

Montello Resources Ltd.
Management's Discussion and Analysis
For the Quarter Ended January 31, 2009

Date Submitted: April 15, 2009

The following interim Management's Discussion and Analysis ("MD&A") of the financial results for Montello Resources Ltd. ("Montello" or "the Company") should be read in conjunction with the unaudited interim financial statements for the three month period ending January 31, 2009 and the Quarter ending October 31, 2008, as well as the audited financial statements and corresponding MD&A for the year ended July 31, 2008. Further information regarding Montello is available on SEDAR at www.sedar.com. This MD&A is dated April 15, 2009.

Forward Looking Information

In addition to historical information, the MD&A contains forward-looking statements that are generally identifiable as any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events of performance (often, but not always, through the use of words or phrases such as "will likely result," "expected," "is anticipated," "believes," "estimated," "intends," "plans," "projection" and "outlook"), are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements.

These statements are based on certain factors and assumptions regarding the results of operations, the performance of projected activities and business opportunities. Specifically, we have used historical knowledge and current industry trends to project budgeted expenditures for 2008 and into 2009. While we consider these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect and therefore should not be unduly relied upon.

Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: risks associated with the Company's stage of development; competitive conditions; share price volatility; risks associated with crude oil and natural gas exploration and development; risks related to the inherent uncertainty of reserves and resources estimates; possible imperfections in title to properties; the volatility of crude oil and natural gas prices and markets; environmental regulation and associated risks; loss of key personnel; operating and insurance risks; the inability to add reserves; risks associated with industry conditions; the ability to obtain additional financing on acceptable terms if at all; non operator activities; the inability of investors in certain jurisdictions to bring actions to enforce judgments; equipment unavailability; potential conflicts of interest; risks related to operations through subsidiaries; risks related to foreign operations; currency exchange rate risks and other factors, many of which are beyond the control of the Company. Accordingly, there is no representation by Montello that actual results achieved during the forecast period will be the same in whole or in part as that forecast. Further, Montello undertakes no obligation to update or revise any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by applicable securities laws.

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Non-GAAP Measures

The financial data presented herein has been prepared in accordance with GAAP. The Company has also used certain measures of financial reporting that are commonly used as benchmarks within the oil and natural gas production industry in the following MD&A discussion. The measures are widely accepted measures of performance and value within the industry, and are used by investors and analysts to compare and evaluate oil and natural gas exploration and producing entities. Most notably, these measures include operating netback and funds flow from (used in) operations. Operating netback is a benchmark used in the crude oil and natural gas industry to measure the contribution of oil and natural gas sales and is calculated by deducting royalties and operating expenses from revenues. Funds flow from (used in) operations is cash flow from operating activities before changes in non-cash working capital, and is used to analyze operations, performance and liquidity. These measures are not defined under GAAP and should not be considered in isolation or as an alternative to conventional GAAP measures. These measures and their underlying calculations are not necessarily comparable to a similarly titled measure of another entity. When these measures are used, they are defined as “non GAAP” and should be given careful consideration by the reader.

Note Regarding Production Information, Boe and Mcfe

In this MD&A, Boes are derived by converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil (6 Mcf:1 bbl) and Mcfes are derived by converting oil to gas in the ratio of one barrel of oil to six thousand cubic feet of gas (1 bbl:6 Mcf). Per barrel oil equivalent amounts (“boe”) and one thousand cubic feet of gas equivalent (“Mcf”) amounts may be misleading, particularly if used in isolation. A boe conversion of 6 Mcf of natural gas to 1 bbl of oil, or a Mcfe conversion ratio of 1 bbl of oil to 6 Mcf of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. When it comes to Production Information, readers should be aware that historical results are not necessarily indicative of future performance.

Highlights

The Company is a junior natural resource company engaged in the acquisition, exploration and development of oil and gas properties in Canada and the U.S.A. The Company is listed on the TSX Venture Exchange under the symbol MEO a reporting issuer in both Alberta and British Columbia. Peter C. Brown, Pres-CEO-Chairman and Mike Williams, CFO, since their appointment in August, 2008, have been evaluating Montello’s various properties and Joint Venture Partnerships in order to develop a course of action going forward to try and maximize potential given the current difficult economic environment.

