MOUNTAINVIEW ENERGY LTD

Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

Expressed in US Dollars

Consolidated Financial Statements

Management's Responsibility Statement

The consolidated financial statements of Mountainview Energy Ltd. and all the information in this report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto in accordance with International Financial Reporting Standards. The consolidated financial statements include amounts that are based on estimates, which have been objectively developed by management using all relevant information. All financial and operating data in this report is consistent with the information in the consolidated financial statements.

Mountainview Energy Ltd. maintains appropriate systems of internal control to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or misuse and financial records are properly maintained to provide reliable information for the preparation of financial statements. Mountainview Energy Ltd. has effective disclosure controls and procedures to ensure timely and accurate disclosure of material information relating to the Company which complies with the current requirements of Canadian securities legislation.

PricewaterhouseCoopers LLP, an independent firm of chartered accountants, has been engaged to examine the financial statements and provide their auditor's report. Their report is presented with the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is comprised entirely of independent directors who are all financially literate. The Audit Committee meets regularly with management and with the Company's external auditors to discuss the results of their audit examination and to review issues related thereto. The external auditors have full access to the Audit Committee with and without the presence of management. The Audit Committee reviews the consolidated financial statements and Management's Discussion and Analysis and recommends their approval to the Board of Directors.

Signed

"Patrick V. Montalban"
Patrick V. Montalban
President and CEO

Signed

"Angelique Hatch"
Angelique Hatch
CFO

Vancouver, British Columbia
April, 2012

pwc

April 30, 2012

Independent Auditor's Report

To the Shareholders of Mountainview Energy Ltd.

We have audited the accompanying consolidated financial statements of Mountainview Energy Ltd., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2011 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mountainview Energy Ltd. as at December 31, 2011, December 31, 2010 and January 1, 2011 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

PricewaterhouseCoopers LLP, Chartered Accountants
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MOUNTAINVIEW ENERGY LTD

Consolidated Statements of Financial Position

(Expressed in US Dollars)

	Notes	December 31, 2011	December 31, 2010 (Note 20)	January 1, 2010 (Note 20)
ASSETS				
Current assets				
Cash at bank		$ 820,829	$ 2,661,118	$ 353,506
Short-term investments	4	209,413	207,336	203,805
Trade and other receivables	5	751,377	323,838	251,262
Deposit	21	283,000	-	-
Crude oil inventory		23,665	5,014	8,017
		2,088,284	3,197,306	816,590
Non-current assets				
Reclamation Deposits		160,539	115,323	110,883
Exploration and evaluation assets	6	12,341,690	900,580	387,653
Oil and gas properties	7	3,528,395	2,197,057	2,787,500
Property, plant and equipment	8	1,032,683	224,350	254,379
TOTAL ASSETS		**$ 19,151,591**	**$ 6,634,616**	**$ 4,357,005**
LIABILITIES				
Current liabilities				
Trade payables and other liabilities	9	$ 1,807,268	$ 717,091	$ 1,235,212
Current portion of long-term debt	10	55,819	26,077	24,408
Income tax payable		112,624	275,241	64,571
		1,975,711	1,018,409	1,324,191
Non-current liabilities				
Deferred tax liabilities	14	-	139,629	65,417
Long-term debt	10	124,473	57,537	85,993
Decommissioning obligations	11	419,681	385,749	362,143
		544,154	582,915	513,553
TOTAL LIABILITIES		**2,519,865**	1,601,324	1,837,744
SHAREHOLDERS' EQUITY				
Common shares	12	15,252,244	1,071,140	1,071,140
Share subscriptions	12	-	2,142,561	-
Contributed surplus	12	4,509,059	212,930	212,930
Retained earnings (deficit)		(3,129,577)	1,606,661	1,235,191
TOTAL EQUITY		16,631,726	5,033,292	2,519,261
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 19,151,591**	**$ 6,634,616**	**$ 4,357,005**
Subsequent events	21			

See accompanying notes to the consolidated financial statements

On behalf of the Board of Directors:

Patrick V. Montalban (signed) *Keith Macdonald (signed)*

MOUNTAINVIEW ENERGY LTD

Consolidated Statements of Comprehensive Income (Loss)

(Expressed in US Dollars)

	Notes		Year Ended December 31, 2011		2010 (Note 20)
Revenues					
Gross petroleum and natural gas revenue		$	3,439,500	$	2,900,253
Water disposal revenue			191,037		-
Royalties			(314,559)		(246,015)
Revenues, net of royalties			3,315,978		2,654,238
Expenses					
Production and operating expenditures	15		1,584,852		1,171,588
General and administrative	16		1,940,116		878,964
Recovery of royalty expense	9		-		(803,000)
Depletion, accretion and depreciation			872,483		698,982
Foreign exchange (gain) loss			145,473		(25,988)
Share-based compensation	12		3,597,911		-
			8,140,835		1,920,546
Earnings (loss) from operations			(4,824,857)		733,692
Other (income) expense					
Finance income			(15,896)		(10,756)
Finance costs			5,260		1,416
Gain on disposal of PP&E			(1,547)		-
			(12,183)		(9,340)
Earnings (loss) before income taxes			(4,812,674)		743,032
Provision for current tax	14		63,193		297,350
Provision for (recovery of) deferred tax	14		(139,629)		74,212
Net earnings (loss) and comprehensive income (loss)		**$**	**(4,736,238)**	**$**	**371,470**
Net earnings (loss) per share					
Basic and diluted		**$**	**(0.10)**	**$**	**0.04**
Weighted average number of common shares outstanding	12		49,208,929		9,766,850

See accompanying notes to the consolidated financial statements

MOUNTAINVIEW ENERGY LTD

Consolidated Statements of Changes in Equity
(Expressed in US Dollars)

	Notes	Common Shares	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2011		$ 1,071,140	$ -	$ 212,930	$ 1,606,661	$ 2,890,731
Private placement proceeds		4,815,932	2,461,356	-	-	7,277,288
Issued on acquisition	6	5,772,685	-	-	-	5,772,685
Exercise of warrants		3,542,115	(1,735,662)	-	-	1,806,453
Fair value of warrants expired		-	(725,694)	725,694	-	-
Exercise of options		50,372	-	(27,476)	-	22,896
Share-based compensation		-	-	3,597,911	-	3,597,911
Net loss for the year		-	-	-	(4,736,238)	(4,736,238)
Balance at December 31, 2011		$ 15,252,244	$ -	$ 4,509,059	$ (3,129,577)	$ 16,631,726

