MOUNTAINVIEW ENERGY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

US Funds

PRICEWATERHOUSECOOPERS

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AUDITORS' REPORT

To the Shareholders of
Mountainview Energy Ltd.

We have audited the consolidated balance sheet of Mountainview Energy Ltd. (the "Company") as at December 31, 2006 and the consolidated statements of operations, shareholders' equity and cash flows for the year 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 audit.

We conducted our audit 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2005 and 2004, and for the years then ended, prior to adjustments as described in Note 5 were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 4, 2006. We have audited the adjustments to the December 31, 2005 and 2004 financial statements and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

(Signed) PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Vancouver, British Columbia
June 1, 2006

Mountainview Energy Ltd. Statement 1

Consolidated Balance Sheets

As at December 31
US Funds

ASSETS		2006		2005 (Restated - Note 5)
Current				
Cash	**$**	**516,553**	$	462,991
Accounts receivable - trade		**591,627**		148,163
Inventory		**5,712**		4,333
Property held for resale *(Note 4c)*		**-**		165,784
		1,113,892		781,271
Property, Plant and Equipment, *net of accumulated amortization of $1,658 (2005 - $2,397)*		**173,819**		98,917
Petroleum & Natural Gas Interests *(Note 4)*		**1,562,342**		1,227,346
Reclamation Bond *(Note 4b)*		**95,992**		92,331
	$	**2,946,045**	$	2,199,865

LIABILITIES				
Current				
Accounts payable - trade	**$**	**446,959**	$	479,647
Due to related party *(Note 4c)*		**40,000**		-
Income tax payable *(Note 8)*		**247,500**		84,200
		734,459		563,847
Asset Retirement Obligation *(Note 5)*		**271,082**		184,312
Future Income Tax Payable *(Note 9)*		**89,600**		75,300
		1,095,141		823,459
SHAREHOLDERS' EQUITY				
Share Capital *(Note 6)*		**1,071,140**		1,071,140
Retained Earnings –*Statement 2*		**779,764**		305,266
		1,850,904		1,376,406
	$	**2,946,045**	$	2,199,865

ON BEHALF OF THE BOARD:

"Patrick M. Montalban" , President & CEO

"Bruce P. Young" , Director

- See Accompanying Notes -

Mountainview Energy Ltd. Statement 2

Consolidated Statements of Income and Retained Earnings

For the Years Ended December 31
US Funds

	2006	2005 (Restated – Note 5)
Revenue		
Gross sales	**$ 2,302,028**	$ 1,519,770
Less royalties	**(328,106)**	(216,439)
	1,973,922	1,303,331
Cost of Sales		
Inventory - Beginning of year	**4,333**	2,821
Production taxes	**232,557**	206,191
Depletion, accretion and amortization	**295,574**	191,537
Repairs and maintenance	**131,356**	37,714
Labour	**109,670**	86,425
Utilities	**115,438**	102,759
Vehicle	**70,402**	64,583
Consulting fees	**42,713**	10,950
Materials	**36,650**	32,084
Amortization - Equipment	**33,841**	11,453
Insurance	**10,740**	5,627
Engineering	**6,108**	8,908
Miscellaneous production costs	**5,726**	4,277
Property taxes	**3,823**	3,702
Inventory - End of year	**(5,712)**	(4,333)
	1,093,219	764,698
Gross Profit *(2006 –44.62 %; 2005 – 41.32%)*	**880,703**	538,633
General and Administrative Expenses *(Schedule)*	**(407,888)**	(235,103)
	472,815	303,530
Other Income		
Gain on sale of interest in Shannon Property *(Note 4c)*	**263,483**	-
Income Before Income Taxes	**736,298**	303,530
Provision for Income Tax – Current *(Note 8)*	**(247,500)**	(84,463)
Provision for Income Tax – Future *(Note 9)*	**(14,300)**	(50,300)
Net Income for the Year	**474,498**	168,767
Retained Earnings - Beginning of year *(Restated – Note 5)*	**305,266**	136,499
Retained Earnings - End of Year	**$ 779,764**	$ 305,266
Income per Share – Basic and Fully Diluted	**$ 0.05**	$ 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)		**2006**		2005 (Restated – Note 5)
Operating Activities				
Cash receipts from customers	**$**	**2,105,673**	$	1,373,395
Cost of sales		**(758,166)**		(630,111)
Cash paid to suppliers and employees		**(420,632)**		(260,436)
		926,875		482,848
Investing Activities				
Petroleum and natural gas interests		**(762,913)**		(470,771)
Property, plant and equipment		**(110,400)**		(102,082)
		(873,313)		(572,853)
Net Increase (Decrease) in Cash		**53,562**		(90,005)
Cash position - Beginning of year		**462,991**		552,996
Cash Position - End of Year	**$**	**516,553**	$	462,991