At the end of the quarter January 31, 2009, Nexgen earned an interest of 7% into the Bowen Lands and Accompanying Assets from Montello as per an amendment in a revised equalization agreement dated November 9, 2008.

The Tennessee JV Partnership finished a deep gas test in the John Bowen #2 Well that was unsuccessful leading to the focusing of efforts on how to proceed in shallower zones of potential interest. Drilling and completion work is on hold in Tennessee pending resolution of such issues as the ongoing ability of the partnership to fund, oil and gas price forecasts, as well as local logistics concerns.

Montello and its JV Partners at Sarcee have been unable to proceed on a recompletion program and do not look like they will meet an early May deadline between the operator and the leaseholder, therefore the project has incurred impairment loss.

The Company has invested in programs at Mulligan, Alberta to correct deficiencies in a water injection shortfall as well as to potentially improve production levels and reduce operating costs. The largest working interest owner is now the operator.

In this period, no capital costs were incurred at Grouard, Alberta. The operator is in financial difficulty and until such issues are resolved, Montello does not contemplate participating in any optimization programs, or facility construction.

A January 28, 2009 public hearing held in Pincher Creek by the Energy Resources Conservation Board (ERCB) saw the approval of a pipeline license.

Legal counsel has argued on behalf of Montello Resources Ltd. USA and the Partnership standing by the position that all conditions of the contract for services with Nabors Drilling USA, LP (the "Plaintiff") were met in April, 2008.

Tennessee

On November 18, 2008 Montello commenced a test program in the "Deep Gas Zone" of the John Bowen #2 well in which it holds a 48 % working interest. The zone was isolated and cement injected behind the casing before perforating. The zone was perforated and subsequently fractured with one million cubic feet of nitrogen. The well was then flowed with returns of drilling fluids and gas.

The gas was deemed to be primarily inert with a trace of combustible gas. The well was then shut in and monitored for pressure build up and potential breakthrough of combustible gas. On February 9th with no significant gas from what was considered a damaged zone, the well was deemed to be non – commercial in this zone.

Although Montello continues to research the potential of the shallower zones of interest such as the Chattanooga Shales in the surrounding area, it has no immediate plans to exploit and test these shallower gas zones due to the current wellhead price for gas.

Chemical analysis is being performed on the two oil zones in the John Bowen # 1 and the Morgan Highpoint # 3 wells respectively with a view to treating what Montello considers to be plugged parafinitic zones.

Montello sold a total of 336 barrels of oil from the Morgan Highpoint #3 well in December from the initial production. Montello holds a 38 % interest in the John Bowen #1 well and a 35.00% interest in the Morgan Highpoint #3, #4, #5 wells.

Pincher Creek

On January 28, 2009 a public hearing was held in Pincher Creek by the Energy Resources Conservation Board (ERCB) to review the application by the Operator of the property to obtain access for the construction of a pipeline license. The Operator has since negotiated the conditions for right of entry with the landowners and stakeholders and signed an agreement to that effect. Montello holds a 25.00% working interest in the 1-11-29-4W4 well, before payout reverting to 15.00% after payout. Montello is hopeful that the pipeline will be constructed by or before the end of June of 2009 so that the long delayed start of production can also commence in the same quarter.

Mulligan

Montello's management have evaluated potential enhancement of its Mulligan properties in Northwest Alberta and have addressed the water injection shortfall that existed in one of the Mulligan reservoirs. To that end Montello engaged a Reservoir Engineering Group to calculate the voidage deficit and to implement procedures to insure the correct volumes of water into the reservoir and satisfy the requirements of the ERCB. Montello has transferred operatorship to the largest working interest owner in the battery and injection facilities and the jointly owned lands in Township 81 while retaining operatorship of its majority owned lands in Township 82.

