

McLAREN RESOURCES INC.
(A Development Stage Enterprise)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007 AND 2006



McLAREN RESOURCES INC.
(A Development Stage Enterprise)

FINANCIAL STATEMENTS

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AUDITORS' REPORT

To the Shareholders' of
McLaren Resources Inc.
(A Development Stage Enterprise):

We have audited the balance sheets of McLaren Resources Inc. (A Development Stage Enterprise) as at September 30, 2007 and 2006 and the statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Toronto, January 9, 2007

(Signed) "*Edmund Cachia & Co. LLP*"
CHARTERED ACCOUNTANTS

McLAREN RESOURCES INC.
(Development Stage Enterprise)

BALANCE SHEETS

SEPTEMBER 30

ASSETS

	2007	2006
CURRENT		
Cash and cash equivalents	\$ 3,114,436	\$ 629,797
Accounts receivable	25,895	3,388
Prepaid expenses	<u>6,136</u>	<u>-</u>
	3,146,467	633,185
DEFERRED PETROLEUM AND NATURAL GAS EXPLORATION COSTS (note 4)	435,596	-
ROYALTY INTEREST (note 3)	1	58,000
MINERAL PROPERTY (note 5)	-	75,764
FIXED ASSETS (note 7)	<u>1,459</u>	<u>681</u>
	<u>\$ 3,583,523</u>	<u>\$ 767,630</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities (note 9)	\$ 110,916	\$ 34,441
OBLIGATION TO ISSUE SHARES (note 6 (d))	7,500	-

SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 6 (b))	4,424,921	1,072,306
CONTRIBUTED SURPLUS (note 10)	317,430	-
DEFICIT	<u>(1,277,244)</u>	<u>(339,117)</u>
	<u>3,465,107</u>	<u>733,189</u>
NATURE OF OPERATIONS AND COMMITMENTS (notes 1, 4 and 8)	<u>\$ 3,583,523</u>	<u>\$ 767,630</u>

Approved by the Board:

"Brian Berner", Director

"Gregory C. Liddy", Director

The accompanying notes are an integral part of these financial statements.

McLAREN RESOURCES INC.
(Development Stage Enterprise)

STATEMENTS OF LOSS AND DEFICIT

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006	Cumulative from the Date of Commencement of Development Stage October 1, 2005
EXPENSES			
Consulting fees	\$ 190,424	\$ 84,650	\$ 275,074
Management fees	91,000	25,000	116,000
General, office and administration	163,203	10,228	173,431
Oil and gas pre-acquisition costs (note 2)	616,264	51,158	667,422
Amortization	193	75	268
Investor relations	37,561	-	37,561
Professional fees	53,748	13,040	66,788
Stock-based compensation	<u>343,194</u>	<u>-</u>	<u>343,194</u>
	1,495,587	184,151	1,679,738
OTHER			
Write-down of royalty interest	117,560	-	117,560
Interest and other income	(28,173)	-	(28,173)
Recovery of oil and gas pre-acquisition costs (note 14)	<u>(646,847)</u>	<u>-</u>	<u>(646,847)</u>
NET LOSS FOR THE YEAR	938,127	184,151	<u>\$1,122,278</u>
DEFICIT AT BEGINNING OF THE YEAR	<u>339,117</u>	<u>154,966</u>	
DEFICIT AT END OF THE YEAR	<u>\$1,277,244</u>	<u>\$ 339,117</u>	
Basic and diluted loss per share	<u>\$ 0.07</u>	<u>\$ 0.02</u>	
Weighted-average number of common shares outstanding	<u>13,335,732</u>	<u>11,509,437</u>	

The accompanying notes are an integral part of these financial statements.