Supplemental Schedule of Non-Cash Transactions:				
Depletion, accretion and amortization	**$**	**295,574**	$	191,537
Foreign exchange	**$**	**6**	$	795
Petroleum and natural gas interest payable	**$**	**-**	$	225,874
Provision for income tax - current	**$**	**247,500**	$	84,463
Provision for income tax - future	**$**	**14,300**	$	50,300

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

Consolidated Schedule of General and Administrative Expenses

For the Years Ended December 31
US Funds

		2006		2005
General and Administrative Expenses				
Wages and benefits	**$**	**149,337**	$	106,541
Legal, accounting and consulting fees		**108,091**		34,371
Travel and promotion		**84,038**		38,095
Office supplies and utilities		**45,450**		34,767
Telephone		**9,130**		9,774
Transfer agent fees		**5,954**		3,554
Listing and filing fees		**4,224**		4,809
Amortization		**1,658**		2,397
Foreign exchange		**6**		795
	$	**407,888**	$	235,103

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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.

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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.

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 provides for amortization using 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

Share capital issued for non-monetary consideration is recorded at fair value.

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

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 collection is reasonably 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 and 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

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 Company recognizes and measures the liabilities for obligations associated with the retirement of petroleum and natural gas interests when those obligations result from the acquisition, construction, development or normal operation of the asset. The obligation is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability and the related costs are recorded as part of the carrying value of the related asset. The asset retirement costs included in petroleum and natural gas costs are depleted or amortized into income in accordance with the Company's policies pertaining to those assets.

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.

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable, amounts due to related party 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.

Concentration of Credit Risk

The Company's trade accounts receivable is comprised of oil and gas revenue receivable and this amount is due from one specific entity. Therefore, the collectability is dependent upon the general economic conditions of the purchaser. The receivable amount is not collateralized and to date the Company has never recorded any bad debts.

4. Petroleum & Natural Gas Interests

a) Details of cumulative expenditures are as follows:

Proved and Producing		2006		2005 (Restated – Note 5)
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
Other capitalized costs		**1,310,522**		885,750
Asset retirement cost		**230,871**		162,188
Accumulated amortization and depletion		**(701,572)**		(424,085)
	$	**1,443,314**	$	1,227,346
Unproved				
Shannon Properties, Montana, USA:				
Purchase price	**$**	**31,246**	$	-
Lease rentals		**87,782**		-
	$	**119,028**	$	-
Total petroleum and natural gas interests	**$**	**1,562,342**	$	1,227,346

b) 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 $95,992 (2005 - $92,331), which includes accrued interest of $15,992 (2005 - $12,331).

c) In 2003, the Company purchased a 100% interest in the Shannon Property (petroleum leasehold interests) for $62,492. 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. During the year the company sold 50% of its interest to a third party for gross proceeds of $400,000. As part of this transaction a finder's fee of 10% of the gross proceeds ($40,000) was paid to a related party. The Company recorded a gain on the sale of its interest in this property in the amount of $263,483. This gain was determined as follows:

Gross proceeds	**$**	**400,000**
Less:		
50% of Shannon Property acquisition costs		**31,246**
50% of Shannon Property leaseholds		**65,271**
10% finder's fee		**40,000**
Gain on sale of interest in Shannon Property	**$**	**263,483**

As a result of this transaction management has begun exploration activities of the Shannon Property and as at December 31, 2006 this property is no longer classified as "held for sale".

