



British Columbia Securities Commission

QUARTERLY AND YEAR END REPORT
BC FORM 51-901F
(previously Form 61)

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ISSUER DETAILS
NAME OF ISSUER: PORTRUSH PETROLEUM CORPORATION
FOR QUARTER ENDED: 02 | 12 | 31
DATE OF REPORT: 03 | 04 | 30
ISSUER ADDRESS: 200 - 1687 WEST BROADWAY
CITY: VANCOUVER, PROVINCE: BC, POSTAL CODE: V6J 1X2, ISSUER FAX NO.: 604-738-8116, ISSUER TELEPHONE NO.: 604-724-9524
CONTACT PERSON: NEAL IVERSON, CONTACT'S POSITION: CORPORATE SECRETARY, CONTACT TELEPHONE NO.: 604-724-9524

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE: "BRUCE NURSE", PRINT FULL NAME: BRUCE NURSE, DATE SIGNED: 03 | 05 | 15
DIRECTOR'S SIGNATURE: "MARTIN P. COTTER", PRINT FULL NAME: MARTIN P. COTTER, DATE SIGNED: 03 | 05 | 15

PORTRUSH PETROLEUM CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

DECEMBER 31, 2002

AUDITORS' REPORT

To the Shareholders of
Portrush Petroleum Corporation

We have audited the consolidated balance sheets of Portrush Petroleum Corporation as at December 31, 2002 and 2001 and the consolidated statements of operations 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a consistent basis.

“DAVIDSON & COMPANY”

Vancouver, Canada

Chartered Accountants

April 30, 2003

A Member of SC INTERNATIONAL

PORTRUSH PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

| | 2002 | 2001 |
|--|-------------------|---------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 17,456 | \$ 17,985 |
| Receivables | <u>3,851</u> | <u>111,169</u> |
| | 21,307 | 129,154 |
| Oil and gas properties (Note 3) | <u>375,826</u> | <u>2,076,693</u> |
| | <u>\$ 397,133</u> | <u>\$ 2,205,847</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

| | | |
|--|---------------------|---------------------|
| Current | | |
| Accounts payable and accrued liabilities | \$ 590,039 | \$ 930,772 |
| Due to related parties (Note 8) | <u>6,000</u> | <u>216,643</u> |
| | 596,039 | 1,147,415 |
| Loan payable (Note 4) | <u>167,926</u> | <u>-</u> |
| | <u>763,965</u> | <u>1,147,415</u> |
| Shareholders' equity (deficiency) | | |
| Capital stock (Note 5) | 9,955,650 | 9,653,817 |
| Contributed surplus (Note 5) | 22,474 | - |
| Deficit | <u>(10,344,956)</u> | <u>(8,595,385)</u> |
| | <u>(366,832)</u> | <u>1,058,432</u> |
| | <u>\$ 397,133</u> | <u>\$ 2,205,847</u> |

Nature and continuance of operations (Note 1)

Subsequent events (Note 12)

On behalf of the Board:

 "Bruce Nurse" Director _____ "Martin P. Cotter" Director

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

PORTRUSH PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED DECEMBER 31

| | 2002 | 2001 |
|--|------------------------|-----------------------|
| REVENUE | | |
| Oil and gas revenue, net of royalties | \$ 302,915 | \$ - |
| EXPENSES | | |
| Depletion | 398,046 | - |
| Operating | 70,288 | - |
| General and administrative (Note 6) | 216,124 | 256,160 |
| | <u>(684,458)</u> | <u>(256,160)</u> |
| Loss before other items | <u>(381,543)</u> | <u>(256,160)</u> |
| OTHER ITEMS | | |
| Interest income | 120 | 1,378 |
| Recovery of resource property costs | 77,645 | - |
| Write-off of oil and gas properties (Note 3) | (1,441,793) | (1,176,692) |
| Write-off of deferred financing costs | - | (297,348) |
| Settlement of lawsuit | (4,000) | (83,000) |
| | <u>(1,368,028)</u> | <u>(1,555,662)</u> |
| Loss for the year | (1,749,571) | (1,811,822) |
| Deficit, beginning of year | <u>(8,595,385)</u> | <u>(6,783,563)</u> |
| Deficit, beginning of year | <u>\$ (10,344,956)</u> | <u>\$ (8,595,385)</u> |
| Basic and diluted loss per share | \$ (0.10) | \$ (0.12) |
| Weighted average number of shares outstanding | 17,767,024 | 15,705,472 |

