

**PORTRUSH PETROLEUM CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited – Prepared by Management)**

**SIX MONTH PERIOD ENDED**  
**JUNE 30, 2004**

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended June 30, 2004.

**PORTRUSH PETROLEUM CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited – Prepared by Management)

	June 30, 2004	December 31, 2003 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 53,725	\$ 4,981
Receivables	6,232	3,832
Prepaid expenses	<u>1,625</u>	<u>-</u>
	61,582	8,813
<b>Oil and gas properties (Note 3)</b>	<u>1,423,705</u>	<u>173,758</u>
	<u>\$ 1,485,287</u>	<u>\$ 182,571</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 89,916	\$ 257,848
Due to related parties	<u>101,325</u>	<u>57,954</u>
	191,241	315,802
<b>Future site restoration</b>	<u>6,473</u>	<u>6,473</u>
	<u>197,714</u>	<u>322,275</u>
<b>Stockholders' equity (deficiency)</b>		
Capital stock (Note 4)	12,099,248	10,534,248
Share subscriptions received in advance	231,119	146,950
Contributed surplus (Note 4)	699,164	270,552
Deficit	<u>(11,741,958)</u>	<u>(11,091,454)</u>
	<u>1,287,573</u>	<u>(139,704)</u>
	<u>\$ 1,485,287</u>	<u>\$ 182,571</u>

**On behalf of the Board:**

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“Martin Cotter” Director                      “Neil Iverson” Director

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

**PORTRUSH PETROLEUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited – Prepared by Management)

	Three Month Period Ended June 30, 2004	Three Month Period Ended June 30, 2003	Six Month Period Ended June 30, 2004	Six Month Period Ended June 30, 2003
<b>REVENUE</b>				
Oil and gas revenue, net of royalties	\$ 89,417	\$ 160,789	\$ 168,604	\$ 261,764
<b>EXPENSES</b>				
Depletion	\$ 130,111	\$ 83,497	\$ 155,961	\$ 158,363
Stock-based compensation	428,612	-	428,612	-
Operating expenses	22,129	44,157	41,710	68,067
Consulting and administration fees	11,420	10,000	24,420	10,000
Investor relations	16,263	8,135	24,314	11,283
Management fees	18,000	18,000	41,000	36,000
Office and miscellaneous	3,260	15,745	8,368	18,873
Professional fees (recovery)	(4,216)	31,057	(1,888)	47,687
Rent	9,000	-	16,500	-
Shareholder costs	18,260	1,747	20,237	1,747
Telephone	9,382	-	16,882	-
Transfer agent and regulatory fees	10,638	9,458	16,322	14,187
Travel and promotion	17,848	-	26,709	-
	<u>(690,707)</u>	<u>(221,796)</u>	<u>(819,147)</u>	<u>(366,207)</u>
<b>Loss before other item</b>	<u>(601,290)</u>	<u>(61,007)</u>	<u>(650,543)</u>	<u>(104,443)</u>
<b>OTHER ITEM</b>				
Interest income	20	243	39	290
Gain on settlement of debt	-	2,464	-	2,464
	20	2,707	39	2,754
<b>Loss for the period</b>	(601,270)	(58,300)	(650,504)	(101,689)
<b>Deficit, beginning of period</b>	<u>(11,140,688)</u>	<u>(10,388,345)</u>	<u>(11,091,454)</u>	<u>(10,344,956)</u>
<b>Deficit, end of period</b>	<u>\$ (11,741,958)</u>	<u>\$ (10,446,645)</u>	<u>\$ (11,741,958)</u>	<u>\$ (10,446,645)</u>
<b>Basic and diluted loss per share</b>				
	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>				
	32,709,491	21,006,608	30,017,898	20,672,111

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

**PORTRUSH PETROLEUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)

	Three Month Period Ended June 30, 2004	Three Month Period Ended June 30, 2003	Six Month Period Ended June 30, 2004	Six Month Period Ended June 30, 2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (601,270)	\$ (58,300)	\$ (650,504)	\$ (101,689)
Items not affecting cash:				
Gain on settlement of debt	-	(2,464)	-	(2,464)
Depletion	130,111	83,497	155,961	158,363
Stock-based compensation	428,612	-	428,612	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(2,020)	(3,357)	(2,400)	(968)
(Increase) decrease in prepaid expenses	(1,625)	-	(1,625)	-
Increase (decrease) in accounts payable and accrued liabilities	<u>(102,987)</u>	<u>(114,330)</u>	<u>(167,932)</u>	<u>(209,330)</u>
Cash used in operating activities	<u>(149,179)</u>	<u>(94,954)</u>	<u>(237,888)</u>	<u>(156,088)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Convertible debenture	-	180,000	-	180,000
Due to related parties	13,009	19,000	43,371	40,000
Loan payable	-	(131,100)	-	(140,100)
Share subscriptions received in advance	(14,330)	-	84,169	-
Net proceeds from issuance of capital stock	<u>1,464,000</u>	<u>-</u>	<u>1,565,000</u>	<u>141,900</u>
Cash provided by financing activities	<u>1,462,679</u>	<u>67,900</u>	<u>1,692,540</u>	<u>221,800</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Oil and gas property expenditures	<u>(1,271,919)</u>	<u>(47,970)</u>	<u>(1,405,908)</u>	<u>(78,851)</u>
Cash used in investing activities	<u>(1,271,919)</u>	<u>(47,970)</u>	<u>(1,405,908)</u>	<u>(78,851)</u>
<b>Change in cash position during period</b>	41,581	(75,024)	48,744	(13,139)
<b>Cash position, beginning of period</b>	<u>12,144</u>	<u>79,341</u>	<u>4,981</u>	<u>17,456</u>
<b>Cash position, end of period</b>	<u>\$ 53,725</u>	<u>\$ 4,317</u>	<u>\$ 53,725</u>	<u>\$ 4,317</u>

