

## **McLAREN RESOURCES INC.**

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

#### **FOR THE THREE MONTHS ENDED DECEMBER 31, 2007**

### **General**

The following discussion of performance, financial condition and future prospects should be read in conjunction with McLaren Resources Inc. (the "Company" or "McLaren") audited financial statements and notes thereto for the years ended September 30, 2007 and September 30, 2006, which were prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. Additional information regarding the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). All amounts following are expressed in Canadian dollars unless otherwise stated. This discussion and analysis is dated February 27, 2008.

#### Forward Looking Statements

Certain information in this MD&A and in other public announcements by the Company is forward-looking and is subject to important risks and uncertainties. Forward information includes information concerning the Company's future financial performance, business strategy, plans, goals and objectives.

Factors which could cause actual results to differ materially from current expectations include, among other things, the ability of the Company to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits; competitive conditions in the business in which the Company participates; general economic conditions and normal business uncertainty; fluctuations in foreign exchange rates; and changes in laws, rules and regulations applicable to the Company.

The Company does not update forward-looking statements should circumstances or management's assumptions, expectations, or estimates change.

## OVERVIEW

The Company is actively engaged in the acquisition of hydrocarbon exploration properties, and the sourcing of financing to fund property acquisitions and work programs.

### Deferred Petroleum and Natural Gas Exploration Costs

The Company entered into a joint venture with Ascent Resources PLC ("Ascent") in November 2005, whereby the Company acquired a 45% beneficial interest and a 62.5% paying interest in four offshore petroleum exploration blocks in the Netherlands sector of the North Sea. The exploration licenses were awarded in October 2006.

In April 2007, Energie Beheer Netherlands BV ("EBN BV"), the Dutch state-owned oil and gas company, exercised its back in right to acquire a 40% interest in the four exploration blocks, and will participate in the exploration of the licensed areas. As a result, the Company's beneficial interest in the exploration blocks was reduced to 27% and its paying interest to 37.5%. The exploration block licenses are for a term up to October 10, 2010. It is anticipated that the work budget for the initial two year period, commencing October 10, 2006, will be approximately \$2,000,000, primarily related to seismic evaluation work.

During the year ended September 30, 2007, the Company negotiated a net 31.5% interest in six exploration permits in South Sumatra, Indonesia. In September 2007, in consideration for negotiating and evaluating the Indonesian interests, the Company was reimbursed for its oil and gas pre-acquisition costs and retains a net carried interest.

Selected Annual Information

	Year ended September 30, 2007	Year ended September 30, 2006	Year ended September 30, 2005
Net loss	\$ 938,127	\$ 184,151	\$ 126,599
Net loss per share	\$ 0.07	\$ 0.02	\$ 0.02
Working capital	\$ 3,035,551	\$ 598,744	\$ (42,131)
Deferred petroleum and natural gas exploration costs	\$ 435,596	\$ -	\$ -
Royalty interest	\$ 1	\$ 58,000	\$ 30,000
Mineral property	\$ -	\$ 75,764	\$ 75,764
Other assets	\$ 1,459	\$ 681	\$ -
Total assets	\$ 3,583,523	\$ 767,630	\$ 117,492
Shareholders' equity			
Dollar amount	\$ 3,465,107	\$ 733,189	\$ 63,633
Number of shares outstanding	18,804,281	11,522,703	5,265,633

## Results of Operations

The Company incurred a net loss of \$74,880 for the three months ended December 31, 2007, compared with a net loss of \$272,328 for the three months ended December 31, 2006.

### Revenue

The Company is a junior exploration company with no revenue producing properties and earned no revenue for the three months ended December 31, 2007 (2006 - \$nil).

