

**MOUNTAINVIEW ENERGY LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Six Months Ended June 30, 2010 and 2009**

**US Funds  
(unaudited)**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Mountainview Energy Ltd.

Statement 1

Interim Consolidated Balance Sheets

US Funds  
(Unaudited)

ASSETS	June 30, 2010	December 31, 2009
<b>Current</b>		
Cash and cash equivalents	\$ 501,773	\$ 353,506
Short-term investments (Note 3)	203,805	203,805
Accounts receivable - trade	230,737	251,261
Inventory	7,994	8,017
	<u>944,309</u>	<u>816,589</u>
<b>Property, Plant and Equipment</b> (Note 7)	223,306	254,380
<b>Petroleum and Natural Gas Interests</b> (Note 4)	3,468,350	3,492,536
<b>Reclamation Bond</b> (Note 4b)	112,970	110,883
	<u>\$ 4,748,935</u>	<u>\$ 4,674,388</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities – trade (Note 5)	\$ 255,447	\$ 1,235,210
Current portion of long-term debt (Note 8)	11,852	24,408
Income tax payable	330,404	64,571
	<u>597,703</u>	<u>1,324,189</u>
<b>Long-Term Debt</b> (Note 8)	85,993	85,993
<b>Asset Retirement Obligation</b> (Note 6)	281,849	271,761
<b>Future Income Tax Payable</b>	161,438	161,438
	<u>1,126,993</u>	<u>1,843,381</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 9)	1,071,140	1,071,140
<b>Contributed Surplus</b> (Note 10)	212,930	212,930
<b>Retained Earnings</b> –Statement 2	2,337,882	1,546,937
	<u>3,621,952</u>	<u>2,831,007</u>
	<u>\$ 4,748,943</u>	<u>\$ 4,674,388</u>

Nature of Business (Note 1)

Measurement Uncertainty (Note 5)

Commitments (Note 8b)

Subsequent Event (Note 14)

ON BEHALF OF THE BOARD:

“Patrick V. Montalban” , Director

“Bruce P. Young” , Director

- See Accompanying Notes -

## Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) and Retained Earnings

For the Periods Ended June 30

US Funds

Unaudited

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
<b>Revenue</b>				
Gross sales	\$ 724,492	\$ 576,160	\$ 1,420,896	\$ 949,948
Royalty recovery (expense)	881,964	(81,583)	775,859	(135,968)
	<b>1,606,456</b>	<b>494,577</b>	<b>2,196,755</b>	<b>813,980</b>
<b>Cost of Sales</b>				
Inventory - Beginning of period	9,790	5,752	8,017	4,999
Depletion, accretion and amortization	82,651	88,292	186,792	174,520
Production taxes	75,705	52,359	156,095	86,236
Labour	61,099	46,173	110,789	86,384
Repairs and maintenance	24,962	35,563	85,401	95,550
Utilities	21,920	32,025	57,734	65,682
Materials	24,876	31,199	47,868	55,165
Vehicle	20,824	14,708	40,840	32,896
Amortization - equipment	17,195	21,733	37,440	33,997
Miscellaneous production costs	13,108	4,173	20,162	12,033
Insurance	4,052	-	13,215	3,598
Engineering reports	-	1,045	-	1,045
	<b>356,182</b>	<b>333,020</b>	<b>764,352</b>	<b>652,105</b>
Inventory - End of period	(7,994)	(3,290)	(7,994)	(3,290)
	<b>348,188</b>	<b>329,732</b>	<b>756,358</b>	<b>648,815</b>
<b>Gross Margin</b>	<b>1,258,268</b>	<b>164,845</b>	<b>1,440,397</b>	<b>165,165</b>
<b>General and Administrative Expenses - Schedule</b>	<b>214,700</b>	<b>175,475</b>	<b>349,452</b>	<b>296,162</b>
<b>Income (Loss) from Operations</b>	<b>1,043,568</b>	<b>(10,630)</b>	<b>1,090,945</b>	<b>(130,997)</b>
<b>Provision for Income Taxes</b>	<b>300,000</b>	<b>294</b>	<b>300,000</b>	<b>294</b>
<b>Net Income (Loss) and Comprehensive Income (Loss) for the Period</b>	<b>743,568</b>	<b>(10,923)</b>	<b>790,945</b>	<b>(131,290)</b>
Retained earnings - Beginning of period	1,594,314	1,718,262	1,546,937	1,838,629
<b>Retained Earnings - End of Period</b>	<b>\$ 2,337,882</b>	<b>\$ 1,707,339</b>	<b>\$ 2,337,882</b>	<b>1,707,339</b>
<b>Income per Share - Basic</b>	<b>\$ 0.08</b>	<b>\$ (0.00)</b>	<b>\$ 0.08</b>	<b>\$ (0.01)</b>
<b>Income per Share - Diluted</b>	<b>\$ 0.08</b>	<b>\$ (0.00)</b>	<b>\$ 0.08</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number Common Shares Outstanding - Basic and Diluted</b>	<b>9,766,850</b>	<b>9,766,850</b>	<b>9,766,850</b>	<b>9,766,850</b>