**Supplemental disclosures with respect to cash flows (Note 6)**

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

**PORTRUSH PETROLEUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
JUNE 30, 2004

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**1. BASIS OF PRESENTATION**

The consolidated financial statements contained herein include the accounts of the Company and its wholly-owned subsidiaries, Texas Dome Petroleum Corporation and Portrush Petroleum (US) Corporation (collectively "the Company").

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2003. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

**2. NATURE 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. The Company has two properties located in the United States. It has a 22.5% working interest in a prospect located in Michigan, U.S.A. and a 10% working interest in certain oil and gas leases located in Texas, U.S.A.

**3. OIL AND GAS PROPERTIES**

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	June 30, 2004	December 31, 2003
Oil and gas properties, U.S.A.	\$ 2,577,391	\$ 1,171,483
Less: Accumulated depletion	<u>(1,153,686)</u>	<u>(997,725)</u>
	<u>\$ 1,423,705</u>	<u>\$ 173,758</u>

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The Company has a 22.5% working interest in a prospect located in Michigan, U.S.A. During the year ended December 31, 2003, 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 \$319,950 included in accumulated depletion.

The Company entered into an agreement to acquire a 10% working interest in certain oil and gas leases located in the Refugio and Goliad Counties, Texas, U.S.A. As consideration for its interest, the Company made staged payments totaling USD\$1,044,000.

**PORTRUSH PETROLEUM CORPORATION**  
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JUNE 30, 2004

**4. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
100,000,000 common voting shares, no par value			
Issued			
Balance, December 31, 2003	26,693,667	\$ 10,534,248	\$ 270,552
Exercise of stock options	950,000	95,000	-
Exercise of warrants	6,650,000	850,000	-
Finders fee	225,000	45,000	-
Private placement	3,100,000	620,000	-
Stock-based compensation	-	-	428,612
Share issue costs	-	(45,000)	-
Balance, June 30, 2004	37,618,667	\$ 12,099,248	\$ 699,164

During the period, the Company issued 6,650,000 common shares at various prices pursuant to the exercise of warrants for gross proceeds of \$850,000.

During the period, the Company issued 950,000 common shares at \$0.10 per share pursuant to the exercise of stock options for gross proceeds of \$95,000.

On June 10, 2004, the Company issued 3,100,000 common shares at \$0.20 per unit for gross proceeds of \$620,000 from a private placement. Each unit of the private placement consists of one common share of the Company and a non-transferable share purchase warrant. Eight warrants entitle the holder to purchase one additional share in the capital of the Company at a price of \$0.20 per share until June 2, 2006. The Company issued 225,000 common shares at a deemed price of \$0.20 per share for a \$45,000 finder's fee on the 3,100,000 unit private placement.

As at June 30, 2004, the Company had received funds of \$231,119 in advance of the issuance of common shares pursuant to the exercise of stock options, exercise of warrants and subscriptions for a private placement. These shares were issued subsequent to the period.

The following stock options and share purchase warrants were outstanding at June 30, 2004:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	300,000	0.15	September 15, 2005
	3,000,000	0.15	April 5, 2006
<b>Warrants</b>	50,000	0.10	August 28, 2005
	2,037,059	0.24	October 14, 2005
	387,500	0.20	June 2, 2006

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**5. STOCK-BASED COMPENSATION**

During the 2003 fiscal year, 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 Company granted 3,300,000 (2003 – Nil) stock options during the current period, resulting in stock-based compensation expense under the Black-Scholes pricing model of \$428,612 (2003 - \$Nil), with a corresponding credit to contributed surplus on the balance sheet.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options issued during the year:

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	2004
Risk-free interest rate	2.43%
Expected life of options	2 years
Annualized volatility	160.03%
Dividend rate	0.00%

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**6. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

On June 10, 2004, the Company issued 225,000 common shares valued at \$45,000 for a finders’ fee on the 3,100,000 unit private placement.

There were no significant non-cash transactions for the six month period ended June 30, 2003.

**7. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$41,000 (2003 - \$36,000) to two directors.

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.

**8. INCOME (LOSS) PER SHARE**

Income (loss) per share is calculated using the weighted average number of shares outstanding during the period.

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**9. 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 the United States.

**10. SUBSEQUENT EVENTS**

Subsequent to June 30, 2004, the Company announced the completion of a non-brokered private placement of 1,500,000 shares at \$0.20 per share for gross proceeds of \$300,000. The shares are subject to a hold period that expires on December 2, 2004.

The Company will issue 93,750 common shares for finder's fees related to this private placement.