### Expenses

	Three months ended December 31, 2007	Three months ended December 31, 2006
Expenses		
Consulting fees	\$ 17,250	\$ 36,454
Management fees	\$ 45,778	\$ 6,500
General, office and administration	\$ 14,210	\$ 50,103
Oil and gas pre-acquisition costs	\$ -	\$ 150,484
Amortization	\$ 73	\$ 34
Investor relations	\$ 13,794	\$ 12,903
Professional fees	\$ 12,953	\$ 15,850
Other		
Interest and other income	\$ (29,178)	\$ -
Net loss for the period	\$ 74,880	\$ 272,328

Consulting fees decreased during the three months ended December 31, 2007, compared to the prior period, due mainly to a reduced requirement for consulting services as the Company was reimbursed for its oil and gas pre-acquisition costs relating to exploration and development of business opportunities in Indonesia in September 2007. Management fees increased as the Company as the Company had a full-time

CEO in place for the entire three months ended December 31, 2007. General, office and administration decreased as there was no travel expenses during the period ended December 31, 2007; during the prior period the Company incurred travel expense relating to trips to the Company's property investment partners and investment properties. Oil and gas pre-acquisition costs decreased as the Company is no longer funding the exploration and development of business opportunities in Indonesia. Interest income during the three months ended December 31, 2007 was earned as the Company invested surplus cash in a short-term investment account.

## Properties

### Deferred Petroleum and Natural Gas Exploration Costs

The Company incurred costs of \$82,864 for exploration, including seismic evaluation, relating to its interest in four exploration blocks in the Netherlands North Sea.

In September 2007, the Company entered into an agreement whereby it was reimbursed for its oil and gas pre-acquisition costs relating to exploration and development of business opportunities in Indonesia, totaling \$646,847. As part of the transaction the Company now holds a 5% carried interest, capped at \$5 million, on those activities related to properties identified in the Participation Agreement (with Amendments) entered into by the Company and PT Ephindo in December 2006. The Company has no further funding obligations related to the exploration and development of business opportunities in Indonesia.

### Royalty Interest

During the year ended September 30, 2007, the Company paid out its remaining contractual obligation of \$59,561 regarding the original purchase of a beneficial 5% net smelter royalty ("NSR") interest on the Zenda Property in Kern County, California, U.S.A. The Company subsequently wrote-down the carrying value of the NSR interest to \$1 due to the lack of progress in bringing the property into commercial production.

### Mineral Property

The Company's interest in the Augdome mining claim units was disposed of during the year ended September 30, 2007 for proceeds of \$50,000 and represents the directors' best estimate of the prevailing fair value of the property at the time of the sale. The property, which had a carrying value of \$75,764, was sold to a company related to an officer and director of the Company at the time of the transaction.

## Liquidity and Capital Resources

At December 31, 2007 the Company had cash and cash equivalents of \$2,971,111 compared to \$3,114,436 as at September 30, 2007. The Company's main short-term obligations as at December 31, 2007 consist of accounts payable and accrued liabilities of \$117,781 (September 30, 2007 - \$110,916). The Company plans to invest approximately \$350,000 on its share of the North Sea exploration programs which are firmly committed to during fiscal 2008. Long-term results will depend upon the results of these exploration programs. The Company has no other long-term obligations as at December 31, 2007.

The Company's working capital at December 31, 2007 was \$2,890,380 (September 30, 2007 - \$3,035,551). Management believes that, at this level, capital is sufficient for the activities planned.

Currently, the Company has sufficient cash reserves to meet its financial obligations for upcoming exploration programs. However, the Company may seek to raise additional funding to finance drilling and future exploration programs should the directors deem it to be advisable. The timing and ability to fulfill this need will depend on the liquidity of the financial markets as well as the acceptance of investors to finance resource-based junior exploration stage companies.

During the three months ended December 31, 2007, the Company issued 25,000 shares for cash proceeds of \$12,500 on the exercise of stock options.

During the year ended September 30, 2007, the Company raised, through three tranches, net proceeds of \$3,364,615 through the issuance of 7,281,578 shares.

### Subsequent events

Subsequent to year end the Company issued 100,000 common shares for cash proceeds of \$50,000, on the exercise of stock options. In addition, stock options for 100,000 common shares, with an exercise price of \$0.50 per share and an expiry date of February 5, 2013, were granted on February 5, 2008.

### Commitments

The Company anticipates that it will incur costs of approximately \$2,000,000 on deferred petroleum and natural gas exploration programs over the initial two year period, commencing October 10, 2006, with the EBN BV participation in the four North Sea exploration blocks. The Company has contributed approximately \$518,000 up to December 31, 2007. The Company plans to invest approximately \$350,000 on its share of the North Sea exploration programs which are firmly committed to during fiscal 2008. Long-term funding requirements will depend upon the results of these exploration programs.

