

**MONTELLO RESOURCES LTD.  
P. O. Box 1757, Station M  
Calgary, Alberta T2P 2L8**

**NOTICE OF THE ANNUAL GENERAL AND SPECIAL MEETING  
OF SHAREHOLDERS TO BE HELD ON WEDNESDAY, APRIL 25, 2007**

**NOTICE IS HEREBY GIVEN** that the Annual General and Special Meeting (the "**Meeting**") of the shareholders of **MONTELLO RESOURCES LTD.** (the "**Company**") will be held at the office of the Company's counsel, Burstall Winger LLP, Suite 1600, 333-7<sup>th</sup> Avenue S.W. Calgary, Alberta T2P 2Z1 on Wednesday, April 25, 2007 at 10:00 A.M. (Calgary time), for the following purposes:

1. To fix the number of directors for the ensuing year at five (5) and to elect as directors for the ensuing year the nominees proposed by management of the Company.
2. To appoint auditors for the ensuing year and to authorize the directors of the Company to fix their remuneration.
3. To consider and, if thought fit, to pass a resolution in the form included in the Information Circular accompanying this Notice of Meeting approving the stock option plan for the Company.
4. To consider and, if thought fit, to pass a special resolution in the form attached to the Information Circular accompanying this Notice of Meeting to approve the continuance of the Company under the *Business Corporations Act* (Alberta) and to amend the Articles of the Company accordingly.
5. To consider and, if thought fit, to pass a resolution in the form attached to the Information Circular accompanying this Notice of Meeting to confirm the adoption of By-law Number 1 pursuant to the continuance of the Company under the *Business Corporations Act* (Alberta).
6. To transact such other business as may properly be brought before the Meeting.

**Information relating to the matters to be brought before the Meeting is set forth in the Information Circular which accompanies this Notice of Meeting.**

Only holders of common shares of the Company of record at the close of business on March 14, 2007 are entitled to notice of the Meeting and only those holders of the common shares of the Company of record at the close of business on March 14, 2007, or who subsequently become shareholders and comply with the provisions of the *Business Corporations Act* (British Columbia), are entitled to vote at the Meeting. If you are unable to attend in person, kindly fill in, sign and return the enclosed proxy in the envelope provided for that purpose.

Proxies, to be valid, must be deposited at the office of the registrar and transfer agent of the Company, Computershare Trust Company, 510 Burrard Street, 4th Floor, Vancouver, British Columbia, V6C 3B9, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or an adjournment of the Meeting.

**DATED** as of the 14<sup>th</sup> day of March, 2007.

**BY ORDER OF THE BOARD OF DIRECTORS**

"William R. Cawker"  
William R. Cawker  
Chief Executive Officer

**MONTELLO RESOURCES LTD.**

P. O. Box 1757, Station M  
Calgary, Alberta T2P 2L8

**INFORMATION CIRCULAR**

**PURPOSE OF SOLICITATION**

**This Information Circular is furnished in connection with the solicitation of proxies by the management of Montello Resources Ltd. ("Montello" or the "Company") for use at the annual and special meeting (the "Meeting") of shareholders of the Company to be held at the offices of counsel to the Company, Burstall Winger LLP, 1600 Dome Tower, 333-7th Avenue SW, Calgary, Alberta T2P 2Z1 on Wednesday, April 25, 2007 at 10:00 a.m. (Calgary time) and at any adjournments thereof for the purposes set out in the accompanying Notice of Meeting.** Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone by directors, officers, employees or agents of the Company. Pursuant to National Instrument 54-101, arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of the common shares of the Company (the "**Shares**"). The cost of any such solicitation will be borne by the Company.

**VOTING OF PROXIES**

All Shares represented at the Meeting by properly executed proxies will be voted and where a choice with respect to any matter to be acted upon has been specified in the Instrument of Proxy, the Shares represented by the proxy will be voted in accordance with such specifications. **In the absence of any such specifications, the management designees, if named as proxy, will vote IN FAVOUR of all the matters set out herein.**

**The enclosed Instrument of Proxy confers discretionary authority upon the management designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters that may properly come before the Meeting. At the date of this Information Circular, the Company is not aware of any amendments to, or variations of, or other matters that may come before the Meeting. In the event that other matters come before the Meeting, then the management designees intend to vote in accordance with the judgment of the management of the Company.**

Proxies, to be valid, must be deposited at the office of the registrar and transfer agent of the Company, Computershare Trust Company of Canada, 510 Burrard Street, 4th Floor, Vancouver, British Columbia, V6C 3B9, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or an adjournment of the Meeting.

**ADVICE TO BENEFICIAL SHAREHOLDERS ON VOTING THEIR SHARES**

The information set forth in this section is of significant importance to many shareholders of the Company, as a substantial number of shareholders do not hold their Shares in their own name. Shareholders who do not hold their shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by shareholders whose names appear on the records of the Company as the registered holders of Shares can be recognized and acted upon at the Meeting. If Shares are listed in an account statement provided to a shareholder by a broker, then, in almost all cases, those shares will not be registered in the shareholder's name on the records of the Company. Such shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the nominee of The Canadian Depository for Securities Limited, which acts as depository for many

Canadian brokerage firms). Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting shares for the broker's clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Shares are communicated to the appropriate person.

Applicable regulatory rules require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP"). ADP typically applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy forms to ADP. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at a meeting. **A Beneficial Shareholder receiving a proxy with an ADP sticker on it cannot use that proxy to vote Shares directly at the Meeting. The proxy must be returned to ADP well in advance of the Meeting in order to have the Shares voted at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of his or her broker (or an agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxy holder for the registered shareholder and vote the Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Shares as proxy holder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

### **APPOINTMENT OF PROXY**

**A shareholder has the right to designate a person (who need not be a shareholder of the Company) other than Sandy L. Marshall and Dwayne S. Tyrkalo, the management designees, to attend and act for him at the Meeting.** Such right may be exercised by inserting in the blank space provided, the name of the person to be designated and deleting therefrom the names of the management designees or by completing another proper instrument of proxy and, in either case, depositing the instrument of proxy with the registrar and transfer agent of the Company, Computershare Trust Company of Canada, 510 Burrard Street, 4th Floor, Vancouver, British Columbia, V6C 3B9, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or an adjournment of the Meeting.

### **REVOCAION OF PROXIES**

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy.

A shareholder may revoke a proxy by depositing an instrument in writing, executed by him or his attorney authorized in writing, or, if the shareholder is a corporation, under its corporate seal or signed by a duly authorized officer or attorney for the company:

1. at the offices of the registrar and transfer agent of the Company, Computershare Trust Company of Canada, 510 Burrard Street, 4th Floor, Vancouver, British Columbia, V6C 3B9, at any time, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of

Alberta, preceding the Meeting or an adjournment of the Meeting at which the proxy is to be used; or

2. at the office of the Company's counsel, Suite 1600, Dome Tower, 333 - 7<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 2Z1, at any time up to and including the last business day preceding the day of the Meeting at which the proxy is to be used; or
3. with the chairman of the Meeting on the day of the Meeting or an adjournment of the Meeting.

In addition, a proxy may be revoked by the shareholder executing another form of proxy bearing a later date and depositing same at the offices of the registrar and transfer agent of the Company within the time period set out under the heading "Voting of Proxies", or by the shareholder personally attending the Meeting and voting his Shares.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The Company is authorized to issue an unlimited number of Shares, of which 142,363,552 Shares are issued and outstanding and entitled to vote at the Meeting on the basis of one (1) vote for each Share held.

The holders of Shares of record at the close of business on the record date, set by the directors of the Company to be March 14, 2007 (the "**Record Date**"), are entitled to vote such Shares at the Meeting on the basis of one (1) vote for each Share held, except to the extent that:

1. such person transfers his or her Shares after the Record Date; and
2. the transferee of those Shares produces properly endorsed share certificates or otherwise establishes his or her ownership to the Shares; and
3. makes a demand to the registrar and transfer agent of the Company, not later than 10 days before the Meeting, that his or her name be included on the shareholders' list.

The by-laws of the Company provide that one (1) person present and representing in person or by proxy not less than one (1) Share of the outstanding Shares entitled to vote at the Meeting; constitute a quorum for the Meeting.

To the knowledge of the directors and senior officers of the Company, as at the date hereof, no persons beneficially own, directly or indirectly, Shares carrying more than 10% of the voting rights of the outstanding Shares.

### **CORPORATE GOVERNANCE DISCLOSURE**

#### **General**

The directors of the Company (the "**Board**") believe that good corporate governance improves corporate performance and benefits all shareholders. The Canadian Securities Administrators (the "**CSA**") have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), which prescribes certain disclosure by the Company of its corporate governance practices. This disclosure is presented below.

#### **Board of Directors**

***Independent Directors*** – The independent members of the Board are Joseph Dow and Marc Davis.

***Non-independent Directors*** – The non-independent directors are William R. Cawker, who is the Chief Executive Officer and Chairman of the Board; Dwayne S. Tyrkalo, President and Chief Operating Officer of the Company and Randy S. Marshall, Vice President of Operations, Production and Engineering of the Company. Messrs. Cawker, Tyrkalo and Marshall have been determined not to be independent under NI 58-101 as a result of having acted as executive officers of the Company within the last three (3) years.

The Board facilitates its exercise of independent judgment in carrying out its responsibilities by carefully examining issues and consulting with outside counsel and other advisors in appropriate circumstances. The Board requires management to provide complete and accurate information with respect to the Company's activities and to provide relevant information concerning the industry in which the Company operates in order to identify and manage risks. The Board is responsible for monitoring the Company's officers, who in turn are responsible for the maintenance of internal controls and management information systems.

### ***Meetings of Independent Directors***

The non-independent directors hold candid, open regular meetings.

### ***Chairman of the Board***

The Chairman of the Board, Mr. Cawker, is not independent as he is also the Chief Executive Officer. The Board holds regular Meetings and conference calls.

