McLaren Resources Inc.

McLAREN RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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, 2010 and September 30, 2009, 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. All amounts following are expressed in Canadian dollars unless otherwise stated. This discussion and analysis is dated December 23, 2010.

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 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.

During the first quarter, 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 negotiated 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.

On December 3, 2009, the Company signed a farm-out agreement with CIVC giving McLaren the right, on a well-by-well basis, to participate in a planned three-well program in the Green Point formation (GPF), both onshore and near shore throughout western Newfoundland. Shoal Point Energy Ltd. (SPE) will be the designated operator of the group. The Green Point formation is a thick (500-plus metres), dominantly shale unit which is developed on a regional scale. It is well recognized in geological literature as having high total organic carbon content (locally in excess of 10 per cent) and having the maturity to generate hydrocarbons. The GPF is the probable source, based on geochemical affinities, to numerous oil and gas seeps in the region as well as early production on Shoal Point and the major exhumed oil field at Port au Choix.

McLaren will pay 32 per cent of the cost of the well to earn a 16-per-cent working interest in the block on which the well is drilled. Provided McLaren participates in all three wells, it will have the right to pre-empt and match the terms of any third party offer on remaining blocks in EL 1070.

SPE, CIVC and McLaren have also agreed to establish an area of mutual interest (AMI), consisting of approximately 1.5 million acres, for lands outside of EL 1070 which are potentially prospective. It is the intent of the companies to gain additional prospective acreage through land sales and farmin deals with other parties holding lands within the AMI.

During the year, the Company has also acquired a 5-per-cent working interest in the EL 1070 property in western Newfoundland from Shoal Point Energy Ltd. (SPE) and Canadian Imperial Venture Corporation (CIVC). In consideration for entering into this agreement, McLaren will receive a 5-per-cent working interest in the EL 1070 which includes the cost of the first well to be drilled, subject to overruns, for a total payment of $550,000.00 to CIVC and SPE held in trust. The transaction is conditional upon the drilling operator, Dragon Lance Management Corp., obtaining all the necessary permits, securing a drilling rig and spudding of the well, target date to be as early as November 2010.

The agreement also terminates all previous letter agreements between the three parties. However, the AMI that was created under the agreements will survive and McLaren will retain its right to participate with the group in future land acquisition in the AMI area in western Newfoundland.

On May 10, 2010, the Company released the results of a resource evaluation of Exploration License 1070, Offshore West Coast, Newfoundland carried out by AJM Petroleum Consultants ("AJM"), Calgary. SPE, CIVC, and McLaren Resources Inc. commissioned the report for corporate planning purposes and for corporate reporting pursuant to Part 5 Section 5.9 of Natural Instrument 51-101. The full report will be posted on the Company's website (www.shoalpointenergy.com).

The report documents the results of AJM's independent evaluation, with the following table summarizing the Unrisked Estimates for oil within the Cow Head Group/Green Point shale horizon, within Exploration License 1070:

Cow Head Group – Green Point shale

		Low*	Best*	High*
Area	Acres	35,000	54,544	85,000
Gross Thickness	Feet	262.4	745.1	2,105.6
	Meters	*80.0*	*227.2*	*645.0*
Net to Gross Ratio	fraction	0.3	0.4	0.5
Porosity	fraction	0.04	0.05	0.08
Hydrocarbon Saturation	fraction	0.20	0.32	0.50
Shrinkage	fraction	0.70	0.79	0.90
Recovery Factor	fraction	0.03	0.04	0.06
Discovered Oil Initially-In-Place*	Billions of barrels oil	0.464858	1.555937	5.207916
Contingent Resource*	Millions of barrels oil	18.534	63.202	215.522

Subsequent to year-end, on November 8, 2010, the Company terminated, by mutual agreement, a previously announced purchase and sale agreement with SPE and CIVC. As a result of the termination, title to the shallow rights in EL 1070 acquisition of a 5% interest to McLaren is now cancelled. In addition, participation by McLaren in the AMI is also removed. Under the terms of the termination agreement, the Company will be reimbursed $150,000 by SPE for funds which had been previously paid to that company. McLaren will also receive from SPE, 750,000 shares and 250,000 warrants in the newly announced Shoal Point Energy Ltd. public company.

Deferred Petroleum and Natural Gas Exploration Costs

The Company entered into a joint venture with Ascent Resources PLC (“Ascent”) in November 2005, whereby the Company acquired a 45% beneficial interest and a 62.5%

paying interest in four offshore petroleum exploration blocks in the Netherlands sector of the North Sea. The exploration licenses were awarded in October 2006.

In April 2007, Energie Beheer Netherlands BV ("EBN BV"), the Dutch state-owned oil and gas company, exercised its back in right to acquire a 40% interest in the four exploration blocks, and will participate in the exploration of the licensed areas. As a result, the Company's beneficial interest in the exploration blocks was reduced to 27% and its paying interest to 37.5%. The exploration block licenses' term is up to August 2011.