4. Petroleum & Natural Gas Interest - Continued

d) The costs related to the unproved properties have been excluded from the depletion calculation. The Company considered whether there were any events or circumstances indicating impairment of its capitalized assets at December 31, 2006 and determined that no write-down of the capitalized costs was required (2005 - $nil write-down).

e) The following table outlines the benchmark prices used in the impairment test at December 31, 2006:

Year	Oil Price
2007	$ 47.39
2008	44.39
2009	42.39
2010	42.39
2011(2)	44.39

(1) Prices were based upon the future forecast price for WTI – (40 API rating) – prices adjusted herein for quality and transportation.
(2) Prices were escalated at 3.0% per annum thereafter.

5. Asset Retirement Obligation and Restatement

The asset retirement obligations for the years ended December 31, 2006 and 2005 are as follows:

	2006	2005 (Restated)
Asset retirement obligation at the beginning of the year	**$ 184,312**	$ 129,637
Net increase in liabilities during the year	**68,683**	41,969
Accretion	**18,087**	12,706
Asset retirement obligation at the end of the year	**$ 271,082**	$ 184,312

5. Asset Retirement Obligation and Restatement - Continued

Restatement

The Company has restated its financial statements for the years ended December 31, 2005 and 2004 in order to record the fair value of the asset retirement obligation as follows:

		December 31, 2005				
Balance Sheet		As Reported		Adjustments		As Restated
Petroleum & Natural Gas Interests	$	1,133,083	$	94,263	$	1,227,346
Asset Retirement Obligation		-		184,312		184,312
Retained Earnings		395,315		(90,049)		305,266

		For the Year Ended December 31, 2005				
Income Statement		As Reported		Adjustments		As Restated
Cost of Sales	$	715,548	$	49,150	$	764,698
Net Income for the year		217,917		(49,150)		168,767

		December 31, 2004				
Balance Sheet		As Reported		Adjustments		As Restated
Petroleum & Natural Gas Interests	$	746,424	$	88,738	$	835,162
Asset Retirement Obligation		-		129,637		129,637
Retained Earnings		177,398		(40,899)		136,499

		For the Year Ended December 31, 2004				
Income Statement		As Reported		Adjustments		As Restated
Cost of Sales	$	494,166	$	40,899	$	535,065
Net Income for the year		158,348		(40,899)		117,449

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		
	2006	2005		**2006**		2005
Balance	**9,766,850**	9,766,850	**$**	**1,071,140**	$	1,071,140

c) As at December 31, 2006 and 2005, there were no share purchase options or warrants outstanding.

7. Related Party Transactions

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

a) During the year, legal fees of $NIL (2005 - $7,683) were paid to a former director of the Company.

b) During the year, geological consulting fees of $51,030 (2005 - $6,300) 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 $83,650 (2005 - $54,920) were paid to directors and officers of the Company.

d) During the year, consulting fees of $24,758 (2005 - $2,100) were paid to relatives of a director and officer of the Company.

e) During the year the company acquired $110,400 of property, plant and equipment (2005 - $nil) from a company with a director and officer in common.

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.

8. Income Taxes

Details of income taxes for the year are as follows:

	2006	2005 (Restated – Note 5)
Net income before income taxes for accounting purposes	**$ 736,298**	$ 303,530
Adjustments for differences between accounting and taxable income:		
Amortization and depletion for accounting less than amount deductible for tax purposes	**(71,398)**	(65,844)
Other timing differences	**(20,838)**	(67,960)
Income for tax purposes	**644,062**	169,726
Tax rate	**38.43%**	49.8%
Tax expense for the year	**$ 247,500**	$ 84,463

9. Future Income Tax

Future income tax assets are not recorded due to complete uncertainty of their recovery. The significant components of the Company's future income tax liabilities after apply enacted corporate tax rates are as follows:

	2006	2005
Petroleum & Natural Gas Interests	**$ 23,496**	$ 37,750
Property, plant and equipment	**66,104**	37,550
Future Tax Liability	**$ 89,600**	$ 75,300

10. Comparative Figures

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

Form 51-102F1
Management Discussion and Analysis
For
MOUNTAINVIEW ENERGY LTD
Fiscal Year Ended December 31, 2006

August 14, 2007

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 and 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 and Hardin County, South Dakota in July of 2004. As a result of recent negotiations, Management has completed the sale of a 50% Working Interest in the Company's acreage position in the Shannon River Project to QMAC ENERGY, INC.

