

**PORTRUSH PETROLEUM CORPORATION**

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

**NINE MONTH PERIOD ENDED**  
**SEPTEMBER 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 September 30, 2004.

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

	September 30, 2004	December 31, 2003
		(Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 85,208	\$ 4,981
Receivables	5,041	3,832
Prepaid expenses	<u>1,625</u>	<u>-</u>
	91,874	8,813
<b>Oil and gas properties (Note 3)</b>	<u>1,329,860</u>	<u>173,758</u>
	<u>\$ 1,421,734</u>	<u>\$ 182,571</u>

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

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 90,537	\$ 257,848
Due to related parties	<u>142,398</u>	<u>57,954</u>
	232,935	315,802
<b>Future site restoration</b>	<u>6,473</u>	<u>6,473</u>
	<u>239,408</u>	<u>322,275</u>
<b>Stockholders' equity (deficiency)</b>		
Capital stock (Note 4)	12,443,248	10,534,248
Share subscriptions received in advance	31,119	146,950
Contributed surplus (Note 4)	699,164	270,552
Deficit	<u>(11,991,205)</u>	<u>(11,091,454)</u>
	<u>1,182,326</u>	<u>(139,704)</u>
	<u>\$ 1,421,734</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 September 30, 2004	Three Month Period Ended September 30, 2003	Nine Month Period Ended September 30, 2004	Nine Month Period Ended September 30, 2003
<b>REVENUE</b>				
Oil and gas revenue, net of royalties	\$ 94,094	\$ 74,739	\$ 262,698	\$ 336,503
<b>EXPENSES</b>				
Depletion	\$ 121,952	\$ 98,938	\$ 277,913	\$ 257,301
Stock-based compensation	-	-	428,612	-
Operating expenses	13,105	35,789	54,815	103,856
Consulting and administration fees	62,000	12,000	86,420	22,000
Investor communications	67,319	-	85,168	-
Investor relations	7,995	-	32,309	-
Management fees	18,000	18,000	59,000	54,000
Office and miscellaneous	1,639	24,787	10,007	43,660
Professional fees	2,365	36,032	477	83,719
Rent	9,000	-	25,500	-
Shareholder costs	205	-	20,442	1,747
Telephone	10,112	-	26,994	-
Transfer agent and regulatory fees	7,211	3,726	23,533	17,913
Travel and promotion	22,471	6,807	31,331	18,090
	<u>(343,374)</u>	<u>(236,079)</u>	<u>(1,162,521)</u>	<u>(602,286)</u>
<b>Loss before other item</b>	<u>(249,280)</u>	<u>(161,340)</u>	<u>(899,823)</u>	<u>(265,783)</u>
<b>OTHER ITEM</b>				
Interest income	33	21	72	311
Gain on settlement of debt	-	-	-	2,464
	33	21	72	2,775
<b>Loss for the period</b>	(249,247)	(161,319)	(899,751)	(263,008)
<b>Deficit, beginning of period</b>	<u>(11,741,958)</u>	<u>(10,446,645)</u>	<u>(11,091,454)</u>	<u>(10,344,956)</u>
<b>Deficit, end of period</b>	<u>\$ (11,991,205)</u>	<u>\$ (10,607,964)</u>	<u>\$ (11,991,205)</u>	<u>\$ (10,607,964)</u>
<b>Basic and diluted loss per share</b>				
	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>				
	38,653,178	21,759,869	32,917,335	21,038,681

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 September 30, 2004	Three Month Period Ended September 30, 2003	Nine Month Period Ended September 30, 2004	Nine Month Period Ended September 30, 2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (249,247)	\$ (161,319)	\$ (899,751)	\$ (263,008)
Items not affecting cash:				
Gain on settlement of debt	-	-	-	(2,464)
Depletion	121,952	98,938	277,913	257,301
Stock-based compensation	-	-	428,612	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	1,191	(881)	(1,209)	(1,849)
(Increase) decrease in prepaid expenses	-	-	(1,625)	-
Increase (decrease) in accounts payable and accrued liabilities	<u>621</u>	<u>(46,004)</u>	<u>(167,311)</u>	<u>(255,333)</u>
Cash used in operating activities	<u>(125,483)</u>	<u>(109,266)</u>	<u>(363,371)</u>	<u>(265,353)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Convertible debenture	-	-	-	180,000
Due to related parties	41,073	(21,880)	84,444	18,120
Loan payable	-	1,724	-	(138,376)
Share subscriptions received in advance	(200,000)	-	(115,831)	-
Net proceeds from issuance of capital stock	<u>344,000</u>	<u>202,500</u>	<u>1,909,000</u>	<u>344,400</u>
Cash provided by financing activities	<u>185,073</u>	<u>182,344</u>	<u>1,877,613</u>	<u>404,144</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Oil and gas property expenditures	<u>(28,107)</u>	<u>(74,426)</u>	<u>(1,434,015)</u>	<u>(153,278)</u>
Cash used in investing activities	<u>(28,107)</u>	<u>(74,426)</u>	<u>(1,434,015)</u>	<u>(153,278)</u>
<b>Change in cash position during period</b>	31,483	(1,348)	80,227	(14,487)
<b>Cash position, beginning of period</b>	<u>53,725</u>	<u>4,317</u>	<u>4,981</u>	<u>17,456</u>
<b>Cash position, end of period</b>	<u>\$ 85,208</u>	<u>\$ 2,969</u>	<u>\$ 85,208</u>	<u>\$ 2,969</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)  
SEPTEMBER 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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	September 30, 2004	December 31, 2003
Oil and gas properties, U.S.A.	\$ 2,605,499	\$ 1,171,483
Less: Accumulated depletion	<u>(1,275,639)</u>	<u>(997,725)</u>
	<u>\$ 1,329,860</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. The Company also secured the right to acquire an additional 19% working interest in these oil and gas leases bringing its total working interest in the project to 29%.

**PORTRUSH PETROLEUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**SEPTEMBER 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	1,050,000		110,000		-
Exercise of warrants	6,800,000		879,000		-
Finders fee	318,750		63,750		-
Private placement	4,600,000		920,000		-
Stock-based compensation	-		-		428,612
Share issue costs	-		(63,750)		-
Balance, September 30, 2004	39,462,417	\$	12,443,248	\$	699,164

During the period, the Company issued 6,800,000 common shares at various prices pursuant to the exercise of warrants for gross proceeds of \$879,000.

During the period, the Company issued 1,050,000 common shares at various prices pursuant to the exercise of stock options for gross proceeds of \$110,000.

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.

In August 2004, the Company completed 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 issued 93,750 common shares for finder's fees valued at \$18,750 related to this private placement.

As at September 30, 2004, the Company had received funds of \$31,119 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.

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**4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

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

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	200,000	0.15	September 15, 2005
	3,000,000	0.15	April 5, 2006
<b>Warrants</b>	1,937,059	0.24	October 14, 2005
	387,500	0.20	June 2, 2006

**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:

	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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SEPTEMBER 30, 2004

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

Significant non-cash transactions during the nine month period ended September 30, 2004 included:

- a) The issuance of 225,000 common shares valued at \$45,000 for a finders' fee on the 3,100,000 unit private placement.
- b) The issuance of 93,750 common shares valued at \$18,750 for a finders' fee on the 1,500,000 unit non-brokered private placement.

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

**7. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$59,000 (2003 - \$54,000) 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.

**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 September 30, 2004, the Company issued 880,000 common shares for gross proceeds of \$211,200 pursuant to the exercise of warrants.