

# McLAREN RESOURCES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE QUARTER ENDED MARCH 31, 2009

#### General

The following discussion of performance, financial condition and future prospects should be read in conjunction with the McLaren Resources Inc. (the "Company" or "McLaren") audited financial statements and notes thereto for the fiscal years ended September 30, 2008 and September 30, 2007, 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 August 14, 2009.

#### **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.

On January 13, 2009, the Company announced that the Board of Directors of the Company was at odds as to the future direction of the Company and that positions were evenly divided between the four directors. The Company announced that a dissident shareholders meeting had been called for February 26, 2009. The Company also announced that a legal proceeding had been commenced before the Ontario Superior Court of Justice ("the

## **OVERVIEW - *continued***

Court”), in which allegations of oppressive conduct were being asserted by two of the Directors (Victor Childs and John Holko) against the other two Directors (Gregory Liddy and Brian Berner) and the Company. Gregory Liddy and Brian Berner have advised the Company and the Court that in the context of that proceeding, a counter application for oppressive conduct will be brought against Victor Childs and John Holko.

On January 16, 2009, by way of a Court order, the meeting date for the dissident shareholders meeting was moved from February 26, 2009 to March 10, 2009. The legal proceeding regarding allegations of oppressive conduct was adjourned until after the March 10, 2009 shareholders meeting.

The dissident shareholders’ meeting was held March 10, 2009. As a result, a new Board of Directors, including Victor Childs and John Holko, was elected and new management of the Company was appointed.

On December 2, 2008, a letter was sent to the Company’s bank, on behalf of two of the Company’s Directors, indicating a dispute among the directors regarding the signing authorities on the Company’s bank account. Consequently the Company’s bank placed the Company’s bank account on a full hold until documentation evidencing the resolution of the dispute was provided to the Company’s bank. Following the election of the new Board of Directors and the appointment of new management, the Company has now restored normal banking operations.

The newly elected Board of Directors of the Company is currently considering appropriate next steps.

### ***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. Subsequently two of the exploration blocks were consolidated into one and accordingly the Company has an interest in three exploration blocks.

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 three 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’ term is up to August 2011. The expected

### ***Deferred Petroleum and Natural Gas Exploration Costs - continued***

total work budget for the initial two year period, commencing October 10, 2006, was approximately \$2,000,000, primarily relating to seismic evaluation work. To September 30, 2008, McLaren's share of total outlays was approximately \$498,000. This amount excludes the Company's acquisition costs of approximately \$150,000.

In December, 2006 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 Financial Information**

The following table provides selected financial information that should be read in conjunction with the financial statements of the Company.

	<b>QUARTER ENDED</b>		<b>YEAR ENDED</b>	
	<b>March 31,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>
Interest and Other Income	\$3,556	\$25,060	\$88,575	\$28,173
Loss for the period	\$480,434	\$104,712	\$349,959	\$938,127
Loss per share	\$0.025	\$0.006	\$0.019	\$0.07
Total assets	\$3,214,105	\$3,587,446	\$3,239,298	\$3,583,523
Deferred petroleum and natural gas exploration	\$832,479	\$625,830	\$648,363	\$435,596
Total liabilities	\$562,359	\$208,531	\$30,750	\$110,916

## **Results of Operations**

The Company incurred a net loss of \$480,434 for the quarter ended March 31, 2009 compared to a net loss of \$104,712 for the quarter ended March 31, 2008. To a large extent the increase in the loss was due to the increased professional fees charges as a result of the ongoing dispute with the directors.

### **Revenue**

The Company is a junior exploration company with no revenue producing properties and earned no revenue for the quarter ended March 31, 2009 (March 31,2008 - \$nil) other than interest earned of \$3,556 (2008 - \$25,060).