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, 2006. Since the majority of our operations are based in the United States, Management felt that reporting in U.S. Dollars was a better reflection of activities.

Operations and Financial Condition

Gross Revenues for 2006 of $2,302,028 increased by $782,258 from the $1,519,770 in Gross Revenues reported for 2005 (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 increased sales volumes. The following schedule shows a trend of increasing revenues received by the Company during the past eight quarterly periods:

Period	Sales Volumes (Barrels)	Average Price ($)	Gross Sales ($)
4th Quarter 2006	10,221	49.25	503,397
3rd Quarter 2006	10,341	59.65	616,827
2nd Quarter 2006	10,714	59.28	635,081
1st Quarter 2006	10,013	53.21	532,738
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

As depicted in the foregoing schedule the average price per barrel decreased by approximately $2.78 per barrel at $49.25 for the Fourth Quarter 2006 compared to the $52.03 received during the Fourth Quarter 2005. There has been an increase in the price received per barrel of oil over the past several quarters with the exception of the 4th Quarter 2006, where the Company saw a decrease in the average price of $10.40. However, the Company continues to see steady oil prices into the First Quarter of 2007.

Selected Annual Information

		2006 ($)	2005 (Restated) ($)	2004 (Restated) ($)
Net Revenues		1,973,922	1,303,331	912,186
Net Income		474,498	168,767	117,449
Net Income Per Share		0.05	0.02	0.01
Dividends		Nil	Nil	Nil
Total Assets		2,946,045	2,199,865	1,588,771
Total Long-Term Liabilities		360,682	259,612	154,637

Summary of Quarterly Results

Period	Net Revenue ($)	Net Income (Retated) ($)	Income per Share Basic (Restated) ($)	Income Per Share Diluted (Restated) ($)	Total Assets (Restated) ($)	Total Long-Term Liabilities (Restated) ($)
4th Quarter 2006	437,326	190,610	0.02	0.02	2,946,045	360,682
3rd Quarter 2006	523,664	92,703	0.01	0.01	2,607,895	273,178
2nd Quarter 2006	554,085	92,973	0.01	0.01	2,354,102	268,656
1st Quarter 2006	458,847	98,212	0.01	0.01	2,132,643	264,134
4th Quarter 2005	359,862	39,872	0.00	0.00	2,199,865	259,612
3rd Quarter 2005	376,852	51,436	0.01	0.01	2,364,003	164,167
2nd Quarter 2005	284,928	46,870	0.00	0.00	2,238,014	160,990
1st Quarter 2005	281,689	30,589	0.00	0.00	2,262,868	157,814

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 in the 4th Quarter of 2005 and continued completion operations into the 1st Quarter of 2006. This drilling and completion program and the subsequent workover of one producing well in the Red Creek Field in 2006 enhanced the Field's production and strengthened the Company's 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 Net Income from operations before taxes of $736,298 during 2006, which is an increase of $432,768 over the income from operations reported for 2005 of $303,530. This relates directly to the increase in Gross Revenues. The Company reported General and Administrative Expenses of $407,888 for 2006 compared to $235,103 reported during 2005, which is an increase of $172,785. This increase is due, in part, to the addition of the new President and Chief Executive Officer's salary in the 4th Quarter of 2006. The Company also saw a significant increase in our Legal, Accounting and Consulting Fees, as well, which is due to an increase in accounting costs for the period in addition to accrued costs associated with the Company's year-end. Another significant change was for Travel and Promotion costs, where the Company reported $84,038 in expenses during 2006 compared to $38,095 in 2005. This increase was due mainly to travel for meetings to complete a cross-trade through Research Capital, a brokerage firm in Vancouver, BC. This was necessary in order to increase the Company's Shareholder numbers and meet the requirements set forth by the TSX Venture Exchange.

The Company realized Net Income in 2006 of $474,498 after the Provision for Income Tax, Current and Future, which is a significant increase over the $168,767 reported in 2005. The Provision for Income Tax, current and future combined, increased significantly from $134,763 in 2005 to $261,800 in 2006. This increase in Income Tax liability is a result of the Companies increase in revenues for the period, as well as the future tax liability resulting from temporary differences between accounting income and taxable income.