	Common Shares	Warrants	Contributed Surplus	Retained Earnings	Total Equity
Balance at January 1, 2010	$ 1,071,140	$ -	$ 212,930	$ 1,235,191	$ 2,519,261
Net earnings for the year	-	-	-	371,470	371,470
Balance at December 31, 2010	$ 1,071,140	$ -	$ 212,930	$ 1,606,661	$ 2,890,731

See accompanying notes to the consolidated financial statements

MOUNTAINVIEW ENERGY LTD

Consolidated Statements of Cash Flows

(Expressed in US Dollars)

	Notes	Year Ended December 31, 2011	2010
Operating			
Net and comprehensive income (loss)		$ (4,736,238)	$ 371,470
Items not affecting cash:			
Depletion and depreciation		872,482	698,984
Share-based compensation		3,597,911	-
Deferred income tax (recovery)		(139,629)	74,212
Royalty (recovery)		-	(803,000)
Changes in non-cash working capital	18	(382,187)	40,705
Income tax paid		(162,617)	210,669
		(950,278)	593,040
Financing			
Issue of shares		7,176,783	2,142,561
Share issue expenditures		(212,707)	-
Increase (decrease) in long-term debt		96,678	(26,787)
		7,060,754	2,115,774
Investing			
Exploration and evaluation assets		(6,397,705)	(512,927)
Reclamation deposit		(45,216)	(4,440)
Property, plant and equipment expenditures		(255,389)	(54,453)
Oil and gas property		(1,250,378)	174,149
Interest (income)		(2,077)	(3,531)
		(7,950,765)	(401,202)
Change in cash at bank		(1,840,289)	2,307,612
Cash at bank, beginning of year		2,661,118	353,506
Cash at bank, end of year		**$ 820,829**	**$ 2,661,118**

See accompanying notes to the consolidated financial statements

1. REPORTING ENTITY

Mountainview Energy Ltd. ("Mountainview" or " the Company") was incorporated under the laws of the Province of British Columbia, Canada and its principal business is the exploration, acquisition, development and production of petroleum and natural gas reserves in the State of Montana, USA. Mountainview's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "MVW" and the Company's head office is located at 3691 W. Kind Edward Avenue, Vancouver, British Columbia, V6S 1M8 CANADA.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first annual consolidated financial statements presented in accordance with IFRS. Previously the Company prepared its consolidated annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared to those applied under GAAP and have been applied consistently to all periods presented in these financial statements with the exception of certain IFRS 1 exemptions the Company applied in its transition from GAAP to IFRS. They have also been applied in preparing an opening IFRS statement of financial position as at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards* ("IFRS 1"). The impact of the transition from Previous GAAP to IFRS is explained in note 21.

These consolidated financial statements were authorized for issuance by Mountainview's Board of Directors on April 30, 2012.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **Principles of consolidation**

The consolidated financial statements include the accounts of the Company, including the consolidated accounts of its wholly owned subsidiary Mountainview Energy Inc. (USA). The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany transactions, balances, and unrealized gains and losses from the intercompany transactions have been eliminated.

b) **Functional and presentation currency**

These consolidated financial statements are prepared in US dollars. The functional currency of the Company and the subsidiary is US dollar. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the comprehensive income.

The balance sheet of the Company is translated into US dollars using the exchange rate at the balance sheet date and the income statement is translated into US dollars using the average exchange rate for the period. All gains and losses on translation of a subsidiary from the functional currency to the presentation currency are charged to other comprehensive income.

c) **Use of estimates, judgments and assumptions**

The timely preparation of the financial statements requires that management make estimates and assumptions and use judgment regarding the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ materially from estimated amounts as future confirming events occur.

Oil and gas development and production assets within property, plant and equipment are depleted and depreciated using the unit-of-production method, which includes estimates of proved plus probable reserves. By their nature, estimates of reserves are subject to measurement uncertainty.

Estimates of the stage of completion of capital projects at the financial statement date affect the application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether future economic benefits are likely to exist before the exploration and evaluation activity has reached a stage where technical feasibility and commercial viability has been established.

The determination of impairment of the carrying amount of oil and gas properties and property, plant and equipment requires management to make estimates and assumptions for future commodity prices, expected volumes of production and reserves, operating, capital and other costs, and discount rates.

Amounts recorded for decommissioning liabilities are based on management's best estimate of the timing and amount of expenditures required to settle the liabilities using current technology, as well as an estimated risk free discount rate.

d) **Cash and cash equivalents**

Cash and cash equivalents consist of cash in the bank and short-term deposits with an original maturity of less than three months. The deposits with an original maturity of more than three months, but less than 12 months are classified as short-term investments.

e) **Joint interests**

The Company has exploration and production activities that are conducted under joint operating agreements, whereby two or more parties jointly control the assets. These financial statements reflect only the Company’s share of these jointly controlled assets and, once production commences, a proportionate share of the relevant revenue and related costs.

f) **Crude oil inventory**

Crude oil inventory consists of amounts produced and in storage tanks or in transit, and is recorded at the lower of the average cost of production and estimated net realizable value. Net realizable value is the estimated selling price in the normal course of business less applicable selling expenses.

Exploration and evaluation assets

Pre-license costs

Pre-license exploration costs are costs incurred before the legal right to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred as exploration and evaluation expense.

Exploration and evaluation ("E&E") costs

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Such E&E costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. E&E costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of an oil and gas resource is considered to be established when proved and/or probable reserves are determined to exist. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the exploratory activity. When this is no longer the case, the impairment costs are charged to exploration and evaluation expense. Upon determination of proved and/or probable reserves, E&E assets attributed to those reserves are first tested for impairment and then reclassified to oil and gas development and production assets within property, plant and equipment, net of any impairment. Expired land costs are also expensed to exploration and evaluation expense as they occur.

E&E assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount, and upon transfer to property, plant and equipment whereby they are allocated to cash-generating units based on geographical proximity and other factors.

g) **Property, Plant and equipment ("PP&E)**

Property, plant and equipment includes the costs of oil and gas development and production and water disposal wells that are not E&E assets, and costs for corporate (office) assets. PP&E is recorded at cost less accumulated depletion and depreciation and accumulated impairment losses, net of recovered impairment losses.