- See Accompanying Notes -

## Interim Consolidated Statements of Cash Flows

For the Periods Ended June 30

US Funds

<b>Cash Resources Provided By (Used In)</b>	<b>Three Months Ended June 30, 2010</b>	<b>Three Months Ended June 30, 2010</b>	<b>Six Months Ended June 30, 2009</b>	<b>Six Months Ended June 30, 2009</b>
<b>Operating Activities</b>				
Cash receipts from customers	\$ 942,885	\$ 445,299	\$ 1,554,428	\$ 930,828
Direct costs	(200,773)	(218,624)	(516,808)	(434,603)
Cash paid to suppliers and employees	(567,941)	(118,787)	(690,911)	(533,419)
Interest income	-	4,032	-	10,304
	<u>174,171</u>	<u>111,940</u>	<u>347,764</u>	<u>(26,890)</u>
<b>Investing Activities</b>				
Petroleum and natural gas interest	(170,024)	(125,703)	(179,284)	(355,794)
Property, plant and equipment	-	(127,308)	(7,658)	(87,664)
	<u>(170,024)</u>	<u>(253,011)</u>	<u>(186,942)</u>	<u>(443,458)</u>
<b>Financing Activities</b>				
Long-term debt	(16,926)	-	(12,556)	-
Short-term Investments	-	200,000	-	200,000
	<u>(16,926)</u>	<u>200,000</u>	<u>(12,556)</u>	<u>200,000</u>
<b>Net Increase (Decrease) in Cash</b>	<b>(12,779)</b>	<b>58,929</b>	<b>148,267</b>	<b>(270,348)</b>
Cash position - Beginning of period	<u>514,552</u>	<u>315,187</u>	<u>353,506</u>	<u>644,464</u>
<b>Cash Position - End of Period</b>	<b>\$ 501,773</b>	<b>\$ 374,116</b>	<b>\$ 501,773</b>	<b>\$ 374,116</b>
<b>Supplemental Schedule of Non-Cash Investing and Financing Transactions:</b>				
Amortization and depletion	\$ 100,506	\$ 110,025	\$ 225,523	\$ 208,517
<b>Supplemental Cash Flow Information:</b>				
Income tax paid	\$ 34,166	\$ -	\$ 34,166	\$ 250,000

- See Accompanying Notes -

**Mountainview Energy Ltd.**

## **Notes to Consolidated Financial Statements**

**June 30, 2010 and 2009**

*US Funds*

*(unaudited)*

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### **1. Nature of Business**

The Company was incorporated on May 31, 2000 in the province of British Columbia. The Company is a Tier 2 issuer on the TSX-V and is an operating oil and gas company. All revenues are from oil and gas extraction in the state of Montana, USA.

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### **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 for the changes noted below. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at December 31, 2009.

#### **Recent Canadian Accounting Pronouncements**

##### **Business Combinations (Section 1582)**

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", which requires that all assets and liabilities of an acquired business be recorded at fair value at acquisition. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the period after the acquisition date. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011. The Company has early adopted this Standard effective January 1, 2010 for the fiscal year ending December 31, 2010. There was no material impact on the consolidated financial statements as a result of this adoption.

##### **Consolidations (Section 1601) and Non-Controlling Interest (Section 1602)**

In January 2009, the CICA issued Handbook Section 1601, "Consolidations" ("CICA 1601"), and Section 1602, "Non-Controlling Interests" (CICA 1602"). CICA 1601 establishes standards for preparing consolidated financial statements and CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company has early adopted this Standard effective January 1, 2010 for the fiscal year ending December 31, 2010. There was no material impact on the consolidated financial statements as a result of this adoption.

