

CEO/COO Certification

I, William R. Cawker, Montello Resources Ltd. C.E.O., Chairman of the Board, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Montello Resources Ltd. (the issuer) for the period ending April 30, 2007;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared;
 - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
 - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the interim filings based on such evaluation; and
5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: April 30, 2007

"William R. Cawker"

William R. Cawker

C.E.O. Chairman of the Board

I, Randall Marshall , Chief Operating Officer of Montello Resources Ltd., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Montello Resources Ltd. (the issuer) for the period ending April 30, 2007;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
 - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
 - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the interim filings and have caused the issuer to disclose in the interim MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: April 30, 2007

“Randy Marshall”

Randall (Randy) S. Marshall
Chief Operating Officer

Montello Resources Ltd.

Financial Statements

For the Nine Months Ended April 30, 2007

(Unaudited)

Date Submitted: June 28, 2007

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Calgary, Alberta
T2P 2L8**

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Web page www.montello.com
Email ir@montello.com**

**Montello Resources Ltd.
PO. Box 1757, Station M
Calgary, Alberta T2P 2L8**

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

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

June 28, 2007

Montello Resources Ltd.

Consolidated Balance Sheets

(Unaudited)

Canadian Funds

	ASSETS	
	<u>April 30, 2007</u>	<u>July 31, 2006</u>
Current		
Cash	\$ 3,953,908	\$ 100,523
Marketable securities	18,617	18,617
Accounts receivable and prepaid expenses	534,623	351,015
	<u>4,507,148</u>	<u>470,241</u>
Property & equipment (Note 3)	<u>1,771,048</u>	<u>2,307,281</u>
	<u>\$ 6,278,196</u>	<u>\$ 2,777,522</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 2,676,168	\$ 1,107,076
Convertible loan payable (Note 4)	-	870,562
	<u>2,676,168</u>	<u>1,977,638</u>
Advances from affiliated company (Note 5)	-	272,696
Asset retirement obligation	<u>230,129</u>	<u>224,129</u>
	<u>2,906,297</u>	<u>2,474,463</u>
Shareholders' equity		
Share capital (Note 6)	22,424,051	17,980,440
Contributed surplus	1,107,230	749,294
Deficit	<u>(20,159,382)</u>	<u>(18,426,675)</u>
	<u>3,371,899</u>	<u>303,059</u>
	<u>\$ 6,278,196</u>	<u>\$ 2,777,522</u>

Approved by the directors:

"William R. Cawker"

Director – William R. Cawker

"Joseph Dow"

Director – Joseph Dow

See accompanying notes.

Montello Resources Ltd.

Consolidated Statements of Operations and Deficit

For the Nine Months Ended April 30, 2007

(Unaudited)

Canadian Funds

	For the Three Months Ended April 30,		For the Nine Months Ended April 30,	
	2007	2006	2007	2006
Revenue				
Oil and gas sales	\$ 130,925	\$ 35,682	\$ 457,836	\$ 144,996
Royalty expense	(14,931)	(8,120)	(48,570)	(8,120)
Interest income	9,758	171	16,122	412
	<u>125,752</u>	<u>27,733</u>	<u>425,388</u>	<u>137,288</u>
Expenses				
Production	136,786	44,394	276,565	44,394
General & administration	579,498	183,007	934,803	593,572
Interest	-	28,752	40,000	51,457
Depletion, depreciation & accretion	240,212	1,990	628,022	29,255
Stock based compensation	117,301	-	648,617	363,005
Foreign exchange (gain) loss	90,817	17,278	85,371	24,167
	<u>1,164,614</u>	<u>275,421</u>	<u>2,613,378</u>	<u>1,105,850</u>
Loss for the period from operations	1,038,862	247,688	2,187,990	968,562
Recovery of P&NG costs	455,282	-	455,282	-
Gain on securities	-	(67)	-	25,132
	<u>583,580</u>	<u>247,755</u>	<u>1,732,708</u>	<u>943,430</u>
Loss for the period	583,580	247,755	1,732,708	943,430
Deficit, beginning of period	19,575,802	16,710,975	18,426,674	16,015,300
Deficit, end of period	<u>\$ 20,159,382</u>	<u>\$ 16,958,730</u>	<u>\$ 20,159,382</u>	<u>\$ 16,958,730</u>

See accompanying notes.

