

Montello Resources Ltd.
Management's Discussion and Analysis
For the Quarter Ended April 30th, 2009

Date Submitted: June 30, 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.

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.

On the 30th April 2009 the company held its Annual General Meeting. The company presented its year end financials and had asked for a vote to consolidate the companies share structure and to potentially change the company’s name. Both of these motions failed to acquire over two thirds of the vote and were subsequently defeated. It was agreed at the same meeting that after providing certain information to the public, through the company’s webpage, a ‘Special Meeting’ would be held to once again table the possibility of consolidating the companies share structure. The company has not at this time picked a date for such a meeting.

In Tennessee the surface facilities surrounding the Bowen lands were put up for sale for the sum of \$300,000.00. The mineral rights were severed from this sale as was a 4 acre parcel surrounding the John Bowen # 1 and John Bowen #2 well sites as well as the access road to the wellsites. Montello has received a number of enquiries to date and will announce closure of the sale if and when it has been completed. Montello expects to use some of the funds to attempt to bring on its oil discovery in the Morgan Highpoint area. Montello has no plans at this time to exploit the potential gas zones at the Chattanooga level in its wells until the commodity prices improve.

Montello as previously reported has incurred an impairment loss in the Sarcee project and will not be continuing to invest in this area.

After having invested in programs at Mulligan, as previously reported, Montello has decided to sell its interests in this area as they are deemed non core to the company. Montello will use the proceeds of any potential sale to invest in its Pincher Creek property and in any new projects it would contemplate.

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.

Montello is happy to report that Legal counsel has advised the company that the case brought against Montello Resources Ltd. USA and the Partnership by Nabors Drilling USA, LP (the "Plaintiff") has now been dismissed.

Tennessee

After failing to find any commercial combustible gas in the deeper section of the John Bowen #2 well, Montello has decided to abandon the lower zone of this well and will be preparing an Authorization For Expenditure for its partners. Work on this partial abandonment is expected to take place no later than the fourth quarter of 2009.

As reported in the previous interim period 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 has been performed on the oil zones in the Morgan Highpoint # 3 well by Baker Petrolite with a recommendation to use a paraffin inhibitor in this well.

Pincher Creek

Montello is awaiting news from the operator Pennine Petroleum Corporation on progress towards constructing the required pipeline to tie into the Waterton Gas Plant. It has been notified by the operator that the turn around and reconditioning of the plant should be completed in the second quarter of 2009. The plant would then be available to third party gas. Montello expects an Authorization For Expenditure from the operator to follow confirmation that the Waterton plant is again active, and work to commence on construction shortly afterward.

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

After evaluating potential enhancement of its Mulligan properties in Northwest Alberta and have addressed the water injection shortfall that existed in one of the Mulligan reservoirs, Montello has decided to sell both its non-operated and operated interests in this area, to fund what it considers to be its core areas in Alberta. Montello will announce completion of the sale of these properties as soon as any transaction has been closed. Montello did receive production from this area during the months of April and May after certain repairs had been made to its facilities.

Sarcee

Montello reported an impairment loss of \$3,515,546 CDN in the previous quarter and will incur no further costs in this project.

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 Apr 30	2009 Jan. 31	2008 Oct. 31	2008 July 31
Total Revenues	\$29,537	\$62,007	100,004	\$182,389
Loss from operations	\$200,812	\$3,030,674	\$396,681	2,221,391
Loss per share	\$0.01	\$0.016	\$0.02	\$0.01

	2008 April 30	2008 Jan. 31	2007 Oct. 31	2007 July 31
Total Revenues	\$104,060	\$102,904	\$193,349	(\$22,594)
Loss from operations	124,300	20,966	1,829,451	1,605,854
Loss per share	nil	nil	\$0.01	\$0.01

RESULTS OF OPERATIONS

Revenues

The company had revenues of \$29,537.00 in the quarter ending April 30, 2009, compared to revenues of \$62,007 in the previous quarter and \$104,060 in the same quarter in the prior year. The main reason for the sharp decrease in revenue in the current quarter is because of lack of production from the 14-23 due to repairs needed on the compressor. Other production interruptions were due to pump jack motor repairs carried out on the 6-9 and treator on the 14-4.

