

**MOUNTAINVIEW ENERGY LTD**

**Q1 2012 Consolidated Financial Statements**

**For the Three Months Ended March 31, 2012 and 2011**

**Expressed in US Dollars**

# MOUNTAINVIEW ENERGY LTD

## Consolidated Statements of Financial Position

(Expressed in US Dollars) (unaudited)

	Notes	March 31, 2012	December 31, 2011
<b>ASSETS</b>			
<b>Current assets</b>			
Cash at bank		\$ 1,017,304	\$ 820,829
Short-term investments		209,933	209,413
Trade and other receivables	13	846,701	751,377
Deposit	13	283,000	283,000
Crude oil inventory		34,420	23,665
		2,391,358	2,088,284
<b>Non-current assets</b>			
Reclamation Deposits		161,843	160,539
Exploration and evaluation assets	3	14,104,000	12,341,690
Oil and gas properties	4	3,597,235	3,528,395
Property, plant and equipment	5	994,382	1,032,683
<b>TOTAL ASSETS</b>		<b>\$ 21,248,818</b>	<b>\$ 19,151,591</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities		\$ 2,292,345	\$ 1,807,268
Promissory note payable	6	2,000,000	-
Current portion of long-term debt	7	42,007	55,819
Income tax payable		-	112,624
		4,334,352	1,975,711
<b>Non-current liabilities</b>			
Long-term debt	7	124,473	124,473
Decommissioning obligations	8	420,572	419,681
		545,045	544,154
<b>TOTAL LIABILITIES</b>		<b>4,879,397</b>	<b>2,519,865</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	9	15,252,244	15,252,244
Contributed surplus	9	4,509,059	4,509,059
Retained earnings (deficit)		(3,391,882)	(3,129,577)
<b>TOTAL EQUITY</b>		<b>16,369,421</b>	<b>16,631,726</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 21,248,818</b>	<b>\$ 19,151,591</b>
<b>Subsequent events</b>	14		

See accompanying notes to the consolidated financial statements

# MOUNTAINVIEW ENERGY LTD

## Consolidated Statements of Comprehensive Loss

(Expressed in US Dollars) (unaudited)

	Three Months Ended March 31,	
	2012	2011
<b>Revenues</b>		
Gross petroleum and natural gas revenue	\$ 1,071,386	\$ 755,738
Water disposal revenue	12,273	-
Royalties	(72,426)	(108,407)
Revenues, net of royalties	1,011,233	647,331
<b>Expenses</b>		
Production and operating expenditures	433,539	307,527
General and administrative	297,809	226,786
Transaction costs	283,240	82,923
Depletion, accretion and depreciation	254,279	118,091
Foreign exchange (gain) loss	5,367	(33,197)
Share-based compensation	-	3,597,911
	1,274,234	4,300,041
<b>Loss from operations</b>	(263,001)	(3,652,710)
<b>Other (income) expense</b>		
Finance income	(1,972)	(5,047)
Finance costs	1,276	1,417
	(696)	(3,630)
<b>Net loss and comprehensive loss</b>	\$ (262,305)	\$ (3,649,080)
<b>Net loss per share</b>		
Basic and diluted	\$ (0.00)	\$ (0.13)

See accompanying notes to the consolidated financial statements

# MOUNTAINVIEW ENERGY LTD

## Consolidated Statements of Changes in Equity

(Expressed in US Dollars) (unaudited)

		Common Shares	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2012	\$	15,252,244	\$ -	\$ 3,783,365	\$ (3,129,577)	\$ 15,906,032
Net earnings for the year		-	-	-	(262,305)	(262,305)
Balance at March 31, 2012	\$	15,252,244	\$ -	\$ 3,783,365	\$ (3,391,882)	\$ 15,643,727

	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		4,714,077	2,461,634	-	-	7,175,711
Issued on acquisition		5,772,685	-	-	-	5,772,685
Exercise of warrants		8,251	-	-	-	8,251
Fair value of warrants expired		7,261	(7,261)	-	-	-
Share-based compensation		-	-	3,597,911	-	3,597,911
Net loss for the year		-	-	-	(3,649,080)	(3,649,080)
Balance at March 31, 2011	\$	11,573,414	\$ 2,454,373	\$ 3,810,841	\$ (2,042,419)	\$ 15,796,209
Private placement proceeds		101,855	-	-	-	7,277,288
Exercise of warrants		3,526,603	(1,742,923)	-	-	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

See accompanying notes to the consolidated financial statements

# MOUNTAINVIEW ENERGY LTD

## Consolidated Statements of Cash Flows

(Expressed in US Dollars) (unaudited)

