

**Petro Uno Resources Ltd.**

Consolidated

Financial Statements

(Unaudited)

**March 31, 2009**

**Petro Uno Resources Ltd.  
Consolidated Balance Sheets**

| (Unaudited)                              | March 31,<br>2009   | December 31,<br>2008 |
|------------------------------------------|---------------------|----------------------|
| <b>Assets</b>                            |                     |                      |
| Current assets                           |                     |                      |
| Cash                                     | \$ 11,521           | \$ 200,226           |
| Accounts receivable                      | 97,416              | 85,471               |
| Prepaid expenses and deposits            | 2,689               | -                    |
|                                          | <b>111,626</b>      | <b>285,697</b>       |
| Property and equipment (note 4 & 5)      | <b>3,823,399</b>    | <b>3,915,821</b>     |
|                                          | <b>\$ 3,935,025</b> | <b>\$ 4,201,518</b>  |
| <b>Liabilities</b>                       |                     |                      |
| Current liabilities                      |                     |                      |
| Accounts payable and accrued liabilities | \$ 264,600          | \$ 389,894           |
| Bank loan (note 6)                       | 975,000             | 975,000              |
|                                          | <b>1,239,600</b>    | <b>1,364,894</b>     |
| Asset retirement obligations (note 7)    | <b>174,478</b>      | <b>171,517</b>       |
| Future income tax liability (note 8)     | <b>698,178</b>      | <b>723,349</b>       |
|                                          | <b>2,112,256</b>    | <b>2,259,760</b>     |
| <b>Shareholders Equity</b>               |                     |                      |
| Share capital (note 9)                   | 1,939,001           | 1,939,001            |
| Contributed surplus                      | 64,554              | 60,717               |
| Broker warrants (note 9)                 | 187,747             | 187,747              |
| Deficit                                  | (368,533)           | (245,707)            |
|                                          | <b>1,822,769</b>    | <b>1,941,758</b>     |
|                                          | <b>\$ 3,935,025</b> | <b>\$ 4,201,518</b>  |

**Going Concern (note 2)**

See accompanying notes to these financial statements.

**Approved by the Board of Directors:**

(Signed)  
William E. Ambrose  
Director

(Signed)  
Donald Boykiw  
Director

**Petro Uno Resources Ltd.**  
**Consolidated Statements of Operations, Comprehensive Loss and Deficit**

| <b>(Unaudited)</b>                                    | <b>Three months<br/>Ended,<br/>March 31, 2009</b> | <b>Three months<br/>Ended<br/>March 31, 2008</b> |
|-------------------------------------------------------|---------------------------------------------------|--------------------------------------------------|
| <b>Revenues</b>                                       |                                                   |                                                  |
| Revenue                                               | \$ 135,850                                        | \$ -                                             |
| Royalties                                             | (12,000)                                          | -                                                |
| Interest Income                                       | 182                                               | 6,758                                            |
|                                                       | <b>124,032</b>                                    | <b>6,758</b>                                     |
| <b>Expenses</b>                                       |                                                   |                                                  |
| Operating                                             | 82,197                                            | -                                                |
| General and administrative                            | 90,950                                            | 96,332                                           |
| Interest and other expense (note 6)                   | 8,233                                             | -                                                |
| Depletion, depreciation and accretion                 | 90,649                                            | -                                                |
|                                                       | <b>272,029</b>                                    | <b>96,332</b>                                    |
| <b>Loss before income taxes</b>                       | <b>(147,997)</b>                                  | <b>(89,574)</b>                                  |
| Future income tax recovery (note 8)                   | (25,171)                                          | (30,025)                                         |
| <b>(Loss) and comprehensive (loss) for the period</b> | <b>(122,826)</b>                                  | <b>(59,549)</b>                                  |
| <b>Deficit, beginning of period</b>                   | <b>(245,707)</b>                                  | <b>(109,728)</b>                                 |
| <b>Deficit, end of period</b>                         | <b>\$ (368,533)</b>                               | <b>\$ (169,277)</b>                              |
| Basic and diluted earnings per common share           | \$ (0.01)                                         | \$ (0.01)                                        |
| Weighted average common shares outstanding            |                                                   |                                                  |
| Basic                                                 | 9,835,750                                         | 7,132,153                                        |
| Diluted                                               | 10,335,750                                        | 7,632,153                                        |

See accompanying notes to financial statements.

