

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis (MD&A) of the financial position and results of operations of Petro Uno Resources Ltd. ("Petro Uno" or the "Corporation"), is for the three-month and year ended periods ending December 31, 2007. For a full understanding of the financial position and results of operations of the Corporation, the MD&A should be read in conjunction with the documents filed on SEDAR, including historical financial statements and press releases. These documents are available at [www.sedar.com](http://www.sedar.com).*

*Petro Uno's Board of Directors has reviewed and approved the financial statements and MD&A. This MD&A is dated as of February 27<sup>th</sup> 2008.*

### Corporate Overview

The Corporation is a Capital Pool company pursuant to Policy 2.4 of the TSX Venture Exchange Inc, (the "Exchange"). The Corporation started operations and financings in June of 2007. The sole purpose of the Company will be to identify and complete a Qualifying Transaction in accordance with Policy 2.4 of the Exchange.

### Revenue

The Corporation earned interest income of \$5,046 during the year on funds raised from the financing completed in September of 2007.

### General and Administrative Expenses

|   | Three Months Ended<br>December 31<br>2007 | Year Ended<br>December 31<br>2007 |
|---|---|-----------------------------------|
| G&A expenses (cash portion)             | \$54,893                                  | \$90,217                          |
| Add stock based compensation (non cash) | 0   | 24,557                            |
| Total G&A expenses as reported          | \$54,893                                  | \$114,774                         |

G&A expenses (cash portion) consists of rent and general G&A. The stock based compensation pertains to the options granted to directors and officers of the Company, as well as options granted to the agent for work related to the initial public offering of the Company.

### Net Income

As the Corporation has not yet conducted any operations to date, the net loss is \$49,847 for the three month period end December 31, 2007 and a loss of \$109,728 for the year ended December 31, 2007.

## Capitalization

|   | Three Months<br>Ended December 31 | Year Ended<br>December 31 |
|---|-----------------------------------|---------------------------|
| Outstanding Shares                          | 2007                              | 2007                      |
| Weighted Average Class A Shares Outstanding | 6,104,348                         | 2,623,561                 |
| Outstanding Securities                      |                                   |                           |
| - Class A Shares                            | 3,150,000                         | 6,150,000                 |
| - Options                                   | 600,000                           | 600,000                   |

## Liquidity

Petro Uno is not yet party to any industry contract or obligations. The Company has \$713,895 in the bank as at December 31, 2007.

In June of 2007 the Corporation issued 3,000,000 common shares @ \$0.10/share for proceeds, net of issue costs of \$289,400.

In September of 2007 the corporation issued 3,000,000 common shares @ \$0.20/share for proceeds, net of issue costs of \$ 513,645.

In October of 2007 the agent exercised 150,000 options @ \$0.20/share for a cash value of \$30,000.

## Significant accounting policies

See Notes 2 to the audited financial statements of the Company for the year ended December 31, 2007 for a summary of the significant accounting policies employed by the Company.

## Outlook and Business Risks

The Company is a Capital Pool Company under the policies of the Exchange. If the Company fails to complete a Qualifying Transaction within 24 months of listing, the Exchange could suspend or delist the common shares of the Company. The Alberta Securities Commission may issue an interim cease trade order against the Company's securities if the common shares of the Company are suspended from trading on the Exchange, and will issue such an interim cease trade order if the Company is delisted from the Exchange. In addition, delisting from the Exchange will result in the cancellation of all the currently issued and outstanding securities of the Company held by insiders.

Although management is working diligently to identify a Qualifying Transaction, there is no assurance that a Qualifying Transaction will be entered into or be completed.

## **Subsequent events**

January 17, 2008 the Corporation entered into a definitive purchase and sale agreement whereby the Corporation agreed to acquire all of the issued and outstanding shares of Ballater Resources Ltd ("Ballater"). Ballater is a private company incorporated under the laws of the Province of Alberta. The Corporation intends for the acquisition of Ballater to be its Qualifying Transaction under the terms defined in the Policies of the TSX Venture exchange. Pursuant to the terms of the agreement 100% of the issued and outstanding shares of Ballater will be purchased for consideration of \$2,950,000. cash. A deposit of \$75,000 has been delivered to the vendor of which \$25,000 is non-refundable.

Concurrent with the closing of the acquisition of Ballater, the corporation expects to complete a brokered private placement subscription receipt offering (the "Private Placement"), on a best efforts basis, led by Emerging Equities Inc. (the "agent") of Calgary. The Private Placement will consist of 3,000,000 units priced at \$0.40 per unit (a "Unit"), each Unit consisting of one common share in the Corporation and half of one common share purchase warrant, each full share purchase warrant be exercisable at \$0.60 for one year, for the gross proceeds of \$1,200,000. The Agent will receive cash commission of seven and one half percent (7.5%) of the gross proceeds of the private placement plus a corporate finance fee of \$15,000. The Agent will also receive a 12-month option to purchase that number of units equal to seven and one half percent (7.5%) of the number subscribed for under the private placement, exercisable at a price per Unit of \$0.40.

The Corporation has also entered into an indicative term sheet with a financial institution for a revolving credit facility in the maximum aggregate amount of \$1,250,000. The loan is secured under a General Security Agreement conveying a first floating charge over all the present and after acquired properties. Interest rate is Lender's Prime Rate plus 1.00% with funds being advanced in \$25,000 increments up to the maximum amount.

## **Financial Reporting updates**

Effective in 2006, reporting issuers in Canada are subject to new disclosure requirements as per MI 52-109. This has resulted in the requirement by the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") to certify that they have designed internal controls over financial reporting to provide reasonable assurance over the reliability of financial reporting and the preparation of external financial statements in compliance with GAAP. In addition they are subject to a second certification that they have ensured disclosure of changes in internal control that have had or may have a material effect on the Corporation's internal control.

## **Disclosure controls**

Disclosure controls and procedures have been designed to ensure that relevant and accurate information needed to comply with the Corporation's continuous disclosure obligations is accumulated and summarized to allow timely decisions regarding disclosure and to ensure that the risk of a material error or fraud is minimal. Management has concluded the Corporation's disclosure control and procedures, as at December 31, 2007 are effective in ensuring that material information is accumulated and disclosed accurately. The Corporation's management

believes that cost effective disclosure controls, disclosure procedures and internal controls systems can only provide reasonable assurance and not absolute assurance, that the objectives of the controls and procedures are met.

### **Internal Controls over Financial Reporting**

The CFO and CEO of the Corporation are responsible for designing or causing them to be designed, internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has assessed the design of the Corporation's internal control over financial reporting as of December 31, 2007 and has certified that the controls over financial reporting are effective except for the identified weaknesses below:

Due to the limited number of staff, it is not feasible to attain complete segregation of duties.

Due to the limited number of staff, the Corporation does not have a sufficient amount of technical specialists within finance to address all potential complex and non-routine accounting and tax issues.

The weakness in the Corporation's internal control over financial reporting allows for a greater likelihood that a material misstatement would not be prevented or detected. The Corporation tries to mitigate the risk of a material misstatement by having an active involvement of all senior management and a increased oversight from the Audit committee members of the board of directors. The Corporation where applicable will retain external independent advice in certain key accounting, taxation and legal issues. However it is not possible to provide absolute assurance that this risk can be reduced to less than a remote likelihood of a material misstatement. Management does not intend to remediate the noted weaknesses at this time until such time that the size of the Corporation is considerably larger and it is prudent to do so.