McLaren Resources Inc.

(An Exploration Stage Enterprise)

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars, unless otherwise stated)

SEPTEMBER 30, 2009 and 2008

McLAREN RESOURCES INC.
(An Exploration Stage Enterprise)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 and 2008

INDEX

AUDITORS' REPORT

To the Shareholders of
McLaren Resources Inc.:

We have audited the balance sheets of McLaren Resources Inc. as at September 30, 2009 and 2008 and the statements of loss, comprehensive 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "Edmund Cachia & Co. LLP"
Chartered Accountants
Licensed Public Accountants

Toronto, Canada
January 6, 2010

McLaren Resources Inc.
(an exploration stage enterprise)
BALANCE SHEETS
AS AT SEPTEMBER 30,

		2009		2008
ASSETS				
Current				
Cash and cash equivalents	$	**1,411,493**	$	2,528,280
Accounts receivable		**49,973**		43,461
Prepaid expenses		**-**		18,026
		1,461,466		2,589,767
Deferred petroleum and natural gas exploration costs (Note 3)		**896,551**		648,363
Royalty interest (Note 14)		**1**		1
Fixed assets (Note 4)		**1,258**		1,167
	$	**2,359,276**	$	3,239,298
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**36,100**	$	30,750
SHAREHOLDERS' EQUITY				
Share capital (Note 5)		**4,525,346**		4,525,346
Contributed surplus (Note 6)		**310,405**		310,405
Deficit		**(2,512,575)**		(1,627,203)
		2,323,176		3,208,548
	$	**2,359,276**	$	3,239,298

NATURE OF OPERATIONS AND COMMITMENTS (Notes 1, 3 and 8)
SUBSEQUENT EVENTS (Note 15)

Approved on behalf of the board:

"Ivan Buzbuzian" Director

"Michael Meredith" Director

See accompanying notes to the financial statements.

McLaren Resources Inc.

(an exploration stage enterprise)

STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED SEPTEMBER 30,

	2009	2008	Cumulative from the date of commencement of exploration stage October 1, 2005
Expenses			
Consulting fees	$ **64,287**	$ 40,650	$ 380,011
Directors' fees	**4,800**	-	4,800
Management fees	**155,502**	183,280	454,782
Office, general and administrative	**100,920**	64,072	338,423
Oil and gas pre-acquisition costs (Note 2)	**-**	-	667,422
Amortization	**447**	292	1,007
Investor relations	**49,399**	65,249	152,209
Professional fees (Note 9)	**538,400**	52,850	658,038
Foreign exchange (gain) loss	**(11,259)**	8,741	(2,518)
Stock-based compensation	**-**	23,400	366,594
Loss before undernoted items	**902,496**	438,534	3,020,768
Other			
Write-down of royalty interest	**-**	-	117,560
Interest and other income	**(17,124)**	(88,575)	(133,872)
Recovery of oil and gas pre-acquisition costs (Note 7)	**-**	-	(646,847)
Net loss and comprehensive loss for the year	$ **885,372**	$ 349,959	$ 2,357,609
Deficit, beginning of year	**1,627,203**	1,277,244	
Deficit, end of year	$ **2,512,575**	$ 1,627,203	
Loss per share			
Basic and diluted loss per common share	$ **(0.047)**	$ (0.019)	
Weighted average number of common shares outstanding	**18,944,281**	18,911,125	

See accompanying notes to the financial statements.

McLaren Resources Inc.
(an exploration stage enterprise)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,

		2009		2008		Cumulative from the date of commencement of exploration stage October 1, 2005
Cash flows from operating activities						
Net loss for the year	**$**	**(885,372)**	$	(349,959)	$	(2,357,609)
Add items not affecting cash:						
Amortization		**447**		292		1,007
Stock-based compensation		**-**		23,400		366,594
Write-down of royalty interest		**-**		-		117,560
Net charges in working capital balances:						
Increase in accounts receivable		**(6,512)**		(17,566)		(42,650)
(Increase) decrease in prepaid expenses		**18,026**		(11,890)		-
Increase (decrease) in accounts payable and accrued liabilities		**5,350**		(80,166)		7,741
Cash flows used in operating activities		**(868,061)**		(435,889)		(1,907,357)
Cash flows from investing activities						
Purchase of fixed assets		**(538)**		-		(2,265)
Deferred petroleum and natural gas exploration costs		**(248,188)**		(212,767)		(896,551)
Proceeds on disposal of mineral property		**-**		-		50,000
Royalty interest costs		**-**		-		(87,561)
Cash flows used in investing activities		**(248,726)**		(212,767)		(936,377)
Cash flows from financing activities						
Issue of common shares		**-**		62,500		4,390,624
Share issue cost		**-**		-		(109,802)
Loan payable repayment		**-**		-		(30,000)
Cash flows provided from financing activities		**-**		62,500		4,250,822
Net (decrease) increase in cash position		**(1,116,787)**		(586,156)		1,407,088
Cash and cash equivalents, beginning of year		**2,528,280**		3,114,436		4,405
Cash and cash equivalents, end of year	**$**	**1,411,493**	$	2,528,280	$	1,411,493