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

PORTRUSH PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31

| | 2002 | 2001 |
|---|------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss for the year | \$ (1,749,571) | \$ (1,811,822) |
| Items not affecting cash: | | |
| Depletion | 398,046 | - |
| Write-off of oil and gas properties | 1,441,793 | 1,176,692 |
| Write-off of deferred financing costs | - | 297,348 |
| Recovery of resource property costs | (77,645) | - |
| Stock based compensation expense | 22,474 | - |
| Changes in non-cash working capital items: | | |
| (Increase) decrease in receivables | 107,318 | (3,987) |
| Increase (decrease) in accounts payable and accrued liabilities | <u>(340,732)</u> | <u>102,969</u> |
| Cash used in operating activities | <u>(198,317)</u> | <u>(238,800)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Deferred financing costs | - | (397,348) |
| Advances from related parties | (210,643) | 216,643 |
| Net proceeds from issuance of capital stock | 301,833 | 1,650,833 |
| Proceeds of loan payable | <u>167,926</u> | <u>-</u> |
| Cash provided by financing activities | <u>259,116</u> | <u>1,470,128</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Oil and gas property expenditures | (138,973) | (1,386,646) |
| Proceeds of resource property costs recovered | <u>77,645</u> | <u>-</u> |
| Cash used in investing activities | <u>(61,328)</u> | <u>(1,386,646)</u> |
| Decrease in cash position during year | (529) | (155,318) |
| Cash position, beginning of year | <u>17,985</u> | <u>173,303</u> |
| Cash position, end of year | <u>\$ 17,456</u> | <u>\$ 17,985</u> |

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

PORTRUSH PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the laws of British Columbia and its principal business activity is the acquiring and developing of oil and gas properties.

Included in recovery of resource property costs of \$77,645 during the year ended December 31, 2002, are proceeds from the sale of the Company's remaining interest in a mineral property located in the U.S.A. which was written off in prior years.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

| | 2002 | 2001 |
|------------------------------|-----------------|----------------|
| Deficit | \$ (10,344,956) | \$ (8,595,385) |
| Working capital (deficiency) | (574,732) | (1,018,261) |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, Texas Dome Petroleum Corporation, a company incorporated in the United States until August 2002, at which time the subsidiary was abandoned. Significant inter-company transactions have been eliminated on consolidation.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from these estimates.

Oil and gas properties

The Company follows the full cost method of accounting for oil and natural gas operations, whereby all costs of exploring for and developing oil and natural gas reserves are capitalized and accumulated in cost centres on a country-by-country basis. Costs include land acquisition costs, geological and geophysical charges, carrying charges on non-productive properties and costs of drilling both productive and non-productive wells. General and administrative costs are not capitalized other than to the extent of the Company's working interest in operated capital expenditure programs on which operator's fees have been charged equivalent to standard industry operating agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Oil and gas properties (cont'd...)

The costs in each cost centre, including the costs of well equipment, are depleted and depreciated using the unit-of-production method based on the estimated proved reserves before royalties. Natural gas reserves and production are converted to equivalent barrels of crude oil based on relative energy content. The costs of acquiring and evaluating significant unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion.

The capitalized costs less accumulated depletion and depreciation in each cost centre are limited to an amount equal to the estimated future net revenue from proved reserves (based on prices and costs at the balance sheet date) plus the cost (net of impairments) of unproved properties. The total capitalized costs less accumulated depletion and depreciation, site restoration provision and future income taxes of all cost centres is further limited to an amount equal to the future net revenue from proved reserves plus the cost (net of impairments) of unproved properties of all cost centres less estimated future site restoration costs, general and administrative expenses, financing costs and income taxes.

Proceeds from the sale of oil and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and depreciation.

Estimated future site restoration and abandonment costs, net of expected recoveries, are provided over the life of the proved reserves using the unit-of-production method. Costs are estimated each year by management based on current regulations, costs, technology and industry standards.

Certain of the Company's exploration and production activities are conducted jointly with others and, accordingly, the accounts reflect only the Company's proportionate interest in such activities.

Values

The amounts shown for oil and natural gas properties represent costs incurred to date and are not intended to reflect present or future values.