McLAREN RESOURCES INC.
(Development Stage Enterprise)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006	Cumulative from the Date of Commencement of Development Stage October 1, 2005
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Net loss for the year	(\$ 938,127)	(\$ 184,151)	(\$ 1,122,278)
Add items not affecting cash:			
Depreciation	193	75	268
Write-down of royalty interest	117,560	-	117,560
Stock-based compensation	343,194	-	343,194
Net changes in working capital balances:			
(Increase) decrease in accounts receivable	(22,507)	3,935	(18,572)
Increase in prepaid expenses	(6,136)	-	(6,136)
Increase in accounts payable and accrued liabilities	<u>71,975</u>	<u>10,582</u>	<u>82,557</u>
Cash used in operations	<u>(433,848)</u>	<u>(169,559)</u>	<u>(603,407)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:			
Purchase of fixed assets	(971)	(756)	(1,727)
Proceeds on disposal of mineral property	50,000	-	50,000
Deferred petroleum and natural gas exploration costs	(435,596)	-	(435,596)
Royalty interest costs	<u>(59,561)</u>	<u>(28,000)</u>	<u>(87,561)</u>
Cash used in investing	<u>(446,128)</u>	<u>(28,756)</u>	<u>(474,884)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:			
Issue of common shares	3,474,417	853,707	4,328,124
Shares issue costs	(109,802)	-	(109,802)
Loan payable repayment	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
Cash provided by financing	<u>3,364,615</u>	<u>823,707</u>	<u>4,188,322</u>
INCREASE IN CASH POSITION	2,484,639	625,392	3,110,031
CASH POSITION AT BEGINNING OF THE YEAR	<u>629,797</u>	<u>4,405</u>	<u>634,202</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 3,114,436</u>	<u>\$ 629,797</u>	<u>\$ 3,744,233</u>
Supplemental disclosure of non-cash transactions:			
Shares issued or issuable for non-cash consideration-:			
Consulting services	\$ -	\$ 37,500	
Royalty interest	\$ -	\$ 10,000	
Pre-acquisition costs	\$ -	\$ 10,000	
Debt	\$ -	\$ 11,207	
Finders fees	\$ 173,871	\$ -	

The accompanying notes are an integral part of these financial statements.

McLAREN RESOURCES INC.
(Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

1 - NATURE OF OPERATIONS:

McLaren Resources Inc. was incorporated on July 13, 1999 under The Business Corporations Act (Ontario).

The Company is engaged in the acquisition, exploration and development of petroleum and mineral properties. The recovery of amounts capitalized as resource properties is dependant upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete the necessary exploration and development, and obtaining future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and the settlement of liabilities in the normal course of business.

The Company's ability to continue as a going-concern is dependent upon securing other financing arrangements or generating sufficient funds through operations to meet its obligations as they fall due. The Company is pursuing other funding alternatives; however, there is no certainty that the Company will be successful in raising the necessary financing.

2 - SIGNIFICANT ACCOUNTING POLICIES:

ESTIMATES

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Precise determination of amounts of some assets and liabilities is dependent on future events. This requires that management make estimates in the preparation of financial statements. Actual results could vary from the estimates.

Management has made a number of significant estimates and valuation assumptions, including the recoverability of investments and petroleum and natural gas interests. These estimates and assumptions are based on present conditions and management's planned course of action as well as assumptions about future business and economic conditions. Should the underlying estimates change, the recorded amounts could change by a material amount.

DEFERRED PETROLEUM AND NATURAL GAS EXPLORATION COSTS

Effective October 1, 2006, the Company follows the full cost method of accounting for oil and gas exploration expenditures, wherein all costs related to the exploration of oil and gas properties are capitalized. Costs capitalized include acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and non-productive wells, overhead directly related to exploration activities and lease of well equipment. Costs capitalized will be depleted using the unit-of-production method based on proven gross oil and natural gas reserves determined by the company and independent engineers.

The Company is in the process of exploring off-shore oil and gas properties and has not yet determined the amount of reserves available in its properties. Management's estimate of probable reserves and resources are subject to risks and uncertainties affecting the recoverability of the company's investment in deferred petroleum and natural gas exploration costs. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur that could materially affect management's estimate of the recoverability of deferred costs and the need for asset impairment write-downs.

McLAREN RESOURCES INC.
(Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

DEFERRED PETROLEUM AND NATURAL GAS EXPLORATION COSTS (continued)

All long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If it is determined that the carrying value is not recoverable and exceeds its fair value, a write-down to the fair value amount is made by a charge to loss.

MINERAL PROPERTIES

Mineral properties are recorded at cost less related expenditure recoveries. Mineral properties acquired from a related company have been acquired at the related company's carrying value. These costs are deferred, or capitalized, until commencement of commercial mining operations, when the deferred costs applicable to the specific property will be amortized on the unit of production basis. If in any year the interests in specific properties are disposed of, or abandoned, the applicable deferred expenditures will be written off in that year.

CASH AND CASH EQUIVALENTS

Cash and short-term investments with a remaining maturity of three months or less at the date of acquisition are classified as cash and cash equivalents.

INCOME TAXES

Future income tax assets and liabilities are determined based on differences between the financial statements carrying values and their respective income tax basis generally using the enacted income tax rates at each balance sheet date. Future income tax assets also arise from unused loss carry forwards and other deductions. The amount of the future income tax asset recognized is limited to the amount that is more likely than not to be realized. The estimated realizable amount is reviewed annually and adjusted, if necessary, by use of a valuation allowance.

