

McLAREN RESOURCES INC.
(A Development Stage Enterprise)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2006 AND 2005



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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, 2006 and 2005 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, 2006 and 2005 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 18, 2007

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

McLAREN RESOURCES INC.
(Development Stage Enterprise)

BALANCE SHEETS

SEPTEMBER 30, 2006 AND 2005

ASSETS

	2006	2005
CURRENT		
Cash	\$ 629,797	\$ 4,405
Accounts receivable (note 8)	<u>3,388</u>	<u>7,323</u>
	633,185	11,728
ROYALTY INTEREST (note 3)	58,000	30,000
MINERAL PROPERTY (notes 4 and 7)	75,764	75,764
FIXED ASSETS (note 6)	<u>681</u>	<u>-</u>
	<u>\$ 767,630</u>	<u>\$ 117,492</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities (note 8)	\$ 34,441	\$ 23,859
Loan payable (note 9)	<u>-</u>	<u>30,000</u>
	34,441	53,859

SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 5)	1,072,306	218,599
DEFICIT	<u>(339,117)</u>	<u>(154,966)</u>
	<u>733,189</u>	<u>63,633</u>
SUBSEQUENT EVENTS AND COMMITMENTS (note 12)	<u>\$ 767,630</u>	<u>\$ 117,492</u>

Approved by the Board:

“Michael Meredith”, Director

“Robert G. Brooks”, 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, 2006 AND 2005

	2006	2005
EXPENSES		
Consulting fees	\$ 84,650	\$ 12,850
General, office and administration	22,794	6,599
Oil and gas pre-acquisition costs (note 2)	38,667	66,291
Management fees	25,000	12,000
Professional fees	<u>13,040</u>	<u>28,859</u>
NET LOSS FOR THE YEAR	(184,151)	(126,599)
DEFICIT AT BEGINNING OF THE YEAR	(<u>154,966</u>)	(<u>28,367</u>)
DEFICIT AT END OF THE YEAR	(<u>\$ 339,117</u>)	(<u>\$ 154,966</u>)
Basic and diluted loss per share	<u>\$ 0.016</u>	<u>\$ 0.024</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, 2006 AND 2005

	2006	2005
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss for the year	(\$ 184,151)	(\$ 126,599)
Add items not affecting cash:		
Depreciation	75	-
Net changes in working capital balances:		
Decrease in accounts receivable	3,935	928
Increase in accounts payable and accrued liabilities	<u>10,582</u>	<u>1,188</u>
Cash used in operations	<u>(169,559)</u>	<u>(124,483)</u>
CASH USED IN INVESTING ACTIVITIES:		
Purchase of fixed assets	(756)	-
Royalty interest costs	<u>(28,000)</u>	<u>-</u>
Cash used in investing	<u>(28,756)</u>	<u>-</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Issue of common shares	853,707	118,597
Loan payable repayment	<u>(30,000)</u>	<u>-</u>
Cash provided by financing	<u>823,707</u>	<u>118,597</u>
INCREASE (DECREASE) IN CASH POSITION	625,392	(5,886)
CASH POSITION AT BEGINNING OF THE YEAR	<u>4,405</u>	<u>10,291</u>
CASH POSITION AT END OF THE YEAR	<u>\$ 629,797</u>	<u>\$ 4,405</u>
Supplemental disclosure of non-cash transactions:		
Shares issued for non-cash consideration-:		
Consulting services	\$ 37,500	\$ -
Royalty interest	\$ 10,000	\$ -
Pre-acquisition costs	\$ 10,000	\$ 30,000
Debt	\$ 11,207	\$ -

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, 2006 AND 2005

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 mineral 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 mining 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.

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.

FINANCIAL INSTRUMENTS

Financial instruments are initially recorded at cost. The carrying value of accounts receivable, accounts payable and accrued liabilities and the loan payable approximates fair value due to their short-term nature.

McLAREN RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

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 PLAN

The Company adopted the recommendations of the CICA handbook, regarding accounting for stock-based compensation plans. Applying this method, the Company recognizes compensation expense for all options awarded subsequent to December 31, 2001, based on the fair value of the options on the date of grant which is determined using the Black Scholes option pricing model. The Company recognized no compensation for stock options issued before October 1, 2002. In addition, the Company currently has no defined stock option plan.

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.

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. As September 30, 2006, the Company has not incurred or committed any asset retirement obligations related to the development of its exploration properties.

FIXED ASSETS:

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

Computer equipment.....45%

McLAREN RESOURCES INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

3 - ROYALTY INTEREST:

During 2005, the Company purchased a beneficial 5% net smelter royalty interest on the Zenda Property in Kern County, California, U.S.A..