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Translation gains and losses are reflected in loss for the year.

PORTRUSH PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Stock-based compensation

The Company grants options in accordance with the policies of the TSX Venture Exchange (“TSX-V”). Effective January 1, 2002, the Company adopted the new CICA Handbook Section 3870 “Stock-Based Compensation and Other Stock-Based Payments”, which recommends the fair value-based methodology for measuring compensation costs. The new section also permits, and the Company has adopted, the use of the intrinsic value-based method, which recognizes compensation cost for awards to employees only when the market price exceeds the exercise price at date of grant, but requires pro-forma disclosure of earnings and earnings per share as if the fair value method had been adopted.

Income taxes

The Company follows the asset/liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and those reported in the financial statements. The future tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For loss per share the dilutive effect has not been computed as it proved to be anti-dilutive.

Loss per share is calculated using the weighted-average number of shares outstanding during the year.

3. OIL AND GAS PROPERTIES

The Company entered into agreements to acquire interests in various oil and gas properties as follows:

| | 2002 | 2001 |
|-----------------------------|------------------|---------------------|
| Canada | \$ - | \$ 1,441,793 |
| U.S.A. | <u>773,873</u> | <u>634,900</u> |
| | 773,873 | 2,076,693 |
| Less: Accumulated depletion | <u>(398,046)</u> | <u>-</u> |
| | <u>375,827</u> | <u>\$ 2,076,693</u> |

PORTRUSH PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

3. OIL AND GAS PROPERTIES (cont'd...)

Alberta prospects, Canada

At December 31, 2002, the oil and gas properties located in Canada include \$nil (2001 - \$1,441,793) relating to unproved properties that have been excluded from the depletion calculation. The Company had working interests in certain prospects ranging from 16.67% to 20.83% located in Alberta, Canada. During the year ended December 31, 2002, the prospects located in Alberta were abandoned and all related costs of \$1,441,792 were written-off. During the year ended December 31, 2001, the Company's prospects located in Ontario were abandoned and all related costs of \$1,176,692 were written-off.

Michigan and Wyoming, U.S.A.

At December 31, 2002, the oil and gas properties located in the U.S.A. include \$nil (2001 - \$634,900) relating to unproved properties that have been excluded from the depletion calculation. The Company has a 22.5% working interest in a prospect located in Michigan, U.S.A. and a 25% working interest in a prospect located in Wyoming, U.S.A. During the year ended December 31, 2002, the prospect located in Wyoming was abandoned. The ceiling test calculation determined that the net book value of the Company's assets in the U.S.A. exceeded net future cash flows from proven reserves and, accordingly, the Company recorded a ceiling test write-down of \$164,456 included in accumulated depletion.

Expenditures on oil and gas prospects were incurred as follows:

| 2002 | Canada | U.S.A. | Total |
|-----------------------------------|---------------|---------------|--------------|
| Drilling | \$ - | \$ 146,481 | \$ 146,481 |
| Geological consulting | - | 30,825 | 30,825 |
| Total deferred costs for the year | - | 177,306 | 177,306 |
| Balance, beginning of year | 1,441,793 | 634,900 | 2,076,693 |
| Written-off during the year | (1,441,793) | - | (1,441,793) |
| Recovery of costs | - | (38,333) | (38,333) |
| Depletion | - | (398,046) | (398,046) |
| Balance, end of year | \$ - | \$ 375,827 | \$ 375,827 |

PORTRUSH PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

3. OIL AND GAS PROPERTIES (cont'd...)

| 2001 | Canada | U.S.A. | Total |
|-----------------------------------|---------------|---------------|--------------|
| Seismic survey | \$ 153,310 | \$ - | \$ 153,310 |
| Drilling | 1,380,717 | - | 1,380,717 |
| Completion | 472,301 | - | 472,301 |
| Geological consulting | 5,000 | - | 5,000 |
| Project analysis | 19,143 | - | 19,143 |
| Staking and permitting | - | 99,862 | 99,862 |
| Total deferred costs for the year | 2,030,471 | 99,862 | 2,130,333 |
| Balance, beginning of year | 588,014 | 535,038 | 1,123,052 |
| Written off | (1,176,692) | - | (1,176,692) |
| Balance, end of year | \$ 1,441,793 | \$ 634,900 | \$ 2,076,693 |

4. LOAN PAYABLE

During the year ended December 31, 2002, the Company received subscriptions of \$167,926 in advance on the issuance of a convertible debenture. The subscriptions are recorded as loan payable and will be recorded pursuant to the terms of the convertible debenture upon completion subsequent to the year end (Note 12).