There were an undetermined number of meetings of the Board during the financial year ended July 31, 2006. The attendance record at the meetings of the Board was as follows: William R. Cawker, Dwayne Tyrkalo, Randy S. Marshall and Marc Davis, Dave Kerr, Sandy Marshall, Pat Powers, Jeannine Davis, Daniel Powers and Glenn Greig.

### **Mandate of the Board**

The Board approved a mandate which includes among other duties and responsibilities: to approve and monitor the strategic, business and financial plans of the Company; to supervise performance and succession planning of senior officers; to assess the principal risk factors relating to the business of the Company; and to monitor and oversee the integrity of the financial reporting and disclosure. Every Director is required to act honestly and in good faith and in the best interests of the Company and to exercise the care, diligence and skill of a reasonably prudent person. Responsibilities not delegated to senior management or to a committee of the Board remain those of the full Board.

### **Position Descriptions**

The Board develops corporate objectives which the Chairman and Chief Executive Officer is responsible to meet through its annual budget and strategic plan review, and otherwise as required.

### **Orientation and Continuing Education of Board Members**

When new directors are appointed, they receive orientation, commensurate with their previous experience, on the Company's properties, business, technology and industry and on the responsibilities of directors.

Board meetings may also include presentations by the Company's management and employees to give the directors additional insight into the Company.

## **Ethical Business Conduct**

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Under the corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and disclose to the Board the nature and extent of any interest of the director in any material contract or material transaction, whether made or proposed, if the director is a party to the contract or transaction, is a director or officer (or an individual acting in a similar capacity) or a party to the contract or transaction or has a material interest in a party to the contract or transaction. The director must then abstain from voting on the contract or transaction unless the contract or transaction:

- (a) relates primarily to their remuneration as a director, officer, employee or agent of the Company or an affiliate of the Company,
- (b) is for indemnity or insurance for the benefit of the director in connection with the Company, or
- (c) is with an affiliate of the Company.

If the director abstains from voting after disclosure of their interest, the directors approve the contract or transaction and the contract or transaction was reasonable and fair to the Company at the time it was entered into, the contract or transaction is not invalid and the director is not accountable to the Company for any profit realized from the contract or transaction. Otherwise, the director must have acted honestly and in good faith, the contract or transaction must have been reasonable and fair to the Company and the contract or transaction be approved by the shareholders by a special resolution after receiving full disclosure of its terms in order for the director to avoid such liability or the contract or transaction being invalid.

## **Nomination of Directors**

The Board is responsible for identifying individuals qualified to become new Board members and recommending to the Board new director nominees for the next annual meeting of the shareholders. The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required, shown support for the Company's mission and strategic objectives, and a willingness to serve.

The Board does not have a nominating committee and these functions are currently performed by the Board as a whole. However, if there is a change in the number of directors required by the Company, this policy will be reviewed.

## **Compensation**

The Board periodically reviews the compensation paid to directors, management, and other employees based on such factors as time commitment and level of responsibility, comparative fees paid by other

companies in the industry in North America and the Company's current position as an oil and gas exploration Company with limited operating revenue.

The Board does not have a compensation committee and these functions are currently performed by the Board as a whole. However, if there is a change in the number of executives required to manage the Company, this policy will be reviewed.

### **Other Board Committees**

The Board has no other committees other than the Audit Committee.

### **Assessments**

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees.

## **AUDIT COMMITTEE DISCLOSURE**

The audit committee (the "**Audit Committee**") is a committee of the Board established for the purpose of overseeing the accounting and financial reporting process of the Company and annual external audits of the financial statements. The Audit Committee has set out its responsibilities and composition requirements in fulfilling its oversight in relation to the Company's internal accounting standards and practices, financial information, accounting systems and procedures, which procedures are set out below in the Company's audit committee mandate.

### **Audit Committee Charter**

The Board has developed a written audit committee charter (the "**Charter**"). A copy of the Charter is attached hereto as Schedule "B" to this Information Circular.

### **Composition of the Audit Committee**

The Audit Committee consists of Joseph Dow and Marc Davis who are independent while Randy Marshall is not independent. All members are financially literate within the meaning of Multilateral Instrument 52-110 ("**MI 52-110**") of the Canadian Securities Administration.

### **Relevant Education and Experience of Audit Committee Members**

All members have served on various private and/or public company boards of directors. Their combined experience provides a valued contribution to the Audit Committee.

### **Audit Committee Oversight**

At no time since the commencement of the Company's fiscal year ended July 31, 2006 was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board.

### **External Auditor Service Fees (By Category)**

The following table provides information about the fees billed to the Company for professional services rendered by Rob Charlton, Chartered Accountant, during fiscal 2005 and 2006:

	<u>2006</u> <sup>(1)</sup>	<u>2005</u>
	\$	\$
Audit Fees	50,000	30,000
Audit-Related Fees	10,000	Nil
Tax Fees	20,000	15,000
All other Fees	Nil	Nil
<b>Total:</b>	<b>80,000</b>	<b>45,000</b>

Note:

- (1) Estimated to be payable for 2006 services.

### **Pre-Approval Policies and Procedures**

The Audit Committee is authorized by the Board to review the performance of the Company's external auditors and approve in advance provisions of services other than auditing and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services brought by the Company. The Audit Committee is authorized to approve any non-audit services or additional work which the Chairman of the Audit Committee deems as necessary who will notify the other members of the Audit Committee of such non-audit or additional work.

### **Reliance on Certain Exemptions**

As the Company is a venture issuer, it relies on the exemptions provided by section 6.1 of MI 52-110.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

To the knowledge of the Company's directors, the only matters to be placed before the Meeting are those matters set forth in the accompanying Notice of Meeting relating to: (i) the receipt of the financial statements and auditors' report thereon; (ii) the election of directors; (iii) the appointment of auditors; (iv) the approval of the stock option plan; (v) the approval of the special resolution authorizing the directors of the Company to continue the Company out of the jurisdiction of British Columbia, under the *Business Corporations Act* (British Columbia) ("**BCBCA**") and into the jurisdiction of Alberta under the *Business Corporations Act* (Alberta) ("**ABCA**"); and (vi) the approval of the adoption of general by-laws of the Company.

### **I. Receipt of Financial Statements**

The directors will place before the Meeting the financial statements for the year ended July 31, 2006 together with the auditors' report thereon. The financial statements have been sent to the shareholders with this Information Circular.

### **II. Election of Directors**

The Board presently consists of five (5) directors, all of whom are elected annually. It is proposed that the number of directors for the ensuing year be fixed at six (6). Each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Company, unless his office is earlier vacated in accordance with the provisions of the BCBCA or the Company's by-laws. **It is the intention of the management designees, if named as proxy, to vote FOR the election of said persons to the board of directors.** Management does not contemplate that any of such nominees will be unable to serve as directors; however, if, for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of

management designees will be voted for another nominee in their discretion unless the shareholder has specified in his or her proxy that his or her Shares are to be withheld from voting in the election of directors.

The following information relating to the nominees as directors is based on information received by the Company from said nominees.

<b>Name of Proposed Nominees, Municipality of Residence and Proposed Positions with Montello Resources Ltd.</b>	<b>Principal Occupation for Last Five Years</b>	<b>Director Since</b>	<b>Shares Beneficially Owned or Controlled, Directly or Indirectly</b>
<b>William R. Cawker</b> Chairman, Chief Executive Officer and Director <i>Vancouver, British Columbia</i>	Chairman and Chief Executive Officer of the Company since July 2006. From October 2005 to June 2006, Consulting Vice President of Corporate Affairs of the Company. From 2002 to 2005, Registered Representative Pacific International Securities. From 1998 to 2002 Mr. Cawker was employed with National Bank Financial.	July 3, 2006	723,000 <sup>(2)</sup>
<b>Dwayne S. Tyrkalo</b> President and Chief Operating Officer and Director <i>Innisfail, Alberta</i>	President and Chief Operating Officer of the Company since 2006. From September 2005 to July 2006, Head of Oil and Gas Operations of the Company, prior thereto, President of Moonshine Resources from 2004 - 2005. Vice-President, Operations of Extreme Energy from 2002 to 2004.	September 16, 2005	3,063,186
<b>Randy S. Marshall</b> <sup>(1)</sup> P.Eng., Vice-President, Production Operations, Engineering and Director <i>Calgary, Alberta</i>	Consulting Vice President Operations, Production and Engineering of the Company since 2006. Consulting Operations, Production, Facilities, Economics Evaluations, Administration & Engineering to a number of private companies since 1997.	April 11, 2006	7,500
<b>Marc Davis</b> <sup>(1)</sup> Director <i>Vancouver, British Columbia</i>	From 2006 to present, President, Optima Minerals Inc. President, M. Davis and Associates Capital Inc. from 1992 to present.	November 6, 2006	Nil
<b>Joseph Dow</b> <sup>(1)</sup> Director <i>Calgary, Alberta</i>	President, Dowwest Management Accounting Limited from 1987 to Present	March 9, 2007	Nil

Notes:

- (1) Member or proposed member of the Audit Committee of the Company.
- (2) Of these Shares, 500,000 are owned by Mr. Cawker personally, and 223,000 are owned by Cawker Family, of which Mr. Cawker is a beneficiary.

As of July 31, 2006, there were 103,438,343 common shares issued of Montello Resources Ltd. The directors, officers and promoters of the Company, as a group, control 3,793,686 Shares representing 4%

of the outstanding Shares as of July 31, 2006, before giving effect to the exercise of any outstanding stock options or warrants.

### **III. Appointment of Auditors**

Charlton & Company, Chartered Accountants, have been the auditors of the Company since 1995. On March 8, 2007, the Company appointed Ernst & Young LLP, Chartered Accountants, as the new auditors. Pursuant to the requirements of National Instrument 51-102, attached to this Information Circular as Schedule E, are a Notice of Change of Auditors of the Company in respect of the appointment of Ernst & Young LLP, together with a letter from Charlton & Company and a letter from Ernst & Young LLP.

