

Petro Uno Resources Ltd.

Consolidated

Financial Statements

March 31, 2008

Notice to Reader:

The accompany unaudited interim financial statements for Petro Uno Resources Ltd. Have been prepared by management and approved by the board of Directors of the Corporation. These statements have not been reviewed by the Corporation's external auditors.

Petro-Uno Resources Ltd.
Consolidated Balance Sheet
(unaudited)

	March 31, 2008	December 31 2007
Assets		
Current assets		
Cash & cash equivalents	\$ 44,006	\$ 713,895
Accounts receivable	172,526	4,302
Prepays and deposits	11,839	79,678
	228,371	797,875
Property Plant and Equipment (note 5)	4,116,594	0
	4,344,965	797,875
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 233,701	\$ 50,000
Bank loan (note 6)	975,000	0
	1,208,701	50,000
Asset Retirement Obligation	137,237	-
Future Tax Liability (note 7)	964,483	0
Shareholders' Equity		
Share capital, (note 8)	2,134,453	834,763
Contributed surplus	34,890	22,840
Deficit	(134,799)	(109,728)
	2,034,544	747,875
	\$ 4,344,965	\$ 797,875

See accompanying notes to these financial statements

Approved by the Board of Directors

"Signed"
William E. Ambrose

"Signed"
Donald Boykiw

Petro-Uno Resources Ltd.
Consolidated Statement of Operations, Comprehensive Loss
and Deficit
For the 3 month period ended March 31,
(unaudited)

	2008	2,007
Interest Income	\$ 6,758	\$ -
Expenses		
General and administrative	68,160	0
Stock-based compensation	28,172	0
Net loss and comprehensive loss for the year	\$ 89,574	\$ -
Future income tax provision (recovery)	(30,025)	-
Net loss for the period	59,549	-
Deficit - beginning of year	109,728	-
Deficit - end of year	\$ 169,277	\$ -
Net loss per common shares - basic and diluted	\$ 0.01	\$ 0.00
Weighted average number of common shares	7,121,360	1

See accompanying notes to these financial statements

Petro-Uno Resources Ltd.
Consolidated Statement of Cash Flows
For the 3 month period Ended March 31,
(unaudited)

	2008	2007
Cash provided by (used in)		
Operating activities		
Net loss for the period	\$ (59,549)	\$ -
Add back (deduct):		
Future income tax	(30,025)	
Stock-based compensation	28,172	-
Changes in non-cash operating working capital	83,316	-
	21,913	-
Financing activities		
Issue of common shares, net of issue costs	1,260,460	-
bank loan	975,000	-
	2,235,460	-
Investing activities		
Corporate acquisition (note 5)	(3,040,000)	-
Cash acquired in coprorate acquisition	43,913	
Changes in non-cash investing working capital	68,825	-
	(2,927,262)	-
Change in cash during the period	(669,889)	-
Cash and cash equivalents - beginning of period	713,895	1
Cash and cash equivalents - end of period	\$ 44,006	\$ 1
Cash interest received	\$ 6,758	\$ -

See accompanying notes to these financial statements

1 **Incorporation**

Petro Uno Resources Ltd. (the "Corporation") was incorporated under the Business Corporation Act (Alberta) on July 12, 2006 and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The Corporation started operations and financings in June of 2007. The Corporation had no assets other than cash accounts receivable (GST) and prepaid and proposes to identify and evaluate potential acquisitions or businesses, and after identified and evaluated, to negotiate an acquisition or participation subject to receipt of regulatory and, if required, shareholder approval.

Where an acquisition or participation is warranted (the "Qualifying Transaction"), additional funding may be required. The ability of the Corporation to fund its potential operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

The Corporation identified a business. All the issued and outstanding shares of Ballater Resources Ltd., were acquired on March 31, 2008. This was within the time limitations permissible under the policies of the Exchange to meet the criteria of a Qualifying transaction. Ballater Resources Ltd. is now a 100% subsidiary of the Corporation, and the corporation is now a Tier two listed company on the TSX Venture Exchange.

2 **Summary of significant accounting policies**

As the determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of these financial statements requires the use of estimates and assumptions, which have been made using careful judgement. In the opinion of management, these financial statements have been prepared with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Revenue recognition

Petroleum and natural gas revenues are recognized when title and risks pass to the purchaser.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and all investments that are highly liquid in nature and generally have a maturity date of three months or less.

Income taxes

The Corporation uses the asset and liability method of accounting for future income taxes. Under this method, temporary differences arising from the differences between the tax bases of an asset or liability and the carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using substantively enacted tax rates that will be in effect when the temporary differences are expected to reverse. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

Stock based compensation

The Corporation uses the fair value method for valuing stock option and warrant grants. Under this method, compensation cost, attributable to all stock option and warrant grants is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of options or warrants, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Measurement Uncertainty

The amounts that will be recorded for depletion and depreciation of petroleum and natural gas property, plant and equipment as well as the provision for asset retirement obligations are based on estimates. The ceiling test will be based on an estimate of proved reserves, production rates, petroleum and natural gas prices, future costs and any other relevant assumptions. These estimates by their nature are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the treasury stock method, which assumes that any proceeds obtained on exercise of options would be used to purchase common shares at the average price during the period. The weighted average number of shares outstanding is then adjusted by the net change. For the period ended, the weighted average number of common shares outstanding was 7,121,360.