Oil and gas development and production assets

Development and production assets are capitalized on an area-by-area basis and include all costs associated with the development and production of oil and natural gas reserves. These costs may include proved property acquisitions, development drilling (including delineation wells), completion, gathering and infrastructure, decommissioning costs, amounts transferred from E&E assets and directly attributable internal costs.

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred.

Any gains or losses from the divestiture of development and production assets are recognized in earnings.

Accumulated costs are depleted using the unit-of-production method based on estimated proved reserves. Depletion is calculated based on individual components (i.e. fields or combinations thereof and other major components with different useful lives).

Water disposal assets

Water disposal assets include all costs associated with the development and production of the well. These wells were drilled for the purpose of producing oil and were determined unsuccessful, the Company has converted these wells to water disposal assets.

Accumulated costs are depleted using the straight-line method over the useful life of the well. Depletion is calculated based on individual components (i.e. fields or combinations thereof and other major components with different useful lives).

Corporate assets

Corporate assets consist primarily of office furniture and equipment, vehicles and leasehold improvements. Office furniture and equipment and vehicles are depreciated over the estimated useful life of the assets using the declining balance method at 30% per annum. Leasehold improvements are depreciated on a straight-line basis over the term of the lease. Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required.

Impairment of non-current assets

The carrying amounts of the Company's property, plant and equipment are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the Cash Generating Unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in earnings for the period to the extent that the carrying amount of the asset (or CGU) exceeds the recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset (or CGU) does not exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the asset (or CGU). A reversal of an impairment loss is recognized immediately in earnings.

E&E assets are assessed for impairment when they are reclassified to property, plant and equipment, or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

h) **Provisions**

Provisions are recorded when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required and a reliable estimate can be made of the amount of the obligation. Provisions are measured based on the discounted expected future cash outflows.

Decommissioning liabilities

Decommissioning liabilities are recognized for the future legal or constructive obligation to abandon and reclaim the Company's oil and natural gas properties. The amount of the decommissioning liabilities represents the net present value of the estimated future expenditures required to abandon and reclaim the Company's net ownership in wells and facilities determined in accordance with local conditions, current technology and current requirements. The liabilities are calculated using currently estimated abandonment and reclamation costs inflated to the estimated decommissioning date and then discounted using a risk free discount rate. A liability is recorded in the period in which an obligation arises with a corresponding decommissioning cost added to the carrying amount of the related asset. The liability is progressively accreted over time as the effect of discounting unwinds, creating an accretion expense which is recognized as part of finance expense. The related decommissioning cost capitalized in property, plant and equipment is depreciated in a manner consistent with the depletion and depreciation of the underlying asset.

Changes in the estimated liability resulting from revisions to estimated timing of decommissioning, expected amount of cash flows or changes in the discount rate are recognized as a change in the decommissioning liability and the related decommissioning cost.

Actual decommissioning expenditures incurred are charged against the accumulated liability to the extent recorded.

i) **Deferred income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case, the tax is also recognized in other comprehensive loss or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

j) **Share capital**

Common shares are classified as share capital within equity. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of equity.

k) **Share-based payments**

The grant date fair value of options to employees and directors is recognized as share-based compensation expense, with a corresponding increase in contributed surplus, over the vesting period of the options. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Each tranche in an award is considered a separate grant with its own vesting period and grant date fair value. Fair value is determined using the Black-Scholes option pricing model. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the consideration received by the Company plus the associated amount recorded in contributed surplus are transferred to common shares within equity.

l) **Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in long-term debt. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

m) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company’s activities, as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues from the sale of petroleum and natural gas are recorded when title passes to an external party.

n) Net finance expenditure

Finance expense is comprised of interest expense on borrowings, and accretion on the discount of decommissioning obligations.

o) Per share amounts

Basic earnings (loss) per share is computed by dividing the net earnings or loss for the period by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if the Company's stock options and warrants outstanding are exercised into common shares. Diluted shares are calculated using the treasury stock method which assumes that any proceeds received from "in-the-money" stock options would be used to buy back common shares at the average market price for the period. No adjustment is made to the weighted average number of common shares if the result of these calculations is anti-dilutive.

p) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Mountainview's financial assets include cash and cash equivalents, trade and other receivables, short-term investments. The Company's financial liabilities include trade and other payables and bank debt.

Financial instruments must initially be recognized at fair value on the statement of financial position based on their initial classification. Each financial instrument is classified as one of the following categories: loans and receivables; or financial liabilities at amortized cost.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are measured at amortized cost at the settlement date using the effective interest rate method of amortization. The Company's loans and receivables are comprised of cash and cash equivalents, trade and other receivables and short-term investments.

ii) Financial liabilities at amortized cost

These financial liabilities are measured at amortized cost at the settlement date using the effective interest method of amortization. The Company's financial liabilities at amortized cost are comprised of trade and other payables and bank debt.

Impairment of financial assets

At each reporting date, the Company assesses whether there are any indicators that its financial assets are impaired. An impairment loss is only recognized if there is objective evidence of impairment and the loss event has an impact on future cash flow and can be reliably estimated.

q) **Recent accounting pronouncements issued**

Unless otherwise noted, the following revised standards and amendments are effective for the Company for annual periods beginning on or after January 1, 2013 (unless otherwise noted) with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

IFRS 9 "Financial Instruments":

IFRS 9 was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for annual periods beginning on or after January 1, 2015.

IFRS 10 "Consolidated Financial Statements":

IFRS 10 was issued in May 2011 and will replace portions of IAS 27 "Consolidation and Separate Financial Statements" and interpretation SIC-12 "Consolidation - Special Purpose Entities." The key features of IFRS 10 include consolidation using a single control model, definition of control, considerations on power and continuous reassessment.

IFRS 11 "Joint Arrangements":

IFRS 11 was issued in May 2011 and will replace the guidance in IAS 31 "Interests in Joint Ventures." Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. The legal form of the arrangement will no longer be the most significant factor when classifying the joint arrangement as either a joint operation or joint venture, but rather the rights and obligations of the arrangements will be focused on. In addition, IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation; instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

IFRS 12 "Disclosure of Interests in Other Entities":

IFRS 12 was issued in May 2011 and contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The disclosures are intended to provide information in order to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

(Expressed in US Dollars)

IFRS 13 "Fair Value Measurement":

IFRS 13 was issued in May 2011 and replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

IAS 27 "Separate Financial Statements":

IAS 27 was reissued in May 2011 as a result of the new consolidation suite of standards, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 28 "Investments in Associates and Joint Ventures":

IAS 28 was amended in May 2011 as a consequence of the issuance of IFRS 10, IFRS 11 and IFRS 12 and will provide the accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.