**The management designees, if named as proxy, intend to vote the Shares represented by any such proxy FOR the appointment of Ernst & Young LLP as auditors of the Company at remuneration to be fixed by the Board.**

### **IV. Approval of a New Stock Option Plan**

The TSX Venture Exchange Inc. (the "**Exchange**") requires all listed companies with a 10% rolling stock option plan to obtain annual shareholder approval of such plan on an annual basis. Shareholders will be asked at the Meeting to vote on a resolution to approve, for the ensuing year, the new stock option plan of the Company (the "**Plan**"). The old stock option plan, which is substantially similar to the Plan, was previously approved on January 25, 2006. The Plan is described below.

The Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company, or any subsidiary of the Company, the option to purchase Shares. The Plan provides for a floating maximum limit of 10% of the outstanding Shares, as permitted by the Policies of the Exchange. On March 14, 2007, this represents 14,236,355 Shares available under the Plan of which 13,236,355 are issued. As at July 31, 2006, outstanding options to purchase a total of 11,266,834 Shares have been issued to directors, officers, employees and consultants of the Company.

The number of Shares reserved for any one (1) person may not exceed five percent (5%) of the outstanding Shares. The Board determines the price per Share and the number of Shares that may be allotted to each director, officer, employee and consultant and all other terms and conditions of the options, subject to the rules of the Exchange. The price per Share set by the directors is subject to minimum pricing restrictions set by the Exchange.

Options may be exercisable for up to five (5) years from the date of grant, but the Board has the discretion to grant options that are exercisable for a shorter period. Options granted under the Plan do not require vesting provisions, although the Board may attach a vesting period or periods to individual grants as it deems appropriate. Options under the Plan are non-assignable. If prior to the exercise of an option, the holder ceases to be a director/officer, or consultant, the option shall be limited to the number of Shares purchasable by him immediately prior to the time of his cessation of office or employment and he shall have no right to purchase any other Shares. Options must be exercised within 90 days of termination of employment or cessation of position with the Company, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death or disability, the option must be exercised within one (1) year, subject to the expiry date. A copy of the Plan is attached hereto as Schedule "A".

At the Meeting, the shareholders will be asked to approve the following resolution:

**"BE IT RESOLVED THAT:**

- (a) The stock option plan of the Company as described in this Management Information Circular of the Company dated March 14, 2007, be and is hereby ratified and approved for the ensuing year; and
- (b) any two (2) directors or officers of the Company be authorized to make all such arrangements, to do all acts and things and to sign and execute all documents and instruments in writing, whether under the corporate seal of the Company or otherwise, as may be considered necessary or advisable to give full force and effect to the foregoing."

The resolution must be approved by a simple majority approval of the votes cast at the Meeting by the holders of Shares. If the Plan is not approved by the shareholders, the Company will have to consider other methods of compensating and providing incentives to directors, officers, employees and consultants.

**If named as proxy, the management designees intend to vote the Shares represented by such proxy FOR approval of the Plan, unless otherwise directed in the instrument of proxy.**

## V. Continuation of the Company under the ABCA

### Introduction

The Company is currently incorporated under the *Business Corporations Act* (British Columbia) (the "BCBCA"). The Company's board of directors proposes to continue the Company out of British Columbia and into Alberta under the *Business Corporations Act* (Alberta) (the "ABCA") (the "Continuance").

The Company has during the past financial year, moved its head office to Calgary, Alberta and the majority of its officers reside in Alberta. In the process of continuing, it is proposed that the Articles of Continuance be adopted which will change where the registered office of the Company is located from the Province of British Columbia to the Province of Alberta. The Continuance, if approved, will effect a change in the legal domicile of the Company as of the effective date and time thereof and will affect the rights of shareholders as they currently exist under the BCBCA. Management of the Company is of the view that the ABCA will provide to shareholders substantively the same rights as are available to shareholders under the BCBCA, including rights of dissent and appraisal and rights to bring derivative actions and oppression actions, and is consistent with corporate legislation in most other Canadian jurisdictions and that shareholders will not be adversely affected by the Continuance. **However, shareholders should consult their legal advisors regarding implications of the Continuance which may be of particular importance to them.**

Upon the Continuance becoming effective, shareholders will continue to hold one (1) common share of Corporation for each one common share of the Company currently held. The principal attributes of the common shares of the Company after Continuance will be identical to the corresponding shares of the Company prior to the Continuance other than differences in shareholders' rights under the ABCA and the BCBCA, a summary of which is provided below.

The directors and officers of the Company immediately following the Continuance will be identical to the directors and officers of the Company immediately prior to the Continuance. As of the effective date of the Continuance, the election, duties, resignations and removal of the Company's directors and officers shall be governed by the ABCA, the proposed Articles of Continuance and such form of by-laws as are adopted by the directors of the Company.

## **Procedure**

Under the BCBCA, in order to effect the Continuance of the Company from British Columbia into Alberta, the Company must obtain the approval of its shareholders by way of special resolution under the BCBCA, being a resolution passed by not less than 75% of the votes cast in person or by proxy at the Meeting. The Company must also make a written application to the British Columbia Registrar of Companies for consent to continue. The Company intends to obtain the consent of the Registrar of Companies to the Continuance prior to the Meeting.

If the Continuance Resolution is passed, after the Meeting the Company intends to file the aforesaid consent along with the Articles of Continuance and other prescribed documents under the ABCA with the Director under the ABCA to obtain a Certificate of Continuance. Pursuant to the BCBCA, the Company is deemed to cease to be a Corporation within the meaning of the BCBCA on and after the date on which it is deemed to be continued under the laws of the ABCA pursuant to the issuance of the Certificate of Continuance from the Director under the ABCA.

Notwithstanding the Continuance of the Company from British Columbia into Alberta, the BCBCA and the ABCA provide that all the rights of creditors of the Company against the Company's property, rights and assets and all liens on the Company's property, rights and assets are unimpaired by the Continuance. All debts, contracts, liabilities and duties of the Company continue to attach to the Company upon being continued under the ABCA and continue to be enforceable against it as if the Company had remained incorporated under the BCBCA as well as any existing cause of action, claim or legal proceeding against the Company.

Accordingly, the shareholders will be asked to pass, with or without variation, the Continuance Resolution at the Meeting (being approval by three-quarters of the votes cast in person or by proxy) to approve the Continuance in substantially the form as set out in Schedule "C".

Holders of common shares have the right to dissent to the Continuance under Section 238 of the BCBCA. However, if the Company anticipates any substantial cost to it as a result of the exercise of dissent rights, it will not proceed with the Continuance.

## **Continuance - Corporate Governance Differences**

The following is a summary of certain differences between the BCBCA and ABCA. This summary is not an exhaustive review of the two statutes and is of a general nature only. This summary is not intended to be, and should not be construed to be, legal advice to any particular Shareholder and, accordingly, such holder should consult its own legal advisor with respect to how the Continuance may affect such holder.

### *Directors*

At least one-quarter of directors of a corporation incorporated under the ABCA must be resident Canadians. By contrast, there are no residency requirements for directors of a company incorporated under the BCBCA.

Under the ABCA, directors may be removed by ordinary resolution whereas under the BCBCA, directors may be removed by a special resolution or, if the Articles otherwise provide that a director may be removed by a resolution of the shareholders entitled to vote at general meetings passed by less than a special majority or may be removed by some other method, by the resolution or method specified.

### *Place of Meetings*

The ABCA provides that meetings of shareholders must be held in Alberta, unless the Articles provide otherwise. Under the BCBCA, meetings may be held outside British Columbia if the location is provided for in the Articles, or the Articles do not restrict the company from approving a location outside British Columbia and the location is approved by the resolution required by the Articles for that purpose, if any, or otherwise by ordinary resolution, or the location of the meeting is approved in writing by the Registrar of Companies of British Columbia before the meeting is held.

### *Ability to Set Necessary Levels of Shareholder Consent*

Under the BCBCA, a company, in its Articles, can establish levels for various shareholder approvals (other than those prescribed by the BCBCA). The percentage of votes required for a special resolution can be specified in the Articles and may be no less than two-thirds and no more than three-quarters of the votes cast. The ABCA does not provide for flexibility on shareholder approvals, which are either ordinary resolutions passed by a majority of the votes cast or, where specified in the ABCA, special resolutions which must be passed by two-thirds of the votes cast.

### *Shareholders' Proposals*

A shareholder of a corporation incorporated under the ABCA who is entitled to vote may submit notice of a shareholder proposal. The BCBCA includes a more detailed regime for shareholder proposals than the ABCA. For example, a person submitting a proposal under the BCBCA must have been a registered owner or beneficial owner of one or more shares carrying the right to vote at general meetings and must have owned such shares for an uninterrupted period of at least two years before the date of signing the proposal. In addition, the proposal must be signed by shareholders who, together with the submitter, are registered or beneficial owners of (i) at least 1% of the issued shares of the company that carry the right to vote at general meetings or (ii) shares with a fair market value exceeding an amount prescribed by regulation (currently \$2,000).

### *Sale of Undertaking*

Under the ABCA, the sale by a corporation of all or substantially all of its assets, outside the ordinary course of business, is permitted only if authorized by special resolution. Under the BCBCA, the sale, lease or disposition by a corporation of all or substantially all of its undertaking, outside the ordinary course of business, is permitted only if authorized by a special resolution. Unlike the ABCA, however, the BCBCA exempts disposition by way of security interest, certain limited leases and certain transactions involving affiliates.