Montello Resources Ltd.
Consolidated Statements of Cash Flows
For the Nine Months Ended April 30, 2007
(Unaudited)
Canadian Funds

	For the Three Months Ended April 30,		For the Nine Months Ended April 30,	
	2007	2006	2007	2006
Cash provided by (used in)				
Operating activities				
Loss for the period	\$ (583,580)	\$ (247,755)	\$ (1,732,708)	\$ (943,430)
Items not affecting cash:				
Depletion, depreciation & accretion	240,212	2,265	628,022	4,255
Stock based compensation	117,301	(237,158)	648,617	125,847
	(226,067)	(482,648)	(456,069)	(813,328)
Changes in non-cash working capital items, net	466,701	555,671	1,385,571	563,094
	240,634	73,023	929,502	(250,234)
Investing activities				
Additions to property & equipment	(459,944)	(275,631)	(541,071)	(2,608,696)
Recovery of P&NG costs	455,282	-	455,282	-
	(4,662)	(275,631)	(85,789)	(2,608,696)
Financing activities				
Issuance of shares, net of issue costs	(6,353)	407,686	3,282,368	2,081,411
Proceeds from convertible loan	-	46,763	-	991,207
Advances from (to) affiliated company	-	(274,750)	(272,696)	(413,082)
	(6,353)	179,699	3,009,672	2,659,536
Increase (decrease) in cash during the period	229,619	(22,909)	3,853,385	(199,394)
Cash, beginning of period	3,724,289	(96,627)	100,523	79,858
Cash, end of period	\$ 3,953,908	\$ (119,536)	\$ 3,953,908	\$ (119,536)

See accompanying notes.

Montello Resources Ltd.
Notes to the Consolidated Financial Statements
April 30, 2007
(Unaudited)
Canadian Funds

1. BASIS OF PRESENTATION

These unaudited interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and on a basis consistent with the audited July 31, 2006 financial statements. Accordingly these unaudited interim statements should be read in conjunction with the notes contained in the Company's audited July 31, 2006 financial statements. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. Accordingly, actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies.

These consolidated financial statements include the accounts of the Company and its 100% interest in Montello Resources USA Ltd., which was incorporated in Delaware, USA on March 2, 2005.

Certain prior period comparative figures have been reclassified to conform to the presentation used in the current period.

2. NATURE OF OPERATIONS

The Company's principal business activities include the evaluation, acquisition, exploration and development of oil and gas properties in Western Canada and Tennessee, USA.

3. PROPERTY & EQUIPMENT

	April 30, 2007		July 31, 2006	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Net Carrying Amount</u>
Petroleum & natural gas properties	\$ 2,651,734	\$ 891,991	\$ 1,759,743	\$ 2,294,081
Office equipment	<u>18,253</u>	<u>6,948</u>	<u>11,305</u>	<u>13,200</u>
	<u>\$ 2,669,987</u>	<u>\$ 898,939</u>	<u>\$ 1,771,048</u>	<u>\$ 2,307,281</u>

Montello Resources Ltd.

Notes to the Consolidated Financial Statements

April 30, 2007

(Unaudited)

Canadian Funds

4. CONVERTIBLE LOAN PAYABLE

During the first quarter ended October 31, 2006, the Company extinguished the \$870,562 convertible loan payable by issuing 7,914,209 Units under a debt restructuring agreement. Each Unit consists of one common share and one common share purchase warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.11 per share for a period of two years expiring September 20, 2008.

5. ADVANCES FROM AFFILIATED COMPANY

During the first nine months of this fiscal period, Companies that were previously considered affiliated with Montello Resources Ltd. no longer met the conditions under which they were considered affiliated. As a result, any monies owed to these companies have been reclassified under accounts payable.

6. SHARE CAPITAL

a. Authorized:

Unlimited Common shares without
par value

b. Issued:

	Number of shares	Value
Balance as at July 31, 2006	103,438,343	\$ 17,980,440
Issued for cash	12,720,000	1,272,000
Issued for cash pursuant to a flow through share private placement	6,419,000	898,600
Issued for cash on exercise of warrants	7,700,000	770,000
Issued for cash on exercise of stock options	4,172,000	428,600
Fair value transfer on exercise of stock options	-	290,681
Issued for settlement of convertible debenture	7,914,209	870,562
Share issue costs		(86,832)
	<u>142,363,552</u>	<u>\$ 22,424,051</u>

Montello Resources Ltd.

Notes to the Consolidated Financial Statements

April 30, 2007

(Unaudited)

Canadian Funds

- c. Share capital transactions during the nine months ended April 30, 2007:
- i. In December 2006 the Company completed a private placement of 12,720,000 units @ \$0.10 per share for gross proceeds of \$1,272,000. The units consist of one common share and a share purchase warrant to purchase a share @ \$0.13.
 - ii. In December 2006 the Company issued 6,419,000 units pursuant to a flow through arrangement @ \$0.14 per unit for gross proceeds of \$898,600. Each unit consists of one common share and one share purchase warrants exercisable at \$0.20 per share.
 - iii. During the nine months ended April 30, 2007 the company issued 7,700,000 common shares on exercise of share purchase warrants at \$0.10 per share for total cash proceeds of \$770,000.
 - iv. During the nine months ended April 30, 2007 the company issued 4,172,000 common shares on exercise of stock options at various prices ranging from \$0.10 to \$0.11 for total cash proceeds of \$428,700. The fair value assigned to these options exercised of \$290,681 has been transferred to share capital from contributed surplus.
 - v. In September of 2006 the Company settled a convertible debenture with the issuance of 7,914,209 shares and an equal number of share purchase warrants exercisable at \$0.11. At the time of settlement the debenture was valued at \$870,562.
- d. Stock option plan

The Company has a stock option plan for the benefit of directors, officers, employees and consultants administered by the Board of Directors, in which up to 10% of the issued and outstanding common shares are reserved for issuance. All share options granted vest immediately.