The Company's Cash Position increased during 2006 from $462,991 to $516,553. This increase of $53,562 in 2006 is a direct result of the increase in sales volumes and the steady price received for oil during the year.

As depicted in the Consolidated Statement of Income and Retained Earnings, the major cash operating expense during 2006 was Production Taxes. The increase from the $206,191 in Production Tax burden reported in 2005 to the $232,557 reported in 2006 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 electric motors for pumping units, injection pumps and REDA submersible pumps in the Red Creek Field. There was a significant increase in the cost for repairs and maintenance during 2006, with a reported figure of $131,356 compared to $37,714 in 2005. The majority of this increase is due to expenses associated with rebuilding and repairing an Ajax injection pump for the Red Creek Field Plant, which is used to re-inject the water from the oil production back into the Madison Formation, as a secondary recovery project. In addition the Company incurred significant costs for the repair of a REDA submersible pump, which was pulled, repaired and replaced in one of the Red Creek Field's producing horizontal wells. The Company also saw an increase in the cost of Labor during 2006. This is a result of the additional help required to bring new wells into production and maintain daily operations in the Red Creek Field. Another major expense to note was for depletion, accretion and amortization, which increased from the $191,537 reported in 2005 to $295,574 in 2006. This expense will increase as the Company continues to increase its annual production. Consulting Fees increased significantly from the $10,950 reported in 2005 to the $42,713 reported in 2006. This is directly related to the fees paid to the geological and engineering consultant who supervised the drilling and complete of the wells in the Red Creek Field.

There have been no 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 operations. 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 2006:

a) Legal fees of $nil (2005 - $7,683) were paid to a former director of the Company in 2005.

b) During the year, $51,030 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. (2005 – $6,300).

c) Wages and Benefits of $83,650 (2004 – $54,920) were paid to Directors and Officers of the Company during 2006.

d) Consulting Fees of $24,758 (2005 – $2,100) were paid to relatives of a Director and Officer of the Company during 2006.

e) For negotiating the Sale of a 50% Working Interest in the Shannon River Project, a 10% finders' fee of $40,000 was paid or accrued to Altamont Oil & Gas, Inc, a Company owned by a relative of a Director and Officer of the Company.

f) During the year the Company acquired $110,400 of property, plant and equipment (2005 - $nil) from a company with a director and officer in common.

Company Progress:

As a result of prior work over programs and the 4-well drilling program, along with the steady price of oil, the Company expects to meet or exceed its earlier reported estimates for monthly revenues. There are no material variances to-date that have impacted the Company's ability to continue its objectives as previously reported. In addition, the Company hired Campen Consulting, Inc to conduct a geological study of the acreage in the Shannon River Project in Carter County, Montana and Harding County, South Dakota, complete with maps and cross sections, which will enable Management to select locations for the upcoming drilling program to commence during the Second or Third Quarter 2007.

Two new wells were re-completed in the Red Creek Field during the 1st Quarter of 2007. Following are the results of this re-completion program:

> Mountainview Energy Ltd Red Creek No. 7 was completed, by Exxon in 1959, in the Madison/Sun River Dolomite interval from 2762' to 2792' and in the Lower Cut Bank from 2622' to 2628' and 2640' to 2672'. The well originally contained a REDA submersible down-hole pump. Management chose to replace the existing down-hole equipment to reduce water production and place the well on pump by installing a National 228 Pumping Unit. Initial production for the Red Creek No. 7 was 31 barrels of oil per day and 90 barrels of water per day.
>
> Mountainview Energy Ltd Red Creek No. 6 was completed, by Exxon in 1958, in the Madison/Sun River Dolomite interval from 2786' to 2818' and the Lower Cut Bank from 2685' to 2694'. This well also originally contained a REDA submersible down-hole pump. Management chose to replace the existing down-hole equipment to reduce water production and place the well on pump by installing a Parkersburg 228 Pumping Unit. Initial production for the Red Creek No. 6 was 14 barrels of oil per day and 80 barrels of water per day.