4. SHORT-TERM INVESTMENTS

Short-term investments are presented by guaranteed investment certificates (GICs) at December 31, 2011 are as follows:

Maturity		Face Value	Interest Rate
September 25, 2012	$	105,181	0.45%
December 24, 2012	$	104,232	0.60%
At December 31, 2011	$	209,413	

The GICs are carried at cost plus interest, which approximates fair value and can be redeemed at any time without penalty.

5. TRADE AND OTHER RECEVIABLES

A reconciliation of trade and other receivables is set out below:

	Note		December 31, 2011		December 31, 2010		January 1, 2010
Value-added tax receivables		$	85,007	$	14,510	$	6,625
Sale of crude petroleum			385,597		309,328		244,637
Working interest revenue receviable	7		78,683		-		-
Due from related party	13		202,090		-		-
		$	**751,377**	**$**	**323,838**	**$**	**251,262**

(Expressed in US Dollars)

6. EXPLORATION AND EVALUATION ASSETS

A reconciliation of the carrying amount of exploration and evaluation assets is set out below:

	Note		Exploration and evaluation assets
Cost			
At January 1, 2010	20	$	387,653
Additions			512,927
Transfers to property, plant and equipment			-
Transfers to oil and gas properties			-
At December 31, 2010	20		900,580
Additions			12,533,069
Transfers to property, plant and equipment	8		(703,948)
Transfers to oil and gas properties	7		(388,011)
At December 31, 2011		**$**	**12,341,690**

Exploration and evaluation assets consist of the Company's exploration projects which are pending the determination of proved or probable reserves.

On February 17, 2011, Mountainview completed the acquisition of 62 oil and gas leases, and all rights, title and interests thereto, in Montana and North Dakota. In consideration, the Company paid $3,350,000 in cash and issued 18,611,110 common shares at a fair value of $5,772,685 (approximately $0.31 per share). The issued shares are subject to a Value Securities Escrow Agreement and will be released over a 3 year period. As part of the terms the vendor has guaranteed a minimum working interest of 78% below this the Company would received a refund of $600 per acre.

The Company also completed the following acquisitions during the year. All of these acquisitions are subject to changes based on the completion of title opinions.

In 2011, the Company acquired certain leases in Pondera County, Glacier County and Toole County, Montana. The Company acquired these leases for a total purchase price of $1,428,398 (as of December 31, 2011 the Company paid $1,156,308 and accrued $272,090).

In 2011, the Company acquired a 5% interest in certain leases in the Sentinel Project, North Dakota. The Company acquired these leases for a total purchase price of $437,198 (as of December 31, 2011 the Company paid $386,725 and accrued $50,473).

In 2011, the Company acquired a 25% interest in certain leases in Roosevelt County, Montana. The Company acquired these leases for a total purchase price of $160,000 (paid).

In 2011, the Company acquired certain leases in Sheridan County, Montana. The Company acquired these leases for a total purchase price of $670,468 (as of December 31, 2011 the Company paid $565,700 and accrued $104,768).

(Expressed in US Dollars)

In 2011, the Company acquired certain leases in Williams County, and Divide County, North Dakota. The Company acquired these leases for a total purchase price of $128,625 (accrued).

The Company incurred costs of approximately $158,000 that related to acquiring the leases.

During the year the Company transferred $703,948 to property, plant and equipment as a result of three unsuccessful wells being converted into disposal wells for water.

During the year the Company transferred $388,011 to oil and gas properties for two wells that were completed and brought into production.

7. OIL AND GAS PROPERTIES

	Note		Oil and gas properties
Cost			
At January 1, 2010	20	$	4,744,653
Additions			453
Change in asset retirement obligation	11		(5,013)
Transfers from exploration and evaluation assets			-
At December 31, 2010	20		4,740,093
Additions			1,630,873
Change in asset retirement obligation	11		(20,371)
Transfers from exploration and evaluation assets	6		388,011
At December 31, 2011		**$**	**6,738,606**
Accumulated depletion and depreciation			
At January 1, 2010		$	(1,957,153)
Depletion and depreciation			(585,883)
At December 31, 2010			(2,543,036)
Depletion and depreciation			(667,175)
At December 31, 2011		**$**	**(3,210,211)**
Carrying amounts			
At January 1, 2010		$	2,787,500
At December 31, 2010		$	2,197,057
At December 31, 2011		**$**	**3,528,395**

During the year, the Company agreed to participate in the drilling of a well for a working interest of 12.5%. The Company's share of costs in the well was $1,620,994 (paid $1,271,240). As at December 31, 2011 the Company share of revenue of $78,683 was accrued in accounts receivable and the Company accrued $349,754 in accounts payable relating to this well.

(Expressed in US Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Note	Oil and gas development assets	Water disposal assets	Corporate assets	Total
Cost					
At January 1, 2010	20	$ 502,988	$ -	$ 21,476	$ 524,464
Additions		53,172	-	1,281	54,453
At December 31, 2010	20	556,160	-	22,757	578,917
Additions		288,437	703,948	4,408	996,793
Disposals		(76,294)	-	-	(76,294)
At December 31, 2011		**$ 768,303**	**$ 703,948**	**$ 27,165**	**$ 1,499,416**
Accumulated depletion and depreciation					
At January 1, 2010		$ (256,576)	$ -	$ (13,509)	$ (270,085)
Depletion and depreciation		(81,900)	-	(2,582)	(84,482)
At December 31, 2010		(338,476)	-	(16,091)	(354,567)
Depletion and depreciation		(102,893)	(45,451)	(2,661)	(151,005)
Disposals		38,839	-	-	38,839
At December 31, 2011		**$ (402,530)**	**$ (45,451)**	**$ (18,752)**	**$ (466,733)**
Carrying amounts					
At January 1, 2010		$ 246,412	$ -	$ 7,967	$ 254,379
At December 31, 2010		$ 217,684	$ -	$ 6,666	$ 224,350
At December 31, 2011		**$ 365,773**	**$ 658,497**	**$ 8,413**	**$ 1,032,683**

The Company acquired five new vehicles during the year and traded in two vehicles during the year.