A summary of the status of the stock option plan as of April 30, 2007 and changes during the period then ended is presented below:

	<u>Number of Options</u>	<u>Average Exercise Price</u>
Balance, July 31, 2006	9,216,834	\$0.11
Exercised	(2,672,000)	\$0.10
Exercised	(700,000)	\$0.11
Exercised	(800,000)	\$0.105
Cancelled	(400,000)	\$0.11
Granted	1,677,000	\$0.105
Granted	6,455,621	\$0.11
Granted	500,000	\$0.135
Granted	558,900	\$0.15
Balance, April 30, 2007	<u>13,836,355</u>	<u>\$0.11</u>

Montello Resources Ltd.
Notes to the Consolidated Financial Statements
April 30, 2007
(Unaudited)
Canadian Funds

d. options continued

The following table summarizes information about options outstanding at April 30, 2007:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
250,000	\$0.10	December 29, 2009
1,900,000	\$0.13	September 16, 2010
1,050,000	\$0.11	January 6, 2011
2,794,834	\$0.10	June 7, 2011
877,000	\$0.105	August 15 to 16, 2011
1,075,000	\$0.11	September 14, 2011
700,000	\$0.11	November 9, 2011
3,630,621	\$0.11	December 21, 2011
558,900	\$0.15	February 9, 2012
500,000	\$0.135	March 10, 2012
500,000	\$0.11	April 19, 2012
<u>13,836,355</u>		

The Company has recorded stock-based compensation expense of \$ 648,617 for the nine months ended April 30, 2007. The compensation expense is determined based on the fair value of the options at the grant date. The fair value of each option granted is estimated on the date of granting the options using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	<u>April 30, 2007</u>
Risk free rate	6.0%
Expected volatility	56.0%
Annual dividend yield	0.0%
Expected life of options	5 years

Montello Resources Ltd.

Notes to the Consolidated Financial Statements

April 30, 2007

(Unaudited)

Canadian Funds

e. Warrants

A summary of the status of Warrants issued and outstanding at April 30, 2007 and changes during the period then ended, is presented below:

	<u>Number of Warrants</u>	<u>Average Exercise Price</u>	<u>Expiry Date</u>
Balance, July 31, 2006	16,155,577	\$0.10-\$0.20	December 16, 2006 to November 18, 2007
Exercised	(7,700,000)	\$0.10	December 16, 2006
Granted	7,914,209	\$0.11	September 30, 2008
Granted	6,419,000	\$0.20	March 21, 2008
Granted	12,720,000	\$0.13	December 13, 2008
Cancelled	(116,667)	\$0.10	December 16, 2006
Balance, April 30, 2007	<u>35,392,119</u>	<u>\$0.11</u>	

The Company has the following share common share purchase warrants outstanding at April 30, 2007:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,650,461	\$0.20	May 6, 2007
820,000	\$0.20	June 8, 2007
2,039,565	\$0.20	September 15, 2007
1,828,884	\$0.20	November 18, 2007
7,914,209	\$0.11	September 30, 2008
6,419,000	\$0.20	March 21, 2008
12,720,000	\$0.13	December 13, 2008
<u>35,392,119</u>		

7. RELATED PARTY TRANSACTIONS

- (a) During the nine month period ended April 30, 2007, the Company incurred management fees and consulting fees of \$ 135,000 with directors and officers of the Company.

Montello Resources Ltd.

Notes to the Consolidated Financial Statements

April 30, 2007

(Unaudited)

Canadian Funds

8. SUPPLEMENTAL DISCLOSURE OF NON-CASH OPERATING, INVESTING AND FINANCING ACTIVITIES

Significant non-cash transactions during the nine months ended April 30, 2007

The Company extinguished the \$870,562 convertible loan payable by issuing 7,914,209 units under a debt restructuring agreement.

9. SUBSEQUENT EVENTS

Subsequent to April 30, 2007

- (a) 525,000 options were cancelled at exercise prices of \$0.10 to \$0.11 per share.
- (b) 4,470,461 common share purchase warrants at \$0.20 expired without being exercised.