During the fourth quarter of 2010, the Company announced that it has agreed to the terms and conditions of an offer from Ascent Resources Inc. to sell its North Sea interest to Ascent. In consideration for entering into this agreement, McLaren will receive cdn$125,000 and a 3 percent net profits interest (NPI) in exchange for McLaren's 27 percent interest. The transaction is conditional upon Ascent obtaining extensions of the North Sea licences.

Selected Financial Information

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

	YEAR ENDED September 30,	
	2010	**2009**
Interest and Other Income	$38,457	$17,124
Loss for the period	$1,574,111	$885,372
Loss per share	$0.08	$0.047
Total assets	$1,051,551	$2,359,276
Deferred petroleum and natural gas exploration	$150,000	$896,551
Total liabilities	$37,946	$36,100

Results of Operations

The Company incurred a net loss of $1,574,111 for the year ended September 30, 2010, compared to a net loss of $885,372 for the year ended September 30, 2009. To a large extent the increase in the loss was due to the impairment of natural gas properties of $970,787 and an increase of the stock-based-compensation of $150,640.

Revenue

The Company is a junior exploration company with no revenue producing properties and earned no revenue for the year ended September 30, 2010 (September 30, 2009 - $nil) other then interest and other income of $38,457 (September 30, 2009 - $17,124).

Expenses

	September 30, 2010	September 30, 2009	Change %
Consulting fees	$105,786	$64,287	65%
Management fees	$125,500	$155,502	(19.0)%
Office, general and administrative	$78,624	$100,920	(22.0)%
Investor relations	$37,869	$49,399	(23.0)%
Professional fees	$141,364	$538,400	(74.0)%
Directors' fees	$30,000	$4,800	525%
Bad debt expense	$26,025	$-	-

Consulting fees increased during the year ended September 30, 2010 by $41,499, compared to the prior year, due mainly to the hiring of a outside consultants to advise on specific oil and gas deals and financing those deals. Management fees decreased by $30,002 due to the decreased payments of the CEO and the CFO in the September 30, 2010 year. General, office and administration expenses decreased by $22,296 (-22.0%) for the year ended September 30, 2010 compared to the prior year due to tighter controls over costs. Investor relations decreased by $11,530 (-23.0)% for the year ended September 30, 2010 compared to the prior year, due to the termination of an IR contract. Professional fees were substantially reduced by $397,036 (74.0)% due to the resolution of the shareholders meeting. Directors' fees of $30,000 were charged for the year ended September 30, 2010 compared to $4,800 in the September 30, 2009 year. Bad debt increased by $26,025 due to rent paid on behalf of a company deemed uncollectable.

Properties

Deferred Petroleum and Natural Gas Exploration Costs

During the year, the Company reviewed the carrying value of its North Sea natural gas properties and recorded an impairment provision of $970,787 for all exploration and acquisition costs on the blocks. The balance of the petroleum and natural gas properties relate to license 1070.

During the year, the Company announced that it has agreed to the terms and conditions of an offer from Ascent Resources Inc. to sell its North Sea interest to Ascent. In consideration for entering into this agreement, McLaren will receive cdn$125,000 and a 3 percent net profits interest (NPI) in exchange for McLaren's 27 percent interest. The transaction is conditional upon Ascent obtaining extensions of the North Sea licenses. This arrangement will remove any commitment on its North Sea interest.

Subsequent to year-end, on November 8, 2010, the Company terminated, by mutual agreement, a previously announced purchase and sale agreement with SPE and CIVC. As a result of the termination, title to the shallow rights in EL 1070 acquisition of a 5% interest to McLaren is now gone. In addition, participation by McLaren in the AMI is also removed. Under the terms of the termination agreement, the Company will be reimbursed $150,000 by SPE for funds which had been previously paid to that company. McLaren will also receive from SPE, 750,000 shares and 250,000 warrants in the newly announced Shoal Point Energy Ltd. public company.

Liquidity and Capital Resources

At September 30, 2010 the Company had cash and cash equivalents of $272,291 compared to $1,411,493 as at September 30, 2009. The Company had $550,000 held in trust which would be released upon certain conditions being met on the Purchase and Sale Agreement with SPE. Subsequent to year end the criteria for the funds being held in trust were terminated and the funds released back to the Company. The Company's main short-term obligations as at September 30, 2010 consisted of accounts payable and accrued liabilities of $37,946 (September 30, 2009 - $36,100). The Company had no other long-term obligations as at September 30, 2010.

The Company's working capital at September 30, 2010 was $862,426 (September 30, 2009 - $1,425,366). Management believes that, at this level, capital is not sufficient for the activities planned for the next twelve months and further funding will be sought.

Currently, the Company does not have sufficient cash reserves to meet its financial obligations for upcoming exploration programs. However, the Company will seek to raise additional funding to finance drilling and future exploration programs. 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.

Commitments

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. During the year, the company who reimbursed the Company for its pre-acquisition costs, reorganized the sale of the asset and minimized any potential liability form the Company.

During the year, the Company announced that it has agreed to the terms and conditions of an offer from Ascent Resources Inc. to sell its North Sea interest to Ascent. In consideration for entering into this agreement, McLaren will receive cdn$125,000 and a 3 percent net profits interest (NPI) in exchange for McLaren's 27 percent interest. The transaction is conditional upon Ascent obtaining extensions of the North Sea licenses. This arrangement will remove any commitment on its North Sea interest.