**Petro Uno Resources Ltd.  
Statements of Cash Flows**

| <b>(Unaudited)</b>                                   | <b>Three months<br/>Ended<br/>March 31,<br/>2009</b> | <b>Three Months<br/>Ended<br/>March 31,<br/>2008</b> |
|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| <b>Cash and cash equivalents (used) provided in:</b> |                                                      |                                                      |
| <b>Operating activities:</b>                         |                                                      |                                                      |
| Net income (loss) for the period                     | \$ (122,826)                                         | \$ (59,549)                                          |
| Items not affecting cash:                            |                                                      |                                                      |
| Depletion, depreciation and accretion                | 90,649                                               | -                                                    |
| Future income tax provision (reduction)              | (25,171)                                             | (30,025)                                             |
| Stock-based compensation expense                     | 3,836                                                | 28,172                                               |
|                                                      | <b>(53,511)</b>                                      | <b>(61,402)</b>                                      |
| Changes in non-cash operating working capital        | <b>(139,926)</b>                                     | 83,315                                               |
|                                                      | <b>(193,437)</b>                                     | 21,913                                               |
| <b>FINANCING ACTIVITIES</b>                          |                                                      |                                                      |
| Issue of common shares, net of issue costs           | -                                                    | 1,260,460                                            |
| Bank debt                                            | -                                                    | 975,000                                              |
|                                                      | -                                                    | 2,235,460                                            |
| <b>INVESTING ACTIVITIES</b>                          |                                                      |                                                      |
| Corporate acquisition ( note 4)                      | -                                                    | (3,040,000)                                          |
| Cash acquired in corporate acquisition               | -                                                    | 43,913                                               |
| Expenditures on property and equipment               | -                                                    | -                                                    |
| Changes in non-cash investing working capital        | 4,732                                                | 68,825                                               |
|                                                      | <b>4,732</b>                                         | <b>(2,927,262)</b>                                   |
| Change in cash during the period                     | <b>(188,705)</b>                                     | <b>(669,889)</b>                                     |
| Cash and cash equivalents, beginning of period       | <b>200,226</b>                                       | 713,895                                              |
| Cash and cash equivalents, end of period             | <b>\$11,521</b>                                      | <b>\$44,006</b>                                      |
| Cash interest received                               | <b>\$182</b>                                         | \$6,758                                              |
| Cash Interest paid                                   | <b>\$8,233</b>                                       | \$ -                                                 |
| Cash taxes paid                                      | \$ -                                                 | \$ -                                                 |

See accompanying notes to financial statements.

## **Petro Uno Resources Ltd.**

Notes to unaudited Consolidated Financial Statements

**March 31, 2009**

### **1 Incorporation & overview**

Petro Uno Resources Ltd. ("Petro Uno" or the "Corporation") was incorporated under the Business Corporations Act (Alberta) on July 12, 2006 and was 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 initial purpose of the Corporation was to identify and complete a qualifying transaction in accordance with Policy 2.4 of the Exchange. On March 31, 2008, Petro Uno acquired all the issued and outstanding shares of Ballater Resources Ltd ("Ballater"), a private company incorporated under the laws of the Province of Alberta. The acquisition of Ballater met the requirements to be its qualifying transaction under the terms defined by 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. Petro Uno is now a fully listed tier 2 company on the Exchange.

The consolidated financial statements include the accounts of Petro Uno and its wholly owned subsidiary, Ballater. Effectively January 1, 2009 Petro Uno and Ballater were amalgamated.

### **2 Going Concern**

These financial statements have been prepared on a going concern basis which assumes that the Corporation will continue to operate for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation has reported a net loss and comprehensive loss in the past two years. The Corporation also has negative working capital as the current accounts payable balance plus Bank debt combine to be larger than the current assets on the balance sheet. However during the period the Corporation moved from being a Capital pool company to a full listed tier 2 TSX Venture exchange company with producing oil & gas assets. Although the Corporation's assessment of its producing P&NG assets shows positive cash flows from operations based on its current forecast and financial models, there is significant doubt as to the appropriateness of the use of the going concern assumption due to the following factors:

- a) Continued weak petroleum and natural gas prices will affect the ability of the Corporation to generate cash flows.
- b) Current economic and credit conditions and resulting equity market decline may affect the Corporation's ability to raise or have access to funds for operational & capital spending.
- c) Financial results of the Corporation including working capital deficiency and accumulated net deficit.