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid	$	-	$	-
Interest received	$	21,292	$	90,404
Income tax paid	$	-	$	-
Shares issued for non-cash consideration:				
Finders fees	$	-	$	7,500
Fair value of options exercised reallocated from contributed surplus to share capital	$	-	$	30,425

See accompanying notes to the financial statements.

1. **NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS**:

McLaren Resources Inc. (the "Company") 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 natural gas 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.

As at September 30, 2009, the Company has net working capital of $1,425,366 (2008- $2,559,017) and incurred a net loss of $885,372 (2008- $349,959). The Company is in the exploration stage has no proven reserves or production relating to its operations. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so.

Management believes the Company has sufficient funds to cover planned operations throughout the next twelve month period. However, management plans on securing additional financing through the issue of new equity and entering into joint venture arrangements (see note 15). Nevertheless, there is no assurance that these initiatives will be successful.

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption was not appropriate, adjustments might be necessary to the carrying value of the assets and liabilities, reported revenues and expenses, and the balance sheet classifications used in the financial statements.

On February 17, 2009, the Ontario Securities Commission (the "Commission") issued a Notice of Order (Permanent Cease Trade Order) against the Company for failure to file annual financial statements and related Management Discussion and Analysis(MD&A) for the year ended September 30, 2008 with the Commission and its shareholders. Subsequent to the Cease Trade Order being issued, the Company filed the annual financial statements and MD&A for the year ended September 30, 2008. Refer to Note 15 – Subsequent Events for further information regarding the Cease Trade Order).

The Company failed to file the above noted disclosures because of an ongoing dispute among the board of directors as to the general direction of the Company and the composition of its management team. Accordingly, among other things, a new slate of directors was elected. Furthermore, certain events and related facts leading up to the meeting are described below.

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.

1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS (continued):

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 "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 would 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. Since the shareholders meeting, no further steps or proceedings have been taken in respect of the oppression application.

The dissident shareholders meeting was held March 10, 2009 with a result that 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 restored normal banking operations.

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, estimated useful life of fixed assets, the existence of an asset retirement obligation, stock-based compensation valuations, values ascribed to related party transactions and future income tax assets and liabilities. 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

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.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued):**

DEFERRED PETROLEUM AND NATURAL GAS EXPLORATION COSTS (continued)

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.

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.

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 5(c). The Company records compensation expense in the financial statements for stock options granted to employees, directors, and consultants using the fair value method. Under this method, the fair value of stock options granted are estimated using the Black-Scholes option pricing model and are recorded at fair value on the date of grant and the associated expense is amortized over the vesting period with a corresponding credit to contributed surplus. When stock options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded in share capital.

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. Diluted loss per share has not been presented as the factors referred to above are anti - dilutive.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued):**

REVENUE RECOGNITION

The Company recognizes investment revenue as it is earned.

ASSET RETIREMENT OBLIGATION

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, 2009, 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.

FLOW-THROUGH FINANCING

The Company has financed a portion of its exploration activities through the issue of flow through shares, which transfers the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs capitalized as deferred costs. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced and temporary taxable differences created by the renunciation will give rise to future income taxes payable and will reduce share capital.

FIXED ASSETS

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

Computer equipment…………………………………..20%

OIL AND GAS 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.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued):**

FINANCIAL INSTRUMENTS RECOGNITION AND MEASUREMENT

Section 3855 requires that all financial assets, except those classified as held-to-maturity, loans and receivables 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 initially recorded at fair value and subsequently measured at amortized cost. In addition, equity instruments with no active market are 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.

In accordance with this standard, the Company has classified its cash and cash equivalents as held-for-trading. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities.

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.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived 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 exploration stage companies. Accordingly, the statements of loss, comprehensive 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 exploration stage activities, being October 1, 2005, to the period end date of the financial statements.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued):**

SHARE CAPITAL

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the price per share paid in the most recent prior sale of shares for cash.