Outstanding Share Data

During the year, 850,000 flow through shares were issued for $170,000 cash on a private placement. During the year, 1,400,000 options were issued , exercisable at $0.20, expiring December 30, 2014. A summary of common shares and common share options as at September 30, 2010 is tabled below:

Common shares issued	19,794,281

Common share options	1,600,000
Fully diluted common shares	21,394,281

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)

	2010	2010	2010	2010
	Q4	Q3	Q2	Q1
(a) Revenue	$-	$-	$-	$-
(b) Net Income (loss)	$(203,574)	$(1,140,709)	$(147,536)	$(82,292)
(c) Net Income (loss) per share	$(0.01)	$0.060	$(0.008)	$(0.004)
(basic & fully diluted)				
	2009	2009	2009	2009
	Q4	Q3	Q2	Q1
(a) Revenue	$-	$-	$-	$-
(b) Net Income (loss)	$(121,804)	$(206,766)	$(480,434)	$(76,368)
(c) Net Income (loss) per share	$(0.006)	$(0.011)	$(0.025)	$(0.004)
(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 year ended September 30, 2010, officers and directors and companies controlled by them charged consulting fees and management fees to the Company in the amount of $123,000 (September 30, 2009 - $88,000). Accounts payable at September 30, 2010 includes $nil (September 30, 2009 - $1,325) owing to them

During the year ended September 30, 2010 directors charged directors fees to the Company in the amount of $30,000 (September 30, 2009 - $4,800). Accounts payable at September 30, 2010 includes $nil (September 30, 2009 - $2,400) owing to them.

During the year ended September 30, 2010, 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 $22,635 (September 30, 2009 - $24,951).

During the year ended September 30, 2010, the Company was charged $78,731 (September 30, 2009 - $121,011) by a law firm of which an officer of the Company is a partner. Accounts payable at September 30, 2010 includes $3,645 (September 30, 2009 - $7,222) owing to the law firm of which an officer of the Company is a partner.

During the year ended September 30, 2010, management fees were charged by former Chief Financial Officers' in the amount of $7,500 (2009 - $25,002).

During the year ended September 30, 2010, consulting fees were charged by an individual related to an officer of the Company amounting to $nil (2009 - $1,200).

During the year ended September 30, 2010, the Company charged $35,000 (2009 - $nil) to a company with a common director for assisting in culminating an arrangement to dispose of certain concession blocks in Indonesia.

As at September 30, 2010, accounts receivable includes $39,375 (2009- $nil) due from a company with a director who is also a director and officer of the Company.

During the year ended September 30, 2010, legal fees were paid on behalf of certain directors and a shareholder of the Company in the amount of $nil (2009 - $356,437) 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.

As at September 30, 2010, accounts receivable includes $nil (2009 - $12,075) due from a company with a common officer.

Refer to note 8 of the financial statements for additional related party transactions.

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.

Off-Balance Sheet Arrangements

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

Changes in Accounting Policies and Recent Accounting Pronouncements

Financial Concepts

CICA Handbook Section 1000 has been amended to focus on the capitalization of costs that meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal year beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning October 1, 2008. This adoption has not resulted in a significant impact on the Company's financial statements.

General Standards on Financial Statements 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.

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 pre-production 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 accounting standard resulted in an impairment of the Company's deferred petroleum and natural gas exploration costs amounting to $970,787 (2009 - $nil), in aggregate, during the year ended September 30, 2010.

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.

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 cannot be reasonably estimated at this time.

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 NI 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings (NI 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 NI 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.

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 12 in the audited annual financial statements for the year ended September 30, 2010 and 2009 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.

IFRS Changeover Plan

In September 2008, the CICA's Accounting Standards Board confirmed that IFRS will replace Canadian GAAP in 2011. The Company will be required to report its results in accordance with IFRS beginning in 2011. The Company is going to consult external advisors to assist in the development and execution of a changeover plan to complete the transition to IFRS by October 1, 2011, including the preparation of required comparative information. The key elements of the Company's changeover plan will include:

- Determine appropriate changes to accounting policies and required amendments to financial disclosures;

- Identify and implement changes in associated processes, and accounting, and information system;

- Comply with internal control requirements;

- Communicate collateral impacts to internal business groups; and

- Educate and train internal and external stakeholders.

The Company is analyzing accounting policy alternatives and identifying implementation options for the corresponding process changes. The Company will update its IFRS changeover plan to reflect new and amended accounting standards issued by the International Accounting Standards Board. As IFRS is expected to change prior to 2011, the impact of IFRS on the Company's Financial Statements is not reasonably determinable at this time.

Officers and Directors

Ivan Buzbuzian	Director and CEO
Michael Meredith	Director and CFO
Paul Craft	Director
John Holko	Director
Vic Childs	Director

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.

Foreign Exchange Risk

To the extent that certain revenues may be valued in US$, there is some foreign exchange risk, but management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign its foreign exchange.

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.

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

"*Michael Meredith*"
Chief Financial Officer
December 23, 2010