To help remedy this situation the Corporation has reduced its international capital spending and future administrative costs. In addition the Corporation has moved its focus towards reviewing and completing projects in Canada & United States of America where the risks and costs have been greatly reduced. Management believes these measures in addition to the future cash flow of the Corporation arising from a possible equity financing and achieving profitable operations will address the Corporation's working capital deficiency for the foreseeable future. However, there can be no assurances that the initiatives undertaken by management will be successful. These financial statements do not reflect adjustments that would be necessary should the going concern assumption be inappropriate. Such adjustments could be material.

**3 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 judgment. 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 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, Future taxes and Stock based compensation 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

## **Petro Uno Resources Ltd.**

### Notes to unaudited Consolidated Financial Statements

**March 31, 2009**

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 three month period ended, March 31, 2009 the basic weighted average number of common shares outstanding was 9,835,750 (2008 – 7,132,153).

#### **Oil and gas operations**

The Corporation is engaged in the exploration for and production of oil and natural gas in Canada.

The Corporation follows the full cost method of accounting for oil and gas operations whereby all costs related to the acquisition of, exploration for and development of oil and gas reserves are capitalized into a single Canadian cost centre. Such costs include leasehold acquisition costs, geological and geophysical costs, lease rentals on non-producing properties, drilling, and equipment costs and related overhead. Proceeds from the disposal of properties are applied as a reduction of the cost of the remaining assets with no gain or loss recognized, unless such a sale would result in a change of more than 20% in the depletion rate.

Costs of acquiring unproved properties are initially excluded from the full cost pool and are assessed yearly to ascertain whether impairment has occurred. When proved reserves are assigned to the property or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to the full cost pool. Depletion of petroleum and natural gas properties and depreciation of production equipment is calculated using the units-of-production method based upon estimated proved reserves, before royalties, as determined by an independent engineer. For purposes of the calculation, natural gas reserves and production will be converted to equivalent volumes of petroleum based upon relative energy content.

The Corporation places a limit on the carrying value of property, equipment and other assets, which may be depleted against revenues of future periods (the “ceiling test”). The carrying value is assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves using forecasted prices, the carrying value of unproved properties and the cost of major development projects exceeds the carrying value. When the carrying value is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value of assets exceeds the fair value of proved and probable reserves, and the carrying value of unproved properties that contain no probable reserves.

Depletion is computed using the units-of-production method based on gross estimated proved oil and gas reserves (converted to equivalent units on the basis of estimated relative energy content). In determining the appropriate depletion rate, the Corporation includes the net book value of its oil and gas properties, as well as the estimated future costs to be incurred in developing proved reserves and excludes the unimpaired cost attributable to unproved properties.

#### **Depreciation**

Depreciation of office assets such as furniture and fixtures, leasehold improvements, computer hardware and software is calculated using the declining balance method at an annual rate of 30%.

## **Petro Uno Resources Ltd.**

Notes to unaudited Consolidated Financial Statements

**March 31, 2009**

### **Asset retirement obligation**

The Corporation recognizes legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development or normal use of assets. A liability for the asset retirement obligation will be recognized when incurred, recorded at fair value and classified as a long-term liability in the balance sheet. When the liability is initially recorded, the entity will record the net present value of the cost with an increase in the carrying value of the related long-lived asset. The capitalized amount is depleted on a units-of-production basis over the life of the reserves. The liability amount is increased each reporting period due to the passage of time and the amount of the accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or the original estimated undiscounted cost would also result in an increase or decrease to the liability. Actual costs incurred upon settlement of the liability are charged against the liability to the extent of the liability recorded. Any differences between the actual costs incurred upon settlement of the liability and the recorded liability is recognized as a gain or loss in the Corporation's earnings in the period in which the settlement occurs.