Costs incurred to issue common shares are deducted from share capital.

TRANSLATION OF FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated into Canadian dollars at approximate exchange rates prevailing at the transaction date. Revenue and expenses are translated at average exchange rates prevailing during the year. The resulting gains and losses are included in loss for the year.

CHANGES IN ACCOUNTING POLICIES

The Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). As required by the transitional provisions of these new standards, these new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

FINANCIAL INSTRUMENTS DISCLOSURE AND PRESENTATION

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.

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 Handbook section in note 12 to these financial statements.

GENERAL STANDARDS ON FINANCIAL STATEMENT PRESENTATION

CICA Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The Company has included disclosures recommended by this new standard in note 1 to these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

CHANGES IN ACCOUNTING POLICIES (continued)

GOODWILL AND INTANGIBLE ASSETS

The CICA issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008.

Effective October 1, 2008, the Company adopted Section 3064 "Goodwill and intangible assets" which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this new standard did not have an impact on the Company's financial statements.

MINING EXPLORATION COSTS

On March 27, 2009, the CICA approved EIC 174, "Mining Exploration Costs". This EIC provides guidance on capitalization of exploration costs related to exploration properties in particular and on impairment of long-lived assets in general. The application of this new accounting standard did not have a material impact on the Company's financial statements.

CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In January 2009, the CICA issued EIC 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The committee reached a consensus that a company's credit risk and the credit risk of its counterparties should be considered when determining the fair value of its financial assets and financial liabilities, including derivative instruments. The transitional provisions resulting from the implementation of EIC 173 require the abstract to be applied retrospectively without restatement of prior periods. The Company adopted this EIC effective January 20, 2009. The adoption of the EIC did not have a significant impact on the Company's financial statements.

INVENTORY

Effective October 1, 2008, the Company adopted Section 3031 – Inventory of the CICA handbook. The adoption of this new inventory standard requires changes for accounting of inventory including the requirement to allocate overhead costs based on normal production levels and changes to the definition of net realizable value. The new inventory standard clarifies the definition of 'cost' to include all costs of purchase, costs of conversion and other costs incurred to bringing the inventories to their present location and condition. As a result, companies are required to systematically allocate fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on normal production capacity of the production facilities. In addition, the standard requires companies to assess the recoverability of inventory costs in comparison to net realizable value. Declines in replacement cost below carrying values for raw materials inventories do not require write downs if the finished goods in which they will be incorporated are expected to be sold at or above cost. The adoption of this new standard did not have a impact on the Company's financial statements.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued):**

FUTURE ACCOUNTING CHANGES

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("Canadian GAAP") with IFRS over an expected five year transitional period. The AcSB announced in February 2008 that 2011 will be the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ending September 30, 2011. The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS has not been determined.

3. **DEFERRED PETROLEUM AND NATURAL GAS EXPLORATION COSTS AND COMMITMENTS:**

NORTH SEA LEASES, NETHERLANDS

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 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 was reduced to 27% and its paying interest to 37.5%. The exploration block licenses are for a term up to August 2011. The expected total work budget for the initial two year period commencing October 2006 has been approximately $2,000,000, primarily related to seismic evaluation work. To September 30, 2009 the Company's share of total outlays was approximately $747,000, net of acquisition costs of approximately $150,000. The Company plans to invest approximately £112,500 on its share of the North Sea exploration programs which are currently under budget consideration for calendar 2010. Long-term funding requirements will depend upon the results of these exploration programs.

See note 15 for additional deferred petroleum and natural gas exploration costs and commitment information.

3. **DEFERRED PETROLEUM AND NATURAL GAS EXPLORATION COSTS AND COMMITMENTS (continued):**

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

	2009	2008
Balance, beginning of year	$ 648,363	$ 435,596
Costs incurred during the year	248,188	212,767
Balance, end of year	$ 896,551	$ 648,363

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 and now holds a net carried interest (note 7).