9. TRADE PAYABLES AND OTHER LIABILITIES

A reconciliation of trade and other liabilities is set out below:

	Note	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Trade accounts payable		$ 600,487	$ 444,556	$ 186,083
Lease acquisitions payable	6	564,453	-	-
Well completion costs payable	7	349,754	-	-
Royalties payable		199,972	187,090	972,317
Production taxes payable		92,604	85,447	76,812
		$ 1,807,270	**$ 717,093**	**$ 1,235,212**

During 2010, a title opinion was completed on the Red Creek property. As a result of the title opinion, the Company recorded a royalty recovery of $803,000 upon reversal of management's best estimate of provisions for royalties at the estimated rate of 14.5%. The title opinion established that the correct royalty rate of 9.025%.

(Expressed in US Dollars)

10. LONG-TERM DEBT

As at December 31, 2011	Total	< 1 Year	1-3 years	4-5 years	After 5 years
Long-term debt	$ 180,292	$ 55,819	$ 123,024	$ 1,449	$ -
Total contractual obligations	$ 180,292	$ 55,819	$ 123,024	$ 1,449	$ -

Long-term debt relates to loans for the purchase of vehicles. These loans range from 3-5 years, interest rates vary from 0% - 4%. Interest payments relating to the current portion are approximately $4,528.

11. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flow required to settle its decommissioning obligations is approximately $555,000 (2010 – $487,500) which will be incurred over the operating lives of the assets, with the majority of costs to be incurred between 2016 and 2036. An inflation factor of 1.5% has been applied to the estimated decommissioning cost at December 31, 2011 and 2010. The Company's risk-free rate of 2% was used to calculate the fair value of the decommissioning liabilities at December 31, 2011 (December 31, 2010 – 3.11%; January 1, 2010 – 3.6%).

A reconciliation of the decommissioning liability is provided below:

	Year ended December 31, 2011	Year ended December 31, 2010
Balance, beginning of year	$ 385,748	$ 362,144
Obligations acquired	8,849	-
Revisions of obligations	(29,220)	(5,013)
Accretion expenditure	54,304	28,617
Balance, end of year	**$ 419,681**	**$ 385,748**

(Expressed in US Dollars)

12. Share Capital

a) Authorized

Unlimited common shares without par value
Unlimited preference shares without par value

b) Issued

Common Shares	Note	Number of Shares	Amount
Balance, January 1, 2010 and December 31, 2010		9,766,850	$ 1,071,140
Private placement proceeds on sale of units		23,777,777	7,357,292
Common shares issued for finders fees		876,660	489,540
Share issue costs paid in cash		–	(212,707)
Share issue costs paid in stock		–	(687,571)
Issued on acquisition	6	18,611,110	5,772,685
Fair value of warrants issued pursuant to private placement		–	(2,130,622)
Warrants exercised		5,975,753	1,939,156
Fair value of warrants exercised		–	1,602,959
Stock options exercised		100,000	22,896
Fair value of options exercised		–	27,476
Balance, December 31, 2011		**59,108,150**	**$ 15,252,244**

c) Share-based payments

The Company has a stock option plan whereby employees and others in similar roles may be granted options to purchase one common share for each option granted. Under this plan, the Company is authorized to grant options to purchase common shares up to the equivalent of 10% of the number of common shares outstanding at the time of grant. Stock options granted under this plan vest immediately following the date of grant, and expire after a five year term. The exercise price of each option is equal to the market price of the Company's shares on the date of the grant. The following table summarizes the changes in stock options outstanding.

	Number of Options		Weighted Average Exercise Price (C$)
Balance at January 1, 2010 and December 31, 2010	775,000		0.24
Granted	3,555,000		1.20
Forfeited	(100,000)		1.20
Exercised	(100,000)		0.24
Balance at December 31, 2011	**4,130,000**	**$**	**1.04**

The stock price was C$0.40 on the date of the stock option exercises in the year ended December 31, 2011.

Options outstanding and exercisable are summarized below as at December 31, 2011:

(Expressed in US Dollars)

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Options	Weighted Average Price	Weighted Average Life Remaining	Number Exercisable	Weighted Average Price
(C$)		(C$)	(Years)		(C$)
0.24	675,000	0.24	1.50	675,000	0.24
1.20	3,455,000	0.98	4.25	3,455,000	0.98
	4,130,000	**0.86**	**3.80**	**4,130,000**	**0.86**

Share-Based Compensation

Stock option grants are accounted for using the fair value method. The fair value of each option granted is estimated using the Black-Scholes option pricing model and the amount is recognized immediately. The following table presents the weighted average assumptions and resulting weighted average fair value of the stock options granted.

	Year ended December 31,	
	2011	**2010**
Risk free interest rate (%)	2.38	-
Average expected life (years)	5.00	-
Average expected volatility (%)	117.07	-
Estimated Forfeiture rate (%)	-	-
Dividend yield (%)	-	-
Fair value per option (C$)	1.20	-

For the year ended December 31, 2011, Mountainview recorded non-cash share-based compensation expense of $3,597,911 (December 31, 2010 $Nil).

d) Warrants

	Number of Warrants	**Amount**
Balance, January 1, 2010 and December 31, 2010	–	$ -
Issued pursuant to private placement	5,944,444	2,130,622
Broker warrants issued pursuant to private placement	738,253	198,031
Exercised	(5,975,753)	(1,602,959)
Expired	(706,944)	(725,694)
Balance, December 31, 2011	–	$ -

The exercise price of the warrants, which were exercised and expired in the year ended December 31, 2011,was C$0.32 per warrant.