Montello Resources Ltd.
(the “Company”)
Form 51-102F1

Management Discussion and Analysis

For the Nine Months Ended April 30, 2007

ISSUER DETAILS		FOR QUARTER ENDED	DATE OF REPORT
NAME OF ISSUER		Y M D	Y M D
MONTELLO RESOURCES LTD.		07 04 30	07 06 28
ISSUER ADDRESS			
P.O. BOX 1757, STATION M			
PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
CALGARY AB	T2P 2L8	(403) 241-9197	(403) 241-9197
CONTACT PERSON		CONTACT'S POSITION	
BILL CAWKER		PRESIDENT, CEO, CHAIRMAN, DIRECTOR	
CONTACT TELEPHONE NO.		(604) 649-0080	
CONTACT EMAIL ADDRESS		WEB SITE ADDRESS	
ir@montello.com		www.montello.com	
DIRECTOR'S SIGNATURE		PRINT FULL NAME	DATE SIGNED
‘RANDY MARSHALL’		RANDY MARSHALL	Y M D 07 06 28
DIRECTOR'S SIGNATURE		PRINT FULL NAME	DATE SIGNED
‘JOSEPH DOW’		JOSEPH DOW	Y M D 07 06 28

Web page www.montello.com
Email ir@montello.com

DATE OF REPORT: **June 28, 2007**

OVERALL PERFORMANCE

GENERAL

This Management Discussion and Analysis (“MD&A”) of Montello Resources Limited (the “Company”) provides analysis of the Company’s financial results for the third quarter of fiscal 2007 commencing January 31, 2007 and ending April 30, 2007. All amounts are stated in Canadian dollars unless otherwise indicated.

Production information is commonly reported in units of barrel of oil equivalent (“boe”). For purposes of computing such units, natural gas is converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet to one barrel of oil. This conversion ratio of 6.1 is based on an energy equivalent wellhead value for the individual products. Such disclosure of boes may be misleading, particularly if used in isolation. Readers should be aware that historical results are not necessarily indicative of future performance.

NON-GAPP MEASURES

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), as an indicator of the Company’s performance. All financial information is presented in Canadian dollars unless otherwise indicated.

The Company is incorporated in the Province of British Columbia (extra-provincially registered in the Province of Alberta).

FORWARD-LOOKING STATEMENTS

Certain information regarding Montello set forth in this report, including management’s assessment of Montello’s future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These risks and uncertainties, many of which are beyond Montello’s control, include the impact of general economic conditions and specific industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, and competition from other producers, the lack of available qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. The Company believes the expectations reflected in these forward-looking statements and information are reasonable, but no assurance can be given that these expectations will prove to be correct, and such forward-looking statements and information included in this discussion should not be unduly relied upon. Such forward-looking statements and information speak only as of the date of this discussion, and the Company does not undertake any obligation to publicly update or revise any forward-looking statements or information, except as required by applicable laws.

In particular, this discussion may contain forward-looking statements and information pertaining to the following:

- The quality of and future net revenues from our reserves;
- Oil, NLG’s and natural gas production levels;
- Commodity prices, foreign currency exchange rates and interest rates;

- Capital expenditure programs and other expenditures;
- Supply and demand for oil, NLG's and natural gas;
- Expectations regarding the Company's ability to raise capital and to continually add to reserves through acquisitions and development;
- Schedules and timing of certain projects and the Company's strategy for growth;
- The Company's future operating and financial results; and
- Treatment under governmental and other regulatory regimes and tax, environmental and other laws.

The Company's actual results could differ materially from those anticipated in these forward-looking statements and information as a result of both known and unknown risks, in this discussion and those set forth below:

- Volatility in market prices for oil, NLG's and natural gas;
- Changes or fluctuation in oil, NGL's and natural gas production levels;
- Changes in foreign currency exchange rates and interest rates;
- Changes in capital and other expenditure requirements and debt service requirements;
- Liabilities and unexpected events inherent in oil and gas operations, including geological, technical, drilling and processing problems;
- Uncertainties associated with estimating reserves;
- Competition for, amongst other things, capital, acquisition of reserves, undeveloped lands and skilled personnel;
- Incorrect assessment of the value of acquisitions;
- The Company's success at acquisition, exploration and development of reserves;
- Changes in general economic, market and business conditions in Canada and North America;
- Actions by governmental or regulatory authorities including changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; and
- Changes in environmental or other legislation applicable to the Company's operations, and the Company's ability to comply with current and future environmental and other laws.

Many of the risk factors and other specific risks and uncertainties are discussed in further detail throughout this discussion and analysis.

Additional information related to the Company, is available through the internet on the Company's SEDAR profile at www.sedar.com. Readers are also referred to the risk factors described in other documents the Company files from time to time with securities regulatory authorities. Copies of these documents are available on the TSX Venture website as well as the Company's website, www.montello.com.

BUSINESS OVERVIEW

Montello Resources Limited (the "Company") is a junior natural resource company engaged in the acquisition, exploration, and development of oil and gas properties. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol MEO.