4. **FIXED ASSETS:**

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	$ 2,265	$ 1,007	$ 1,258	$ 1,167

5. **CAPITAL STOCK:**

a) Authorized

Unlimited number of common shares;

b) Issued

Common shares

	2009		2008	
	Shares	Amounts	Shares	Amounts
Balance, beginning of the year	18,944,281	$ 4,525,346	18,804,281	$ 4,424,921
Issued for cash (i)	-	-	125,000	62,500
Exercise of stock options (i)	-	-	-	30,425
Issued for services (ii)	-	-	15,000	7,500
Balance, end of the year	18,944,281	$ 4,525,346	18,944,281	$ 4,525,346

5. **CAPITAL STOCK (continued):**

b) Issued (continued)

(i) Year ended September 30, 2008:

On December 3, 2007, the Company issued 25,000 common shares on the exercise of stock options at a strike price of $0.50 per share for total consideration of $12,500. As part of this transaction $6,085 was re-allocated from contributed surplus to share capital.

On January 9, 2008, the Company issued 100,000 common shares on the exercise of stock options at a strike price of $0.50 per share for total consideration of $50,000. As part of this transaction $24,340 was re-allocated from contributed surplus to share capital.

(ii) Year ended September 30, 2008:

At September 30, 2007, the Company was committed under a finder's fee agreement to issue 15,000 common shares having a deemed value of $7,500. These shares were issued on October 29, 2007.

See note 15 for the additional capital stock information.

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, 2009 were valued at $nil and expensed to loss (year ended September 30, 2008 - $23,400), using the following assumptions at the measurement date:

	2009	2008
Risk-free interest rate	-	3.23%
Expected life	-	5 years
Price volatility	-	50%
Dividend yield	-	nil

During the year, 1,175,000 options were forfeited and no options were granted or exercised.

5. **CAPITAL STOCK (continued):**

c) Stock options (continued)

A summary of the Company's stock option plan as of September 30, 2009 and 2008 and changes during the years, are presented below:

	2009		2008	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance outstanding beginning of the year	1,375,000	$ 0.50	1,410,000	$ 0.50
Activity during the year:				
Granted	-	-	100,000	0.50
Exercised	-	-	(125,000)	0.50
Forfeited	(1,175,000)	0.50	(10,000)	0.50
Balance outstanding end of the year	200,000	$ 0.50	1,375,000	$ 0.50

The stock options outstanding at September 30, 2009 expire on May 17, 2012.

The following summarize information on the stock options outstanding at September 30, 2009:

Weighted average exercise price	$ 0.50
Options outstanding as at September 30, 2009	200,000
Remaining contractual life	2.9 years
Options exercisable as at September 30, 2009	200,000

See note 15 for additional stock option information.

6. **CONTRIBUTED SURPLUS:**

Contributed surplus is comprised of the following:

	2009	2008
Balance, beginning of the year	$ 310,405	$ 317,430
Stock-based compensation cost	-	23,400
Re-allocation to share capital on exercise of options (Note 5(b))	-	(30,425)
Balance, end of the year	$ 310,405	$ 310,405

7. RECOVERY OF OIL AND GAS PRE-ACQUISITION COSTS:

During the year ended September 30, 2007, 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, payable only if the business opportunity is fully funded and reaches commercial production, on those activities related to properties identified in the Participation Agreement (with Amendments) entered into by the Company and PT Ephindo in December 2006. Refer to note 15(b) for additional information with respect to the business opportunities in Indonesia.

8. COMMITMENTS:

As at September 30, 2009, the Company's only significant commitment was with respect to its obligation to fund its investment in its North Sea leases. See note 3 for additional commitment information with respect to the Company's investment in its North Sea leases.

The structure of the transaction for the recovery of its pre-acquisition costs related to its Indonesian assets (notes 3 and 7) 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.

9. RELATED PARTY TRANSACTIONS:

During the year ended September 30, 2009, the new officers and directors, as elected by the shareholders on March 10, 2009, and companies controlled by them charged consulting fees and management fees to the Company in the amount of $88,000 (2008 - $5,500). Accounts payable at September 30, 2009 includes $1,325 (2008 - $nil) owing to them.

During the year ended September 30, 2009, the new officers and directors, as elected by the shareholders on March 10, 2009, and companies controlled by them charged directors fees to the Company in the amount of $4,800 (2008 - $nil). Accounts payable at September 30, 2009 includes $2,400 (2008 - $nil) owing to them.

During the year ended September 30, 2009, the Company reimbursed certain directors, officers and individuals and companies related to directors of the Company at the time of the transaction, for corporate costs paid directly by them. These reimbursements were at cost and aggregated $24,951 (2008 - $9,695).

During the year ended September 30, 2009, the Company was charged $121,011 (2008 - $35,050) by a law firm of which an officer of the Company is a partner. Accounts payable at September 30, 2009 includes $7,222 (2008 - $7,844) owing to the law firm of which an officer of the Company is a partner.