Sarcee

Montello, under a farmout agreement held a 2.50% interest in 2,560 acres of petroleum and natural gas rights on lands in the T'suu Tina Reserve. In November 2007, the Company increased its interest to 8.50% by issuing 11,663,333 shares at \$0.30 per share to the vendor an additional 6% working interest. Montello has been waiting on the operator to furnish a plan for this project. The lands will be returned to the T'sui Tina Band in May and will be potentially renegotiated. Due to lack of activity and the potential to lose the lands, Montello has reported an impairment loss of \$3,515,546 CDN in the current quarter.

Grouard

In this period, no capital costs were incurred at Grouard, Alberta. The operator is in financial difficulty and until such issues are resolved, Montello does not contemplate participating in any optimization programs, or facility construction.

Liquidity & Financing

On October 3, 2008, the Company closed a private placement of 1,887,720 common shares with an attached share purchase warrant exercisable for a one year term. The gross proceeds of \$99,532 will be used for general working capital and CEE expenditures.

The TSX Venture Exchange accepted for filing documentation with respect to a Non-Brokered Private Placement announced November 20, 2008 in a TSX Bulletin dated February 18, 2009. There were six places for 350,000 flow-through shares and 7,550,000 common shares priced at \$0.025 per flow through share and \$0.025 per common share for gross proceeds of \$197,500. There were 7,900,000 warrants issued to purchase 7,900,000 common shares at an exercise price of \$0.05 per share were issued for a period of one year.

These funds and additional funds to be raised will be used for G&A and operating expenses. The Company will likely need to undertake another financing to ensure the capital required to build the pipeline in Pincher Creek. On completion of the pipeline revenues from the Pincher Creek area are anticipated to fund any future activity here.

In order to fund its future capital programs the company is taking the following measures:

Montello owns a farm and certain buildings in Tennessee that it purchased in order to acquire certain mineral rights. This farm is now up for sale. Montello will use the proceeds of this sale to help fund the reactivation of its oil wells in Tennessee.

Montello intends to follow up with discussion with the major operators in Tennessee with the possibility of farming out its interests in the gas plays. In the short term no capital will be required, as the market price for gas does make these projects economic on a full cycle basis.

Montello, as discussed in its Information Circular will be restructuring the company via a consolidation of its stock with a view to an equity financing to fund new projects and expand on its existing projects.

Selected Financial Information

The Company's fiscal year ends on July 31, of each year. The following is a summary of certain selected audited financial information for the last three completed fiscal years of the Company:

Summary of Annual Results

	2008	2007	2006
Revenues	\$575,974	\$ 397,162	\$ 363,351
Operation costs and royalties	300,514	236,859	49,854
Amortization & depletion	83,531	1,872,500	1,284,799
General and Administrative Expenses	4,019,762	1,829,900	1,440,072
Net Income (Loss)	(4,196,108)	(3,542,097)	(2,411,374)
Loss per share	\$0.02	\$0.03	\$0.02
Total Assets	11,040,819	4,202,972	2,777,523
Long Term Liabilities	268,154	219,729	496,825

Summary of Quarterly Results

	2009 Jan. 31	2008 Oct. 31	2008 July 31	2008 April 30
Total Revenues	\$59,237	\$100,004	\$182,389	\$104,060
Loss from operations	\$3,030,674	\$396,681	2,221,391	124,300
Loss per share	\$0.016	\$0.02	\$0.01	nil

	2008 Jan. 31	2007 Oct. 31	2007 July 31	2007 April 30
Total Revenues	\$102,904	\$193,349	(\$22,594)	\$130,925
Loss from operations	20,966	1,829,451	1,605,854	1,308,862
Loss per share	nil	\$0.01	\$0.01	\$0.01

Results of Operations

The company had revenues of \$59,237.00 in the quarter ending January 31, 2009 compared to revenues of \$100,004.00 in the previous quarter and revenues of \$102,904.00 in the quarter ending January 31, 2008. The reason for reduction in revenue was due to the drop in the commodity price compared to the corresponding period in 2008 and to the quarter ending October 31, 2008.

Mulligan which is responsible for the bulk of the company's production was also shut in for the construction of a water pipeline during the month of December and for overhaul of the compressor station at the 14-23-81-8W6 Battery.