With the successful re-completion of these two oil wells it provides valuable geological information for further development of the Madison/Sun River Dolomite and the Lower Cut Bank Sandstone.

Financial Instruments

Mountainview Energy Ltd's financial instruments consist of cash, accounts receivable, reclamation bond, accounts payable, due to related party, income tax payable and asset retirement obligation. Management has reviewed all of the Company's books and records and indentified the financial instruments based on an account by account review. The Company adheres to the standards set forth by the Canadian Institute of Chartered Accountants to address the criteria for recognition of financial assets and liabilities.

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, 2006, there were no shares held in escrow, warrants or options outstanding.

Liquidity and Solvency

Working Capital for the Year Ending December 31, 2006 was $379,433 (Current Assets less Current Liabilities). This is an increase from the same period in 2005 in which the Company reported Working Capital of $217,424. This increase is a result of our increase in Cash and Accounts Receivable due to steady revenue in addition to the sale of a 50% Working Interest in the Company's leasehold position in the Shannon River Project. The Company's cash reserves are up as a result of the increase in sales volumes and steady price received for a barrel of oil. With respect to the Company's short-term liabilities, as of December 31, 2006, the Company had an obligation of $446,959 in Accounts Payable. This figure is mainly comprised of costs associated with accrued royalty and production tax expenses for 2006. The majority of these accounts payable obligations have since been extinguished during the 1st Quarter of 2007. In addition the Company had an obligation to a "Related Party" of $40,000, which is discussed above under "Related Party Transactions." A portion of the $247,500 for Current Income Taxes Payable was paid during the 1st Quarter 2007. The $89,600 for Future Income Tax Payable is an estimate of what the Company will owe for future income taxes, based on the timing differences between accounting income and taxable income. This tax will be paid when it becomes due. The $271,082 for Asset Retirement Obligation is being reported as per the rules set forth in the CICA Handbook, Section 3110, which states that the Company must recognize a legal liability for the obligations relating to the clean up and reclamation of the Red Creek Field, should the Company cease operations in the Red Creek Field.

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 other than those that are disclosed.

Changes in Accounting Policies

There have been no changes in the current years accounting policies.

Corporate Matters:

The TSX Venture Exchange "halted trading" of the Company's stock on September 25, 2006 due to a distribution issue. Management negotiated with Research Capital to complete a share distribution to meet the minimum shareholder requirements set forth by the TSX Venture Exchange. Joseph V. Montalban, Chairman of the Board, an Insider and Control Person, made a distribution of 500,000 shares of Mountainview Energy Ltd at $0.65 per share, in order to comply with the regulations of the TSX Venture Exchange regarding the number of public Shareholders required to maintain listing. A share distribution to 221 new Shareholders was completed and the TSX Venture Exchange lifted the "halt" on Mountainview Energy Ltd stock in order to resume trading on October 25, 2006.

In addition, effective Monday, October 16, 2006, Joseph V. Montalban stepped down as President & Chief Executive Officer of Mountainview Energy Ltd and was replaced by Patrick M. Montalban as President & Chief Executive Officer.

Fourth Quarter Results

The Company incurred a net loss before other income and taxes of $(51,839) during the fourth quarter of 2006 as compared to net income before other income and taxes reported for corresponding quarter in 2005 of $73,235. The $125,074 decrease in earnings was mainly attributed to increased general and administrative costs of $159,980 in the fourth quarter of 2006 and compared to the fourth quarter of 2005. The increased general and administrative costs included the addition of the new President and Chief Executive Officer's salary in the 4th Quarter of 2006, a $50,386 increase in professional fees in the fourth quarter of 2006, and increased travel and promotion and office costs. There was also significant cost of sales increases related to depletion, due to the increase in the cost base for depletion, as well as the increased production in the quarter. In addition, there was increases in labour, maintenance and utilities due to the increased production in the fourth quarter of 2006 compared to 2005. These increased costs were partially offset by a $90,167 increase in gross sales due to the increase in production from 7,973 barrels in the fourth quarter of 2005 to 10,221 barrels in the fourth quarter of 2006.