It has been the objective of the Montello Resources' Board to reduce debt, improve the debt to equity ratio for the Company, evaluate all of Montello's investments, develop, abandon, and/or acquire investments to maximize returns by the Company and to improve its working capital position.

ANNUAL GENERAL MEETING OVERVIEW

The Annual General and Special Meeting of Montello Resources Ltd. (the "Company") of the shareholders was held at the office of the Company's counsel, Burstall Winger LLP, Calgary, Alberta on Wednesday, April 25, 2007 at 10:00 am Calgary time.

- Mr. Dwayne S Tyrkalo resigned as President and COO of Montello Resources Ltd. effective April 23, 2007 to focus solely on being President of Montello Resources USA Ltd., our wholly owned operating subsidiary in charge of the Morgan Highpoint Project and our other Tennessee projects.
- Mr. William R. Cawker was appointed President of Montello Resources Ltd. Mr. Cawker will assume this duty along with being the CEO and Chairman of the Board.
- Mr. Randall S. Marshall was appointed COO of Montello Resources Ltd. Mr. Marshall will assume this duty along with being the Vice President of Operations, Production and Engineering.
- Election of Directors was fixed at four (4) for the ensuing year.
- Ernst & Young LLP, Chartered Accountants were appointed auditors for the ensuing year.
- The Company's Stock Option Plan was approved subject to TSX Venture Exchange (the "Exchange") approval.
- A Special Resolution was passed, which approved the continuance of Montello Resources Ltd. under the *Business Corporations Act* (Alberta) and amended the Articles of the Company accordingly, and
- Resolution was passed to confirm the adoption of By-Law Number 1 pursuant to the continuance of the Company under the *Business Corporations Act* (Alberta).

CURRENT OPERATIONS

During the year, the Company commenced receiving revenues from its Moonshine Oil and Gas properties at Mulligan in Alberta. Montello is focused on creating operating income and cash flow from these current properties but, especially from new acquisitions and most importantly by the drill bit. Setting up the foundations to achieve this goal was the priority for the first two quarters of fiscal 2007, which encompassed the period from August 1, 2006 through to January 31, 2007. This continues to be the focus for the third quarter ending April 30, 2007. The Company is currently trying to conclude negotiations and complete plans to drill wells in Alberta and Tennessee this summer and through the first quarter of 2008.

The joint ventured property initially referred to as "The Blowout Property", is now called the "Morgan Highpoint Project". It is near the well-known Elmer Howard-White Unit #1 Well, Permit 9893, which experienced a blow-out in 2002. A planned late January 2007 spud date is now ready for summer commencement. In the interim, Montello has been successful in negotiating equipment and more importantly, additional land agreements in the immediate area. The pre-drill phase of the "Morgan Highpoint Project" was extended as Engineering and Operations personnel reviewed logistics including a greater need for specialized drilling technology, equipment, meticulous site preparation and most importantly, recruitment of more

qualified personnel than was originally anticipated. This is all due to the technically challenging nature of this prospectively high-impact exploration well.

Montello in the second quarter of 2007, funded on a timely basis for summer drilling in Alberta expected to commence in the fourth quarter. \$898,600.00 of Flow Through funding completed on December 29, 2006, will be used to advance various Peace River Arch and Alberta Projects. Drilling details are forthcoming this summer...

PROPERTY EXPLORATION PLANS AND WORK PROGRAMS STATUS

The Company plans to continue exploration work on its currently held resource properties, subject to availability and timing of financing (including, where applicable, the ability to meet cash calls from the project operator) and data analysis from work programs.

For properties in which the Company is the operator, results of exploration programs, including technical disclosure are prepared by or under the supervision of a qualified person. For properties in which the Company is not the operator, results of exploration programs are provided to the Company by the project operator.

The Company is the project operator for the Mulligan Property and in Tennessee. The operator of the Sarcee was C1 Energy Ltd. (*who is now subject to a take-over offer by Penn West Energy Trust*). Montello came in behind JVB partners, Arapahoe Energy and is totally recognized by both C1 Energy and Arapahoe Energy. Technical reports and news releases discussing progress in the Company's properties can be viewed on the SEDAR website at www.sedar.com.

OIL AND GAS PROPERTIES

Morgan and Scott County Properties, Tennessee

Montello owns oil and gas wells located primarily in Morgan and Scott Counties in Tennessee. The Company is focusing its efforts on the Morgan Highpoint Project in Morgan County, Tennessee. Montello Resources anticipates this as being one of the most significant drilling projects in the Southeast Region and has completed a detailed drilling program involving drilling specialists in Canada and the United States.

At the end of June 2006, the Company focused on reworking the "Tex Flora Well" (officially known as the John Bowen #1). Upon re-completing and commencing evaluation for economic potential, Management felt it was prudent to immediately commence negotiations on the "Morgan Highpoint Lands". The successful completion of this acquisition was announced on October 10, 2006 after months of negotiations. The "Tex Flora" well (*aka John Bowen #1 well*) was shut in during the prolonged negotiation period and remains shut-in today but is currently undergoing re-evaluation in anticipation of drilling the John Bowen #2 well (*aka Morgan Highpoint #1 well*).