### *Dissent Rights*

The ABCA provides that shareholders who dissent to certain actions being taken by a corporation may exercise a right of dissent and require the Company to purchase the shares held by such shareholders at the fair value of such shares. This dissent right is available where a corporation proposes to: (a) amend its Articles to add, change or remove any provision restricting or constraining the issue or transfer of any class of shares; (b) amend its Articles to add, change or remove any restrictions on business or businesses that the Company may carry on; (c) enter into certain statutory amalgamations; (d) continue out of the jurisdiction; and (e) sell, lease or exchange all or substantially all of its property.

The BCBCA provides a similar dissent remedy, although the procedure for exercising this remedy differs from that set forth in the ABCA and some of the circumstances in which the right to dissent arises are different.

### *Oppression Remedy*

Under the ABCA, a shareholder, former shareholder, director, former director, officer or former officer and certain creditors of a corporation or any of its affiliates, or any other person who, in the discretion of a court, is a proper person to seek an oppression remedy, may apply to a court for an order the court thinks fit where, in respect of a corporation or any of its affiliates, any act or omission effects a result, or the business or affairs are or have been carried on or conducted in a manner, or the powers of the directors are or have been exercised in a manner, that is oppressive or unfairly prejudicial to, or that unfairly disregards the interest of, any securityholder, creditor, director or officer.

Pursuant to section 227 of the BCBCA, a shareholder (which term includes any person whom the court considers to be an appropriate person to make an application under section 227) of a company has the right to apply to the court for an order under section 227 on the grounds that the affairs of the company are being or have been conducted, or that the powers of the directors are being exercised, in a manner oppressive to one or more of the shareholders, including the applicant, or that some act of the company has been done or is threatened, or that some resolution of the shareholders or of the shareholders holding shares of a class or series of shares has been passed or is proposed, that is unfairly prejudicial to one or more shareholders, including the applicant. In response to such an application, the court may make such order as it considers appropriate, including an order to direct or prohibit any act proposed by the company.

### *Derivative Actions*

Pursuant to section 232 of the BCBCA, a shareholder (which term includes any person whom the court considers to be an appropriate person to make an application under section 232 of the BCBCA) or director of a company may, with leave of the court, and after having made reasonable efforts to cause the directors of the company to prosecute a legal proceeding, prosecute such proceeding in the name of and on behalf of the company to enforce a right, duty or obligation owed to the company that could be enforced by the company itself or to obtain damages for any breach of such right, duty or obligation. There is a similar right of a shareholder or director, with leave of the court, and in the name and on behalf of the company, to defend a legal proceeding brought against the company.

The ABCA contains similar provisions for derivative actions but the right to bring a derivative action is available to a broader group. In addition to shareholders and directors, the right under the ABCA is available to former shareholders, former directors, officers, former officers, any affiliate of the foregoing, and any person who, in the discretion of the court, is a proper person to make an application to the court to bring a derivative action.

### *Status as an Alberta Corporation*

As a British Columbia company, the Company's charter documents consist of Notice of Articles and Articles and any amendments thereto to date. On completion of the Continuance, the Company will cease to be governed by the BCBCA and will thereafter be deemed to have been formed under the ABCA. As part of the Continuance Resolution, the Company's shareholders will be asked to approve the adoption of Articles of Continuance and Bylaws which comply with the requirements of the ABCA, copies of which are available for review by the Company shareholders at the office of counsel to the Company, Suite 1600, 333 - 7th Avenue S.W., Calgary, Alberta, T2P 2Z1 during normal business hours and at the Meeting. In addition, a copy of the Articles of Continuance and Bylaws will be mailed, free of charge, to any holder of Shares who requests a copy, in writing, from the Secretary of the Company.

There are some differences in shareholder rights under the ABCA and the BCBCA and under the charter documents proposed to be adopted by the Company upon the Continuance under the ABCA as described previously.

## Rights of Dissent

The following is a summary of the operation of the provisions of the BCBCA relating to a registered shareholder's dissent and appraisal rights in respect of the Continuance. Such summary is not a comprehensive statement of the procedures to be followed by a shareholder who seeks such dissent and appraisal rights and is qualified in its entirety by reference to the full text of Part 8, Division 2 of the BCBCA which is attached to this Information Circular as Schedule "D". Any registered shareholder considering the exercise of the right of dissent should seek legal advice, since failure to comply strictly with the provisions of the BCBCA may prejudice the registered shareholder's right of dissent.

Pursuant to Section 238 of the BCBCA, any shareholder who dissents from the Continuance Resolution (a "**Continuance Dissenting Shareholder**") in compliance with Sections 237 to 247 of the BCBCA will be entitled to be paid by the Company the fair value of the Shares held by such Continuance Dissenting Shareholder determined as at the point in time immediately before the passing of the Continuance Resolution. A Continuance Dissenting Shareholder must dissent with respect to all Shares in which the holder owns a beneficial interest.

The filing of a notice of dissent deprives a Continuance Dissenting Shareholder of the right to vote at the Meeting, except if such Continuance Dissenting Shareholder ceases to be a Continuance Dissenting Shareholder in accordance with the Continuance Dissent Rights. For greater certainty, a shareholder who wishes to exercise the Continuance Dissent Rights may not vote in favour of the Continuance.

A shareholder who wishes to dissent must deliver written notice of dissent to the Company at its solicitor's office, Suite 1600, 333 - 7th Avenue SW, Calgary, Alberta, T2P 2Z1 at least two days before the date on which the Continuance Resolution is to be voted upon and such notice of dissent must strictly comply with the requirements of Section 242 of the BCBCA.

In particular, the written notice of dissent must set out the number of Shares in respect of which the notice of dissent is to be sent and:

- (a) if such Shares constitute all of the Shares of which the shareholder is the registered and beneficial owner, a statement to that effect;
- (b) if such Shares constitute all of the Company Shares of which the shareholder is both the registered and beneficial owner but if the shareholder owns additional Shares beneficially, a statement to that effect and the names of the registered shareholders, the number of Shares held by such registered owners and a statement that written notices of dissent have or will be sent with respect to such shares; or
- (c) if the dissent rights are being exercised by a registered owner who is not the beneficial owner of such Shares, a statement to that effect and the name of the beneficial owner and a statement that the registered owner is dissenting with respect to all Shares of the beneficial owner registered in such registered owner's name.

The Company is required promptly after the later of (i) the date on which the Company forms the intention to proceed with the Continuance; and (ii) the date on which the written notice of dissent was received, to notify each Continuance Dissenting Shareholder of its intention to act on the Continuance. Upon receipt of such notification, each Continuance Dissenting Shareholder is then required, if the Continuance Dissenting Shareholder wishes to proceed with the dissent, within one month after the date of such notice to send to the Company (a) a written statement that the Continuance Dissenting Shareholder requires the Company to purchase all of its Shares; (b) the certificates representing such Shares; and (c) if the dissent right is being exercised by the Continuance Dissenting Shareholder on behalf of a beneficial owner who is not the Continuance Dissenting Shareholder, a statement signed by the beneficial owner which sets out whether the beneficial owner is the beneficial owner of other Shares, and

if so, (i) the names of the registered owners of such Shares; (ii) the number of such Shares; and (iii) that dissent is being exercised in respect of such Shares. A shareholder who fails to send the Company, within the required time frame, the written statements described above and the certificates representing the Shares in respect of which the Continuance Dissenting Shareholder dissents, forfeits the shareholder's right to dissent.

On sending the required documentation to the Company, the fair value for a Continuance Dissenting Shareholder's Corporation Shares will be determined as follows:

- (a) if the Company and a Continuance Dissenting Shareholder agree on the fair value of the Company Shares, then the Company must promptly pay that amount to the Continuance Dissenting Shareholder or promptly send notice to the Continuance Dissenting Shareholder that the Company is lawfully unable to pay the Continuance Dissenting Shareholders for their Shares; or
- (b) if a Continuance Dissenting Shareholder and the Company are unable to agree on a fair value, the Continuance Dissenting Shareholder may apply to the Supreme Court of British Columbia to determine the fair value of the Shares, and the Company must pay to the Continuance Dissenting Shareholder the fair value determined by such Court or promptly send notice to the Continuance Dissenting Shareholder that the Company is lawfully unable to pay the Continuance Dissenting Shareholders for their Shares.

The Company will be lawfully unable to pay the Continuance Dissenting Shareholder the fair value of their Shares if the Company is insolvent or would be rendered insolvent by making the payment to the Continuance Dissenting Shareholder. In such event, Continuance Dissenting Shareholders will have 30 days to elect to either (a) withdraw their dissent or (b) retain their status as a claimant and be paid as soon as the Company is lawfully able to do so or, in a liquidation, be ranked subordinate to its creditors but in priority to its shareholders.

If the Continuance is not implemented for any reason, Continuance Dissenting Shareholders will not be entitled to be paid the fair value for their Shares and the Continuance Dissenting Shareholders will be entitled to the return of any share certificates delivered to the Company in connection with the exercise of the Continuance Dissent Rights.

The discussion above is only a summary of the Continuance dissent rights which are technical and complex. A shareholder who intends to exercise Continuance dissent rights should carefully consider and comply with the provisions of Sections 237 to 247 of the BCBCA. Persons who are beneficial owners of Shares registered in the name of an intermediary such as a broker, custodian, nominee, other intermediary, or in some other name, who wish to dissent should be aware that only the registered owner of such shares is entitled to dissent. It is suggested that any shareholder wishing to avail himself or herself of the Continuance dissent rights seek his or her own legal advice as failure to comply strictly with the applicable provisions of the BCBCA may prejudice the availability of such dissent rights. Continuance Dissenting Shareholders should note that the exercise of dissent rights can be a complex, time-consuming and expensive process.

### **The Continuance Resolution**

Based on the foregoing discussion, the Company's management believes that it is in the best interest of the Company and the Company's shareholders to transfer its jurisdiction of incorporation to Alberta.

Accordingly, the Company shareholders will be asked at the Meeting to consider and if thought fit, approve the Continuance Resolution, the text of which is set out in Schedule "C".