STOCK-BASED COMPENSATION

The Company has a stock option plan, which is described in note 6(c). The Company accounts for stock-based compensation using the fair-value method. Under the fair value method, stock-based payments are measured at the fair value of equity instruments and are amortized over the vesting period. The offset to the recorded cost is contributed surplus in shareholders' equity.

LOSS PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to redeem common shares at the prevailing market value.

REVENUE RECOGNITION

Interest income is recognized on an accrual basis.

McLAREN RESOURCES INC.
(Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

ASSET RETIREMENT OBLIGATION

The Company adopted the CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to sit reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred or can be reasonably estimated, and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. At September 30, 2007, the Company has not incurred or committed any asset retirement obligations related to the development of its exploration properties.

JOINT OPERATIONS

Certain of the Company's exploration activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

FIXED ASSETS

Fixed assets are stated at cost. Depreciation is provided on the diminishing balance basis at the following annual rate:

Computer equipment.....20%

OIL AND GAS, AND MINERAL PROPERTY PRE-ACQUISITION COSTS

The Company incurs pre-acquisition costs investigating potential property acquisitions. If the Company determines that a specific property acquisition will not be culminated, the costs associated with the specific property are charged to operations in the current period.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, including property, equipment, royalty interest, and other assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

CUMULATIVE INFORMATION FOR DEVELOPMENT STAGE COMPANIES

The Company has adopted CICA Handbook Accounting Guideline #11 with respect to financial statement presentation for development stage companies. Accordingly, the statements of loss and cash flows have been altered to include a column outlining the cumulative revenues, expenses and cash flows from the date of commencement of development stage activities being October 1, 2005 to the fiscal year end date of the financial statements.

McLAREN RESOURCES INC.
(Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

3 - ROYALTY INTEREST:

During 2005, the Company purchased a beneficial 5% net smelter royalty interest (“NSR”) on the Zenda Property in Kern County, California, U.S.A.. During 2007, the Company paid its remaining contractual obligation regarding the purchase of the NSR and wrote-down the carrying value of the NSR interest due to lack of progress in bringing the property into commercial production.

4 - DEFERRED PETROLEUM AND NATURAL GAS EXPLORATION COSTS AND COMMITMENTS:

NORTH SEA LEASES, NETHERLANDS

The Company has a joint venture with Ascent Resources PLC (“Ascent”), whereby the Company held a 45% beneficial interest and a 62.5% paying interest in four offshore petroleum blocks in the Netherlands sector of the North Sea.

Energie Beheer Netherlands BV (“EBN”), 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 has been reduced to 27% and its paying interest to 37.5%. The exploration blocks had an initial term of two years which has been extended to October 10, 2010. It is anticipated that the work budget for the initial two year period will be in the range of \$2,000,000 and that up to \$1,000,000 will be spent during the initial twelve month period, primarily on seismic evaluation work.

Accumulated deferred petroleum and natural gas exploration costs have been incurred as follows:

	2007	2006
Balance, beginning of the year	\$ -	\$ -
Costs incurred during the year	<u>435,596</u>	<u>-</u>
Balance, end of the year	<u>\$ 435,596</u>	<u>\$ -</u>

SOUTH SUMATRA PERMITS, INDONESIA

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 (note 14).

McLAREN RESOURCES INC.
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FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

5 - MINERAL PROPERTY:

Mineral property costs are comprised of the following:

	Augdome
Balance, September 30, 2002	\$123,602
Exploration	5,000
Expenditure recoveries	<u>(20,000)</u>
Balance, September 30, 2003	108,602
Exploration	5,125
Expenditure recoveries	<u>(37,963)</u>
Balance, September 30, 2004, 2005, 2006	75,764
Disposition	<u>(75,764)</u>
Balance, September 30, 2007	<u>\$ -</u>

AUGDOME

On July 14, 1999, the Company acquired a one half interest in an option to earn a 100% interest in 22 patented mining claim units, located within the city of Timmins, Ontario in Tisdale and Whitney Townships. The interest was acquired from the parent of the Company at that time, Hy Lake Gold Inc., in consideration for 2,999,999 common shares of the Company totalling \$100,000. The purchase price was equal to the carrying value of these interests in Hy Lake Gold Inc.. In addition, the carrying value for Hy Lake Gold Inc. was considered to be market value at the time of acquisition.

During the year, the Company incurred \$nil (2006- \$nil) of expenditures relating to the Augdome property.