### **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 12).
- 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 12)
- 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 13).
- Handbook Section 1400, "General Standards of Financial Statement Presentation" which aligns Canadian standards of financial statement presentation with those of the international Financial Reporting Standards ("IFRS"). The section includes new required disclosure if an entity is not preparing statements on a going concern basis which does not apply to Petro Uno as it is a going concern.

## Petro Uno Resources Ltd.

### Notes to unaudited Consolidated Financial Statements

March 31, 2009

#### Future accounting standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the effective date for the convergence of Canadian GAAP to International Financial Reporting

Standards (“IFRS”). The impact on the Company’s financial statements of the transition to IFRS has not yet been determined

#### 4 Purchase of Ballater Resources Ltd

On March 31, 2008, the Corporation acquired all of the issued and outstanding shares of Ballater Resources Ltd (“Ballater”), a private company incorporated under the laws of the Province of Alberta. 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:

|                                                         |                  |
|---------------------------------------------------------|------------------|
| Net 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)      |
| <b>Total Consideration</b>                              | <b>3,040,000</b> |
| <hr/>                                                   |                  |
| Cash paid to acquire 100% issued and outstanding shares | 2,950,000        |
| Acquisition costs                                       | 90,000           |
| <b>Total Consideration</b>                              | <b>3,040,000</b> |

#### 5 Properties and equipment:

|                           | Cost               | Accumulated<br>depletion and<br>depreciation | Net                |
|---------------------------|--------------------|----------------------------------------------|--------------------|
| <b>March 31, 2009</b>     |                    |                                              |                    |
| Petroleum and natural gas | \$4,217,943        | \$394,544                                    | \$3,823,399        |
| Furniture and fixtures    | 0                  | 0                                            | 0                  |
|                           | <b>\$4,217,943</b> | <b>394,544</b>                               | <b>\$3,823,399</b> |
| <hr/>                     |                    |                                              |                    |
| <b>December 31, 2008</b>  |                    |                                              |                    |
| Petroleum and natural gas | \$4,217,943        | \$306,145                                    | \$3,911,798        |
| Furniture and fixtures    | 4,733              | 710                                          | 4,023              |
|                           | <b>\$4,222,676</b> | <b>\$306,855</b>                             | <b>\$3,915,821</b> |

No general and administrative costs are capitalized. Included in the depletion and depreciation calculation is \$34,600 in future capital costs associated with the reserves. A computer was sold as part of the settlement with Pyxix for fair value with no gain or loss incurred.

**Petro Uno Resources Ltd.**  
Notes to unaudited Consolidated Financial Statements  
**March 31, 2009**

The prices used in the ceiling test evaluation of the Company's natural gas, crude oil and natural gas liquids reserves which resulted in no impairment were:

| <b>Years</b>                          | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>Increase<br/>Thereafter</b> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|--------------------------------|
| Oil (WTI \$Can/bbl)                   | 67.07       | 88.95       | 98.28       | 106.10      | 113.95      | +2.0%/yr                       |
| Natural gas (Alberta AECO<br>C\$/mcf) | 7.00        | 8.05        | 8.20        | 9.00        | 9.75        | +2.0%/yr                       |

Prices received by the Corporation for their oil and natural gas products may differ from the ones listed above because of quality differentials, marketing arrangements or purchase points variances

**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. As at March 31, 2009 \$975,000 (December 31, 2008 - \$975,000) was drawn against the credit facility. Next review date of the credit facility is scheduled for May 31, 2009.

**7 Asset retirement obligation**

Total future asset retirement obligations were estimated by management based on the Corporation's working interest in its wells and facilities, estimated costs to remediate, reclaim and abandon the wells and facilities and estimated timing of the costs to be incurred in future periods. The Corporation has estimated the net present value of its total asset retirement obligations to be \$174,478 at March 31, 2009 (December 31, 2008 - \$171,517) based on a total future liability of \$513,000 (December 31, 2008 - \$513,000). These costs are expected to be incurred over the next fifty years. The Corporation's credit adjusted risk free interest rate of 7% and an average inflation rate of 2% were used to calculate the net present value of asset retirement obligations.