### **Expenses**

	March 31, 2009	March 31, 2008	Change %
Consulting fees	\$13,756	\$7,800	(76.4)%
Management fees	\$41,890	\$45,834	(0.8)%
Office, general and administrative	\$21,467	\$14,730	(45.7)%
Investor relations	\$16,839	\$19,146	(12.0)%
Professional fees	\$389,986	\$18,789	1,975.6%

Consulting fees increased during the quarter ended March 31, 2009, compared to the prior year, due mainly to a severance costs associated with the termination of several consulting companies, including the CFO and a administrative assistant. Management fees decreased slightly due to the lower management fees charged by the new CFO and CEO. General, office and administration expenses increased for the quarter ended March 31, 2009 compared to the prior year as there was a higher demand on the office due to the ongoing dispute. Investor relations decreased for the quarter ended March 31, 2009 compared to the prior year, as there was a termination in the consulting contract with the new management team. Professional fees increased over the comparable quarter in 2008 due, in part, to the legal proceeding that had been commenced before the Ontario Superior Court of Justice (“the Court”), in which allegations of oppressive conduct were being asserted by two of the Directors (Victor Childs and John Holko) against the other two Directors (Gregory Liddy and Brian Berner) and the Company. Of the total increase of \$353,318 in legal fees, approximately \$97,252 was court directed fees.

## **Properties**

### **Deferred Petroleum and Natural Gas Exploration Costs**

The Company incurred costs of \$184,116 during the quarter ended March 31, 2009, (2008 - \$190,234) for exploration, including an independent reserves evaluation, relating to its interest in three 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, payable only if the business opportunity is fully funded and reaches commercial production, on those activities related to the Indonesian properties identified in the Participation Agreement (with Amendments) entered into by the Company and PT Ephindo in December 2006.

### **Liquidity and Capital Resources**

At March 31, 2009 the Company had cash and cash equivalents of \$2,326,091 compared to \$2,528,280 as at September 30, 2008. The Company's main short-term obligations as at March 31, 2009 consisted of accounts payable and accrued liabilities of \$562,359 (September 30, 2008 - \$30,750). The Company plans to invest approximately \$490,000 on its share of the North Sea exploration programs which are currently under consideration for calendar 2009. Long-term results will depend upon the results of these exploration programs. The Company had no other long-term obligations as at March 31, 2009.

The Company's working capital at March 31, 2009 was \$1,818,215 (September 30, 2008 - \$2,559,017). Management believes that, at this level, capital is sufficient for the activities planned for the next twelve months.

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 take such action 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 quarter ended March 31, 2009, the Company did not issue any shares, issue any options or had any options exercised.

## **Commitments**

The expected total work budget over the initial two-year period, commencing October 10, 2006, with the EBN BV participation in the three North Sea exploration blocks is approximately \$2,000,000 on deferred petroleum and natural gas exploration programs, primarily seismic evaluation work. The Company has invested approximately \$498,000 (net of acquisition costs of approximately \$150,000) as its share of total expenditures in these exploration blocks, of which \$212,767 was invested during the year ended September 30, 2008. The Company has budgeted approximately \$490,000 as its share of the North Sea exploration programs which are under budget consideration for calendar 2009. Long-term funding requirements will depend upon the results of these exploration programs.

The structure of the transaction for the recovery of its pre-acquisition costs related to its Indonesian assets does not remove the Company's potential liability in the event of obligations incurred but not paid by the company who reimbursed the Company for its pre-acquisition costs. In the event of a default by the company, the Company could remain liable for the obligations incurred.

## **Subsequent events**

Further to the Special Shareholder's meeting held March 10, 2009, at which two of the former Board of Directors were replaced and a new management team was appointed, the Company is considering the appropriate next steps in respect of the allegations of oppressive conduct against Mr. Berner and Mr. Liddy. At this time management does not know what the outcome will be and has not made any adjustments in the financial statements of the Company in respect thereof.

## **Outstanding Share Data**

A summary of common shares and common share options as at March 31, 2009 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:

Quarterly Financial Information (unaudited)				
	2009	2008	2008	2008
	Q2	Q1	Q4	Q3
(a) Revenue	\$-	\$-	\$-	\$-
(b) Net Income (loss)	\$(480,434)	\$(76,368)	\$(85,691))	\$(84,676)
(c) Net Income (loss) per share	\$(0.025)	\$(0.004)	\$(0.005)	\$(0.004)
(basic & fully diluted)				
	2008	2007	2007	2007
	Q2	Q1	Q4	Q3
(a) Revenue	\$-	\$-	\$-	\$-
(b) Net Income (loss)	\$(104,712)	\$(74,880)	\$202,223	\$(567,206)
(c) Net Income (loss) per share	\$(0.006)	\$(0.004)	\$(0.019)	\$(0.041)
(Basic & Fully Diluted)				