5. CAPITAL STOCK

| | Number of Shares | Amount |
|---|-----------------------------|---------------|
| Authorized | | |
| 25,000,000 common voting shares, no par value | | |
| Issued | | |
| Balance, December 31, 2000 | 9,539,778 | \$ 8,002,984 |
| Private placements | 5,000,000 | 1,500,000 |
| Subscriptions received in prior year | - | (7,500) |
| Exercise of warrants | 2,229,164 | 270,833 |
| Share issuance costs | - | (112,500) |
| Balance, December 31, 2001 | 16,768,942 | 9,653,817 |
| Private placement | 3,100,000 | 310,000 |
| Exercise of warrants | 41,666 | 5,833 |
| Exercise of options | 150,000 | 15,000 |
| Share issuance costs | - | (29,000) |
| Balance, December 31, 2002 | 20,060,608 | \$ 9,955,650 |

PORTRUSH PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

5. CAPITAL STOCK (cont'd...)

Included in issued capital stock are 103,125 common shares held in escrow that may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

Stock options

The Company, in accordance with the policies of the TSX-V, may grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option is based on the market price of the Company's stock at the date of grant less a discount in accordance with TSX-V policies. The options can be granted for a maximum term of 5 years.

The following incentive stock options and share purchase warrants were outstanding at December 31, 2002:

| | Number of Shares | Exercise Price | Expiry Date |
|-----------------|---------------------|-------------------|-----------------|
| Options | 1,000,000 | \$ 0.10 | April 5, 2004 |
| | 500,000 | 0.20 | October 3, 2003 |
| Warrants | 5,000,000 | 0.35 | March 5, 2003 |
| | 3,100,000 | 0.15 | June 18, 2004 |

Stock option transactions and the number of share options outstanding are summarized as follows:

| | Number of Options | Weighted Average Exercise Price |
|---|----------------------|--|
| Balance, December 31, 2000 | 790,000 | \$ 0.35 |
| Options granted and repriced | 500,000 | 0.20 |
| Options expired and cancelled | (320,000) | 0.35 |
| Options exercised | - | - |
| Balance, December 31, 2001 | 970,000 | 0.27 |
| Options granted and repriced | 1,150,000 | 0.10 |
| Options expired and cancelled | (470,000) | 0.35 |
| Options exercised | (150,000) | 0.10 |
| Balance, December 31, 2002 | 1,500,000 | \$ 0.13 |
| Number of options currently exercisable | 1,500,000 | \$ 0.13 |

PORTRUSH PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

5. CAPITAL STOCK (cont'd...)

Stock-based compensation

Included in stock options granted and repriced during the year ended December 31, 2002 are 300,000 stock options issued to consultants and non-employees. Using the Black-Scholes option pricing model, the stock options granted are marked to fair value through charges to the statements of operations. Total stock-based compensation for stock options granted to consultants and non-employees recognized during the year ended December 31, 2002 was \$22,474 which has been recorded in the consolidated statement of operations as professional fees with corresponding contributed surplus recorded in shareholders' equity.

The Company also granted and repriced 550,000 stock options to employees and directors during the current year. The Company has elected to measure compensation costs using the intrinsic value-based method for employee stock options. Under this method, no compensation expense was recognized when the stock options were granted. Had compensation costs been determined based on the fair value of the options granted using the Black-Scholes option-pricing model, additional compensation expense would have been recorded as follows:

| | |
|--|-----------------------|
| Loss for the year as reported | \$ (1,749,571) |
| Additional compensation expense | <u>(63,674)</u> |
| Pro-forma loss | <u>\$ (1,813,245)</u> |
| Pro-forma basic and diluted loss per share | <u>\$ (0.10)</u> |

The following weighted average assumptions were used for the method of valuation of stock options granted during the year:

| | |
|--------------------------|---------|
| Risk-free interest rate | 4.3% |
| Expected life of options | 2 years |
| Annualized volatility | 159% |
| Dividend rate | 0.00% |

6. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

| | 2001 | 2002 |
|------------------------------------|-------------------|-------------------|
| Consulting and administration fees | \$ 19,700 | \$ 41,009 |
| Management fees | 60,000 | 60,000 |
| Office and miscellaneous | 21,842 | 35,305 |
| Professional fees | 65,253 | 89,203 |
| Transfer agent and regulatory fees | 19,307 | 19,432 |
| Travel and promotion | <u>30,022</u> | <u>11,211</u> |
| | <u>\$ 216,124</u> | <u>\$ 256,160</u> |

PORTRUSH PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| | 2002 | 2001 |
|--|------|------|
| Cash paid during the year for interest | \$ - | \$ - |
| Cash paid during the year for income taxes | \$ - | \$ - |

The Company did not have any non-cash transactions during the years ended December 31, 2002 and 2001.

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$60,000 (2001 - \$60,000) to directors.
- b) Paid or accrued consulting fees of \$Nil (2001 - \$30,000) to a director.
- c) Paid or accrued rent of \$6,000 (2001 - \$Nil) to a director.

Amounts due to related parties are non-interest bearing and have no specific terms of repayment.

Related party transactions are in the normal course of operations, occurring on terms and conditions that are similar to those of transactions with unrelated parties and, therefore, are measured at the exchange amount.

9. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

| | 2002 | 2001 |
|---|----------------|----------------|
| Loss before income taxes | \$ (1,749,571) | \$ (1,811,822) |
| Current income taxes (recovery) | \$ (692,830) | \$ (808,073) |
| Write-off of oil and gas properties | 570,950 | 524,805 |
| Non-deductible items for tax | 157,626 | - |
| Other | (80,216) | 76,902 |
| Unrecognized benefits of non-capital losses | 44,470 | 206,366 |
| Total current income taxes (recovery) | \$ - | \$ - |

PORTRUSH PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

9. INCOME TAXES (cont'd...)

The tax effects of temporary differences that give rise to significant components of future income tax assets and liabilities are as follows:

| | 2002 | 2001 |
|---|--------------------|--------------------|
| Future income tax assets (liabilities): | | |
| Oil and gas properties | \$ 1,106,696 | \$ 436,951 |
| Mineral property and related exploration expenditures | 104,074 | 109,610 |
| Financing fees | 124,762 | 180,868 |
| Operating losses available for future periods | 2,066,698 | 2,314,299 |
| Capital losses available | <u>263,922</u> | <u>293,334</u> |
| | 3,666,152 | 3,335,062 |
| Valuation allowance | <u>(3,666,152)</u> | <u>(3,335,062)</u> |
| Net future income tax asset (liability) | <u>\$ -</u> | <u>\$ -</u> |

The Company has incurred operating losses of approximately \$5,500,000 which, if unutilized, will expire through 2009. Subject to certain restrictions, the Company also has capital losses and resource exploration expenditures available to reduce taxable income of future years. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements, as their realization is not judged likely to occur.

10. SEGMENTED INFORMATION

All of the Company's operations are in the oil and gas industry with its principal business activity in the acquisition and development of oil and gas properties. The Company has oil and gas properties located in Canada and the U.S.A. and considers its loss from operations for fiscal years 2002 and 2001 to relate to the oil and gas properties.

The total amount of assets attributable to Canada is \$21,307 and the total amount attributable to the U.A.S. is \$375,826.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, due to related parties and loan payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

PORTRUSH PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2002, the Company entered into the following transactions:

- a) The Company issued 946,000 common shares pursuant to the exercise of warrants at \$0.15 per common share for proceeds of \$141,900. The warrants had an original exercise price of \$0.35, however subsequent to the year-end and prior to exercising, the exercise price was reduced to from \$0.35 to \$0.15 per share. The remaining warrants enabling the holders to acquire 4,054,000 common shares expired unexercised.
- b) The Company issued a convertible debenture for proceeds of \$180,000 maturing May 1, 2005, bearing interest at 8% per annum, convertible, at the option of the lender, into units at \$0.12 per unit until May 1, 2004 and thereafter at \$0.14 per unit until May 1, 2005. Each unit is comprised of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one additional common share for \$0.12 per share until May 1, 2004 and thereafter at \$0.14 per share expiring May 1, 2005.