| <b>Asset Retirement Obligation Continuity Table</b>    | <b>2008</b> |
|--------------------------------------------------------|-------------|
| Asset retirement obligation at beginning of year, 2008 | \$ -        |
| Amounts set-up on acquisition of resource assets       | 137,237     |
| Additions & revisions during the year                  | 23,060      |
| Accretion expense during year                          | 11,220      |
| Asset retirement obligation at December 31, 2008       | 171,517     |
| Accretion expense during year                          | 2,961       |
| Asset retirement obligation at March 31, 2009          | 174,478     |
| Estimated accretion expense in future years            | 338,552     |
| Estimated future liability as at March 31, 2009        | \$513,000   |

**Petro Uno Resources Ltd.**  
Notes to unaudited Consolidated Financial Statements  
**March 31, 2009**

**8 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:

|                                                 | <b>Three Months<br/>ended, March 31,<br/>2009</b> | <b>Three months<br/>ended, March 31,<br/>2008</b> |
|-------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Loss before income taxes                        | \$147,997                                         | \$89,574                                          |
| Combined federal and provincial income tax rate | 29.0%                                             | 25.5%                                             |
| Computed income tax recovery                    | 42,919                                            | 22,841                                            |
| Increase (decrease) resulting from:             |                                                   |                                                   |
| Future tax rate differential                    | 12,289                                            | -                                                 |
| Non deductible stock based compensation         | 1,112                                             | 7,184                                             |
| Other                                           | 4,347                                             | -                                                 |
| <b>Total income tax recovery</b>                | <b>\$25,171</b>                                   | <b>\$30,025</b>                                   |

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

|                                        | <b>March 31, 2009</b> | <b>December 31, 2008</b> |
|----------------------------------------|-----------------------|--------------------------|
| Future income tax assets:              |                       |                          |
| Share issue costs                      | \$(49,909)            | \$(53,847)               |
| Losses carry forward                   | (167,345)             | (148,560)                |
| Asset retirement obligation            | (43,991)              | (43,244)                 |
|                                        | (261,245)             | (245,651)                |
| Future income tax liabilities:         |                       |                          |
| Properties and equipment               | 959,423               | 969,000                  |
| <b>Net future income tax liability</b> | <b>\$698,178</b>      | <b>\$723,349</b>         |

Non-Capital tax losses of \$104,562, \$426,010 and \$67,090 will expire in the years 2026, 2027 and 2028 respectively.

**9 Share capital**

**Authorized**

Unlimited number of common shares, Issued and outstanding

|                                                         | <b>Number of<br/>shares</b> | <b>Amount<br/>\$</b> |
|---------------------------------------------------------|-----------------------------|----------------------|
| <b>Balance as at December 31, 2007</b>                  | <b>6,150,000</b>            | <b>834,763</b>       |
| Common shares issued for cash                           | 3,535,750                   | 1,226,553            |
| Less share issue costs, net of tax of \$47,668          |                             | (154,032)            |
| Exercise of options                                     | 150,000                     | 31,717               |
| <b>Balance as of December 31, 2008</b>                  | <b>9,835,750</b>            | <b>1,939,001</b>     |
| Activities for the first three months to march 31, 2009 | -                           | -                    |
| <b>Balance as at March 31, 2009</b>                     | <b>9,835,750</b>            | <b>1,939,001</b>     |

March 6<sup>th</sup> of 2008 the Corporation issued 3,535,750 common shares @ \$0.40/share for net cash proceeds of \$1,240,772. An adjustment of \$20,026 was added back to common shares for the tax effect of the share issue costs on future taxes and stock base compensation on the options.

**Petro Uno Resources Ltd.**  
Notes to unaudited Consolidated Financial Statements  
**March 31, 2009**

**Warrants:**

**Issued and outstanding**

|                                                       | Number of<br>common shares | Amount<br>\$      |
|-------------------------------------------------------|----------------------------|-------------------|
| <b>Balance – December 31, 2007</b>                    | <b>0</b>                   | <b>\$ 0</b>       |
| Issued pursuant to a private placement                | 1,767,875                  | 187,747           |
| <b>Balance – December 31, 2008</b>                    | <b>1,767,875</b>           | <b>\$ 187,747</b> |
| Activities for the first three months, March 31, 2009 | -                          | -                 |
| <b>Balance as at March 31, 2009</b>                   | <b>1,767,875</b>           | <b>\$ 187,747</b> |

Each common share issued on the March 6<sup>th</sup> Common share issue 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. These warrants were valued at \$0.1062 per unit as determined by the Black-Scholes model. The value of the 1,767,875 warrants granted was \$187,748. 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.

