

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*This Management's Discussion and Analysis (MD&A) of the consolidated financial position and results of operations of Petro Uno Resources Ltd. ("Petro Uno" or the "Corporation"), is for the three and nine month periods ended, September 30, 2008. 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 consolidated financial statements and MD&A.*

### ***Basis of presentation***

*The financial data presented below has been prepared in accordance with Canadian generally accepted accounting principles. Funds from operations, which are determined as cash flow from operating activities per the statement of cash flows before changes in non-cash working capital, are used in the oil and gas industry as a measure of performance. Funds from operations can also be calculated by subtracting all cash related expenses from all cash related revenue. Net operating income is calculated as revenue derived from oil and gas operations, excluding extraordinary items or gains, and subtracting the royalties, operating and transportation costs incurred to earn that oil and gas revenues. Operating netbacks are calculated by subtracting royalties, production and transportation expenses per barrel of oil equivalent ("boe") from the average sales price per boe. Funds from operations, funds from operations per share, net operating income and operating netbacks, as used by Petro Uno, do not have a standardized meaning prescribed by Canadian GAAP and therefore, may not be comparable with the calculation of similar measures by other corporations. Many of the Corporation's peers in the oil and gas industry use the same definition of funds from operations and operating netbacks and the disclosure herein enhances comparability with those peers. Funds from operations, as presented, is not intended to represent operating profits, nor should it be viewed as an alternative to funds provided by operating activities, net earnings or other financial performance calculated in accordance with GAAP. The Corporation calculates funds from operations per share using the same method and shares outstanding, which are used in the determination of earnings per share. The reporting and the measurement currency is the Canadian dollar.*

### ***Boe presentation***

*The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. The conversion ratio used by the Corporation of 6 mcf to 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All conversions in this MD&A are derived by converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil.*

### ***Accounting policies and estimates***

*Management is required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Corporation. Details outlining Petro Uno's accounting policies are contained in the notes to the audited financial statements for the year ended December 31, 2007 and the period ended September 30, 2008.*

## ***Corporate Overview***

The Corporation was started as 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 initial purpose of the Company was being able to identify and complete a qualifying transaction in accordance with Policy 2.4 of the Exchange. On March 31, of 2008, Petro Uno 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's acquisition of Ballater met the terms of it being the qualifying transaction under the terms defined in Policy 2.4 of the Exchange. Pursuant to the terms of the agreement, 100% of the issued an outstanding shares of Ballater were purchased for the consideration of \$2,950,000 cash. Through the Ballater transaction, Petro Uno acquired an estimated 191,400 boe's in reserves, of which 90% is proved producing. Of these reserves 93% is light oil equating to an acquisition metric of \$15.45 per boe on a proved plus probable reserve basis with a reserve life index of over 13 years. Petro Uno currently produces approximately 35-40 boe's/day from the long-life, low-decline, light-oil properties in the Lanaway, Loon and Red Earth areas of Alberta. Petro Uno is now a fully listed Tier 2 company on the Exchange under the symbol "PUP.v". The MD & A will reflect our first oil and gas operations commencing April of 2008, with no comparison from the previous year

The Corporation is now endeavouring to get its major business plan going by sourcing and reviewing opportunities in South America, mainly Colombia. It has formed what it calls a "Strategic Alliance" with a private oil and gas company based in Colombia named Pyxis Exploration Ltda. Together the alliance will explore, develop and acquire high quality, high impact Petroleum and Natural gas ("P&NG") assets in Colombia.

## ***Sales volumes 2008***

	<b>3 months ended, September 30<sup>th</sup>.</b>	<b>9 months ended, September 30<sup>th</sup>.</b>
Natural gas (mcf/d)	<b>13.6</b>	11.0
Light oil (bbls/d)	<b>35.1</b>	19.3
NGL's (bbls/d)	<b>0.7</b>	0.6
Total boe/d (6:1)	<b>38.1</b>	21.7

For the third quarter of 2008, light oil production averaged 35.1 barrels of oil equivalent per day ("boe/d"). Production returned to normal after spring breakup was completed and the return of a couple of wells in the Red Earth and Loon areas that were down for repairs and maintenance. All wells capable of production except for one are producing as of this date. Gas and natural gas liquids ("NGLs") sales coming from our Lanaway area, averaged an expected 3.0 boe's/d for the third quarter.

### *Revenue and pricing*

	3 months ended, September 30 <sup>th</sup> .	9 months ended, September 30 <sup>th</sup> .
Natural gas revenue	\$10,980	\$26,710
Natural gas (\$/mcf)	\$8.78	\$8.82
Light oil revenue	\$387,080	\$645,922
Light oil (\$/bbl)	\$119.69	\$122.15
NGL's revenue	\$4,827	\$12,484
NGL's (\$/bbl)	\$79.07	\$75.14
Total revenue	\$402,866	\$685,116
Total \$/ boe (6:1)	\$115.01	\$114.98

Prices for light oil in the first nine months of 2008 was at record levels, averaging over \$122/bbl, making up 94% of the revenue earned. Oil prices dropped 24% during the quarter with further declines expected in the fourth quarter. Gas prices averaged \$8.82 per mcf for the third quarter ended, September 30, 2008. The gas price for the third quarter has dropped 37% from the beginning of the period to end. NGL revenue, making up less than 2.4% of the total revenue stream, received \$72.86 per bbl for sales in the third quarter of 2008.