General and Administrative Expenses

General and Administrative costs increased by 102% compared to the corresponding period in 2008, from \$150,949.00 to \$318,630.00, due to expenses related to the Tennessee Operation and

related to correcting the voidage problem in the Mulligan Area in order to be compliant with the ERCB regulations and continue to produce.

Depletion, Depreciation & Accretion

During the period ending the January 31, 2009 the Company incurred an impairment loss of \$3,515,546.00 related to its Sarcee property that had incurred large costs for no attributable reserves. The lands related to this property will have to be renewed and reapplied for in May 2009 at which time the company hopes to book an asset value for this property.

Accretion expense is the increase in the present value of the asset retirement obligation for the current period and the amount of this expense will increase commensurate with the asset retirement obligation as new wells are drilled or acquired through acquisitions.

Stock Based Compensation

For the quarter ending January 31, 2009 there was no increase of expense related to stock based compensation.

This expense represents the fair value of the Company's stock options at the grant date as options granted under the current plan vest at the date of the grant. The options are non-transferable. The future expense will vary as it is dependent on the number and vesting provisions of future stock option grants. (It is noted in news releases of February 12 and March 13, 2009 that all stock options were cancelled.)

Income Taxes

Presently the Company does not expect to pay current taxes into the foreseeable future based on existing tax pools, planned capital activities and current forecasts of taxable income. However, the current tax horizon will ultimately depend on several factors including commodity prices, future production, corporate expenses, and both the type and amount of capital expenditures incurred during the remainder of the year and in future reporting periods.

Financial Instruments

Crude oil and natural gas operations involve certain risks and uncertainties. These risks include, but are not limited to, commodity prices, foreign exchange rates, interest rates, credit, operational and safety.

Operational risks are managed through a comprehensive insurance program designed to protect the Company from significant losses arising from risk exposures. Risks associated with commodity prices, interest and exchange rates are generally beyond the control of the Company; however, various hedging products may be considered to reduce the volatility in these areas.

Safety and environmental risks are addressed by compliance with government regulations as well as adoption and compliance of the Company's safety and environmental standards policy.

The Company is exposed to concentration of credit risk as substantially all of the Company's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company mitigates this risk by entering into transactions with long-standing, reputable counterparts and partners. If significant amounts of capital are to be spent on behalf of a joint venture partner, the partner is "cash called" in advance of the capital spending taking place.

Critical Accounting Estimates

Certain accounting policies require management to make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. For a discussion about those accounting policies, please refer to the management's discussion and analysis and notes to corresponding audited consolidated financial statements for the year ended July 31, 2008 and interim filings of October 31, 2008 available at www.sedar.com.

Recent Accounting Pronouncements

The Company adopted the following accounting pronouncements.

- (a) Section 3862, "Financial Instruments – Disclosures", describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, "Financial Instruments – Presentation" replaced Section 3861, "Financial Instruments – Disclosure and Presentation". The adoption of this section did not have a material impact on the Company's financial statements.
- (b) Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of financial instruments and non-financial derivatives. The adoption of this section did not have a material impact on the Company's financial statements.
- (c) Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance. The adoption of this section did not have a material impact on the Company's financial statements.
- (d) The CICA has amended Section 1400, "General Standards of Financial Statement Presentation", to include requirements to assess and disclose the Company's ability to continue as a going concern. The adoption of this new section did not have a material impact on the financial statements.

The Company has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have a significant impact on the Company:

- As of August 1, 2008, Montello is adopting CICA Handbook Section 3064 Goodwill and Intangible Assets which replaces CICA Handbook Sections 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The adoption is not expected to have a material impact on its financial statements.
- The Canadian Accounting Standards Board (AcSB) has confirmed that the use of international financial reporting standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises. These include listed companies and other profit-oriented enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The company is currently evaluating the impact of adopting IFRS.

Risks and Uncertainties

For a discussion about risk and uncertainties, please refer to the Management's Discussion and Analysis for the year ended July 31, 2008 available at www.sedar.com.

Further details on the Company via its news releases, financials and MD&A's are available on the Company's website www.montello.com and on www.sedar.com.