**Options:**

**Issued and outstanding**

|                                    | Number of<br>options | Weighted<br>Average Exercise<br>Price \$ |
|------------------------------------|----------------------|------------------------------------------|
| <b>Balance – December 31, 2007</b> | <b>750,000</b>       | <b>\$ 0.20</b>                           |
| Granted                            | 200,000              | \$0.40                                   |
| Exercised                          | (150,000)            | \$(0.20)                                 |
| Expired / Cancelled                | (100,000)            | \$(0.20)                                 |
| <b>Balance – December 31, 2008</b> | <b>700,000</b>       | <b>\$ 0.26</b>                           |
| Expired / Cancelled                | (200,000)            | \$(0.40)                                 |
| <b>Balance – March 31, 2009</b>    | <b>500,000</b>       | <b>\$ 0.20</b>                           |

In May of 2008 the Corporation granted stock options to the president of a third party consulting company in Colombia as part of its joint agreement with them to explore in the Republic of Colombia. The option is to acquire up to 200,000 common shares of the Corporation at an exercise price of \$0.40 per share. The options will vest over 3 years and expire five years from the date of grant. 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.

In 2009, as a result of the economic downturn and a change in the Corporation's business strategy, the joint agreement with the third party consulting company in Colombia was terminated and the options issued were cancelled.

In March of 2008, 100,000 options that were issued to the former chief financial officer were not exercised and were cancelled. In 2008 an agent exercised 150,000 options granted in 2007 for a cash value of \$30,000 and an amount of \$1,717 was transferred to share capital from contributed surplus.

**Petro Uno Resources Ltd.**

Notes to unaudited Consolidated Financial Statements

**March 31, 2009**

The Corporation issued as part of the March 6<sup>th</sup> 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 added to share issue costs for the period ended September 30, 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.

Stock Options currently outstanding and exercisable:

| Exercise price range | Options Outstanding March 31, 2009 | Weighted average exercise price(\$) | Weighted average contractual life (years) | Options Exercisable at March 31, 2009 | Weighted average exercise price (\$) |
|----------------------|------------------------------------|-------------------------------------|-------------------------------------------|---------------------------------------|--------------------------------------|
| \$0.20-\$0.35        | 500,000                            | \$0.20                              | 3.5                                       | 500,000                               | \$0.20                               |

**10 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.

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, 2009, 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, 2009 the Corporation had no forward, foreign exchange contracts in place.

**Petro Uno Resources Ltd.**

Notes to unaudited Consolidated Financial Statements

**March 31, 2009**

*(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 month period ended March 31, 2009.

*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 25<sup>th</sup> 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 11 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.

**Petro Uno Resources Ltd.**  
Notes to unaudited Consolidated Financial Statements  
**March 31, 2009**

The carrying and fair values of the Corporation's financial instruments as at March 31, 2009

|                                          | <b>Carrying Value</b> | <b>Fair Value</b> |
|------------------------------------------|-----------------------|-------------------|
| <b><u>Financial Assets</u></b>           |                       |                   |
| Held-for-trading:                        |                       |                   |
| Cash,                                    | 11,521                | 11,521            |
| Prepaid and deposits                     | 2,689                 | 2,689             |
| Loans and receivables:                   |                       |                   |
| Accounts receivables                     | 97,416                | 97,416            |
| <b><u>Financial Liabilities</u></b>      |                       |                   |
| Held-for-trading:                        |                       |                   |
| Risk management liabilities              | -                     | -                 |
| Other financial liabilities:             |                       |                   |
| Accounts payable and accrued liabilities | 285,600               | 285,600           |
| 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.

**11 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.

**12 Related Party Transactions**

At March 31, 2009, amounts owed by the Corporation to Renegade Oil & Gas Ltd., a related party with common directors and officers, were \$6,000. These fees relates to general and administrative expenses for the purposes of sharing the same office space and equipment.