The Company recorded net income in the fourth quarter of 2006 of $190,610 after the $57,934 provision for current and future income taxes and the gain on sale of the Shannon property of $263,483. This compared to net income in the fourth quarter of 2005 of $39,872 after the $33,363 provision for current and future income taxes. The improvement over the prior year resulted from the gain on the sale of the Shannon property offsetting the increased general and administrative costs in the fourth quarter of 2006.

Subsequent Events

During the year, Mountain View Energy, Inc, subsidiary of Mountainview Energy Ltd completed negotiations with QMAC ENERGY, INC for a sale of a 50% Working Interest in the Company's leasehold acreage in the Shannon River Project in Carter County, Montana and Harding County, South Dakota, which amounts to approximately 42,000 acres. The Company received $400,000 for the sale of this interest in January 2007 and Mountain View Energy, Inc will remain as operator of these properties. The Company hired Campen Consulting, Inc to conduct a geological study of the acreage, complete with maps and cross sections, which will enable

Management to select locations for the upcoming drilling program to commence sometime during the Second or Third Quarter 2007.

Disclosure Controls and Procedures

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements was properly recorded, processed, summarized and reported to the Company 's Board and Audit Committee. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Company conducted an evaluation of the disclosure controls and procedures as required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. That evaluation was updated in connection with the preparation of the Restated Financial Statements. During the year ended December 31, 2006, the Company concluded that an asset retirement obligation should have been accrued in the 2004 fiscal year and subsequent additions to the obligation should have been accrued in 2005. The related oil and gas properties were understated by the corresponding capitalized amounts and increased depletion resulted and accretion of the asset retirement obligation was required. These changes are disclosed in Note 5 to the financial statements for the year ended December 31, 2006. Based on the updated evaluation, the Company's CEO and CFO concluded that the disclosure controls and procedures were not effective to ensure that information required to be disclosed by the Company in reports that it files or submits under securities legislation. In view of the restatement of the Financial Statements described above, the CEO and the CFO have concluded that a material weakness existed in the Company's disclosure controls and procedures as of December 31, 2004, 2005 and 2006.

A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Controls over Financial Reporting

The CEO and CFO of the Company acknowledge that they are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

During the preparation of the financial statements for the year ended December 31, 2006, the Company discovered a material reporting weakness in the accrual of asset retirement obligations, the corresponding increase in oil and gas interests, depletion expense and accretion expense in the years ended December 31, 2004, 2005 and in the quarters up to September 30, 2006.. These changes are disclosed in Note 5 to the financial statements for the year ended December 31, 2006.

Citadel Engineering Ltd, and Independent Qualified Reserve Evaluator, located in Calgary, Alberta, prepares the Company's annual reserve report. Included in this reserve report is an evaluation of the current plugging and abandonment costs for the Company's oil and gas producing properties, currently the Red Creek Field. The Company intends to rely on these current and future reports to record the appropriate asset retirement obligation in the accounts. Management anticipates that the use of such reports will allow for the correction of this reporting weakness.

Management and the Board of Directors work to mitigate the risk of a material misstatement in financial reporting, however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

Corporate Governance

Board of Directors: Bruce P. Young – Independent Director
Bo L. Mikkelsen – Independent Director
Joseph V. Montalban – Chairman of the Board, Director
Carla Barringer – Corporate Secretary, Director

Both Joseph V. Montalban and Carla Barringer are involved in the daily operations of the Company. Bruce P. Young and Bo L. Mikkelsen are not involved in the daily operations of the Company.

The Board of Mountainview Energy Ltd has only one standing committee, being the Audit Committee. The Audit Committee is charged with the duty of reviewing the financial reporting process, the system of internal control and management of financial risks and the audit process. This committee upholds the roles and responsibilities outlined in the Audit Committee Charter.

New Board members are oriented at a Board Directors meeting following each Annual General Meeting. At this meeting, our Corporate Counsel provides guidance and education to the Board regarding their ongoing obligations as Directors of the Company.

The Board of Directors and Management work together on a regular basis to promote a culture of ethical business conduct.

We currently have no Directors who are presently Directors of any other issuer, foreign or domestic.

New Board candidates are identified by members of the current Board of Directors.

The Board of Directors determine compensation for the Chief Executive Officer at the time of hiring.

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.

"Patrick M. Montalban"
Patrick M. Montalban
President & Chief Executive Officer