In order to be effective, this resolution requires the approval of 75% of the votes cast by shareholders who vote in respect of the resolution. **If named as proxy, the management designees intend to vote the Shares represented by such proxy at the Meeting FOR the above resolution, unless otherwise directed in the instrument of proxy.**

**The Board recommends that the Shareholders vote in favour of the Continuance Resolution.**

## **VI. Adoption of General By-Laws**

Subject to the continuance of the Company from British Columbia to Alberta under the provisions of the ABCA, the directors of the Company, by resolution dated as of March 14, 2007, made, approved and adopted By-law Number 1 as the by-law to govern the administration of the Company pursuant to the ABCA. The shareholders of the Company have been requested to confirm, reject or amend By-law Number 1 by ordinary resolution. A copy of By-law Number 1 may be obtained at no charge by each registered shareholder upon request made to the secretary of the Company at its registered office, Suite 1600, Dome Tower, 333 - 7th Avenue S.W., Calgary, Alberta, T2P 2Z1.

The shareholders of the Company will, at the Meeting, be requested to pass the following resolution:

### **"BE IT RESOLVED THAT:**

- (a) Subject to the continuance of the Company from British Columbia to Alberta under the provisions of the *Business Corporations Act* (Alberta) (the "ABCA"), By-law Number 1, as adopted by the Board of Directors of the Company by resolution dated as of March 14, 2007, be confirmed as the by-law to govern the administration of the Company pursuant to the ABCA.
- (b) Any two (2) directors or officers of the Company be authorized for and on behalf of the Company to make all such arrangements, to do all acts and things and to sign and execute all documents and instruments in writing, whether under the corporate seal of the Company or otherwise, as may be considered necessary or advisable to give full force and effect to the foregoing."

**If named as proxy, the management designees intend to vote the Shares represented by such proxy at the Meeting for the approval of the above resolution, unless otherwise directed in the instrument of proxy.**

The resolution must be approved by a majority of the votes cast in person or by proxy at the Meeting.

## **EXECUTIVE COMPENSATION**

### **Executive Officers' Compensation**

Montello has two (2) Named Officers (as defined below): William R. Cawker, the Chief Executive Officer of the Company and Dwayne S. Tyrkalo, the President and Chief Operating Officer of the Company. The aggregate cash compensation paid to the Named Executive Officers for services rendered to the Company in the financial year ended July 31, 2006 was \$90,000.00. The following table sets forth all compensation paid by the Company to Montello's Named Executive Officers for services in all capacities to the Company for the three (3) most recently completed financial years.

**Summary Compensation Table**

Name and Principal Position <sup>(1)</sup>	Year	Annual Compensation			Long-Term Compensation			
		Salary or Consulting Fees (\$)	Bonu s (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs <sup>(3)</sup> Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP <sup>(4)</sup> Payouts (\$)	All Other Compensation <sup>(2)</sup> (\$)
<b>William R. Cawker</b> <sup>(5)</sup> Chief Executive Officer	2006	7500	Nil	Nil	2,900,000	Nil	Nil	Nil
	2005	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2004	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Dwayne S. Tyrkalo</b> <sup>(6)</sup> President and Chief Operating Officer	2006	82,500	Nil	Nil	2,500,000	Nil	Nil	Nil
	2005	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Patrick Power</b> <sup>(7)</sup> President and Director	2006	67,500 <sup>(9)</sup>	Nil	Nil	Nil	Nil	Nil	Nil
	2005	89,000 <sup>(8)</sup>	Nil	Nil	1,450,000	Nil	Nil	Nil
	2004	60,000 <sup>(8)</sup>	Nil	Nil	Nil	Nil	Nil	Nil

## Notes:

- (1) "Named Executive Officer" means the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company and each of the Company's three (3) most highly compensated executive officers other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus exceeded \$150,000.
- (2) The value of perquisites and other personal benefits do not exceed the lesser of \$50,000 and 10% of the total of the annual salary and bonus for the Name Executive Officer.
- (3) The Named Executive Officers have received stock options to acquire up to an aggregate of 6,850,000 Shares of which Mr. Power's options were cancelled when he stepped down as President on or about April 11, 2006. No Shares are reserved under SARs. "SARs" means stock appreciation rights.
- (4) "LTIP" means long-term incentive plan.
- (5) Mr. Cawker was appointed Chief Executive Officer, Chairman of the Board on July 3, 2006.
- (6) Mr. Tyrkalo was appointed President and Chief Operating Officer on April 11, 2006.
- (7) Mr. Power served as President from December 12, 1993 to April 11, 2006
- (8) According to the previous information circular of January 25, 2006 these monies were paid pursuant to a Management Consulting Agreement effective March 1, 1998, between Mr. Power and the Company.
- (9) Estimated amount of Mr. Power's salary based on his January 25, 2006 previous information circular.

## Incentive Stock Options

### *Option Grants During the Most Recently Completed Financial Year*

The following table sets forth information regarding options granted to the Named Executive Officers of the Company during the financial year ended July 31, 2006.

Name	Shares Under Options Granted (#)	% of Total Options Granted in Financial Year	Exercise Price (\$/Share)	Market Value of Securities Underlying Options on the Date of Grant (\$/Share)	Expiration Date
<b>William R. Cawker</b>					
January 3, 2006	1,500,000	18.14%	\$0.11	\$0.11	January 6, 2011
June 6, 2006	1,400,000	16.94%	\$0.10	\$0.10	June 7, 2011
<b>Dwayne S. Tyrkalo</b>					
June 7, 2006	1,000,000 <sup>(1)</sup>	12.01%	\$0.10	\$0.10	June 7, 2011
September 17, 2005	1,500,000	18.14%	\$0.13	\$0.13	September 16, 2010

Note:

- (1) These options have been exercised.

### *Options Repriced During the Most Recently Completed Financial Year*

During the financial year ended July 31, 2006, no stock options previously granted to the Named Executive Officers were repriced.

### *Aggregated Option Exercises and Year End Option Values*

The following table sets out information regarding option exercises and year end option values for the Company's Named Executive Officers.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized <sup>(1)</sup> (\$)	Unexercised Options at Fiscal Year-End (#)		Value of Unexercised in the Money Options at Fiscal Year-End <sup>(1)</sup> (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
William R. Cawker	500,000	15,000	1,000,000	Nil	Nil	Nil
			1,400,000		Nil	Nil
Dwayne S. Tyrkalo	1,000,000	30,000	1,500,000	Nil	Nil	Nil

Note:

- (1) Value is calculated based upon the difference between the exercise price of the options and the closing price of the Shares on the Exchange of \$0.14 as at July 31, 2006.

### Long Term Incentive Plans

Other than the Plan, the Company does not have any plans or arrangements which provide compensation intended to serve as incentive to directors or officers for performance for a period longer than one (1) year. There were no long-term incentive awards made to the Named Executive Officers for the financial year ended July 31, 2006.

### Termination of Employment or Change of Control

There is no plan or arrangement in respect of compensation received or that may be received by the Company's Named Executive Officers in the most recently completed financial year with a view to compensating those officers in the event of termination of their employment or a change of responsibilities following a change in control.

### Other Compensation

Other than as herein set forth, the Company has not paid any additional compensation to its Named Executive Officers during the financial year ended July 31, 2006.

### Compensation of Directors and Officers

Other than as herein set forth, the aggregate cash compensation paid to the directors of the Company for services rendered in their capacities as directors, during the financial year ended July 31, 2006 was nil.

The following options were granted to directors and officers of the Company, other than the Named Executive Officers, during the financial year ended July 31, 2006. Information in respect of the Named Executive Officers is contained above under "Option Grants During the Most Recently Completed Financial Year".

<u>Name</u>	<u>Shares Under Options Granted (#)</u>	<u>% of Total Options Granted in Financial Year</u>	<u>Exercise Price (\$/Share)</u>	<u>Market Value of Securities Underlying Options on the Date of Grant (\$/Share)</u>	<u>Expiration Date</u>
Randy S. Marshall	400,000	4.84%	\$0.10	\$0.10	June 7, 2011
Sandra L. Marshall	216,834	2.62%	\$0.11	\$0.11	June 7, 2011

There were no options exercised by the officers or directors of the Company, other than the Named Executive Officers, during the financial year ended July 31, 2006 and held at the end of such year are set out in the following table:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Fiscal Year-End (#)		Value of Unexercised in the Money Options at Fiscal Year- End <sup>(1)</sup> (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Randy S. Marshall	Nil	Nil	Nil	400,000	Nil	Nil
Sandra Marshall	Nil	Nil	Nil	216,834	Nil	Nil

Note:

- (1) Value is calculated based upon the difference between the exercise price of the options and the closing price of the Shares on the Exchange of \$0.14 as at July 31, 2006.

### MANAGEMENT CONTRACTS

Management functions of the Company are performed by the directors and executive officers of the Company and by companies controlled/owned by directors and officers.

### INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth in this Information Circular, the management of the Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer at any time since the beginning of the Company's last financial year or any proposed nominee for election as a director, or any associate or affiliate of any of the foregoing persons, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors. All of the directors and officers may receive options pursuant to the Plan. See "Equity Compensation Plans".

### INDEBTEDNESS OF DIRECTORS AND OFFICERS

There has been no indebtedness outstanding by directors or senior officers of the Company to the Company or its subsidiaries at any time since the end of the last completed financial year of the Company.

### INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of any insider of the Company, any proposed nominee for election as a director of the Company or any associate or affiliate of any such person in any transaction during the financial year ended July 31, 2006, or in any proposed transaction, that has materially affected or would materially affect the Company, other than as set forth below.

### LEGAL PROCEEDINGS

The directors and senior officers of the Company are not aware of any material litigation outstanding, threatened or pending, as of the date hereof by or against the Company.

### ADDITIONAL INFORMATION

Additional information relating to the Company may be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") of the Canadian Securities Administrators at [www.sedar.com](http://www.sedar.com).