(Expressed in US Dollars)

	Year ended December 31, 2011	2010
Risk free interest rate (%)	1.58	-
Average expected life (years)	0.50	-
Average expected volatility (%)	95.10	-
Estimated Forfeiture rate (%)	-	-
Dividend yield (%)	-	-
Fair value per warrant (C$)	0.26	-

e) Contributed surplus

	December 31, 2011	December 31, 2010
Balance, beginning of year	$ 212,930	$ 212,930
Share-based compensation expensed	3,597,911	-
Stock options exercised	(27,476)	-
Fair value of warrants expired	725,694	-
Balance, end of year	**$ 4,509,059**	**$ 212,930**

f) Per Share Amounts

The following table summarizes the weighted average shares used in calculating net earnings (loss) per share:

	Year ended December 31, 2011	2010
Net income (loss) for the year	$ (4,736,238)	$ 382,734
Weighted average shares - basic and diluted	49,208,929	9,766,850
Income (loss) per share - basic and diluted	$ (0.10)	$ 0.04

	Year ended December 31, 2011	2010
Weighted average number of basic and diluted shares	49,208,929	9,766,850

The impact of outstanding stock options is not included in the calculation of diluted shares outstanding when a net loss is recorded, as the result would be anti-dilutive. Accordingly, nil shares were added to the weighted average number of basic shares outstanding due to the net loss reported in the current period.

(Expressed in US Dollars)

13. RELATED PARTY TRANSACTIONS

a) During the year, wages, benefits and consulting fees of $266,942 (2010 - $209,479) were paid to directors and officers of the Company.

b) During the year, investor relation fees of $44,475 (2010 - $36,297) were paid to a relative of a director and officer of the Company.

c) During the year, director fees of $23,097 (2010 - $12,500) were paid to directors of the Company.

d) During the year share-based payments to directors and officers of $2,793,314 (2010 - $NIL) were included in share-based compensation expense.

e) As at December 31, 2011, the Company has a receivable of $202,090 (2010 - $NIL) due from a company that has a director and officer in common. The Company has paid these costs on behalf of Altamont, these costs relate to the deal that is being done with Altamont, and once finalized these costs will be a reduction of the final costs paid.

f) During the year wages of $76,025 (2010 - $51,200) were paid to relatives of a director and officer of the Company.

g) During the year, the Company paid $283,000 to a company with a director and officer in common as a partial payment for the purchase of Genesis Energy Inc.

Key management includes the Company's directors and officers. Compensation awarded to key management includes salaries and benefits including director fees, consulting fees and awards granted under the Company's long-term incentive plan. At December 31, 2011

	Year ended December 31, 2011	Year ended December 31, 2010
Key management compensation		
Salaries, benefits and other short-term compensation	$ 290,039	$ 221,979
Share-based compensation	2,793,314	-
Total key management compensation	**$ 3,083,353**	**$ 221,979**

(Expressed in US Dollars)

14. DEFERRED TAXES

Income tax expense differs from the amount that would result from applying the Canadian and the federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

		2011		2010
Earnings (loss) before income taxes	$	(4,812,674)	$	743,032
Canadian federal and provincial income tax rates		26.50%		28.50%
Income tax (recovery) expense based on the above rates		(1,275,359)		211,764
Increase (decrease) due to:				
Non-deductible items and other		987,670		63,023
Difference in foreign tax rates		19,604		105,371
Tax effect of tax losses and other temporary differences not recognized		191,648		(8,596)
Income tax expense (recovery)	**$**	**(76,436)**	**$**	**371,562**
Current income tax		63,193		297,350
Deferred income tax (recovery)		(139,629)		74,213
Income tax expense (recovery)	**$**	**(76,436)**	**$**	**371,562**

Recognized components of deferred income taxes are as follows:

		2011		2010
Deferred income tax assets				
Non-capital losses	$	-	$	2,349
Asset Retirement Obligation		-		113,769
Property, plant and equipment		-		6,290
Total deferred income tax assets		-		122,408
Deferred income tax liabilities				
Petroleum and natural gas interests		-		(262,038)
Total deferred income tax liabilities		-		(262,038)
Recognized deferred income tax liability	$	-	**$**	**(139,629)**

(Expressed in US Dollars)

Unrecognized deductible temporary differences, unused tax losses, and unused tax credits are attributable to the following:

	2011	2010
Non-capital losses	$ 63,488	$ -
Mineral properties	123,053	-
Share issue costs	41,063	-
Asset Retirement Obligation	56,735	-
Property, plant and equipment	(92,690)	-
Total unrecognized deferred income tax assets, net	**$ 191,648**	$ -

The Company has non-capital loss carry-forwards of approximately $253,950 that may be available for tax purposes. The loss carry-forwards are all in respect of its Canadian operations and expire as follows:

2028	$ 3,685
2029	$ -
2030	$ 6,144
2031	$ 244,121
	$ 253,950

15. PRODUCTION AND OPERATING EXPENDITURES

The following table presents a breakdown of the production and operating expenditures included in the consolidated statement of income (loss):

	Year ended December 31,	
	2011	2010
Labour and consulting	$ 341,496	$ 256,381
Production and property taxes	328,996	319,934
Repairs and maintenance	267,183	148,202
Materials	212,974	116,654
Electrical	159,841	139,402
Vehicle	136,531	96,585
Engineering	56,336	22,786
Water disposal	47,927	-
Other production costs	38,465	55,427
Insurance	13,753	13,214
Beginning Inventory	5,014	8,017
Ending Inventory	(23,665)	(5,014)
	$ 1,584,852	$ 1,171,588

(Expressed in US Dollars)

16. GENERAL AND ADMINISTRATIVE

The following table presents a breakdown of the general and administrative expenditures included in the consolidated statement of income (loss):

	Year ended December 31, 2011	2010
Travel and promotion	$ 524,960	$ 247,074
Salaries and Wages	331,527	285,874
Legal Fees	320,002	27,488
Accounting and Auditing	269,727	59,829
Office expense	180,285	115,944
Shareholder relations	121,611	40,239
Investor Relations	56,605	36,297
Listing and filing fees	52,005	47,174
Director fees	23,097	12,500
Insurance	21,742	-
Professional fees	19,441	-
Transfer Agent Fees	19,115	6,545
	$ 1,940,116	$ 878,964

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments of the Company include trade and other receivables (excluding value-added tax receivable), short-term investments, cash and cash equivalents, trade and other payables (excluding production taxes payable), and bank debt. Trade and other receivables (excluding value-added tax receivable), short-term investments and cash and cash equivalents are classified as loans and receivables and are measured at amortized cost. Trade and other payables (excluding production taxes payable) and bank debt are classified as other financial liabilities and are similarly measured at amortized cost. As at December 31, 2011, the fair values of these financial instruments approximate their carrying value.