### *Royalties*

	3 months ended, September 30 <sup>th</sup> .	9 months ended, September 30 <sup>th</sup> .
Crown	\$16,331	\$29,831
Freehold	2,845	7,072
Gross overriding	7,164	13,346
Total royalties	\$26,340	50,249
Per boe	\$ 7.52	\$ 8.43
Percent of total revenue	6.5%	7.3%

Royalties for the first nine months of 2008 averaged \$8.43 per boe or 7.3% of total revenue. Royalties are low because of the low productivity nature of the wells. This will result in the Corporation having minimal impact on its royalty burden when the new royalty regime is introduced by the Province of Alberta, effective Jan. 1, 2009.

### *Operating expenses*

	3 months ended, September 30, 2008.	9 months ended, September 30, 2008
Operating expenses	\$88,337	\$208,110
Per boe	\$25.22	\$34.93
Percent of total revenue	21.9%	30.4%

Operating costs for the period averaged \$25.22 per boe with almost 30% of the total operating expenses being related to repairs and minor well workovers to bring the wells back on production and annual property taxes.

### *Field Netbacks*

	3 months ended, September 30 <sup>th</sup> 2008	9 months ended, September 30, 2008
<i>(\$/boe except daily production @ 6:1)</i>		
Daily production (boe/d)	38.1	21.7
Sales price	\$115.01	\$114.98
Royalties	(7.52)	(8.43)
Operating expenses	( 25.22)	(34.93)
<b>Netback</b>	<b>\$82.27</b>	<b>\$71.62</b>

Record commodity prices were offset by higher repair and maintenance and property tax expenses to give the Corporation a field netback of \$82.27 per boe for the third quarter of 2008. With falling world oil prices, the anticipated netback for the fourth quarter will be greatly reduced.

### *General and Administrative Expenses ("G&A")*

	Three months ended September 30, 2008	Nine months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2007
G&A expenses (cash portion)	\$113,664	\$332,839	\$5,193	\$35,323
Add stock based compensation (non cash)	5,976	5,446	24,557	24,557
<b>Total G&amp;A expenses as reported</b>	<b>\$119,640</b>	<b>338,285</b>	<b>\$29,750</b>	<b>\$59,880</b>

G&A expenses (cash portion) consist of rent and general G&A. The stock based compensation pertains to the options granted, exercised or cancelled to employees or consultants during the first nine months of 2008. G&A has increased in the third quarter of 2008 as compared to the same period in 2007, due to the administrative work on operated producing properties and initial work in evaluating Colombian opportunities. Currently no G&A is being capitalized for accounting purposes.

### *Interest income and expenses*

	Three months ended September 30, 2008	Nine months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2007
Interest Income	\$907	\$8,711	-	-
Less: Interest Expense	14,981	30,628	-	-
<b>Total Net Interest Expense</b>	<b>\$14,074</b>	<b>\$21,927</b>	<b>-</b>	<b>-</b>

With the purchase of Ballater Resources Inc. and a portion of that acquisition being funded with debt, the Corporation incurred interest charges in the third quarter of 2008. Interest income was earned on funds from financings completed in 2007 and 2008 with those funds being held to be used in the acquisition of Ballater.

### *Depletion, depreciation, accretion expense ("DD&A")*

	Three months ended September 30,	Nine months ended September 30,
Depletion & depreciation	\$89,052	\$150,361
Accretion	2,139	4,278
<b>Total DD&amp;A</b>	<b>91,191</b>	<b>154,639</b>
Per boe	\$26.03	\$25.95

Depletion for the three month ended period, September 30, 2008 was \$91,191 or \$26.03 per boe. There was no production prior to the acquisition of Ballater on March 31, 2008

## *Income Taxes*

The Corporation consolidated has a net tax recovery of \$129,589 for the nine month period ended, September 30, 2008. The current tax provision occurs in the wholly owned subsidiary, Ballater, which had minimal tax pools when acquired.