During the year ended September 30, 2009, management fees were charged by the former Chief Financial Officer in the amount of $25,002 (2008 - $27,780).

During the year, consulting fees were charged by an individual related to an officer of the Company amounting to $1,200 (2008 - $nil).

During the year ended September 30, 2009, legal fees were paid on behalf of certain directors and a shareholder of the Company in the amount of $356,437 (2008 - $nil) related to the allegation of oppressive conduct legal proceedings and the dispute among the former board of directors over the general direction of the Company which resulted in a dissident shareholders meeting (see note 1).

9. RELATED PARTY TRANSACTIONS (continued):

As at September 30, 2009, accounts receivable includes $12,075 (2008 - $nil) due from a company with a common officer.

See notes 1 and 15 for additional related party information.

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.

The authority of some payments made to certain individuals who were directors of the Company at the time of the transactions, and companies related to them, have been challenged in an oppression application (see note 1). During the year, total payments made to those individuals and companies are noted below.

During the year ended September 30, 2009, a former officer of the Company charged management fees in the amount of $62,500 (2008- $150,000). As at September 30, 2009, accounts payable includes $688 (2008- $nil) owing to this former officer.

During the year ended September 30, 2009, the Company was charged $15,000 (2008- $30,000) for investor relations services by a company controlled by an individual related to a former director of the Company. Accounts payable at September 30, 2009 includes $2,625 (2008- $nil) owing to this former related party.

During the year ended September 30, 2009, rent of $18,750 (2008- $37,250) was paid to a company with a director who was also a former director of the Company and an officer who is related to a former director of the Company.

During the year ended September 30, 2009, the Company was charged $7,500 (2008- $18,000) for corporate administrative services by a company controlled by an individual related to a former director of the Company.

On July 27, 2009, settlements were reached with companies related to a former director of the Company with respect to the above noted oppression application. As a result, no further amounts in respect of each contract will be challenged by the Company nor does the Company have any further commitments and/or encumbrances under such contracts. Total settlement payments made to the companies amounted to $13,000, in aggregate.

10. INCOME TAXES:

(a) At September 30, 2009, the Company has non-capital losses of approximately $2,073,223 that can be used to reduce future taxable income. These losses expire as follows:

2010	-	$	3,018
2011	-		14,752
2015	-		126,599
2016	-		184,151
2027	-		487,834
2028	-		307,391
2029	-		949,478
		$	2,073,223

The benefit of these losses have not been recognized in these financial statements.

10. **INCOME TAXES (continued):**

As at September 30, 2009, 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	$	712,835
Share issue costs		43,848
Fixed assets, excess of UCC over carrying value		276
Less: Valuation allowance		(756,959)
Net asset	$	-

(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:

	2009	2008
Statutory rate applied to loss for the year before income taxes	$ (292,173)	$ (115,486)
Increase (decrease) in taxes resulting from:		
Stock-based compensation	-	7,722
Amortization	148	-
Other	(21,302)	(21,769)
Tax benefit not recognized on current year's losses	313,327	129,533
	$ -	$ -

11. **SEGMENTED INFORMATION:**

The Company operates in one operating segment, that being the acquisition, exploration and development of petroleum and natural gas properties. No revenue has been generated by these properties. The Company's operating losses have been incurred in Canada. A summary of assets for the year by geographic area is as follows:

	September 30, 2009		
	Canada	North Sea	Total
Current assets	$ 1,461,466	$ -	$ 1,461,466
Deferred petroleum and natural gas exploration costs	-	896,551	896,551
Other	1,259	-	1,259
	$ 1,462,725	$ 896,551	$ 2,359,276

	September 30, 2008		
	Canada	North Sea	Total
Current assets	$ 2,589,767	$ -	$ 2,589,767
Deferred petroleum and natural gas exploration costs	-	648,363	648,363
Other	1,168	-	1,168
	$ 2,590,935	$ 648,363	$ 3,239,298

12. CAPITAL MANAGEMENT:

The Company considers its capital to include components of shareholders' equity.

The Company's objectives in managing its capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties; to maintain a flexible capital structure for its projects for the benefit of its stakeholders; to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company in order to support the acquisition, exploration and development of petroleum and natural gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company's investment policy is to invest its cash in low risk, highly liquid, short-term interest bearing investments, selected with regards to the expected timing of upcoming expenditures.