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 Parties Transactions**

During the three and six months ended March 31, 2009, officers, directors, and companies controlled by them charged consulting fees and management fees to the Company in the amount of \$1,750 (2008 - \$45,834 and \$91,612). Accounts payable at March 31, 2009 includes \$1,750 (2008 - \$nil) owing to them. During the three and six months ended March 31, 2009, the Company reimbursed certain directors, officers and individuals and companies related to directors of the Company for corporate costs paid directly by them. This reimbursement were at cost and aggregated \$1,787 and \$1,999. During the three and six months ended March 31, 2009, the Company was charged \$37,198 and \$55,187 (2008 -

## **Related Parties Transactions - *continued***

\$14,789 and \$22,992) by a law firm of which an officer of the Company is a partner. Accounts payable at March 31, 2009 includes \$28,268 (2008 - \$3,217) owing to the law firm of which an officer of the Company is a partner. During the three and six months ended March 31, 2009, management fees were charged by the Chief Financial Officer in the amount of \$15,140 and \$23,474. Accounts payable at March 31, 2009 includes \$1,312 (2008 - \$nil) owing to the CFO.

During the three and six months ended March 31, 2009, legal fees were paid on behalf of certain directors and a shareholder of the Company in the amount of \$248,951 related to the allegation of oppressive conduct legal proceedings (2008 - \$nil).

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

The authority of some payments made to certain individuals who were directors at the time of the transactions, and companies related to them, have been challenged in an oppression application (see note 14). Total payments made to those individuals and companies are noted below.

During the three and six months ended March 31, 2009, officers, directors, and companies controlled by them charged consulting fees and management fees to the Company in the amount of \$25,000 and \$62,500 (2008 - \$45,834 and \$91,612). Accounts payable at March 31, 2009 includes \$nil (2008 - \$nil) owing to them.

During the three and six months ended March 31, 2009 the Company was charged \$7,500 and \$15,000 (2008 - \$7,500 and \$15,000) for investor relation services by a company controlled by an individual related to a director of the Company. Accounts payable at March 31, 2009 includes \$2,625 (2008 - \$nil) owing to them.

During the three and six months ended March 31, 2009, rent of \$15,000 and \$18,750 was paid to a company with a director who is also a director of the Company and an officer who is related to a director of the Company (2008 - \$5,000 and \$9,750).

During the three and six months ended March 31, 2009, the Company was charged \$3,000 and \$7,500 (2008 - \$4,750) for corporate administrative service by a company controlled by and individual related to a director of the Company.

## **Off-Balance Sheet Arrangements**

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

## **Management's Responsibility for Financial Information**

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements; and (ii) the audited financial statements fairly present all material respects the financial condition, results of the operations and cash flows of the Company, as of the date of and for the periods presented by the audited financial statements.

In contrast to the certificate required under Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings (MI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## Change In Accounting Policies

Effective October 1, 2007, the Company adopted the following accounting policies as recommended by the CICA handbook:

*Section 3855 - Financial Instruments - Recognition and Measurement:* Section 3855 requires that all financial assets, except those classified as held-to-maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held-for-trading; otherwise, they are measured at cost. Investments classified as available-for-sale are reported at fair market value based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss.

*Section 1530 - Comprehensive Income:* This standard introduces new rules for the reporting and display of comprehensive income. Comprehensive income represents a change in shareholders' equity (net assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. These items include holding gains and losses on certain investments, gains and losses on certain derivative instruments, and foreign currency gains and losses related to self-sustaining foreign operations.

The Company has designated its financial instruments as follows:

- i. Cash and cash equivalents are classified as "Held-for-Trading". Due to their short-term nature, their carrying value is equal to their fair value. The classification did not have a material impact on the financial statements;
- ii. Accounts receivable are classified as "Loans and Receivables". These financial assets are recorded at values that approximate their amortized cost using the effective interest method. The classification did not have a material impact on the financial statements; and
- iii. Accounts payable and accrued liabilities are classified as "Other Financial Liabilities". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method. The classification did not have a material impact on the financial statements.

Transition adjustment to opening balance: The adoption of Sections 1530 and 3855 did not impact the opening equity and losses of the Company.

The Company adopted the revised CICA Handbook *Section 1506, Accounting Changes*, which requires that: (a) a voluntary change in accounting principals can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change and (c) for changes in estimates, the nature and amount of the

## **Change In Accounting Policies - *continued***

change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

*Capital Disclosures* – Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in note 12 to these financial statements.