4 - MINERAL PROPERTY:

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.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

4 - MINERAL PROPERTY (continued):

During the year, the Company incurred \$ nil (2005- \$nil) of expenditures relating to the Augdome 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	<u>\$ 75,764</u>

5 - CAPITAL STOCK:

a) Authorized

Unlimited number of common shares;

b) Issued

Common shares

	2006		2005	
	Shares	Amount	Shares	Amount
Balance, beginning of the year	5,265,633	\$ 218,599	4,079,667	\$ 100,002
Issued for cash	5,570,000	785,000	885,966	88,597
Issued for services	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	300,000	30,000
Balance, end of the year	<u>11,522,703</u>	<u>\$1,072,306</u>	<u>5,265,633</u>	<u>\$ 218,599</u>

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5 - CAPITAL STOCK (continued):

b) Issued (continued)

- (i) Shares issued for royalty interest-
The Company issued 100,000 (2005- nil) 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 \$10,000 (2005-\$nil).
- (ii) Shares issued on settlement of debt-
The Company issued 52,070 (2005- nil) 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 \$5,207 (2005- \$nil).
- (iii) Shares issued for pre-acquisition costs-
The Company issued 100,000 (2005- nil) common shares for pre-acquisition costs charged by a director of the Company totalling \$10,000 (2005- \$nil).

6 - FIXED ASSETS:

	2006		2005	
	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>NET BOOK VALUE</u>	<u>NET BOOK VALUE</u>
Computer equipment	<u>\$ 756</u>	<u>\$ 75</u>	<u>\$ 681</u>	<u>\$ -</u>

7 - MINERAL PROPERTY COMMITMENTS:

AUGDOME

As provided in the agreement with the Ministry of Northern Development and Mines, in order for the Company to keep its claims in good standing, the Company is committed to mining land taxes due on the property. Payments are due in December of each year, totalling approximately \$2,000 annually.

On September 30, 2004, the Company as partial consideration for the sale of certain gold mineralization rights on the property has transferred the commitment to pay the mining land taxes on the property to Vedron Gold Inc.

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FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

8 - RELATED PARTY TRANSACTIONS:

During 2006, Company's controlled by directors, officers, and individuals and Companies related to directors and officers of the Company charged consulting fees and management fees to the Company in the amount of \$52,500 (2005-\$20,000). Accounts payable at September 30, 2006 includes \$17,120 (September 30, 2005- \$10,000) owing to them. Accounts receivable at September 30, 2006 include \$nil (September 30, 2005- \$6,598) due from 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 credited certain directors, officers and individuals related to a director of the Company, for corporate costs paid directly by them. These credits were at costs and aggregated \$10,935 (2005- \$nil).

During 2006, the Company was charged \$5,992 (2005-\$nil) by a law firm of which a director of the Company is a partner.

Accounts payable at September 30, 2006 includes \$2,807 (September 30, 2005- \$nil) owing to a law firm of which a director of the Company is a partner.

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 note 5 for additional related party information.

9 – LOAN PAYABLE:

The loan payable is interest free, due on demand, and is convertible into common shares at \$0.15 per share at the option of the holder. During the year, the Company repaid the loan in full.

10 – INCOME TAXES:

(a) At September 30, 2006, the Company has non-capital losses of \$ 336,115 that can be used to reduce future taxable income. These losses expire as follows:

2007	- \$	2,606
2008	-	2,679
2009	-	2,310
2010	-	3,018
2011	-	14,752
2015	-	126,599
2016	-	<u>184,151</u>
		<u>\$ 336,115</u>

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FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

10 – INCOME TAXES (continued):

As at September 30, 2006 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	\$ 121,405
Less: Valuation allowance	(<u>121,405</u>)
Net asset	\$ <u> </u> -

(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:

	2006	2005
Statutory rate applied to loss for the year before income taxes	\$ 66,515	\$ 55,704
Tax benefit not recognized on current year's losses	(<u>66,515</u>)	(<u>55,704</u>)
	\$ <u> </u> -	\$ <u> </u> -

11 - COMPARATIVE FIGURES:

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

12 – SUBSEQUENT EVENTS AND COMMITMENTS:

Subsequent to year end the government of the Netherlands awarded four license blocks to a joint venture with Ascent Resources PLC (“Ascent”), and the Company will begin to make annual lease payments with the initial annual payment of an estimated US\$100,000 due during January 2007.

Subsequent to the year the Company partnered with PT Ephindo of Indonesia and Far East Methane LLC of Denver, Colorado to explore and develop Coal Bed Methane in South Sumatra, Indonesia. Under the terms of McLaren's agreement, McLaren will earn 63% of PT Ephindo's interest in a 99,000 hectare property in South Sumatra by performing exploration and development work in the amount of US \$15 million.

Subsequent to year end 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.