The Company is exposed to market risk (most significantly from changes in commodity prices, foreign exchange rates and interest rates), credit risk and liquidity risk which may impact the Company's future cash flows and value of its financial instruments. The Company manages risk through its policies and processes and may use derivative instruments to manage these risks.

a) Commodity Price Risk

Commodity price risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that dictate the levels of supply and demand. A $10.00 per bbl change in the price received for Mountainview's oil and natural gas liquids production is estimated to result in a $398,500 change in the Company's net loss for the year ended December 31, 2011 (December 31, 2010 - $402,000) Any significant price decline in commodity prices would adversely affect the amount of funds available for capital reinvestment purposes. As such, the Company has a risk management program to partially mitigate that risk and to ensure adequate funds are available for planned capital activities and other commitments. Changes in natural gas prices do not currently have a significant impact to the Company's operations.

b) Interest Rate Risk

Mountainview is charged a fixed interest rate on its long-term debt. The Company had no interest rate swap or financial contracts in place as at or during the year ended December 31, 2011.

c) Foreign 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, and accounts payable and accrued liabilities of the Company not denominated in US dollars.

The following identifies the amounts in Canadian dollars that the Company is exposed to foreign currency fluctuations:

		December 31, 2011		December 31, 2010
Cash at bank (C$)	$	216,995	$	1,962,311
Value-added tax receivables (C$)		86,451		14,432
Trade accounts payable (C$)		(227,314)		(95,381)
	$	**76,132**	**$**	**1,881,362**

Based on the net exposures in the preceding table as at December 31, 2011, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the US dollar would result in an increase/decrease of $7,600 (2010 – $188,136) in the Company's net income (loss).

(Expressed in US Dollars)

d) Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from its oil and natural gas marketers, other receivables, cash and cash equivalents and short-term investments. Receivables from marketers, which represent the Company's largest receivables, are normally collected on the 28th day of the month following production. To mitigate the risk of non-payment, the Company assesses the financial strength of its marketers and enters into relationships with large purchasers with established credit history. The Company's cash and cash equivalents and short-term investments are held in the banks with high credit ratings. The Company has not experienced any collection issues with its marketers in 2010 or 2011 to date. At December 31, 2011, the Company did not have any allowance for doubtful accounts.

The carrying amount of trade and other receivables represents the maximum credit exposure. The Company currently has a concentration risk of 75% with one customer. The Company considers all its receivables to be not past due.

e) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. Mountainview generally uses operating cash flows and equity financings to fund its ongoing capital programs and operating requirements. The Company has long-term debt as disclosed in Note 10.

18. SUPPLEMENTAL INFORMATION

The following is a reconciliation of the financial position changes in working capital items to the balances recorded on the consolidated statement of cash flows as change in non-cash working capital:

	Year ended December 31,			
		2011		**2010**
Changes in non-cash working capital:				
Accounts receivable	$	(427,539)	$	(72,576)
Inventory		(18,651)		3,003
Accounts payable and accrued liabilities		64,003		110,278
Changes in non-cash working capital	$	(382,187)	$	40,705

Non-cash investing and financing activities are summarized as follows:

Exploration and evaluation assets	$	564,453	$	-
Oil and gas properties	$	349,754	$	-
Shares issued on acquisition	$	5,772,685	$	-

19. CAPITAL MANAGEMENT

The Company’s policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company considers its capital structure to include shareholders’ equity and working capital. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels.

20. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

As disclosed in note 2, these are the Company's first financial statements prepared in accordance with IFRS. The Company's transition date is January 1, 2010 and the Company has prepared its first statement of financial position at that date.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year December 31, 2010 and the preparation of the opening IFRS statement of financial position at January 1, 2010.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's consolidated statements of financial position and comprehensive income (loss) is set out in the following tables and the accompanying notes. The changes made to the consolidated statements of financial position and of comprehensive income (loss) have resulted in the reclassification of various amounts on the statement of cash flows, however as there have been no changes to the net cash flows, and accordingly no reconciliations have been prepared.

(Expressed in US Dollars)

Reconciliation of Consolidated Statement of Financial Position as at January 1, 2010

	Note 20	GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 353,506	$ -	$ 353,506
Short-term investments		203,805	-	203,805
Trade and other receivables		251,261	-	251,261
Inventory		8,017	-	8,017
		816,589	-	816,589
Non-current assets				
Reclamation Deposits		110,883	-	110,883
Exploration and evaluation assets	b	-	387,653	387,653
Oil and gas properties	b, c	3,492,536	(705,038)	2,787,498
Property, plant and equipment		254,380	-	254,380
TOTAL ASSETS		**$ 4,674,388**	**$ (317,385)**	**$4,357,003**
LIABILITIES				
Current liabilities				
Trade payables and other liabilities		$ 1,235,210	$ -	$1,235,210
Current portion of long-term debt		24,408	-	24,408
Income tax payable		64,571	-	64,571
		1,324,189	-	1,324,189
Non-current liabilities				
Deferred tax liabilities		161,438	(96,021)	65,417
Long-term debt		85,993	-	85,993
Decommissioning obligations		271,761	90,382	362,143
		519,192	(5,639)	513,553
TOTAL LIABILITIES		1,843,381	(5,639)	1,837,742
SHAREHOLDERS' EQUITY				
Share capital		1,071,140	-	1,071,140
Contributed surplus		212,930	-	212,930
Retained earnings		1,546,937	(311,746)	1,235,191
TOTAL EQUITY		2,831,007	(311,746)	2,519,261
EQUITY		**$ 4,674,388**	**$ (317,385)**	**$4,357,003**

MOUNTAINVIEW ENERGY LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in US Dollars)
For the years ended December 31, 2011 and 2010

Reconciliation of Consolidated Statement of Financial Position as at December 31, 2010