**Mountainview Energy Ltd.**

**Notes to Consolidated Financial Statements**

**June 30, 2010 and 2009**

*US Funds*  
(unaudited)

**3. Short-term Investments**

Short-term investments at June 30, 2010 consist of the following:

Type of Investment	Face Value	Annual Interest Rate	Maturity Date
Term deposit	\$ 100,000	1.70%	September 25, 2010
Term deposit	\$ 100,000	1.75%	December 15, 2010
	<b>\$ 200,000</b>		

At June 30, 2009 the Company had short-term investments of \$200,000.

**4. Petroleum and Natural Gas Interests**

a) Details of cumulative expenditures are as follows:

<u>Proved and Producing</u>	2010	2009
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	3,631,007	3,600,898
Asset retirement cost	176,323	176,323
Accumulated amortization and depletion	(1,907,247)	(1,730,541)
	<b>\$ 2,503,576</b>	<b>\$ 2,650,173</b>
Lake Frances, Montana, USA		
Other capitalized costs	\$ 775,315	\$ 758,430
Lease rentals	84,225	83,933
	<b>\$ 859,540</b>	<b>\$ 842,363</b>
<u>Unproved</u>		
Snoose Coulee Prospect, Montana, USA		
Purchase price	\$ 55,000	\$ -
Other capitalized costs	50,234	-
	<b>105,234</b>	-
Tie Creek Prospect, Montana, USA:		
Purchase price	-	31,250
Lease rentals	-	199,128
Other capitalized costs	-	13,081
	<b>\$ 105,234</b>	<b>\$ 243,459</b>
Write-down	-	(243,459)
	<b>\$ 105,234</b>	<b>\$ -</b>
Total petroleum and natural gas interests	<b>\$ 3,468,350</b>	<b>\$ 3,492,536</b>

**Mountainview Energy Ltd.**

**Notes to Consolidated Financial Statements**

**June 30, 2010 and 2009**

*US Funds*

*(unaudited)*

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**4. Petroleum and Natural Gas Interests - Continued**

- 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 \$110,883 (2009 - \$110,883), which includes accrued interest of \$30,883 (2009 - \$30,883).
- c) During the prior year the Company entered into an agreement to acquire a 25% working interest in four wells that were drilled on the Lake Frances property in Pondera County, Montana. During the current year, the Company entered into agreements to acquire a 25% working interest in two additional wells and a 50% working interest in one well. To participate in the drilling of these wells the Company paid or accrued costs of \$Nil (2009 - \$274,021) as their share of costs to a company with a director and officer in common.
- d) During the period ended June 30, 2010, the Company entered into an agreement to acquire a 100% working interest of the third parties 30% interest in all wells and oil and gas leases in the Snoose Coulee Field located in Liberty County, Montana for \$55,000.
- e) 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 June 30, 2010 and determined that a write-down of \$Nil (December 31, 2009 - \$243,459) of the capitalized costs that related to unproved properties was required.
- f) The following table outlines the benchmark prices used in the impairment test at June 30, 2010 and December 31, 2009:

<u>Year</u>	<u>Oil Price (1)</u>
2009	\$ 61.78
2010	74.40
2011	77.40
2012	80.50
2013(3)	83.72

- (1) Price based upon future forecast price for AECO "C" – (1000BTU/SCF) – prices have been adjusted herein for quality and transportation.
- (2) Prices based upon future forecast price for WTI – (40 API rating) – prices have been adjusted herein for quality and transportation.
- (3) Prices escalated at a rate of 3.0 percent per annum to thereafter.

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**5. Measurement Uncertainty**

The company is obliged to pay royalties on its Red Creek and Lake Frances properties. In addition to the royalties paid to known parties, management has estimated an accrual for royalties potentially owing to other unidentified parties that may be entitled to royalty payments from these properties. During the period ended June 30, 2010 the legal search was completed. The estimation of these obligations was based on 14.34%, the legal opinion confirmed that the royalty is 9.025%. Thus during the current period management has determined a royalty recovery of \$841,427 and in addition has reduced the royalty payable by the same amount. No adjustment has been made to the prior period.