3 Cash

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares and general and administrative expenses of the Corporation. These restrictions apply until completion of a Qualifying Translation by the Corporation as defined under the policies of the Exchange.

4 Changes in Accounting Policies

The CICA published the following new sections that will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Corporation adopted these standards effective January 1, 2008.

- Section 3862, "Financial Instruments – Disclosures" This section describes the required disclosures to evaluate the significance of financial instruments for the Corporation's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the Corporation is exposed and how the Corporation manages those risks (see Note 9).
- Section 3863, "Financial Instruments – Presentation." This section establishes standards for presentation of financial instruments and non financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation." (see Note 9)

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- Section 1535, "Capital Disclosures." This section establishes standards for disclosing information about the entity's capital and how it is managed. It describes the disclosure of the entity objectives, policies and processes for managing capital as well as summary quantitative data on the elements in the management of capital. The section seeks to establish whether the entity has complied with capital requirements and if not, the consequences of such non compliance (see Note 10).

5 Purchase of Ballater Resources Ltd

On March 31, of 2008, Petro Uno Resources Ltd. (the "Corporation") acquired all the issued and outstanding shares of Ballater Resources Ltd ("Ballater"). Ballater was a private company incorporated under the laws of the Province of Alberta. The Corporation intended 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 were purchased for the consideration of \$2,950,000 cash

The acquisition of Ballater was accounted for as a business combination as follows:

P&NG Property, plant and equipment	4,116,593
Current Assets	216,439
Current Liabilities	(103,701)
Abandonment & Restoration Obligation (ARO)	(137,237)
Future Income Tax Liability	(1,052,094)
<u>Total Consideration</u>	<u>3,040,000</u>
Cash paid to acquire 100% issued and outstanding shares	2,950,000
Estimated acquisition costs	90,000
<u>Total Consideration</u>	<u>3,040,000</u>

6 Bank Debt

The Corporation has a revolving credit facility with a Canadian financial institution for a 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. At March 31, 2008 \$975,000 was drawn against the credit facility.

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7 Future income taxes

The income tax provision is calculated by applying Canadian federal and provincial statutory tax rates to pre-tax income with adjustments as set out in the following table:

	Three months ended, March 31 2008
Loss before income taxes	\$89,574
Combined federal and provincial income tax rate	25.5%
Computed income tax recovery	22,841
Increase (decrease) resulting from:	
Non-deductible stock-based compensation	7,184
Other	
Total income tax recovery (provision)	\$30,025

The components of the net future income tax liability at March 31 were as follows:

	2008
Future income tax assets:	
Share issue costs	\$(39,229)
Losses carry forward	(43,383)
Asset retirement obligation	(34,995)
	(117,607)
Future income tax liabilities:	
Properties and equipment	1,082,090
Net future income tax liability (asset)	\$964,483

8 Share capital

Authorized

Unlimited number of common shares

Issued and outstanding

	Number of shares	Amount \$
Common share issued on incorporation Dec. 31/06	1	1
Common share cancelled	(1)	(1)
Common shares issued for cash, net of issue costs	3,000,000	289,400
Common shares issued for cash, net of issue costs	3,000,000	513,645
Exercise of options	150,000	31,718
Balance as at December 31, 2007	6,150,000	834,763
Common shares issued for cash, net of issue costs	3,535,750	1,299,689
Balance as of March 31, 2008	9,685,750	2,134,452

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.

On March 6th of 2008 the Corporation issued 3,535,750 common shares @ \$0.40/share for net cash proceeds net of \$1,260,460. An adjustment of 39,229 was added back to Common shares for the tax effect of the share issue costs on future taxes. Each common share issued had a one – half share purchase warrant attached, with each full common share purchase warrant being exercisable into one common share at a price of \$0.60 for one year from the date of issue.

Options

On September 14, 2007 the Corporation issued 600,000 options to its directors and officers. These options entitle the holder to purchase a common share for the exercise price of \$0.20 per share. These options are fully vested and have an expiry date of five years from the date of grant. These options were valued at \$0.0352 per unit as determined by the Black-Scholes model. The stock-based compensation expense for the year ended December 31, 2007 was \$21,122, with a corresponding credit to contributed surplus. Assumptions used in the Black-Scholes model were a risk free interest rate of 3.87%, a 5-year life, a volatility of 1% and no dividends.

The Corporation also issued 300,000 options to its agent for work related to the Corporation's initial public offering. These options are fully vested and entitle the holder to purchase a common share for the exercise price of \$0.20 per share for a period of 18 months from September 24, 2007, the date the common shares were listed on the TSX Venture Exchange. These options were valued at \$0.0114 per unit as determined by the Black-Scholes model. The stock-based compensation expense for the year ended December 31, 2007 was \$3,435, with a corresponding credit to contributed surplus. Assumptions used in the Black-Scholes model were a risk free interest rate of 3.87%, an 18-month life, a volatility of 1% and no dividends.