Financial information regarding the Company is provided in the Company recently completed financial year. Security holders of the Company may contact the Company at (403) 241-9197 to request copies of the Company's financial statements and management's discussion and analysis.

### **OTHER BUSINESS**

Management is not aware of any matters to come before the Meeting, other than those set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the Proxy to vote the Shares represented thereby in accordance with their best judgment on such matter.

### **GENERAL**

All matters referred to herein for approval by the shareholders require a majority of the shareholders voting, in person or by proxy, at the Meeting.

The Board has approved the contents of this Information Circular and its sending to the shareholders.

Unless otherwise stated, the information contained herein is given as of the 14<sup>th</sup> day of March, 2007.

### **MONTELLO RESOURCES LTD.**

Per: ***"William R. Cawker"***  
William R. Cawker, Chief Executive  
Officer, on behalf of the Board

**THIS IS SCHEDULE "A" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF MONTELLO RESOURCES LTD. TO BE HELD APRIL 25, 2007, AND ANY ADJOURNMENT THEREOF.**

**STOCK OPTION PLAN**

1. **Purpose**

The purpose of the Plan is to provide an incentive to the directors, officers, employees, consultants and other personnel of the Company or any of its subsidiaries to achieve the longer-term objectives of the Company; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Company; and to attract to and retain in the employ of the Company or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Company.

2. **Definitions and Interpretation**

When used in this Plan, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

- (a) **"Board of Directors"** means the Board of Directors of the Company;
- (b) **"Common Shares"** means common shares in the capital of the Company and any shares or securities of the Company into which such common shares are changed, converted, subdivided, consolidated or reclassified;
- (c) **"Company"** means Montello Resources Ltd. and any successor company and any reference herein to action by the Company means action by or under the authority of its Board of Directors or a duly empowered committee appointed by the Board of Directors;
- (d) **"Exchange"** means the TSX Venture Exchange Inc. or any other stock exchange on which the Common Shares are listed;
- (e) **"Exchange Policies"** means, collectively, Policy 4.4 of the Exchange entitled *Incentive Stock Options*, Policy 1.1 of the Exchange entitled *Interpretation*, and any other policies set forth in the Corporate Finance Manual of the Exchange applicable to incentive stock options;
- (f) **"Option"** means an option granted by the Company to an Optionee entitling such Optionee to acquire a designated number of Common Shares from treasury at a price determined by the Board of Directors;
- (g) **"Option Period"** means the period determined by the Board of Directors during which an Optionee may exercise an Option, not to exceed the maximum period permitted by the Exchange, which maximum period is five (5) years and ten (10) years from the date the Option is granted based on the Company being a Tier 2 Issuer or a Tier 1 Issuer, respectively.
- (h) **"Optionee"** means a person who is a director, officer, employee, consultant or other personnel of the Company or a subsidiary of the Company; a company wholly-owned by such persons; or any other individual or body corporate who may be granted an option

pursuant to the requirements of the Exchange, who is granted an Option pursuant to this Plan; and

- (i) **"Plan"** shall mean the Company's incentive stock option plan as embodied herein and as from time to time amended.

Capitalized terms in the Plan that are not otherwise defined herein shall have the meaning set out in the Exchange Policies, including without limitation "Consultant", "Discounted Market Price", "Employee", "Insider", "Investor Relations Activities", "Management Company Employee", "Tier 1 Issuer" and "Tier 2 Issuer".

Wherever the singular or masculine is used in this Plan, the same shall be construed as meaning the plural or feminine or body corporate and vice versa, where the context or the parties so require.

### 3. **Administration**

The Plan shall be administered by the Board of Directors. The Board of Directors shall have full and final discretion to interpret the provisions of the Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Plan. All decisions and interpretations made by the Board of Directors shall be binding and conclusive upon the Company and on all persons eligible to participate in the Plan, subject to the approval of the Exchange (including shareholder approval if required by the Exchange). Notwithstanding the foregoing or any other provision contained herein, the Board of Directors shall have the right to delegate the administration and operation of the Plan to a special committee of directors appointed from time to time by the Board of Directors, in which case all references herein to the Board of Directors shall be deemed to refer to such committee.

### 4. **Eligibility**

The Board of Directors may at any time and from time to time designate those Optionees who are to be granted an Option pursuant to the Plan and grant an Option to such Optionee. Subject to Exchange Policies and the limitations contained herein, the Board of Directors is authorized to provide for the grant and exercise of Options on such terms (which may vary as between Options) as it shall determine. No Option shall be granted to any person except upon recommendation of the Board of Directors. A person who has been granted an Option may, if he is otherwise eligible and if permitted by Exchange Policies, be granted an additional Option or Options if the Board of Directors shall so determine. Pursuant to Exchange Policies, the Company shall represent that the Optionee is a bona fide Employee, Consultant or Management Company Employee in respect of Options granted to such Optionee.

### 5. **Participation**

Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Optionee's relationship or employment with the Company.

Notwithstanding any express or implied term of this Plan or any Option to the contrary, the granting of an Option pursuant to the Plan shall in no way be construed as conferring on any Optionee any right with respect to continuance as a director, officer, employee, consultant or other personnel of the Company

Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a director or officer of or a consultant to the Company or any of its subsidiaries, where the Optionee at the same time becomes or continues to be a director, officer or employee of or a consultant to the Company or any of its subsidiaries.

No Optionee shall have any of the rights of a shareholder of the Company in respect to Common Shares issuable on exercise of an Option until such Common Shares shall have been paid for in full and issued by the Company on exercise of the Option, pursuant to this Plan.

#### 6. **Common Shares Subject to Options**

The number of authorized but unissued Common Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of Common Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Company shall not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis at any time, and such aggregate number of Common Shares shall automatically increase or decrease as the number of issued and outstanding Common Shares changes. The Options granted under the Plan together with all of the Company's other previously established stock option plans or grants shall not result at any time in:

- (a) the number of Common Shares reserved for issuance pursuant to Options granted to Insiders exceeding 10% of the issued and outstanding Common Shares;
- (b) the grant to Insiders within a 12 month period, of a number of Options exceeding 10% of the outstanding Common Shares; or
- (c) the grant to any one (1) Optionee within a 12 month period, of a number of Options exceeding 5% of the issued and outstanding Common Shares.

Subject to Exchange Policies, the aggregate number of Common Shares reserved for issuance to any one (1) Optionee under Options granted in any 12 month period shall not exceed 5% of the issued and outstanding Common Shares determined at the date of grant, 2% of the issued and outstanding Common Shares determined at the date of grant in the case of an Optionee who is a Consultant, or 2% of the issued and outstanding Common Shares determined at the date of grant in the case of an Optionee who is an Employee conducting Investor Relations Activities.

Appropriate adjustments shall be made as set forth in Section 14 hereof, in both the number of Common Shares covered by individual grants and the total number of Common Shares authorized to be issued hereunder, to give effect to any relevant changes in the capitalization of the Company.

If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unexercised Common Shares subject thereto shall again be available for the purpose of the Plan.

#### 7. **Option Agreement**

A written agreement will be entered into between the Company and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to option, the exercise price and any other terms and conditions approved by the Board of Directors, all in accordance with the provisions of this Plan (herein referred to as the "**Stock Option Agreement**"). The Stock Option Agreement will be in such form as the Board of Directors may from time to time approve, and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options in the income tax or other laws in force in any country or jurisdiction of which the Optionee may from time to time be a resident or citizen or the rules of the Exchange or any other regulatory body having jurisdiction over the Company.

8. **Option Period and Exercise Price**

Each Option and all rights thereunder shall be expressed to expire on the date set out in the respective Stock Option Agreement, which shall be the date of the expiry of the Option Period (the "**Expiry Date**"), subject to earlier termination as provided in Sections 10, 11 and 16 hereof.

Subject to Exchange Policies and any limitations imposed by any other regulatory authority having jurisdiction over the Company, the exercise price (the "**Exercise Price**") of an Option granted under the Plan shall be as determined by the Board of Directors when such Option is granted and shall be an amount at least equal to the Discounted Market Price of the Common Shares.

9. **Exercise of Options**

An Optionee shall be entitled to exercise an Option granted to him at any time prior to the expiry of the Option Period, subject to Sections 10, 11 and 16 hereof and to vesting limitations which may be imposed by the Board of Directors at the time such Option is granted as set out in the Stock Option Agreement. Subject to Exchange Policies, the Board of Directors may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist.

The exercise of any Option will be conditional upon receipt by the Company at its head office of a written notice of exercise, specifying the number of Common Shares in respect of which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Common Shares with respect to which the Option is being exercised.

10. **Ceasing to be a Director, Officer, Employee or Consultant**

If an Optionee ceases to be a director, officer, employee or consultant of the Company or its subsidiaries for any reason other than death, the Optionee may, but only within ninety (90) days after the Optionee's ceasing to be a director, officer, employee or consultant (or 30 days in the case of an Optionee engaged in Investor Relations Activities) or prior to the expiry of the Option Period, whichever is earlier, exercise any Option held by the Optionee, but only to the extent that the Optionee was entitled to exercise the Option at the date of such cessation pursuant to the terms of the Optionee's Stock Option Agreement.

11. **Death of Optionee**

In the event of the death of an Optionee, the Option previously granted to him shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the Option Period, whichever is earlier, and then only:

- (a) by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution, or by the Optionee's legal personal representative; and
- (b) to the extent that the Optionee was entitled to exercise the Option at the date of the Optionee's death pursuant to the terms of the Optionee's Stock Option Agreement.

12. **Optionee's Rights Not Transferable**

No right or interest of any Optionee in or under the Plan is assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner except pursuant to Section 11 hereof, subject to the requirements of the Exchange, or as otherwise allowed by the Exchange.

Subject to the foregoing, the terms of the Plan shall bind the Company and its successors and assigns, and each Optionee and his heirs, executors, administrators and personal representatives.