During the year, the Company approved the disposal of the Augdome property for cash consideration totalling \$50,000 to a company related to officers and directors of the Company at the time of the transaction. The sale price represents the directors' best estimate of the prevailing fair market of the Augdome property. The transaction has been measured in these financial statements at the carrying amount of the Augdome property previously recognized in the accounts of the Company, which amounts to \$75,674. The difference of \$25,674 between the cash received and the carrying amount has been debited to contributed surplus (note 10).

McLAREN RESOURCES INC.
(Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

6 - CAPITAL STOCK:

a) Authorized

Unlimited number of common shares;

b) Issued

Common shares

	2007		2006	
	Shares	Amount	Shares	Amount
Balance, beginning of the year	11,522,703	\$ 1,072,306	5,265,633	\$ 218,599
Issued for cash	6,948,836	3,474,417	5,570,000	785,000
Issued for services (iv)	332,742	166,371	375,000	37,500
Issued for royalty interest (i)	-	-	100,000	10,000
Issued for debt (ii)	-	-	112,070	11,207
Issued for pre-acquisition costs (iii)	-	-	100,000	10,000
Shares issue costs	-	(288,173)	-	-
Balance, end of the year	18,804,281	\$ 4,424,921	11,522,703	\$ 1,072,306

On March 19, 2007, the Company completed a \$679,500 private placement offering of 1,359,000 common shares. In addition, 67,950 common shares of the Company were issued for finders fees with a deemed value of \$33,975.

On May 16, 2007, the Company completed a \$582,418 private placement offering of 1,164,836 common shares. In addition, cash totalling \$50,788 and 68,242 common shares of the Company were issued for finders fees with a deemed value of \$34,121.

On August 16, 2007, the Company completed a \$2,212,500 private placement offering of 4,425,000 common shares. In addition, cash amounting to \$59,015 and 196,550 common shares of the Company were issued for finders fees with a deemed value of \$98,275.

- (i) Shares issued for royalty interest-
The Company issued nil (2006- 100,000) common shares for royalty interest maintenance fees charged by a company, whose sole shareholder is a director of the Company, for an aggregate issue price of \$nil (2006-\$10,000).
- (ii) Shares issued on settlement of debt-
The Company issued nil (2006- 52,070) common shares to a director and an individual related to a director of the Company in settlement of debt owed by the Company for a total deemed value of \$nil (2006- \$5,207).
- (iii) Shares issued for pre-acquisition costs-
The Company issued nil (2006- 100,000) common shares for pre-acquisition costs charged by a director of the Company totalling \$nil (2006- \$10,000).

McLAREN RESOURCES INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

6 - CAPITAL STOCK (continued):

b) Issued (continued)

(iv) Shares issued for services-

The Company issued 38,000 (2006- nil) common shares to an officer and an individual related to a director of the Company, at the time of the transaction, for finders fees for a total deemed value of \$19,000 (2006- \$nil).

c) Stock options

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees, consultants and other service providers of the Company in order to assist the Company in attracting, retaining, and motivating such persons by providing them with the opportunity, through stock options to acquire an increased proprietary interest in the Company. Under the Plan, stock options are non-assignable and may be granted for a term not exceeding five years. The number of common shares that may be reserved for issuance to any one person must not exceed 5% of the outstanding common shares. The stock options are non-transferable.

The fair value of each option was estimated on the date of grant. Under Black-Scholes the options issued during the year ended September 30, 2007 have been valued at \$343,194, and expensed to loss, using the following assumptions at the measurement date:

Risk-free interest rate	4.32%
Expected life	5 years
Price volatility	50%
Dividend yield	nil

The following table reflects the continuity for the year ended September 30, 2007 and 2006 of options granted, exercised and forfeited under the plan:

	2007	Weighted Average Exercise Price	2006	Weighted Average Exercise Price
Balance outstanding, beginning of year	-	\$ -	-	\$ -
Activity during the year:				
Granted	1,410,000	0.50	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Balance outstanding, end of year	<u>1,410,000</u>	<u>\$ 0.50</u>	<u>-</u>	<u>\$ -</u>

McLAREN RESOURCES INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

6 - CAPITAL STOCK (continued):

c) Stock options (continued)

The following summarizes information on the stock options outstanding at September 30, 2007:

Weighted average exercise price	\$	0.50
Options outstanding as at September 30, 2007		1,410,000
Remaining contractual life		4.6 years
Options exercisable as at September 30, 2007		1,410,000

See note 15 for additional stock option information.

d) Obligation to issue shares:

At September 30, 2007, the Company is committed, under a finder's fee agreement, to issue 15,000 common shares having a deemed value, totalling \$7,500. On October 29, 2007 these shares were issued.