Both the "Tex Flora Well" and the Brooks property are owned jointly with Austin Developments ("Austin") wherein Austin has earned a 50% participating interest in each well and associated contiguous land package by reimbursing Montello for \$176,386 CDN on December 27, 2006 for a total equalization payment of approximately \$788,151 USD for 100 per cent of all costs involved in the acquisition, drilling, completion, stimulation, and equipping to production stage of all Tennessee operations. This makes Montello and Austin 50-50 Joint Venture Partners in these existing Tennessee operations.

Austin also made advances of 2.1 million USD from mid January 2007 through to mid April 2007, towards earning their working interest in the “Morgan Highpoint Project” on a two for one basis (80% gross to earn net 40%). Should Austin decide to or not be able to fund 100%, the Company is currently speaking to interested parties.

Mulligan (Peace River Arch), Alberta

The Company owns various working interests in 6,720 acres of land in the Mulligan area in Northern Alberta. At present this area contains four producing oil wells, one producing gas well, four shut-in gas wells; one shut-in oil well and two identified drilling locations. The production is subject to new Crown royalties and various gross overriding royalties. The Company’s lands in this area are from the Upper Mississippian Stoddart Grop (Kiskatinaw), and the lower Cretaceous (Gething formation). The Company acquired the Mulligan properties in September 15, 2005.

The Company continues to work on enhancing the Mulligan properties. The Company has successfully used water flooding as a technique to increase production in the Charlie Lake Zone in Section 23-81-8 W6M and is investigating the use of the same procedure in offsetting operated properties. The focus is to drill two wells and workover two. With the water-flood enhancement program in place, a re-work of the injection well is required (6-23-81-8-W6). This is scheduled to start in late July and will allow Montello to ramp up water injection to increase oil production as high as two fold.

Sarcee, Alberta

The Company, under a farm-out agreement, owns a 2.50 percent working interest in 2,560 acres on four sections of land in this area by paying 5.00 percent of the gross capital development expenditures. These lands contain one well and one identified drilling location.

Production will be subject to Indian Royalties, which are equivalent to Alberta New Crown Royalties plus 6.5 percent Gross Overriding Royalty (*GORR*). The unit of interest is the Mississippian (Visean) age Turner Valley Formation of the Rundle Group.

As of late, the Company has elected not to spend any time related to this project as the original operator, C1 Energy, was replaced with Arapahoe Energy. With the re-organization of the corporations and the First Nations; there has not been any activity and Montello awaits updated plans with regards to going forward.

SELECTED FINANCIAL INFORMATION

The Company’s third quarter ends on April 30, of each year. The following is a summary of certain selected audited financial information for the last three completed fiscal years of the Company.

Operating Results

After acquiring Moonshine Resource Ltd., the Company became an active oil and gas operator. The Company has started generating oil & gas revenue since then. That explains why oil & gas sales and direct operating expenses for the first three quarters in 2007 has increased compared to same period in 2006.

Amortization & depletion expenses has increased from April 30, 2007 (third quarter fiscal 2007) 3 months ended \$240,212 and 9 months. ended \$628,022, as compared to 3 months ended \$1,990 and 9 months ended \$29,255 for April 30, 2006 (third quarter fiscal 2006). This is due to wells generating revenue since the acquisition of Moonshine Resources Ltd.

SUMMARY OF ANNUAL RESULTS

	2007 to date	2006	2005
Revenues	\$ 457,836	\$ 353,351	-
Operation Costs and Royalties	325,135	49,854	-
Property write-downs	(455,282)	1,144,465	-
Administrative Expenses	1,044,052	794,915	515,741
Non Cash Items	1,276,639	775,492	427,015
Net Income (Loss)	(1,732,708)	(2,411,375)	(942,756)

LIQUIDITY

	WORKING CAPITAL	CASH AND CASH EQUIVALENTS	OUTSTANDING SHARES
April 30, 2007	\$1,830,980	\$3,953,908	142,363,552
January 31, 2007	2,067,975	3,724,289	142,363,552
October 31, 2006	(668,235)	94,683	113,332,552
July 31, 2006	(1,522,840)	89,292	103,438,343

The Company raised \$22,500 through the exercise of Warrants between August 1 and October 31, 2006. There was no money raised via private placements or share subscriptions during this time. The Company issued 2,422,000 common shares for proceeds of \$247,700.00 on the exercise of stock options. The Company also issued 7,475,000 common shares for proceeds of \$747,500 on the exercise of warrants expiring December 16, 2006. \$2,848,320 net of finder's fees was subsequently raised between November 1 and December 31, 2006 through Warrants, Flow Through and Non Flow Through Private Placements.