The Company expects its current capital resources will be sufficient to carry out its exploration plans and operations through its current operating period. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended September 30, 2009 . The Company is not subject to externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS:

Fair value

The Company's financial instruments as at September 30, 2009 include cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short-term maturities of these financial instruments.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (continued):

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to short-term investments and receivables included in current assets. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits and a term deposit., which have been invested with or purchased from a Canadian chartered bank, from which management believes the risk of loss to be remote. As at September 30, 2009, the Company's receivables consisted of $37,898 due from the Canadian governments and $12,075 from other debtors. The Company's receivables are normally collected within a 60-90 day period. The Company has not experienced any collection issues to September 30, 2009. The Company is exposed to credit risk with regards to debtors refusing payment and the government denying the Company claims as filed.

The Company's maximum exposure to credit risk as at September 30, 2009 is the carrying value of cash, cash equivalents and accounts receivable.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2009, the Company had cash and cash equivalents of $1,411,493 (September 30, 2008 - $2,528,280) to settle current liabilities of $36,100 (September 30, 2008 - $30,750). The ability of the Company to manage its working capital and continue as a going concern is dependent on its ability to secure additional equity or other financing. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) *Interest rate risk*

The Company has cash and cash equivalent balances bearing fixed interest rates and no interest bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at September 30, 2009, if interest rates had changed by 1% with all other variables held constant, the loss for the year and equity would vary by approximately $15,000 as a result of the change in interest revenue earned from cash and cash equivalents.

(b) *Foreign currency risk*

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. From time to time, the Company funds certain operations, exploration and administrative expenses in Euros on a cash call basis using Euro currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions in negligible and therefore does not hedge its foreign exchange risk.

13. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (continued):**

(c) *Price risk*
The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's petroleum properties. The Company monitors commodity prices to determine the appropriate course of action to be taken by the Company.

As at September 30, 2009, the carrying value amounts of the Company's financial instruments approximates their fair value, unless otherwise stated.

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

Price risk is remote since the Company is not a revenue producing entity.

14. **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.

15. **SUBSEQUENT EVENTS:**

(a) On December 3, 2009, the Company entered into a Strategic Arrangement (the "Arrangement") with Canadian Imperial Venture Corp. ("CIVC") and Shoal Point Energy Limited ("SPE") to explore for petroleum in the Green Point Shale ("GPS") area, both onshore and near shore throughout Western Newfoundland. SPE will be the designated Operator of the group. SPE and the Company have a common officer.

Pursuant to the Arrangement, the Company will have the right to farm-in to certain rights in Exploration License 1070 ("EL 1070"), divided into 15 blocks comprising approximately 115,000 acres, currently owned by SPE and CIVC in Port au Port Bay. In addition, the Company will have the right to participate in a planned 3-well program slated to commence in 2010. The Company will pay 32% of the cost of the well to earn a 16% working interest in the block on which the well is drilled. In the event the Company participates in all 3 wells, it will have the right to pre-empt and match the terms of any third party offer on remaining blocks in EL 1070.

The Company, SPE and CIVC have also agreed to establish an Area of Mutual Interest ("AMI") for lands outside of EL 1070 which are not currently held by the above noted parties and which are potentially prospective. SPE will be designated Operator of the AMI and in the event an interest is acquired, ownership will be divided as follows: SPE 45%, CIVC 30%, and McLaren 25%. In addition, the Company will provide a financial facility of up to $275,000 for the purpose of acquiring new lands acquired in the AMI.

15. **SUBSEQUENT EVENTS (continued):**

(b) Subsequent to year end, the Company agreed to reduce its net carried interest in the Indonesian concessions to 2%, capped at $2 million in exchange for the beneficial owner of a certain portion of the Indonesian concession blocks having arranged an earn in arrangement with an arms length third party by which the third party has committed to incur exploration expenditures of up to US $3,243,500 on these concessions.

(c) On December 18, 2009, the Commission revoked the Cease Trade Order issued against the Company after filing, among other things, its annual audited financial statements and annual MD&A for the year ended September 30, 2008, the interim financial statements' and interim MD&As' for the three month period ended December 31, 2008, six month period ended March 31, 2009, and the nine month period ended June 30, 2009.

(d) On December 31, 2009, the Company closed a non-brokered private placement of 850,000 flow-through common shares at $0.20 per share for gross proceeds of $170,000.

(e) On December 30, 2009, the Company granted 1,400,000 options exercisable at $0.20 per share, expiring December 30, 2015, to officers, directors and consultants.

(f) Subsequent to year end, two of the four offshore petroleum exploration blocks held by the Company in the North Sea were relinquished.