13. **Takeover or Change of Control**

The Company shall have the power, in the event of:

- (a) any disposition of all or substantially all of the assets of the Company, or the dissolution, merger, amalgamation or consolidation of the Company with or into any other corporation or of such corporation into the Company, or
- (b) any change in control of the Company,

to make such arrangements as it shall deem appropriate for the exercise of outstanding Options or continuance of outstanding Options, including without limitation, to amend any Stock Option Agreement to permit the exercise of any or all of the remaining Options prior to the completion of any such transaction. If the Company shall exercise such power, the Option shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Company prior to the completion of such transaction.

14. **Anti-Dilution of the Option**

Appropriate adjustments in the number of Common Shares subject to the Plan, and as regards Options granted or to be granted, in the number of Common Shares optioned and in the Exercise Price, shall be made by the Board of Directors to give effect to adjustments in the number of Common Shares of the Company resulting from subdivisions, consolidations or reclassifications of the Common Shares of the Company, the payment of stock dividends by the Company (other than dividends in the ordinary course) or other relevant changes in the capital stock of the Company, including in the event of:

- (a) any subdivision, redivision or change of the Common Shares at any time during the term of the Option into a greater number of Common Shares, the Company shall deliver, at the time of any exercise thereafter of the Option, such number of Common Shares as would have resulted from such subdivision, redivision or change if the exercise of the Option had been made prior to the date of such subdivision, redivision or change;
- (b) any consolidation or change of the Common Shares at any time during the term of the Option into a lesser number of Common Shares, the number of Common Shares deliverable by the Company on any exercise thereafter of the Option shall be reduced to such number of Common Shares as would have resulted from such consolidation or change if the exercise of the Option had been made prior to the date of such consolidation or change; and
- (c) any reclassification of the Common Shares at any time outstanding or change of the Common Shares into other shares, or in case of the consolidation, amalgamation or merger of the Company with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in a reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or in case of any transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation, at any time during the term of the Option, the Optionee shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which he was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which such holder would have been entitled to receive as a result of such reclassification, change, consolidation, amalgamation, merger or transfer if, on the effective date thereof, he had been the holder of the number of Common Shares to which he was entitled upon exercise of the Option.

15. **Costs**

The Company shall pay all costs of administering the Plan.

16. **Termination and Amendment**

- (a) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder at any time without the approval of the shareholders of the Company or any Optionee whose Option is amended or terminated, in order to conform this Plan or such Option, as the case may be, to applicable law or regulation or the requirements of the Exchange or any other regulatory authority having jurisdiction over the Company, whether or not such amendment or termination would affect any accrued rights, subject to the approval of the Exchange or such other regulatory authority.
- (b) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder for any reason other than the reasons set forth in Section 16(a) hereof, subject to the approval of the Exchange or any other regulatory authority having jurisdiction over the Company, and the approval of the shareholders of the Company if required by the Exchange or such other regulatory authority. Subject to Exchange Policies, disinterested shareholder approval will be obtained for any reduction in the exercise price of an Option if the Optionee is an Insider of the Company at the time of the proposed amendment. No such amendment or termination will, without the consent of an Optionee, alter or impair any rights which have accrued to him prior to the effective date thereof.
- (c) The Plan and any amendments thereto, shall be subject to acceptance and approval by the Exchange. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval and acceptance are given.

17. **Applicable Law**

This Plan shall be governed by, administered and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

18. **Prior Plans**

On the effective date (as defined in Section 19 hereof), subject to Exchange approval and, if required, shareholder approval the Plan shall entirely replace and supersede prior stock option plans, if any, enacted by the Company.

19. **Effective Date**

This Plan shall become effective as of and from, and the effective date of the Plan shall be the date of shareholder approval for the Plan, subject to Exchange approval for the Plan.

**THIS IS SCHEDULE "B" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF MONTELLO RESOURCES LTD. TO BE HELD APRIL 25, 2007, AND ANY ADJOURNMENT THEREOF.**

**MONTELLO RESOURCES LTD.  
(the "Company")**

**March 14, 2007**

**AUDIT COMMITTEE MANDATE**

**OVERALL ROLE AND RESPONSIBILITY**

The Audit Committee shall:

**1.1 assist the Board of Directors in its oversight role with respect to:**

- (a) the quality and integrity of financial information;
- (b) the independent auditor's performance, qualifications and independence;
- (c) the performance of the Company's internal audit function, if applicable; and
- (d) the Company's compliance with legal and regulatory requirements and

**1.2 prepare such reports of the Audit Committee required to be included in the information/proxy circular of the Company in accordance with applicable laws or the rules of applicable securities regulatory authorities.**

**MEMBERSHIP AND MEETINGS**

The Audit Committee shall consist of three (3) or more Directors appointed by the Board of Directors, none of whom shall be officers or employees of the Company or any of the Company's affiliates. Each of the members of the Audit Committee shall satisfy the applicable independence and experience requirements of the laws governing the Company, and applicable securities regulatory authorities.

The Board of Directors shall designate one (1) member of the Audit Committee as the Committee Chair. Each member of the Audit Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment. The Board of Directors shall determine whether and how many members of the Audit Committee qualify as a financial expert as defined by applicable law.

**STRUCTURE AND OPERATIONS**

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall report to the Board of Directors on its activities after each of its meetings at which time minutes of the prior Committee meeting shall be tabled for the Board.

The Audit Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board of Directors for its approval.

The Audit Committee is expected to establish and maintain free and open communication with management and the independent auditor and shall periodically meet separately with each of them.

## **SPECIFIC DUTIES**

### **Oversight of the Independent Auditor**

- Make recommendations to the board for the appointment and replacement of the independent auditor.
- Responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Authority to pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Company, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- Obtain from the independent auditor and review the independent auditor's report regarding the management internal control report of the Company to be included in the Company's annual information/proxy circular, as required by applicable law.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law (currently at least every 5 years).

### **Financial Reporting**

- Review and discuss with management and the independent auditor:
  - prior to the annual audit the scope, planning and staffing of the annual audit,
  - the annual audited financial statements,
  - the Company's annual and quarterly disclosures made in management's discussion and analysis,

- approve any reports for inclusion in the Company's Annual Report, as required by applicable legislation,
  - the Company's quarterly financial statements, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be communicated by the independent auditor under applicable review standards,
  - significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements,
  - any significant changes in the Company's selection or application of accounting principles,
  - any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies, and
  - other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

#### **AUDIT COMMITTEE'S ROLE**

The Audit Committee has the oversight role set out in this Charter. Management, the Board of Directors, the independent auditor and the internal auditor all play important roles in respect of compliance and the preparation and presentation of financial information. Management is responsible for compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Company's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board of Directors in its oversight role is responsible for ensuring that management fulfills its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of the financial position and results of operations of the Company in accordance with Canadian generally accepted accounting principles.

#### **FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS**

The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Audit Committee. The Audit Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefore shall also be funded by the Company.

#### **APPROVAL OF AUDIT AND REMITTED NON-AUDIT SERVICES PROVIDED BY EXTERNAL AUDITORS**

Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Audit Committee approval of the audit engagement and identifiable permitted non-audit

services for the coming year. The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

Any proposed audit and permitted non-audit services to be provided by the External Auditor to the Company or its subsidiaries must receive prior approval from the Audit Committee, in accordance with this protocol. The CFO shall act as the primary contact to receive and assess any proposed engagements from the External Auditor.

Following receipt and initial review for eligibility by the primary contacts, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted.

In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.

**MONTELLO RESOURCES LTD.  
(the "Company")**

**March 14, 2007**

**AUDIT COMMITTEE "WHISTLE-BLOWER" PROCEDURES POLICY**

**MI 52-110 Requirement**

Pursuant to MI 52-110, the Company's Audit Committee is required to establish procedures for:

- (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

This procedures policy is designed to achieve this purpose.

**The Company's Procedure**

Employees having concerns regarding questionable accounting or auditing matters are encouraged to submit such concerns (the "**Accounting Related Complaint**") to the Chair of the Company's Audit Committee.

Any employee who wishes to make an Accounting Related Complaint may do so anonymously or in confidence by directing such Accounting Related Complaint in writing directly to the Chair of the Audit Committee. Delivery may be made directly to the Chairman or to the Chairman care of the Company and marked personal and confidential.

Upon receiving an Accounting Related Complaint, the Chair of the Audit Committee will, depending upon the apparent urgency of the matter, call a meeting of the Audit Committee or add the Accounting Related Complaint to the agenda for consideration at the next regularly scheduled meeting of the Audit Committee.

The Audit Committee shall review and discuss, on a preliminary basis, the nature of the Accounting Related Complaint and the accounting, internal accounting controls or auditing matters that are called into question. In conducting this review, the Audit Committee will hold an *in camera* session, and then may request the attendance, at its discretion, of the Chief Executive Officer, the Chief Financial Officer, the Company's auditor and/or the person making the Accounting Related Complaint (if known and if such person is amenable) and/or such other persons as it deems necessary. The purpose of the meeting and the nature of the Accounting Related Complaint shall have been communicated to all such attendees by notice prior to the meeting.

If the Audit Committee is satisfied upon a preliminary review that the Accounting Related Complaint has merit, the Audit Committee shall authorize the Chair of the Audit Committee to retain and consult with an appropriately qualified: (1) law firm; and (2) a registered public accounting firm, within the meaning of applicable securities legislation, other than the independent auditor, in order to review the Accounting Related Complaint:

Following the conclusion of its inquiries, the Audit Committee shall meet to determine the merit of the Accounting Related Complaint. Minutes of such meeting shall be kept in the normal course in order to ensure a record of the nature and treatment of the Accounting Related Complaint.

Upon reaching such determination, the Audit Committee will communicate its findings and recommendations to the Board. The Board shall consider and implement such recommendations, as it deems advisable, to rectify any deficiencies identified in the Accounting Related Complaint and shall communicate same to management.