	Note 20	GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 2,661,118	-	$2,661,118
Short-term investments		207,336	-	207,336
Trade and other receivables		323,838	-	323,838
Inventory		5,014	-	5,014
		3,197,306	-	3,197,306
Non-current assets				
Reclamation Deposits		115,323	-	115,323
Exploration and evaluation assets	b	-	900,580	900,580
Oil and gas properties	b,c	3,489,878	(1,292,823)	2,197,055
Property, plant and equipment		224,350	-	224,350
Deferred costs	b	43,465	(43,465)	-
TOTAL ASSETS		**$ 7,070,322**	**$ (435,708)**	**$6,634,614**
LIABILITIES				
Current liabilities				
Trade payables and other liabilities		$ 717,090	$ -	$ 717,090
Current portion of long-term debt		26,077	-	26,077
Income tax payable		275,241	-	275,241
		1,018,408	-	1,018,408
Non-current liabilities				
Deferred tax liabilities		221,463	(81,834)	139,629
Long-term debt		57,537	-	57,537
Decommissioning obligations		295,811	89,937	385,748
		574,811	8,103	582,914
TOTAL LIABILITIES		1,593,219	8,103	1,601,322
SHAREHOLDERS' EQUITY				
Share capital		1,071,140	-	1,071,140
Share subscriptions		2,142,561	-	2,142,561
Contributed surplus		212,930	-	212,930
Retained earnings		2,050,472	(443,811)	1,606,661
TOTAL EQUITY		5,477,103	(443,811)	5,033,292
EQUITY		**$ 7,070,322**	**$ (435,708)**	**$6,634,614**

MOUNTAINVIEW ENERGY LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in US Dollars)
For the years ended December 31, 2011 and 2010

Reconciliation of Consolidated Statement of Comprehensive Income for the year ended December 31, 2010

	Note 20	**GAAP**	**Effect of transition to IFRS**	**IFRS**
Revenues				
Gross petroleum and natural gas revenue		$ 2,900,253	$ -	$ 2,900,253
Royalties		(246,015)	-	(246,015)
Revenues, net of royalties		2,654,238	-	2,654,238
Interest		9,339	-	9,339
		2,663,577	-	2,663,577
Expenses				
Production and operating expenditures		1,171,588	-	1,171,588
General and administrative		852,975	-	852,975
Recovery of royalty expense		(803,000)	-	(803,000)
Depletion and depreciation	c	581,104	117,878	698,982
		1,802,667	117,878	1,920,545
Earnings from operations		860,910	(117,878)	743,032
Finance expense				
Provision for income tax		297,350	-	297,350
Provision for deferred tax		60,025	14,187	74,212
Net earnings and comprehensive income		**$ 503,535**	**$ (132,065)**	**$ 371,470**
Net earnings per share				
Basic and diluted		$ 0.05		**$ 0.04**

Elected exemptions from full retrospective application - In preparing these financial statements in accordance with IFRS 1, "First Time Adoption of International Financial Reporting Standards" ("IFRS 1"), the Company has applied certain optional exemptions from full retrospective application of IFRS at the January 1, 2010 transition date. These options exemptions are described below.

a) Oil and gas property cost basis

The Company followed a "full cost" approach under GAAP which is a policy no longer permitted on transition to IFRS. The Company has elected to apply the first time adoption exemption for full cost oil and gas entities whereby the carrying amount of oil and gas assets at the date of transition to IFRS is measured on a deemed cost basis. Exploration and evaluation assets are reclassified from the GAAP full cost pool to exploration and evaluation assets at the amount was recorded under GAAP for these assets. The remaining full cost pool has been allocated to oil and gas development and production assets by component pro rata using proved reserve values.

b) Exploration and evaluation ("E&E") assets

Upon transition to IFRS, the Company reclassified all E&E assets that were included in the oil and gas properties balance on the statement of financial position. This consisted of the carrying amounts for Mountainview's land and related seismic which did not have proved or probable reserves attributed to the related exploration properties. E&E assets will not be depleted, and will be assessed for impairment when indicators of impairment exist. This resulted in a transfer of $387,653 and $900,580 from O&G to E&E assets at January 1, 2010 and December 31, 2010. The Company also incurred a write-down of $201,325 and $Nil at January 1, 2010 and December 31, 2010 for unsuccessful wells.

c) Depletion and depreciation expense

Under GAAP, the Company depleted all of its oil and gas property as one cost centre. Under IFRS, the Company has adopted a policy of depleting its oil and gas property based upon individual cash generating units. As a result of depleting the oil and gas assets at the component level, depletion and depreciation expense increased by $226,612 and by $95,213 at January 1, 2010 and December 31, 2010.

d) Decommissioning obligations

Under GAAP, asset retirement obligations are measured at fair value, incorporating market assumptions and discount rates based on the entity's credit-adjusted risk-free rate. Adjustments are made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount. However, changes in discount rates alone do not result in a re-measurement of the provision. Changes in estimates that decrease the liability are discounted using the discount rate applied upon initial recognition of the liability while changes that increase the liability are discounted using the current discount rate.

IFRS requires decommissioning obligations to be measured based on management's best estimate of the expenditures that will be made and adjustments to the provision are made in each period for changes in the timing or amount of cash flow, changes in the discount rate, and the accretion of the liability to fair value (unwinding of the discount). Furthermore, the estimated future cash flows should be discounted using the current risk-free rates. Management has initially estimated the risk-free rate to be 3.11% which resulted in a revaluation of the restoration provision to $385,748. The revaluation resulted in an accretion adjustment of $22,665 for the year ended December 31, 2010.

21. SUBSEQUENT EVENTS

The Company agreed to acquire, subject to TSX Venture and shareholder approval, certain oil and gas leaseholds in Pondera County, Montana. As consideration the Company has agreed to issue 7,822,727 common shares to a company with a Director and officer in common, and to issue 5,072,273 common shares to arms-length parties. In addition the Company agreed to acquire, subject to shareholder approval, from a company with a Director and officer in common a compressor plant and equipment for consideration of $283,000 (deposit paid during the three months ended March 31, 2011) and a $1,100,000 debenture convertible into common shares at a price of $2.50 per share.

The Company signed a Letter of Intent ("LOI") to purchase a 20% interest in an 80% Net Revenue Interest covering certain leases, known as the Medicine Lake Prospect. The purchase price is $22,780,000 and will be payable through the issuance of 33,115,111 common shares, subject to TSX Venture and shareholder approval.

The Company entered into a promissory note payable for $2,000,000, bearing interest at 8% per annum and drawdown the full principal balance. The principal was payable on or before 24 months from drawdown and the interest was payable quarterly. The Company repaid this balance in full plus interest of $31,561.

The Company entered into a line of credit for $5,500,000 and has drawn $2,000,000 to pay the promissory note in full. The Company has provided security over the assets of the Company as collateral for the line of credit. Interest is payable monthly at a variable rate of prime plus 1.25%. The minimum interest rate is 5.25%.

The Company acquired an additional 15% working interest in all wells and oil and gas leases in the Snoose Coulee Field located in Liberty County, Montana for $48,000.