4th Quarter 2005 Mountain View Energy, Inc commenced a development drilling program in the northeast corner of the Red Creek Field located in Section 1-T37N-R5W, Glacier County, Montana, adjacent to the Canadian border. This consisted of a 4-well drilling program with locations that were direct offsets to wells operated just north of the Canadian border, an area where there has been a great deal of activity. The Company successfully drilled 4 wells with completion operations continuing into the 1st Quarter of 2006. As a result of this drilling program production volumes and revenues are expected to increase. The Company will realize the benefits of this drilling program upon completing and placing the 4 wells on production.

Also during the 4th Quarter of 2005, the Company completed a successful remedial workover program in the Red Creek Field, which enhanced the average daily production by 10 barrels. The enhanced production will enable the Company to sustain a 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.

The Company realized income from operations of $352,680 during 2005, which is an increase of $133,098 over the income from operations reported for 2004 of $219,582. This variance is due to an increase in Gross Revenues. The Company reported General and Administrative Expenses of $253,103 for 2005 compared to $198,438 reported during 2004, which is an increase of $36,665. This increase is due to hiring additional office personnel and realizing a full year of those additional costs during 2005.

The Company realized Net Income from Operations in 2005 of $217,917 after the Provision for Income Tax, Current and Future. The Provision for Income Tax, current and future combined, increased significantly from $61,234 in 2004 to $134,763 in 2005, as a result of the Companies increase in revenue for the period. 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 in the prior year. Consequently, there were no losses carried forward, thus resulting in a larger tax burden for the current year.

The Company's Cash Position decreased during 2005 with a reported figure of $462,991 compared to 2004 in which the Company reported a Cash Position of $552,996. This decrease of approximately $90,005 in 2005 is a direct result of the costs associated with the drilling program commenced in November 2005.

As depicted in the Consolidated Statement of Income and Retained Earnings (Deficit), the major operating expense during 2005 was Production Taxes. The increase from the $133,282 in Production Tax burden reported in 2004 to the $206,191 reported in 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 entire year of 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. The Company also saw a significant increase in the cost of Labor during 2005. This is a result of the hiring of additional field personnel during the latter part of 2004 and realizing the cost for a full year in 2005.

There were no dispositions of capital assets during 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 2005:

a) Legal fees of $7,683 were paid or accrued to a former director of the Company in 2005. There were no legal fees paid to the aforementioned individual in 2004.

b) During the year, $6,300 for Geological/Engineering Consulting Fees 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. (2004 – 19,408)

c) Wages and Benefits of $54,920 (2004 – $48,057) were paid to a Director and Officer of the Company during 2005.

d) Consulting Fees of $2,100 (2004 – $Nil) were paid to a relative of a Director and Officer` of the Company during 2005.

Company Progress:

As a result of the recent remedial work over program and the 4-well drilling program, along with the steady price of oil, the Company expects to meet 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.

Outstanding Share Data

To-date the Company has 9,766,850 outstanding shares with Shareholder Equity of $1,071,140. As of December 31, 2005, there were no shares held in escrow, warrants outstanding and no outstanding options.

Liquidity and Solvency

Working Capital for the Year Ending December 31, 2005 was $217,424 (Current Assets less Current Liabilities). This is a decrease from the same period in 2004 in which the Company reported Working Capital of $426,632. This decrease is a result of the cost of the drilling program which commenced in November 2005. Another variable to note is that the Shannon River Property has been reclassified as a current asset due to the re-sale status. As mentioned before, the Company intends to sell this acreage. Consequently, the Company's Working Capital for the Year Ending December 31, 2005 would have been significantly less than stated, before this reclassification. The Company's cash reserves are down as a result of the drilling and completion costs, however, Management expects to build the reserves back up with 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 December 31, 2005, the Company had an obligation of $479,647 in Accounts Payable. This figure is mainly comprised of costs associated with the drilling program as well as accrued royalty and production tax expenses for 2005. The majority of these accounts payable obligations have since been extinguished during the 1st Quarter of 2006. The $84,200 for Current Income Taxes Payable was also paid during the 1st Quarter 2006. The $75,300 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. This tax will be paid when it becomes due.

The steady 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

As per the Accounting Standards Board (AcSB), a new guideline was issued, being Accounting Guideline AcG 15 "Consolidation of Variable Interest Entities," in order to harmonize the Guideline with the equivalent FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities." The Guideline provides criteria for identifying Consolidation of Variable Interest Entities and further criteria for determining what entity, if any, should consolidate them. The Guideline is effective for annual and interim periods beginning on or after November 1, 2004, and upon adoption, will not materially impact the Company's results of operations and financial position. The Guideline is effective January 1, 2005 for the Company.

Subsequent Events

During the 1st Quarter 2006, the Company finished the 4-well drilling program by successfully completing all wells in productive zones.

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