## Outstanding Share Data

A summary of common shares and common share options as at February 27, 2008 is tabled below:

Common shares issued	18,944,281
Common share options	1,375,000
Fully diluted common shares	20,319,281

## Summary of Quarterly Results

The following table sets forth, for the quarter ended on the date indicated, information relating to the Company's revenue, net loss and loss per common prepared under Canadian GAAP

	Revenues	Net Income (Loss)	Income (Loss) per share Basic and Diluted
March 31, 2006	\$ -	\$ (22,315)	\$ (0.004)
June 30, 2006	\$ -	\$ (33,534)	\$ (0.005)
September 30, 2006	\$ -	\$ (115,802)	\$ (0.012)
December 31, 2006	\$ -	\$ (272,328)	\$ (0.023)
March 31, 2007	\$ -	\$ (300,816)	\$ (0.025)
June 30, 2007	\$ -	\$ (567,206)	\$ (0.041)
September 30, 2007	\$ -	\$ 202,223	\$ 0.019
December 31, 2007	\$ -	\$ ( 74,880)	\$ (0.004)

The Company is a junior exploration company with no revenue producing properties. Currently the Company's funding continues to be derived from issuing securities and its short-term investments.

For further quarterly financial information, please refer to the Company's financial statements that have been filed on SEDAR.

## Related Party Transactions

During the three months ended December 31, 2007, the Company entered into the following related party transactions:

Officers, directors, and company's controlled by them charged consulting fees and management fees to the Company in the amount of \$45,778 (2006 - \$6,500).

The Company was charged \$8,203 (2006 - \$15,850) owing to a law firm of which an officer of the Company is a partner. Accounts payable at December 31, 2007 includes \$4,205 (2006 - \$Nil) owing to the law firm.

Rent of \$5,000 was paid to a company with an officer who is related to a director of the Company. During the same period in 2006, rent of \$4,500 was paid to a company with officers who were also officers of the Company at the time of the transaction.

The Company was charged \$7,500 (2006 - \$Nil) for investor relation services from a company controlled by an individual related to a director of the Company.

The related party transactions were in the normal course of operations and measured at the exchange amount of consideration established and agreed to by the related parties.

## Off-Balance Sheet Arrangements

The Company does not enter into off-balance sheet arrangements with special purpose entities in the normal course of business.

## Disclosure Controls and Procedures

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures for the Company as defined under Multilateral Instrument 52-109 ("MI 52-109") issued by the Canadian Securities Administrators. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable that material information relating to the Company is made known to the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") by others within the Company, particularly during the period in which the annual filings are being prepared.

The CEO and CFO evaluated the effectiveness of the Company's Disclosure Controls as at September 30, 2007 and have concluded that those internal controls were effective for the year ended September 30, 2007. The Company has only three head office employees and as such is not able to design a traditional control system that relies on the segregation of duties. This weakness is compensated for by the increased review by the CEO and CFO of all transactions and cash disbursements.

## Internal controls over financial reporting

Management of the Company is responsible for designing internal controls over financial reporting for the Company as defined under MI 52-109. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. There has been no change in the Company's internal control over financial reporting that occurred during the Company's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## Financial Instruments

Fair value – the Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have a material effect on the estimated fair values. The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are comparable to their carrying value due to the relatively short period to maturity of these instruments.

Credit risk – the Company does not have any material risk exposure to any single debtor or group of debtors.

Commodity price risk – The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of natural resources.

## Critical Accounting Estimates

Critical accounting estimates are those estimates that have a high degree of uncertainty and for which changes in those estimates could materially impact the Company's results. Critical accounting estimates for the Company include property evaluations, capitalization of petroleum and natural gas exploration costs, and stock-based compensation variables.

## Risk Factors and Risk Management

The Company's business is highly uncertain and risky by its very nature. Future business opportunities pursued by the Company may be in other fields, and are also likely to be risky. In addition, the ability to raise funding in the future to maintain the Company's search for new business opportunities and to carry through with the ensuing activities is

dependant on financial markets that often fail to provide necessary capital.

Regulatory standards continue to change, making the process longer, more complex and more costly. Even if an apparently successful business proposal is developed, there is no assurance that it will ever be carried out or be profitable, as its potential economics are influenced by many key factors such as the general state of the economy, foreign exchange rates, equity markets and political interference, which cannot be controlled by management.