On December 19, 2006 the TSX Venture Exchange accepted for filing documentation with respect to a Non-Brokered Private Placement announced November 9, 2006 and November 14, 2006. Gross Proceeds of \$1,272,000.00 was raised via the sale of 12,720,000 units priced at \$0.10 per unit. The unit offering consisted of 12,720,000 shares and 12,720,000 share purchase warrants to purchase 12,720,000 shares at \$0.13 for a two year period. There was a 4 month hold applicable for the shares and a finder's fees of 6% totaling \$69,780 was payable on the placement in accordance to the policies of the TSX Venture Exchange. The proceeds of the private placement are being used for general working capital purposes and for further potential oil and natural gas mineral lease acquisitions.

On December 29, 2006 the TSX Venture Exchange accepted for filing documentation with respect to a Non-Brokered Flow Through Private Placement announced December 19, 2006. Gross Proceeds of \$898,600.00 were raised via the sale of 6,419,000 Flow-Through units consisting of 6,419,000 shares at \$0.14 per share and 6,419,000 share purchase warrants to purchase 6,419,000 shares at \$0.20 for a period of 15 months from the date of issuance. The common shares issued pursuant to the Private Placement will be subject to a four-month hold period expiring April 23, 2007. The proceeds from the Private Placement will be used to drill on the Company's upcoming summer 2007 Alberta Drill Program. Montello may seek additional Flow Through monies if warranted. No financings have occurred since December 2006 through to April 30, 2007.

Since incorporation Montello's capital resources have been limited. In addition to having to rely upon cash generated from operations, the Company has had to rely upon the sale of equity and debt securities for cash required for administration, acquisition(s) and exploration program(s). While there are presently no known specific trends, events or uncertainties that are likely to result in Montello's liquidity decreasing in any material way over the next year, it is unlikely that significant cash would be generated from operations if Management didn't continue to pursue significant projects like Morgan Highpoint Project in Tennessee, our Mulligan Holdings in the Peace River Arch of Northern Alberta, and other potential areas of interest elsewhere in the province of Alberta. The Company intends to strongly pursue its goals of engaging in the acquisition, exploration and development of oil and gas properties.

While there can be no assurance that financing, whether debt or equity, will always be available in the amount(s) required at any particular time or for any particular period or, if available, that it can be obtained on satisfactory terms. The Company is currently interested in looking at agreements to acquire interests in additional projects or Oil and Gas Properties. The availability of equity capital to junior resource companies is affected by commodity prices, global economic conditions, and economic conditions and government policies in the countries of operation, among other things. These conditions are beyond the control of the management of the Company and have a direct effect on the Company's ability to raise equity capital.

The Company's working capital and liquidity fluctuate in proportion to ongoing project commitments or debt - equity financing activities. The Company requires a certain amount of liquid capital in order to sustain its operations and in order to meet various obligations as specified under the Company's resource property acquisition agreements.

Should the Company fail to obtain future equity financing due to reasons as described above, it will not be able to meet these obligations and may lose its interests in properties covered by an agreement. Further, should the Company be unable to obtain sufficient equity financing for working capital, it may be unable to take on or meet ongoing operational commitments.

Exploration and development of natural resources involve substantial expenditures and a high degree of risk. Few properties which are explored are ultimately developed into producing properties. Accordingly, the Company has no material revenue, writes off its natural resource properties from time to time, and operates at a loss.

DIVIDEND RECORD AND POLICY

The Company has not declared any dividends since incorporation and does not intend to declare dividends in the foreseeable future. As the Company generates earnings, it expects that they will be retained to finance future growth.

CAPITAL RESOURCES

The Company is presently entering contractual obligations and commitments in conjunction with its Joint Venture Partners for material expenditures at Morgan Highpoint in Tennessee.

CRITICAL ACCOUNTING ESTIMATES

Management is often required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company.

OFF-BALANCE SHEET ARRANGEMENT

The Company does not have any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

There were no proposed transactions.

CRITICAL ACCOUNTING ESTIMATES

Not applicable to venture issuers.

CHANGES IN ACCOUNTING POLICIES

The Company has not changed any of its accounting policies as compared to those disclosed in its unaudited financial statements for the First Quarter ended October 31, 2005.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

It is management's opinion that the fair value of the Company's cash, reclamation deposit, marketable securities, accounts receivable, accounts payable and accrued liabilities, and advances approximate their carrying value due to the relatively short periods to the maturity of the instruments.

The maximum credit risks exposure for all financial assets is the carrying value of those assets. None of the Company's financial instruments are denominated in U.S. dollars, and the Company does not use derivative instruments or foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of unlimited common shares without par value.

The Company has only one kind and class of shares and there are no unusual rights or restrictions attached to that class.