	Notes	Three Months Ended March 31,	
		2012	2011
<b>Operating</b>			
Net and comprehensive income (loss)		\$ (262,305)	\$ (3,649,080)
Items not affecting cash:			
Depletion and depreciation		254,279	118,091
Share-based compensation		-	3,597,911
Deferred income tax (recovery)		-	81,834
Changes in non-cash working capital	11	(213,948)	(117,501)
Income tax paid		(112,624)	-
		(334,598)	31,255
<b>Financing</b>			
Issue of shares		-	5,041,401
Promissory note		2,000,000	-
Increase (decrease) in long-term debt		(13,812)	31,822
		1,986,188	5,073,223
<b>Investing</b>			
Exploration and evaluation assets		(1,152,555)	(3,993,511)
Reclamation deposit		(1,304)	(26,110)
Property, plant and equipment expenditures		(12,489)	(49,704)
Oil and gas property		(288,247)	(316,276)
Interest (income)		(520)	-
		(1,455,115)	(4,385,601)
<b>Change in cash at bank</b>		196,475	718,877
<b>Cash at bank, beginning of period</b>		820,829	2,661,118
<b>Cash at bank, end of period</b>		<b>\$ 1,017,304</b>	<b>\$ 3,379,995</b>

See accompanying notes to the consolidated financial statements

MOUNTAINVIEW ENERGY LTD  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in US Dollars) (unaudited)  
For the three months ended March 31, 2012 and 2011

**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 2400 – 525 8<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 1G1 Canada.

**2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE**

The condensed interim 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”) applicable to the preparation of interim financial statements, including IAS 34, “Interim Financial Reporting”. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

Recent accounting pronouncements and amendments effective January 1, 2012 have no impact on the Company’s consolidated financial statements.

**3. EXPLORATION AND EVALUATION ASSETS**

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

	<b>Exploration and evaluation assets</b>
<b>Cost</b>	
At December 31, 2010	\$ 900,580
Additions	12,533,069
Transfers to property, plant and equipment	(703,948)
Transfers to oil and gas properties	(388,011)
At December 31, 2011	12,341,690
Additions	1,762,310
<b>At March 31, 2012</b>	<b>\$ 14,104,000</b>

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

MOUNTAINVIEW ENERGY LTD  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in US Dollars) (unaudited)  
For the three months ended March 31, 2012 and 2011

**4. OIL AND GAS PROPERTIES**

	<b>Oil and gas properties</b>
<b>Cost</b>	
At December 31, 2010	\$ 4,740,093
Additions	1,630,873
Change in asset retirement obligation	(20,371)
Transfers from exploration and evaluation assets	388,011
At December 31, 2011	6,738,606
Additions	271,438
<b>At March 31, 2012</b>	<b>\$ 7,010,044</b>
<b>Accumulated depletion and depreciation</b>	
At December 31, 2010	\$ (2,543,036)
Depletion and depreciation	(667,175)
At December 31, 2011	(3,210,211)
Depletion and depreciation	(202,598)
<b>At March 31, 2012</b>	<b>\$ (3,412,809)</b>
<b>Carrying amounts</b>	
At December 31, 2010	\$ 2,197,057
At December 31, 2011	\$ 3,528,395
<b>At March 31, 2012</b>	<b>\$ 3,597,235</b>

During the period, the Company agreed to participate in the drilling of a well for a working interest of 3.25%. The Company's share of costs in the well was \$218,115. As at March 31, 2012 the Company share of revenue of \$110,000 was accrued in accounts receivable and the Company accrued \$218,115 in accounts payable relating to this well.

MOUNTAINVIEW ENERGY LTD  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in US Dollars) (unaudited)  
For the three months ended March 31, 2012 and 2011

**5. PROPERTY, PLANT AND EQUIPMENT**

	Oil and gas development assets	Water disposal assets	Corporate assets	Total
<b>Cost</b>				
At December 31, 2010	\$ 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
Additions	-	12,489	-	12,489
Disposals	-	-	-	-
<b>At March 31, 2012</b>	<b>\$ 768,303</b>	<b>\$ 716,437</b>	<b>\$ 27,165</b>	<b>\$ 1,511,905</b>
<b>Accumulated depletion and depreciation</b>				
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)
Depletion and depreciation	(27,433)	(22,726)	(631)	(50,790)
Disposals	-	-	-	-
<b>At March 31, 2012</b>	<b>\$ (429,963)</b>	<b>\$ (68,177)</b>	<b>\$ (19,383)</b>	<b>\$ (517,523)</b>
<b>Carrying amounts</b>				
At December 31, 2010	\$ 217,684	\$ -	\$ 6,666	\$ 224,350
At December 31, 2011	\$ 365,773	\$ 658,497	\$ 8,413	\$ 1,032,683
<b>At March 31, 2012</b>	<b>\$ 338,340</b>	<b>\$ 648,260</b>	<b>\$ 7,782</b>	<b>\$ 994,382</b>