The Audit Committee shall ensure that confidentiality will be maintained throughout the investigatory process to the extent practicable and appropriate under the circumstances; and the person who makes the Accounting Related Complaint (if known) shall receive a written summary of the final determination.

The Audit Committee shall retain all documentation regarding the Accounting Related Complaint, its preliminary review, any investigation, determination and implementation of recommendations for a period of no less than ten (10) years.

### **Administration**

The Company, through the Chief Executive Officer shall be responsible for the dissemination of this Policy to all Employees.

### **No Retaliation**

The Company will not allow or pursue retaliation of any kind in respect of an Accounting Related Complaint, or for assistance or information provided to applicable authorities in connection with an investigation of breaches of applicable securities law, where such are made or provided in good faith. In addition, no employee may be adversely affected because the employee refused to carry out a directive which, in fact, constitutes corporate fraud, is a violation of this Procedure, a violation of the law or presents a substantial and specific danger to the public's health and safety. Any retaliatory action should immediately be reported to the Chairman or any other member of the Company's Board of Directors.

**THIS IS SCHEDULE "C" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF MONTELLO RESOURCES LTD. TO BE HELD APRIL 25, 2007, AND ANY ADJOURNMENT THEREOF.**

**SPECIAL RESOLUTION OF SHAREHOLDERS CONCERNING  
CONTINUANCE UNDER THE ABCA**

**BE AND IT IS HEREBY RESOLVED AS A SPECIAL RESOLUTION OF SHAREHOLDERS THAT:**

1. The Company be and is hereby authorized to apply to the Registrar of Corporations (Alberta) (the "Registrar") for a Certificate of Continuance continuing the Company (the "Continuance") under the Business Corporations Act (Alberta) (the "ABCA") as if it had been incorporated thereunder and to file with the Registrar Articles of Continuance and such other documents as may be required in the form or forms prescribed by the ABCA;
2. The Company be and is hereby authorized to apply to the Registrar of Companies (British Columbia) under the Business Corporations Act (British Columbia) (the "BCBCA") for authorization to effect the Continuance under the provisions of the ABCA;
3. Effective upon the issuance of a Certificate of Continuance by the Registrar, the Articles of Continuance, be and are hereby adopted and confirmed in substitution for the existing Notice of Articles and Articles of the Company and all amendments thereto;
4. Any two (2) directors or officers of the Company be and are hereby authorized, for and on behalf of the Company, whether under its corporate seal or otherwise, to execute and file:
  - (a) subject to the issuance of the requisite authorizations to continue, the Articles of Continuance; and
  - (b) all such documents and to perform and do all such acts and things as such person in his sole discretion considers necessary advisable to carry out the terms of these resolutions, including, without limitation, all documents required by the ABCA and the BCBCA as applicable to accompany the Articles of Continuance; and

Notwithstanding that this resolution has been duly passed by the shareholders of the Company, the board of directors of the Company is hereby authorized, at its discretion, to abandon or terminate the completion of the Continuance without further approval ratification or confirmation of the Company's shareholders.

**THIS IS SCHEDULE "D" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF MONTELLO RESOURCES LTD. TO BE HELD APRIL 25, 2007, AND ANY ADJOURNMENT THEREOF.**

**Division 2 — Dissent Proceedings**

**Definitions and application**

237 (1) In this Division:

**"dissenter"** means a shareholder who, being entitled to do so sends written notice of dissent when and as required by section 242;

**"notice shares"** means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

**"payout value"** means,

(a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,

(b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement, or

(c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

(a) the court orders otherwise, or

(b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1)

(c) the court orders otherwise or the resolution provides otherwise.

## Right to dissent

**238** (1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

(a) under section 260, in respect of a resolution to alter the articles to alter restrictions on the powers of the company or on the business it is permitted to carry on;

(b) under section 272, in respect of a resolution to adopt an amalgamation agreement;

(c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;

(d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;

(e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;

(f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;

(g) in respect of any other resolution, if dissent is authorized by the resolution;

(h) in respect of any court order that permits dissent.

(2) A shareholder wishing to dissent must

(a) prepare a separate notice of dissent under section 242 for

(i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,

(b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and

(c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection, is the beneficial owner.

(3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must

(a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and

(b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

### **Waiver of right to dissent**

**239** (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

(a) provide to the company a separate waiver for

(i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and

(b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

(a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and

(b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this

Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

### **Notice of resolution**

**240** (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

(a) a copy of the resolution,

(b) a statement advising of the right to send a notice of dissent, and

(c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

### Notice of court orders

**241** If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

- (a) a copy of the entered order, and
- (b) a statement advising of the right to send a notice of dissent.

### Notice of dissent

**242** (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,

(a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,

(b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or

(c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of

- (i) the date on which the shareholder learns that the resolution was passed, and
- (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company

(a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or

(b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company

(a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or

(b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

(a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;

(b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;

(c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and

(i) the name and address of the beneficial owner, and

(ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

### **Notice of intention to proceed**

**243** (1) A company that receives a notice of dissent under section 242 from a dissenter must,

(a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of

- (i) the date on which the company forms the intention to proceed, and
  - (ii) the date on which the notice of dissent was received, or
- (b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.
- (2) A notice sent under subsection (1) (a) or (b) of this section must
- (a) be dated not earlier than the date, on which the notice is sent,
  - (b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and
  - (c) advise the dissenter of the manner in which dissent is to be completed under section 244.

### **Completion of dissent**

- 244** (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,
- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
  - (b) the certificates, if any, representing the notice shares, and
  - (c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.
- (2) The written statement referred to in subsection (1) (c) must
- (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and
  - (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
    - (i) the names of the registered owners of those other shares,
    - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
    - (iii) that dissent is being exercised in respect of all of those other shares.
- (3) After the dissenter has complied with subsection (1),
- (a) the dissenter is deemed to have sold to the company the notice shares, and

(b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.

(4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminate and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.

(5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.

(6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

### **Payment for notice shares**

**245** (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

(a) promptly pay that amount to the dissenter, or

(b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may

(a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,

(b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and

(c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must:

(a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or

(b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),

(a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or

(b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

(5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that

(a) the company is insolvent, or

(b) the payment would render the company insolvent.

### **Loss of right to dissent**

**246** The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

(a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;

(b) the resolution in respect of which the notice of dissent was sent does not pass;

(c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;

- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

**Shareholders entitled to return of shares and rights**

**247** If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

**THIS IS SCHEDULE "E" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF MONTELLO RESOURCES LTD. TO BE HELD APRIL 25, 2007, AND ANY ADJOURNMENT THEREOF.**

**MONTELLO RESOURCES LTD.**

**NOTICE OF CHANGE OF AUDITOR**

(National Instrument 51-102)

**TO:** Alberta Securities Commission  
British Columbia Securities Commission  
TSX Venture Exchange Inc.

**AND TO:** Charlton and Company

**AND TO:** Ernst & Young LLP

Montello Resources Ltd., (the "Company") hereby gives notice pursuant to Part 4 of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102") as set forth below:

1. The Board of Directors of the Company commenced a tender process for the selection of an auditor. As a result of this process, Charlton and Company has not been proposed for reappointment.
2. The Audit Committee of the Board of Directors recommended that Ernst & Young LLP, Calgary, Alberta be proposed as the auditor of the Company.
3. The Board of Directors of the Company has considered the recommendation of the Audit Committee and on April 25, 2007 resolved to propose to the shareholders of the Company that Ernst & Young LLP, Calgary, Alberta be appointed as the Company's auditor at the next Annual General and Special Meeting of shareholders of the Company.
4. There were no reservations in the auditor's report on the Company's financial statements for the Company's fiscal years ended July 31, 2006 and July 31, 2005.
5. In the opinion of the Company, as at the date hereof, there have been no reportable events (as defined in NI 51-102).

Dated this 12<sup>th</sup> day of March, 2007

**BY ORDER OF THE BOARD OF DIRECTORS**

**"William R. Cawker"**  
Chief Executive Officer



**charlton**

p | 604.683.3277  
f | 604.684.8464

**Charlton & Company**  
**CHARTERED ACCOUNTANTS**

SUITE 1735, TWO BENTALL CENTRE  
555 BURRARD STREET  
BOX 243  
VANCOUVER, BC V7X 1M9

Alberta Securities Commission  
British Columbia Securities Commission  
TSX Venture Exchange Inc.

Dear Sirs:

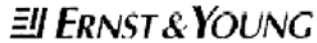
Re: Notice of Change of Auditors of Montello Resources Ltd.

We have read the Notice of Montello Resources dated March 12, 2006 and are in agreement with the statements contained in such Notice.

Yours truly,

*(signed) "Charlton & Company"*  
**CHARTERED ACCOUNTANTS**

Vancouver, British Columbia  
March 14, 2007



▪ **Ernst & Young LLP**  
**Chartered Accountants**  
Suite 1000, Ernst & Young  
Tower  
440 2 Avenue S.W.  
Calgary, Alberta T2P 5L9

▪ Phone: 403-290-4100  
Fax: 403-290-4625

March 14, 2007

TO: Alberta Securities Commission  
British Columbia Securities Commission  
TSX Venture Exchange Inc.

AND TO: Montello Resources Ltd.  
Charlton and Company

Dear Sirs/Mesdames:

**Re: Montello Resources Ltd. –Change of Auditors**

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We have reviewed the Notice of Change of Auditor (the “Notice”) from Montello Resources Ltd., dated March 12, 2007, which was delivered to us pursuant to Part 4 of National Instrument 51-102 – Continuous Disclosure Obligations. Based on our knowledge as at the date hereof, we hereby confirm our agreement with each of the statements contained in the Notice.

Yours truly,

**(signed) "Ernst & Young LLP"**

Ernst & Young LLP  
Chartered Accountants