## *Funds from operations and net earnings*

	Three months ended				Nine months ended			
	September 30, 2008		September 30, 2007		September 30, 2008		September 30, 2007	
	Total	Per boe	Total	Per boe	Total	Per boe	Total	Per boe
Net operating income	\$288,209	\$82.27			\$426,757	\$71.62		
G&A	(133,664)	(32.45)	(5,193)		(332,840)	(55.86)	(35,323)	
Current taxes	(71,094)	(20.29)			(96,972)	(16.27)		
Interest ,net	(14,074)	(4.02)			(21,927)	(3.68)		
<b>Funds from operations</b>	<b>89,377</b>	<b>25.51</b>	<b>(5,193)</b>		<b>(24,982)</b>	<b>(4.19)</b>	<b>(35,323)</b>	
DD&A	(91,191)	(26.03)			(154,639)	(25.95)		
Stock-based compensation	(5,976)	(1.71)	(24,557)		(5,445)	(0.91)	(24,557)	
Future income tax reduction	62,642	17.88			226,561	38.02		
<b>Net income (loss)</b>	<b>\$54,852</b>	<b>\$15.66</b>	<b>(\$29,750)</b>		<b>\$41,495</b>	<b>\$6.96</b>	<b>(59,880)</b>	

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Funds from Operations	\$89,377	(\$5,193)	(\$24,982)	(\$35,323)
Changes in non-cash working capital	(81,328)	(14,265)	155,753	14,735
<b>Funds from Operating activities</b>	<b>\$8,049</b>	<b>(\$19,458)</b>	<b>\$130,771</b>	<b>(\$20,588)</b>

Weighted average common shares outstanding	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Basic	9,835,750	3,554,348	8,900,678	1,450,549
Diluted	10,335,750	4,154,348	9,400,678	1,703,296
Earnings (loss) per share basic	\$0.01	(\$0.01)	\$0.00	(\$0.04)
Earnings (loss) per share diluted	\$0.01	(\$0.01)	\$0.00	(\$0.04)

With the Corporation now having oil and gas operations and the ability to recognize future tax recoveries, it was able to record net income of \$54,852 (2007 – loss of \$29,750) for the three months period ended September 30, 2008. For the nine month period ended, September 30, 2008 the Corporation is reporting income of \$41,495 (2007 – loss of \$59,880). The earnings

position of the Corporation improved from quarter to quarter and should continue to be stable with the purchase of producing oil and gas assets generating income and cash flow in this current world oil price will restrict the growth in the near term.

### ***Capitalization***

				Nine Months Ended September 30		Year Ended December 31	
				2008		2007	
<b>Outstanding Shares</b>							
Weighted Average	Class A	Shares	Outstanding	8,900,678	\$2,118,309	6,104,348	\$,834,763
Outstanding Securities							
- Class A Shares				9,835,750		6,150,000	
- Options				500,000		600,000	

### ***Liquidity & Capital Resources***

	September 30, 2008	December 31, 2007
Common shares outstanding	9,835,750	6,150,000
Share price	\$0.28	\$0.40
Market value of common shares	\$2,754,010	\$2,460,000
Net debt, including working capital	953,211	(747,875)
Asset retirement obligation	141,516	0
Future income tax liability	780,898	0
<b>Total capitalization</b>	<b>\$4,629,635</b>	<b>\$1,712,125</b>
<b>Total Assets as per the financial Statements</b>	<b>\$4,303,318</b>	<b>\$797,875</b>

Effective March 31, 2008 Petro Uno became a party to standard industry contracts or obligations through its 100% subsidiary in Ballater. The Corporation has \$193,562 of cash as at September 30, 2008 as well as the unused bank line of \$225,000.

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.

In March of 2008, the Corporation signed a revolving credit facility agreement 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 September 30, 2008 \$1,025,000 was drawn against the credit facility.

On March 6<sup>th</sup> of 2008 the Corporation issued 3,535,750 common shares @ \$0.40/share for proceeds net of issue costs of \$1,281,720. 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.

In the second quarter of fiscal 2008, the agent exercised its remaining 150,000 options @ \$0.20/share for a cash value of \$30,000.

### ***Significant accounting policies, Financial Instruments and Capital disclosures***

See Notes 2, 11 and 12 respectively to the unaudited consolidated financial statements of the Corporation for the period ended September 30, 2008 and the audited statements of December 31, 2007 for a summary of the significant accounting policies employed by the Corporation and discussion on financial instruments and risks for the Corporation.

### ***Outlook, Business Risks and Uncertainties***

Management has completed the Qualifying Transaction with the purchase of the issued and outstanding shares of Ballater. The transaction met the criteria of the TSX venture exchange and the corporation is fully listed for trading. The Corporation is now endeavouring to get its major business plan going by sourcing and reviewing opportunities in South America, mainly Colombia. It has formed what it calls a "Strategic Alliance" with private oil and gas Company based in Colombia named Pyxis Exploration Ltda. Together the alliance will explore, develop and acquire high quality, high impact Petroleum and Natural gas ("P&NG") assets in Columbia.

The Corporation faces several key risks in its business, including possible commodity price downturns, emergence of superior competing technologies, reliance on relatively few key suppliers and customers, and adequacy of capital and/or cash flow to pursue its business plan objectives. This list is not intended to be exhaustive, but merely to communicate to shareholders certain key risks faced by the Corporation in its business operations. The Corporation, where it can employs strategies to mitigate and minimize some risks. But some risks and market conditions are outside of the Corporations influence and control.

### ***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 June 30, 2008 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 September 30, 2008 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.