On October 29th 2007 the agent exercised 150,000 of those options for a cash value of \$30,000. An amount of \$1,718 which originally was credited to contributed surplus, was transferred to Share capital.

The Corporation issued as part of the March 6th 2008 financing, 265,181 options, being that number of compensation options that is equal to 7.5% of the common shares sold. The exercise price is \$0.40 per share for a period of 18 months from the date of issue. These options were valued at \$0.1062 per unit as determined by the Black-Scholes model. The stock based compensation for the period ended March 31, 2008 was \$28,172, with a corresponding credit to contributed surplus. Assumptions used in the Black-Scholes model were a risk free interest rate of 4.25%, an 18-month life, a volatility of 50% and no dividends.

Financial Instruments

The Corporation holds various forms of financial instruments. The nature of these instruments and its operations expose the Corporation to market risk, credit risk and liquidity risks. The Corporation manages its exposure to these risks by operating in a manner that minimizes this exposure. While management monitors and administers these risks, the Board of Directors has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has established policies in setting risk limits and controls and monitors these risks in relation to market conditions.

Market risk

Market risks are generally those risks that are outside of the control of the Corporation. These are: commodity prices, foreign exchange rates and interest rates. The objective of the Corporation is to mitigate exposure to these risks, while maximizing returns to the Corporation.

(a) Commodity price risk

Due to the volatility of commodity prices the Corporation is potentially exposed to adverse consequences in the event of declining prices. The Corporation may enter into oil and natural gas contracts in order to protect its cash flow on future sales. The contracts reduce the fluctuation in sales revenue by locking in prices with respect to future deliveries of oil and natural gas. As at March 31, 2008, the Corporation had no contracts outstanding.

(b) Foreign currency exchange risk

Even though all of the Corporation's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices for these commodities are impacted by the exchange rate between Canada and the United States. In addition, the fair value of our risk management contracts will fluctuate as a result of changes in foreign exchange rates as most derivative contracts are denominated in US dollars. As at March 31, 2008 the Corporation had no forward, foreign exchange contracts in place.

(c) Interest rate risk

The Corporation's revolving demand loan facility is subject to floating rates and is therefore exposed to fluctuations in the market rate of interest. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in the market rates. The Corporation has no interest rate swaps or financial contracts in place at or during the three months ended March 31, 2008.

Credit risk

Substantially all of the accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Corporation generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable, counterparties and partners. Wherever possible, the Corporation requires cash calls from its partners on capital projects before they commence. Receivables related to the sale of the Corporation's petroleum and natural gas production are from major marketing companies who have excellent credit ratings. These revenues are normally collected on the 25th day of the month following delivery. The Corporation has not experienced any credit loss in the collection of its accounts receivable.

Liquidity risk

Liquidity risk would occur if the Corporation is not able to meet its financial obligations as they come due. The Corporation has established a standard of ensuring that it has enough available resources to withstand any downturn in the industry. As our industry is very capital intensive, the majority of our spending is related to our capital programs. See Note 10 for disclosure related to the management of our capital program. The Corporation's goal is to prudently spend its capital while maintaining its credit reputation amongst its suppliers.

Fair values of financial instruments

The carrying value of financial instruments, which include accounts receivable, deposits, derivative financial instruments, accounts payable and accrued liabilities approximates amounts at which these instruments could be exchanged in a transaction between knowledgeable and willing parties. The fair value of accounts receivable, deposits, accounts payable and accrued liabilities approximates their carrying amounts due to their short term nature. The fair value of derivative financial instruments is determined by calculating the difference between the contracted price and published forward price curves as at the balance sheet date, and then multiplying this price differential by contracted commodity volumes. Petro Uno's bank debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value. The carrying and fair values of the Corporation's financial instruments as at March 31, 2008:

	Carrying Value	Fair Value
<u>Financial Assets</u>		
Held-for-trading:		
Cash,	44,006	44,006
Prepaid and deposits	11,839	11,839
Loans and receivables:		
Accounts receivables	172,526	172,526
<u>Financial Liabilities</u>		
Held-for-trading:		
Risk management liabilities	0	0
Other financial liabilities:		
Accounts payable and accrued liabilities	233,701	233,701
Credit facility	975,000	975,000

As at each reporting period the Corporation will assess whether a financial asset, other than those classified as held-for-trading is impaired. Any impairment loss will be included in earnings for the period.

10 **Capital Disclosures.**

The Corporation considers its capital structure to include shareholders' equity, bank debt and working capital. The Corporation will adjust its capital structure to manage its current and projected debt through the issuance of shares, increasing its bank line of credit and/or adjusting its capital spending. Petro Uno monitors its capital based on the current and projected ratios of net debt to cash flow.

Petro Uno's objective in managing its capital structure is to:

- 1) create and maintain flexibility so that Petro Uno can continue to meet its financial obligations; and
- 2) finance its growth either through internally generated projects, joint venture relationships or asset/corporate acquisitions.