Mountainview Energy Ltd.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

US Funds

(unaudited)

6. Asset Retirement Obligation

The asset retirement obligations are as follows:

	June 30, 2010	December 31, 2009
Asset retirement obligation at the beginning of the period	\$ 271,761	\$ 243,053
Net present value of new obligations during the period	-	13,183
Accretion expense	10,088	20,170
Revision in estimated cash flows on existing obligations	-	(4,645)
Asset retirement obligation at the end of the period	\$ 281,849	\$ 271,761

The Company has calculated the fair value of the asset retirement obligation using a discount rate of 4.75% to 8.5% and an inflation rate of 1.5%. The estimated total future undiscounted cash flows to settle the asset retirement obligations are \$492,026 (2009 - \$492,026) and are expected to be incurred over a period of approximately 5 to 18 years.

7. Property, Plant and Equipment

	June 30, 2010			December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Office furniture equipment	22,756	14,800	7,956	21,476	13,509	7,967
Field equipment	308,958	209,899	99,059	302,581	192,981	109,600
Vehicles **	200,408	84,117	116,291	200,408	63,595	136,813
	532,122	308,816	223,306	524,465	270,085	254,380

\*\* Included in vehicles is the cost of capital leases of \$147,750 (2009 - \$147,750) and accumulated amortization of \$41,000 (2009 - \$22,163).

8. Long-Term Debt

a) The Company has long-term debt as at June 30, 2010 of \$103,983 (December 31, 2009 of \$110,401) relating to the purchase of vehicles for the Company. The current portion relating to the long-term debt is \$11,852 (2009 \$24,408). The interest rates on the long-term debt range from 1.9% -6% and are fixed for the duration of the loans.

b) Commitments

2010	\$ 11,852
2011	\$ 25,977
2012	\$ 26,882
2013	\$ 20,334
2014	\$ 12,800

Mountainview Energy Ltd.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

US Funds  
(unaudited)

9. 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	
	2010	2009	2010	2009
Balance	9,766,850	9,766,850	\$ 1,071,140	\$ 1,071,140

No preference shares have been issued.

c) As at June 30, 2010 and 2009, there were no share purchase warrants outstanding.

d) Share Purchase Options

The Company has established a share purchase option plan which authorizes the board of directors to grant options for the purchase of up to 10% of the issued and outstanding common shares. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's board of directors.

The Company's stock option activity at June 30, 2010 is as follows:

Balance at December 31, 2008	Granted	Exercised	Expired	Balance at June 30, 2010	Exercise Price	Expiry Date
775,000	-	-	-	775,000	\$0.24	June 17, 2013

As at June 30, 2010, a total of 775,000 of outstanding options have vested.

The Company's stock option activity at June 30, 2009 is as follows:

Balance at December 31, 2008	Granted	Exercised	Expired	Balance at June 30, 2009	Exercise Price	Expiry Date
775,000	-	-	-	775,000	\$0.24	June 17, 2013

As at June 30, 2009, a total of 775,000 of outstanding options have vested.

Mountainview Energy Ltd.

## Notes to Consolidated Financial Statements

June 30, 2010 and 2009

US Funds  
(unaudited)

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### 9. Share Capital - *Continued*

#### e) Stock-based Compensation

During the period ended June 30, 2010 and 2009 the Company granted no stock options and did not incur any stock based compensation expense.

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### 10. Contributed Surplus

The Company's contributed surplus as at June 30, 2010 and December 31, 2009 and the changes for the period ended are as follows:

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Balance, June 30, 2010 and December 31, 2009	\$	212,930
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### 11. Related Party Transactions

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

- a) During the period, wages and benefits of \$81,054 (2009 - \$38,595) were paid to directors and officers of the Company.
- b) During the period, director fees of \$9,500 (2009 - \$Nil) were paid to the directors of the Company.
- c) During the period, investor relation fees of \$17,398 (2009 - \$7,695) 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.

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**Mountainview Energy Ltd.**

**Notes to Consolidated Financial Statements**

**June 30, 2010 and 2009**

*US Funds  
(unaudited)*

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**12. Capital Risk Management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return to shareholders, while satisfying other stakeholders, and to support any growth plans.

In the management of its capital, the Company includes the components of shareholders' equity and long-term debt.

The Company's objectives when managing capital are to:

- i) Continue the development of its Petroleum and Natural Gas Interests
- ii) Support any expansion plans; and
- iii) Maintain a capital structure which optimizes the cost of capital at an acceptable risk.