*Financial instruments* – Sections 3862 and 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new section in note 13 to the financial statements.

### **Future Accounting Changes**

#### *International Financial Reporting Standards ("IFRS")*

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The transition date of fiscal 2011 will require restatement for comparative purposes amounts reported by the Company for the 2010 Fiscal year. The impact IFRS on the Company's current financial statements has not yet been determined. The Company will monitor any changes in both its activities and in IFRS that may impact its adoption of these statements in 2011 to ensure that the transition is complete in an efficient manner.

## **Financial Instruments and Financial Risk Factors**

- 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 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.
- 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.

See note 15 in the audited annual financial statements for the year ended September 30, 2008 and 2007 for additional financial risk factors.

## **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.

### General

The oil and gas industry is very competitive and is subject to many risks. Many of these risks are outside the Company's control. Management has identified certain key risks, which are discussed below, along with their potential impact on the Company's operations. There is no assurance that commercial quantities of oil and natural gas will be discovered by the Company.

### Exploration, Drilling and Operating Risks

The business of exploration for and production of oil, gas and other resources involves a high degree of risk. In particular, the operations of the Company may be disrupted, curtailed or cancelled by a variety of risks and hazards which are beyond the control of the Company, including environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to increment or hazardous weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment, compliance with governmental requirements, explosions and other accidents. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruptions, monetary losses and possible legal liability.

### Titles to properties

Title to oil and gas interest is often not capable of conclusive determination, without incurring substantial expense. In accordance with industry practice, the Company will conduct such title review in connection with its principal properties as it believes is commensurate with the value of such properties. Governmental regulations and processing, approvals license and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental offices. The Company must comply with known standards, existing laws and regulations, new laws and regulations, amendments to existing laws and regulations, or more

### Fluctuations in the Prices of Oil and Natural Gas

Oil and natural gas prices have fluctuated widely during recent years and are determined by various factors outside the Company's control, including supply and demand factors, weather, general economic conditions, political instability, government regulation and taxes, the price and availability of alternative fuels, and conditions in oil and gas regions around the world. Such fluctuations will have a positive or negative effect on any revenue that the Company receives. If oil and natural gas prices become depressed or decline, the Company's potential revenue and earnings and the value of its assets would be expected to decline.

### Additional Financing

To the extent that external sources of capital, including the issuance of additional Common Shares, become limited or unavailable, the Company's ability to make necessary capital investments to maintain or expand its oil and gas exploration and development activities will be impaired.

### Reserve and Resource Estimates

Information on resources and reserves are only estimates and the actual production and ultimate reserves from the properties may be greater or less than the estimates contained herein. In addition, probable reserve estimates for properties may require revision based on the actual development strategies employed to prove such reserves. Estimated reserves may also be affected by changes in oil and natural gas prices. Declines in reserves that are not offset by the acquisition or development of additional reserves may reduce the underlying value of shares to shareholders.

### Dependence on Key Personnel

The Company has a small management team and the loss of a key individual or the inability to attract suitably qualified personnel in the future could materially and adversely affect the Company's business.

### Foreign Exchange Rates

The Company will be subject to normal market risks including fluctuations in foreign exchange rates. While the Company expects to manage its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

### Foreign Investments

The Company expects that its oil and gas exploration activities will take place principally outside Canada for the foreseeable future. As such, the Company's operations are subject to a number of risks over which it has no control. These risks may include risks related to economic, social or political instability or change, terrorism, hyperinflation, currency non-convertibility or instability and changes of laws affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, petroleum and export licensing and export duties as well as government control over domestic oil and gas pricing. The Company endeavours to operate in such a manner as to minimize and mitigate its exposure to these risks. However, there can be no assurance the Company will be successful in protecting itself from the impact of all of these risks.

### Environment Regulation

The oil and gas industry is subject to environmental regulation. A breach of such legislation may result in the imposition of fines or issuance of clean up orders in respect of the Company or its properties. Such legislation may be changed to impose higher standards and potentially more costly obligations. The Company is putting policies and practices in place to ensure its operations conform to the standards and government regulations required for each jurisdiction in which it operates.

Signed

"Alex Falconer"  
Chief Financial Officer  
August 25, 2009