

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 twelve month periods ended, December 31, 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.

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, 2008 and 2007 respectively.

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 fulfilled the requirements of a qualifying transaction under the terms defined in Policy 2.4 of the 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. 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 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 Venture Exchange under the symbol "PUP". This MD & A reflects the Corporation's first oil and gas operations commencing April of 2008, with no comparison from the previous year

Over the past two years Petro Uno focused on identifying oil and gas opportunities and assets in Colombia. Several potential opportunities were identified for possible acquisitions and/or exploration activities. However, unrealistic deal terms and/or high cost and high risk work commitments limited Petro Uno's ability to complete a transaction on economic terms. In hindsight, our choice to no proceed on the opportunities which we sought proved to be wise decisions.

Recognizing the high cost/high risk environment in Colombia, the Company has made a corporate shift towards more familiar oil and gas operating areas such as the Western Canadian Sedimentary Basin (Alberta and Saskatchewan) as well as prospects in the Williston Basin, including North Dakota.

Sales volumes 2008

	3 months ended, December 31, 2008	12 months ended, December 31, 2008
Natural gas (mcf/d)	12.0	11.3
Light oil (bbls/d)	31.7	22.4
NGL's (bbls/d)	0.6	0.6
Total boe/d (6:1)	34.3	24.9

For the fourth quarter of 2008, light oil production averaged 31.7 barrels of oil equivalent per day ("boe/d"). Production was normal except for some production issues in December with extremely cold weather affecting a couple of wells in the Red Earth and Loon areas. 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 2.6 boe's/d for the fourth quarter.

Revenue and pricing

	3 months ended, December 31, 2008	12 months ended, December 31, 2008
Natural gas revenue	\$8,085	\$35,065
Natural gas (\$/mcf)	\$7.37	\$8.50
Light oil revenue	\$196,598	\$842,251
Light oil (\$/bbl)	\$67.41	\$102.61
NGL's revenue	\$2,080	\$14,563
NGL's (\$/bbl)	\$37.56	\$65.88
Total revenue	\$206,763	\$891,879
Total \$/ boe (6:1)	\$65.46	\$97.82

Prices for light oil in 2008 was at high levels, averaging over \$102/bbl, making up 94% of the revenue earned. Oil prices dropped 63% during the quarter and the fourth quarter averaged 44% less than quarter three of 2008. Gas prices averaged \$7.37 per mcf for the fourth quarter ended, December 31, 2008. Gas prices are down 16% from the previous quarter and are sharply declining in the first quarter of 2009. NGL revenue, making up less than 2.0% of the total revenue stream, received \$37.56 per bbl for sales in the fourth quarter of 2008.

Royalties

	3 months ended, December 31, 2008	12 months ended, December 31, 2008
Crown	(\$9,998)	\$19,833
Freehold	2,043	9,115
Gross overriding	3,495	16,841
Total royalties	(\$4,460)	45,789
Per boe	(\$ 1.41)	\$ 5.02
Percent of total revenue	(2.2)%	5.1%

Royalties for the year 2008 averaged \$5.02 per boe or 5.1% of total revenue. Royalties are low because of the low productivity nature of the wells. The fourth quarter saw a year-to-date adjustment from a non operated unit property in the Loon area come through giving us a net recovery of royalties for the quarter. The Corporation will be minimally impacted on its royalty burden when the new royalty regime, introduced by the Province of Alberta, came into effect January 1, 2009.

Operating expenses

	3 months ended, December 31, 2008	12 months ended, December 31, 2008
Operating expenses	\$132,879	\$340,989
Per boe	\$42.07	\$37.40
Percent of total revenue	64.3%	38.2%

Operating costs for the period averaged \$37.40 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, December 31st 2008	12 months ended, December 31, 2008
(\$/boe except daily production @ 6:1)		
Daily production (boe/d)	34.3	24.9
Sales price	\$65.46	\$97.82
Royalties	1.41	(5.02)
Operating expenses	(42.07)	(37.40)
Netback	\$24.80	\$55.40

Record commodity prices were offset by higher repair and maintenance and property tax expenses to give the Corporation a field netback of \$55.40 per boe for the year 2008. With falling world oil prices, the anticipated netback for the coming year will be greatly reduced.

General and Administrative Expenses (“G&A”)

	Three months ended December 31, 2008	Three months ended December 31, 2007	Twelve months ended December 31, 2008	<u>Twelve months ended December 31, 2007</u>
G&A expenses (cash portion)	\$220,191	\$54,894	\$553,030	\$90,217
Add stock based compensation (non cash)	5,977	0	11,423	24,557
Total G&A expenses as reported	\$226,168	\$54,894	\$564,453	\$114,774

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 year, 2008. G&A has increased in the fourth quarter of 2008 as compared to the same period in 2007, largely due to the administrative work on operated producing properties and initial work required evaluating and bidding for Colombian opportunities. Currently no G&A is being capitalized for accounting purposes. The Corporation has taken steps to reduce its international spending and future administration costs by refocusing to projects back in North America. It has also terminated its association with its Colombian partner Pyxis Exploration Ltda effective March 31, 2009.