7 - FIXED ASSETS:

	2007		2006	
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	NET BOOK VALUE
Computer equipment	<u>\$ 1,727</u>	<u>\$ 268</u>	<u>\$ 1,459</u>	<u>\$ 681</u>

8 - COMMITMENTS:

During the year, the Company entered into an office lease and office management contract with payments of \$5,000 per month for a period of one year ending December 31, 2007.

See note 4 for additional commitment information.

9 - RELATED PARTY TRANSACTIONS:

During 2007, officers, directors, and company's controlled by them charged consulting fees and management fees to the Company in the amount of \$117,750 (2006-\$52,500). Accounts payable at September 30, 2007 includes \$6,293 (September 30, 2006- \$10,000) owing to them. A corporation controlled by a Company director charged the Company royalty interest maintenance fees of \$28,000 during 2006.

During the year, the Company reimbursed certain directors, officers, and individuals and companies related to directors of the Company, for corporate costs paid directly by them. These reimbursements were at cost and aggregated \$68,399 (2006- \$10,935).

During 2007, the Company was charged \$34,270 (2006-\$5,992) by a law firm of which an officer of the Company is a partner. Accounts payable at September 30, 2007 includes \$4,113 (September 30, 2006-\$2,807) owing to a law firm of which an officer of the Company is a partner.

McLAREN RESOURCES INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

9 - RELATED PARTY TRANSACTIONS (continued):

Rent of \$49,500 (2006- \$nil) was paid to a company with officers who were also officers of the Company at the time of the transaction and a company controlled by an individual related to a director of the Company.

During the year, the Company was charged interest in the amount of \$10,877 (2006- \$nil) from a company with common officers and an individual related to a director of the Company at the time of the transaction.

These transactions, stated above, are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

See notes 5 and 6 for additional related party information.

10- CONTRIBUTED SURPLUS:

Contributed surplus is comprised of the following:

	2007	2006
Balance, beginning of the year	\$ -	\$ -
Stock-based compensation cost	343,194	-
Related party transaction adjustment (note 5)	<u>(25,764)</u>	<u>-</u>
Balance, end of the year	<u>\$ 317,430</u>	<u>\$ -</u>

11 – INCOME TAXES:

(a) At September 30, 2007, the Company has non-capital losses of \$821,343 that can be used to reduce future taxable income. These losses expire as follows:

2008	-	2,679
2009	-	2,310
2010	-	3,018
2011	-	14,752
2015	-	126,599
2016	-	184,151
2027	-	<u>487,834</u>
		<u>\$ 821,343</u>

As at September 30, 2007 the tax effects of temporary timing differences that give rise to significant components of the future tax asset computed at current rates, were as follows:

Non-capital losses carry forward	\$ 296,669
Issue costs	95,988
Less: Valuation allowance	<u>(392,657)</u>
Net asset	<u>\$ -</u>

McLAREN RESOURCES INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

11 – INCOME TAXES (continued):

(b) The Company's provision for income taxes differ from the amounts computed by applying the basic current rates to loss for the year before taxes, as shown in the following table:

	2007	2006
Statutory rate applied to loss for the year before income taxes	(\$ 338,851)	(\$66,515)
Increase (decrease) in taxes resulting from:		
Stock-based compensation	123,962	-
Write-down of royalty interest	42,463	-
Other	(3,779)	-
Tax benefit not recognized on current year's losses	<u>176,205</u>	<u>66,515</u>
	<u>\$ -</u>	<u>\$ -</u>

12 - COMPARATIVE FIGURES:

Certain figures shown for comparative purposes have been reclassified to conform with the classifications adopted in the current period.

13 - FINANCIAL INSTRUMENTS:

a) 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 value amounts.

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.

b) Credit risk

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

c) 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.

14 - RECOVERY OF OIL AND GAS PRE-ACQUISITION COSTS:

During the year, the Company was reimbursed for its oil and gas pre-acquisition costs relating to the exploration and development of business opportunities in Indonesia, totalling \$646,847. As part of the transaction the Company maintains 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.

McLAREN RESOURCES INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

15 – SUBSEQUENT EVENTS:

Subsequent to the year end, the Company's shares were accepted for trading on the Frankfurt Stock Exchange under the symbol 3ML.

Subsequent to year end, 125,000 common shares were issued for cash proceeds of \$62,500, in aggregate, on exercise of stock options.

See note 6(d) for additional subsequent event information.

16 – SEGMENTED INFORMATION:

The Company operates in one operating reporting segment, being petroleum and natural gas exploration and development. The Company's principal petroleum and natural gas exploration interest is located in the Netherlands. In addition, except for the Company's oil and gas pre-acquisition costs expended in Indonesia, all other assets, expenses, and recoveries are in Canada.