As at June 30, 2010, the Company had no bank indebtedness and long-term debt of \$103,983.

As at December 31, 2009, the Company had no bank indebtedness and long-term debt of \$110,401.

There were no changes in the Company's approach to capital management during the period ended June 30, 2010 compared to the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

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**13. Financial Instruments**

**a) Categories of financial assets and liabilities**

As at June 30, 2010, the carrying and fair value amounts of the Company's financial instruments are the same. The carrying value of the Company's financial instruments is classified into the following categories:

		<b>June 30, 2010</b>		December 31, 2009
Held for trading	\$	<b>705,578</b>	\$	<b>557,311</b>
Loans and receivables	\$	<b>230,737</b>	\$	<b>251,260</b>
Held to maturity	\$	<b>97,845</b>	\$	<b>110,883</b>
Other financial liabilities	\$	<b>585,851</b>	\$	<b>1,299,781</b>

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**b) Classification of Financial Instruments**

The Company designated its cash and cash equivalents and short-term investments as held-for-trading, and are measured using level 2 fair value measures (in accordance with the CICA Handbook Section 3862). GST and other receivables have been designated as loans and receivables, which are measured at amortized cost. The reclamation bond is designated as held-to-maturity and is measured at amortized cost. Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, which are measured at amortized cost.

Mountainview Energy Ltd.

## Notes to Consolidated Financial Statements

June 30, 2010 and 2009

US Funds

(unaudited)

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### 13. Financial Instruments - *continued*

#### c) 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.

The maximum exposure to credit risk is represented by the carrying amount of cash and equivalents, short term investments, and accounts receivable in the balance sheet. The Company's cash and equivalents and short term investments are deposited with a US regional bank.

#### d) Foreign Currency Exchange Risk

The majority of the Company's operations are conducted in U.S. dollars. The Company is exposed to foreign currency fluctuations to the extent cash, GST receivable and accounts payable and accrued liabilities of the Company not denominated in US dollars.

At June 30, 2010, the Company had the following assets and liabilities dominated in Canadian dollars.

		June 30, 2010		December 31, 2009
Cash	\$	6,575	\$	4,559
GST receivable	\$	11,560	\$	6,933
Accounts payable and accrued liabilities	\$	50,333	\$	93,371

#### e) Commodity Price Risk

The Company is exposed to market risk and commodity price risk. Based on these commodity price exposures at June 30, 2010 a \$10 decrease or increase in the average price of oil would result in a decrease or increase of gross revenues of approximately \$99,640. Declines in the market price of commodities, most significantly oil and gas, can not only adversely affect operating results, but may also affect the Company's ability to raise additional capital. As at the balance sheet date, the Company did not have any commodity price risk contracts in place to mitigate these risks.

#### f) Interest Rate Risk

The Company's bank accounts earn interest income at variable rates. The Company's future interest income is exposed to changes in short-term rates. The Company is not exposed to fluctuations in interest expense from the long-term debt as the rates are fixed. Fluctuations do not give rise to significant changes in income.

#### g) Liquidity Risk

The Company seeks to manage liquidity risk by maintaining sufficient cash and short-term investment balances for settlement of its obligations as they fall due. As at June 30, 2010, the Company had a working capital of \$346,606 (December 31, 2009 – working capital deficit of \$507,600). Management expects to be able to meet its obligations through improved cash inflows from operations based on improved oil prices in 2010 and beyond.

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Mountainview Energy Ltd.

Schedule

Interim Consolidated Schedule of General and Administrative Expenses

For the Periods Ended June 30

US Funds

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Wages and benefits	\$ 85,193	\$ 61,666	\$ 142,830	\$ 124,266
Travel and promotion	40,229	28,514	69,997	46,226
Office supplies and utilities	31,987	18,587	49,708	35,052
Legal, accounting and consulting	29,977	20,756	40,554	30,401
Investor relations	8,744	7,695	17,398	14,927
Director fees	9,500	-	9,500	-
Regulatory and exchange fees	3,480	2,264	8,288	6,282
Telephone	2,809	2,523	4,625	4,169
Transfer agent fees	2,273	759	3,108	3,520
Foreign exchange	(152)	32,030	2,153	30,037
Amortization	660	681	1,291	1,282
	<b>\$ 214,700</b>	<b>\$ 175,475</b>	<b>\$ 349,452</b>	<b>\$ 296,162</b>