Also revenues were down for the January 31, 2009 quarter due to Mulligan which is responsible for the bulk of the company's production which 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. The reason for reduction in revenue in prior quarters was due primarily to the drop in the commodity price compared to the corresponding periods in 2008.

Production costs

Despite a reduction in revenue for the nine months ended April 30, 2009, production costs have increased in the same period, primarily due to the construction of the water pipeline on the 14-23 to resolve the voidage problem in the Mulligan Area in order to be compliant with the ERCB regulations. Shut downs and repairs as noted above were also responsible for the increased production costs as well.

RESULTS OF OPERATIONS-CONTINUED

General and Administrative Expenses

General and Administrative expenses for the current quarter are approximately \$20,000 lower than the previous quarter as management begins to undertake cost saving measures due to the change in operations and decrease in production revenue. Expenses for the current nine month period are approximately \$200,000 higher than the same nine months last year mainly due to legal and accounting expenses related to management changes, the AGM and for other continuous disclosure issues. Expenses related to the Tennessee Operation also added to the increase during the first six months. The Tennessee operation has been scaled back during the current three month period,

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 April 30, 2009 there were no increases of expenses 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.

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended April 30, 2009, significant cash flows were as follows: financing activities included the issuance of common shares and flow through common shares totaling \$224,561 (2008 - \$4,675,699). Investing activities included an increase of \$238,231 and in the same nine month period last year \$5,435,319 in additions to the Company's oil and gas properties. Cash outflows for operating activities were \$1,024,202 (2008 - \$1,042,907).

As at April 30, 2009 the Company had a working capital deficit of \$444,911 (July 31, 2008 - \$727,927) and an accumulated deficit of \$30,451,709 (July 31, 2008 - \$25,961,345).

LIQUIDITY AND CAPITAL RESOURCES - Continued

The Company has financed its operations to date primarily through the issuance of common shares for private placements and on the exercise of stock options and warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to have profitable operations in the future.

The Company's future capital requirements will depend on many factors, including costs of exploration and development of the properties, cash flow from operations, costs to complete well production if warranted, competition and global market conditions. The Company's growing working capital needs may require it to obtain additional capital to operate its business.

The Company will depend partly on outside capital to complete the exploration and development of its resource properties. Such outside capital will include the sale of additional common shares and debt financing. There can be no assurance that capital will be available as necessary to meet these continuing exploration and development costs or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in a significant dilution in the equity interests of its current shareholders. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected.

RELATED PARTY TRANSACTIONS

During the nine months periods ended April 30, 2009 and April 30, 2008, the Company incurred the following costs to the directors and officers of the Company:

	2009	2008
B.Cawker, former Chairman and Director	\$97,000	\$78,750
P.Brown, Chairman President and Director	\$80,500	Nil
P. Emrich, former President Montello USA	60,521	Nil
M. Williams, CFO	\$54,000	Nil
J. Dow, former CFO-paid to Dow West Financial	Nil	\$86,539
L. Shaffer, Corporate Secretary	\$15,000	\$28,000

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

OTHER MATTERS

Legal Proceedings

There are no ongoing legal proceedings of any kind initiated by the Company or by third parties against the company and there are no contingent liabilities and no default under debt or other contractual obligations. There were no special resolutions passed by shareholders.

OTHER MATTERS-Continued

Material contracts

The Company did not enter into any material contracts during the period.

Investor Relations

The Company did not enter into any investor relations contracts in the period

Regulatory Matters

The Company has been working closely with the ASE to improve its continuous disclosure responsibilities.

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 previous interim filings 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.