According to the records provided by the Company's Transfer Agent, Computershare, the shares outstanding on April 30th, 2006 were 101,238,343. As at January 31, 2007 and also at April 30, 2007, the total number of common shares issued and outstanding was 142,363,552.

SUBSEQUENT EVENTS

MONTELLO RESOURCES LTD. ("Montello") (TSX Venture: MEO) is pleased to announce that in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators", the Company has filed its reserves data and other oil and gas information (51-101F1, F2 and F3) for the year ended July 31, 2006. Copies may be obtained on www.sedar.com.

February 10, 2007, Montello Resources has also granted 558,900 incentive stock options to consultants at an exercise price of \$0.15 cents per share expiring February 10th, 2012, subject to the approval of the TSX Venture Exchange.

March 12, 2007, the Board of Directors formally announced the appointment of an Acting Controller effective Friday, March 9, 2007. 150,000 options were granted on March 9, 2007 at an exercise price of \$0.135 per share expiring on March 6, 2012, subject to the approval of the TSX Venture Exchange.

March 12, 2007, the Board of Directors formally announced a new Board appointment effective Friday, March 9, as well as this individual being appointed to the Audit Committee. 350,000 options were granted effective March 9, 2007 at an exercise price of \$0.135 per share expiring on March 6, 2012, subject to the approval of the TSX Venture Exchange

April 20, 2007, the Board formally announced that it made application to the TSX Venture Exchange to extend the term of 3,650,461 million share purchase issued on March 21 ,2005 pursuant placement, exercisable at a price of \$0.20 per share for a period of two years. The share purchase warrants are to be extended until May 9, 2009. *(The Board ultimately chose not to extend the warrants in question.)*

April 21, 2007, the Board announced that it had received an additional US \$500,000.00 cash from JV Partner Austin Developments (TSXv:AUL) for the Morgan Highpoint Project, in addition to their previous funding of US \$1,600,000.00 cash received in Montello USA's Tennessee Corporate Bank Account on January 18, 2007.

The Company met with Lone Star Oil and Gas Inc. of Dallas, Texas registered owners of the mineral lease(s) where the Pryor oil blowout occurred in 2002, and signed a Joint Venture Letter of Intent to twin/offset the Howard White #1 well. Due to outstanding issues, which need resolution, drilling may commence at a later date.

Montello is focused on drilling the Morgan Highpoint #1 well (*aka John Bowen Unit #2*) well and is negotiating for a rig capable of drilling down to a depth of 10,000 feet. The first objective is to drill a vertical well to the "basement" in search of the high pressure interval present in the original John Bowen Unit #1 well, which may be the same high pressure interval associated with the original Howard/White #1 well that blew out. Operations believes that relocating the original drilling location from the Howard White lease to the John Bowen Unit #1 lease, for the Morgan Highpoint Well #1 is prudent in moving this high impact exploration play to the forefront without delay.

The Company announced that it is granting up to 500,000 incentive stock options to directors, officers, employees and consultants at an exercise price of \$0.11 per share until April 17, 2011 subject t the approval of the TSX Venture Exchange.

April 23, 2007 the Board formally announced that it had received US \$2.4 million from Austin Developments Ltd. for the Morgan Highpoint Project. Funds are in place to commence drilling on a 50-50 basis.

In a strategic move to expedite the completion of the pre-drill portion of the Morgan Highpoint Project, and in anticipation of expected increase in day-to-day operational duties, Dwayne Trykalo, President, C.O.O. and Director of Montello Resources Ltd. (the “*Public Parent*”) is stepping down to focus solely as President of Montello’s wholly owned operating subsidiary company, Montello Resources USA Ltd. effective immediately.

Mr. Tyrkalo states, “*The time is right for me to focus 100% solely on the commencement of our planned drilling program at Morgan Highpoint. I am excited about the bigger potential picture that lies ahead in Tennessee. In my new capacity, I will report directly to the Executive and Board of Directors of the Public Parent, and be accountable for expediting a more aggressive timetable in the U.S.*”

The Board of Directors has elected Mr. Bill Cawker to the role of President of Montello Resources Ltd. in addition to his current duties. Mr. Randy Marshall, Vice President. of Operations, Production, and Engineering, assumes the duties of COO in addition to his current duties.

On April 30, 2007 the Board of Directors formally announced that as a follow up to the News Release of Friday April 20th that Montello would not be extending the term of 3,650,461 million Share Purchase Warrants expiring on May 6th, 2007. These Warrants were issued in 2005 pursuant to a Private Placement and exercisable at a price of \$0.20 per share for a period of two years.

An additional 820,000 Warrants expiring on June 9, 2007, were also not extended. These were issued in 2005 pursuant to a Private Placement and exercisable at a price of \$0.20 per share for a period of two years.

Two “former” Consultants have had their Incentive Stock Options expire/cancelled: June 07, 2007, 125,000 @\$0.10 and June 12, 2007, 400,000 @\$0.13 per share.