**6. PROMISSORY NOTE**

The Company entered into a promissory note payable for \$2,000,000, bearing interest at 8% per annum and drawdown of the full principal balance. The principal was payable on or before 24 months from drawdown and the interest was payable quarterly. Subsequent to the three months ended March 31, 2012 the Company repaid this balance in full plus interest of \$31,561.



MOUNTAINVIEW ENERGY LTD  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in US Dollars) (unaudited)  
For the three months ended March 31, 2012 and 2011

**7. LONG-TERM DEBT**

<b>As at March 31, 2012</b>	<b>Total</b>	<b>&lt; 1 Year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>
Long-term debt	\$ 166,480	\$ 42,007	\$ 123,024	\$ 1,449	\$ -
<b>Total contractual obligations</b>	<b>\$ 166,480</b>	<b>\$ 42,007</b>	<b>\$ 123,024</b>	<b>\$ 1,449</b>	<b>\$ -</b>

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

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.

**8. 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 (2011 – \$555,000) 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 March 31, 2012 and December 31, 2011. The Company's risk-free rate of 2.20% was used to calculate the fair value of the decommissioning liabilities at March 31, 2012 (December 31, 2011– 2.00%).

A reconciliation of the decommissioning liability is provided below:

	March 31, 2012	December 31, 2011
Balance, beginning of period	\$ 419,681	\$ 385,748
Obligations acquired	-	8,849
Revisions of obligations	-	(29,220)
Accretion expenditure	891	54,304
<b>Balance, end of period</b>	<b>\$ 420,572</b>	<b>\$ 419,681</b>

MOUNTAINVIEW ENERGY LTD  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in US Dollars) (unaudited)  
For the three months ended March 31, 2012 and 2011

**9. Share Capital**

**a) Authorized**

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

**b) Issued**

Common Shares	Number of Shares	Amount
Balance 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	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
<b>Balance, December 31, 2011 and March 31, 2012</b>	<b>59,108,150</b>	<b>\$ 15,252,244</b>

**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.

MOUNTAINVIEW ENERGY LTD  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in US Dollars) (unaudited)  
For the three months ended March 31, 2012 and 2011

	Number of Options	Weighted Average Exercise Price (C\$)
Balance at December 31, 2010	775,000	0.24
Granted	3,555,000	1.20
Forfeited	(100,000)	1.20
Exercised	(100,000)	0.24
<b>Balance at December 31, 2011</b>	<b>4,130,000</b>	<b>\$ 1.04</b>
Granted	-	-
Forfeited	-	-
Exercised	-	-
<b>Balance at March 31, 2012</b>	<b>4,130,000</b>	<b>\$ 1.04</b>

Options outstanding and exercisable are summarized below as at March 31, 2012:

Options Outstanding				Options Exercisable	
Exercise Price (C\$)	Number of Options	Weighted Average Price (C\$)	Weighted Average Life Remaining (Years)	Number Exercisable	Weighted Average Price (C\$)
0.24	675,000	0.24	1.25	675,000	0.24
1.20	3,455,000	0.98	4.00	3,455,000	0.98
	<b>4,130,000</b>	<b>1.04</b>	<b>3.55</b>	<b>4,130,000</b>	<b>1.04</b>

#### 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.

	March 31, 2012	December 31, 2011
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 period ended March 31, 2012, Mountainview recorded non-cash share-based compensation expense of \$NIL (March 31, 2011 \$3,597,911).