Interest income and expenses

	Three months ended December 31, 2008	Three months ended December 31, 2007	Twelve months ended December 31, 2008	Twelve months ended December 31, 2007
Interest Income	\$885	\$5,046	\$9,596	\$5,046
Less: Interest Expense	(12,622)	-	(43,260)	-
Total Net Interest Income (Expense)	(\$11,737)	\$5,046	(\$33,664)	\$5,046

With the purchase of Ballater Resources Inc. and a portion of that acquisition being funded with debt, the Corporation incurred interest charges in the fourth 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 December 31, 2008	Twelve months ended December 31, 2008
Depletion & depreciation	\$93,714	\$244,074
Accretion	6,942	11,221
Total DD&A	104,618	255,295
Per boe	\$31.87	\$28.00

Depletion alone for the three month ended period, December 31, 2008 was \$93,714 or \$29.67 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 \$212,332 for the twelve month period ended, December 31, 2008. The current tax provision of 68,745 occurs in the wholly owned subsidiary, Ballater, which had minimal tax pools when acquired. With the amalgamation of the two companies effective January 1, 2009, non-capital losses and share issue costs currently in Petro Uno can be used to offset future tax burdens from oil and gas income.

Funds from operations and net earnings

	Three months ended			Twelve months ended		
	December 31, 2008		December 31, 2007	December 31, 2008		December 31, 2007
	Total	Per boe	Total	Total	Per boe	Total
Net operating income	\$78,344	\$24.80		\$505,101	\$55.40	
G&A	(219,659)	(69.54)	(54,894)	(552,499)	(60.60)	(90,217)
Current taxes	28,227	8.94		(68,745)	(7.54)	
Interest ,net	(11,737)	(3.72)	5,046	(33,664)	(3.69)	5,046
Funds from operations	(124,825)	(39.52)	(49,848)	(149,807)	(16.43)	(85,171)
DD&A	(100,656)	(31.87)		(255,295)	(28.00)	
Stock-based compensation	(6,509)	(2.06)	(0)	(11,954)	(1.31)	(24,557)
Future income tax reduction	54,516	17.26		281,077	30.83	
Net income (loss)	(\$177,474)	(\$56.19)	(\$49,848)	(\$135,979)	(\$14.91)	(109,728)

	Three months ended		Twelve months ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Funds from Operations	(\$124,825)	(\$49,848)	(\$149,807)	(\$85,171)
Changes in non-cash working capital	182,649	(48,714)	338,402	(33,979)
Funds from Operating activities	\$57,824	(\$98,562)	\$188,595	(\$119,150)

	Three months ended		Twelve months ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Weighted average common shares outstanding				
Basic	9,835,750	6,104,348	9,135,725	2,623,561
Diluted	10,335,750	6,704,348	9,635,725	3,223,561
Earnings (loss) per share basic	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)
Earnings (loss) per share diluted	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)

With the Corporation now having oil and gas operations and the ability to recognize future tax recoveries, it recorded a net loss of \$177,474 (2007 – loss of \$49,848) for the three months period ended December 31, 2008. For the 12 month period ended, December 31, 2008 the Corporation has a loss of \$135,979 (2007 – loss of \$109,728). The earnings position of the Corporation was reduced from quarter to quarter due to the collapse of world oil prices.

Capitalization

	Year ended	
	December 31, 2008	December 31, 2007
Outstanding Shares		
Weighted Average Common Shares Outstanding	8,900,678	\$2,118,309
	6,104,348	\$,834,763
Outstanding Securities		
- Common Shares	9,835,750	6,150,000
- Options	500,000	600,000

Liquidity & Capital Resources

	December 31, 2008	December 31, 2007
Common shares outstanding	9,835,750	6,150,000
Share price	\$0.11	\$0.40
Market value of common shares	\$1,081,932	\$2,460,000
Net debt, including working capital	1,079,197	(747,875)
Asset retirement obligation	171,517	0
Future income tax liability	723,349	0
Total capitalization	\$3,055,995	\$1,712,125
Total Assets as per the financial Statements	\$4,201,518	\$797,875

Effective March 31, 2008 Petro Uno became a party to standard industry contracts or obligations through its 100% subsidiary in Ballater. The Corporation has \$200,226 of cash as at December 31, 2008 as well as the unused bank line of \$275,000.

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 December 31, 2008 \$ 975,000 was drawn against the credit facility.

On March 6th 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, 3, 10 and 11 respectively to the audited consolidated financial statements of the Corporation for the year ended December 31, 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 had been endeavouring to get its major business plan going by sourcing and reviewing opportunities in South America, mainly Colombia. It has formed an 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. Recognizing the high cost high risk environment in Colombia, the Corporation has made a corporate shift towards identifying oil and gas operation in the Western Canadian Sedimentary Basin (Alberta & Saskatchewan) as well as prospects in the Williston basin (Montana & North Dakota). Effective March 31, 2009 the alliance with its Colombian associate Pyxis Exploration Ltda was cancelled.

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.

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, 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 December 31, 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 an 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.

Quarterly financial information

	2008	2008	2008	2008
	Q4	Q3	Q2	Q1
Revenue, net of royalties	\$211,223	\$376,546	\$258,321	\$0
Funds from operations	(\$124,825)	\$89,377	(\$24,254)	\$(61,402)
Per share – basic (\$/share)	(\$0.02)	\$0.01	\$0.00	(\$0.01)
Per share – diluted (\$/share)	(\$0.02)	\$0.01	\$0.00	(\$0.01)
Net earnings (loss)	\$(177,474)	\$54,852	\$46,192	\$(59,549)
Per share – basic (\$/share)	\$(0.02)	\$0.01	\$0.00	(\$0.01)
Per share – diluted (\$/share)	\$(0.02)	\$0.01	\$0.010	(\$0.01)
Total assets	\$4,201,518	\$4,303,318	\$4,391,689	\$4,344,965
Production (boe/d)	34.3	38.1	27.0	0
Corporate average price (\$/boe)	\$65.46	\$115.01	\$114.94	\$0
Operating netback (\$/boe)	\$24.80	\$82.27	\$56.42	\$0