MOUNTAINVIEW ENERGY LTD  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in US Dollars) (unaudited)  
For the three months ended March 31, 2012 and 2011

**d) Warrants**

	Number of Warrants	Amount
Balance, 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 and March 2012	–	\$ –

	March 31, 2012	December 31, 2011
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**

	March 31, 2012	December 31, 2011
Balance, beginning of period	\$ 4,509,059	\$ 212,930
Share-based compensation expensed	-	3,597,911
Stock options exercised	-	(27,476)
Fair value of warrants expired	-	725,694
<b>Balance, end of period</b>	<b>\$ 4,509,059</b>	<b>\$ 4,509,059</b>

MOUNTAINVIEW ENERGY LTD  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in US Dollars) (unaudited)  
For the three months ended March 31, 2012 and 2011

**f) Per Share Amounts**

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

	Three months ended March 31,	
	2012	2011
Net loss for the period	\$ (262,305)	\$ (3,649,080)
Weighted average shares - basic and diluted	59,108,150	28,754,013
Loss per share - basic and diluted	\$ (0.00)	\$ (0.13)

	Three months ended March 31,	
	2012	2011
Weighted average number of basic and diluted shares	59,108,150	28,754,013

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.

**10. 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 March 31, 2012, 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.

MOUNTAINVIEW ENERGY LTD  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in US Dollars) (unaudited)  
For the three months ended March 31, 2012 and 2011

**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 \$133,000 change in the Company's net loss for the period ended March 31, 2012 (March 31, 2011 - \$90,000) 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 March 31, 2012.

**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:

	March 31, 2012	December 31, 2011
Cash at bank (C\$)	\$ 208,573	\$ 216,995
Value-added tax receivables (C\$)	95,208	86,451
Trade accounts payable (C\$)	(205,323)	(227,314)
	<b>\$ 98,458</b>	<b>\$ 76,132</b>

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 \$9,800 (2011 – \$7,600) in the Company's net income (loss).

MOUNTAINVIEW ENERGY LTD  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in US Dollars) (unaudited)  
For the three months ended March 31, 2012 and 2011

**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 March 31, 2012, 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 7.

**11. 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:

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Changes in non-cash working capital:</b>		
Accounts receivable	\$ (95,324)	\$ 23,844
Inventory	(10,755)	(21,398)
Accounts payable and accrued liabilities	(107,869)	(119,947)
<b>Changes in non-cash working capital</b>	<b>\$ (213,948)</b>	<b>\$ (117,501)</b>

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

Exploration and evaluation assets	\$ (16,809)	\$ -
Oil and gas properties	\$ 609,755	\$ 54,580
Shares issued on acquisition	\$ -	\$ 5,772,685

MOUNTAINVIEW ENERGY LTD  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in US Dollars) (unaudited)  
For the three months ended March 31, 2012 and 2011

**12. 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.

**13. RELATED PARTY TRANSACTIONS**

- a) As at March 31, 2012, the Company has a receivable of \$256,708 (2011 - \$NIL) due from a company that has a director and officer in common. The Company has paid these costs on behalf of Genesis Energy Inc, these costs relate to the deal that is being done with Genesis Energy Inc, and once finalized these costs will be a reduction of the final costs paid.
- b) During the period, the Company paid \$NIL (March 31, 2011 \$283,000) to a company with a director and officer in common as a partial payment for the purchase of Genesis Energy Inc.

**14. SUBSEQUENT EVENTS**

The Company agreed to acquire, subject to TSX Venture (approved) and shareholder approval (approved), certain oil and gas leaseholds in Pondera County, Montana. As consideration the Company has agreed to issue 7,822,727 Class B Shares of a new wholly owned subsidiary Mountainview USA, to a company with a Director and officer in common (and in the event the Company develops production on the assets below a certain horizon and additional sum of \$100 per acre spacing unit for each such productive well will be payable as additional consideration), and to issue 5,072,273 common shares of Mountainview to arms-length parties.

The Company agreed to acquire, subject to shareholder approval (approved), 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 \$2,377,000 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 \$15,021,200 and will be payable through the issuance of 23,110,019 common shares, subject to TSX Venture and shareholder approval (approved).



MOUNTAINVIEW ENERGY LTD  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in US Dollars) (unaudited)  
For the three months ended March 31, 2012 and 2011

The Company entered into a revolving line of credit for \$5,500,000 and has drawn \$3,500,000 to pay the promissory note in full and to acquire additional acreage. The Company, a director and officer and a major shareholder have 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% and a ten year term.

The Company agreed to acquire, subject to TSX Venture approval, 12,778 net acres of oil and gas leaseholds in Divide County, North Dakota. The purchase price is \$12,778,000 (\$100,000 has been paid). The closing date of this transaction is May 30, 2012 and the Company has paid \$10,000,000 towards an initial closing of 80% of the acreage. The balance will be payable on or before June 30, 2012 subject to satisfactory completion of the Company's title due diligence. The purchase will be funded from Company working capital and credit line as well as \$8,000,000 borrowed from two major shareholders in the form of promissory notes bearing interest at 9% having a two year term.