

**Form 51-102F1**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

**Portrush Petroleum Corporation**

**Interim  
MD&A**

**Description of Business and effective Date of this Report**

Portrush Petroleum Corporation ("Company") is a junior oil and natural gas exploration and production company. The Company is focused on its core properties: the Lenox project, located in the Michigan Basin of the state of Michigan, and the Mission River project, situated in Refugio and Goliad Counties, Gulf Coast, Texas. The Lenox project has two oil wells on production and the Mission River project has seven gas wells on production. Portrush is a reporting issuer publicly traded on the TSX Venture Exchange in Canada under the symbol PSH.

This discussion should be read in conjunction with the financial statements and related notes of the Company for the period ended September 30, 2006 (the "Financial Statements"). The information in this Management Discussion and Analysis ("MD&A") contains forward-looking information or statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The information contained in this report is made as of November 24, 2006.

**2006 Highlights**

- The Mission River field in Texas has eight wells on production and total production from the field for the month of August amounted to approximately 56 million cubic feet of gas and 1,960 barrels of oil.
- The operator of the Mission River project has completed the two deep wells, the Scanio-Shelton #6, drilled to a depth of 10,300 feet was placed on production in March, 2006. The Scanio-Shelton #7 drilled to a depth of 8,700 feet and was placed on production in October, 2006.
- Reported oil and gas revenues for the 3 month period ended September 30, 2006 was \$205,098 compared to \$173,355 for the same period in 2005, with a reported net loss of \$0.01 per share for the period in 2006 compared to a net loss of \$0.01 per share for fiscal 2005.

**Properties of the Company**

**Mission River Project, Texas**

In Texas, the Company has a joint venture with the McAlester Fuel Company of Houston, Texas to develop the Mission River Project, situated in Refugio and Goliad Counties, Gulf Coast, Texas. The Company owns a 10% working interest in the project.

The initial twelve (12) well program was designed to test bypassed oil and gas payzones in the traditional producing intervals from 5,000 to 6,400 feet; The first well was spudded on April 30<sup>th</sup> 2004 and seven additional wells have since been drilled and completed as gas wells. Eight wells are currently on production and the eighth, the Scanio-Shelton #7, a recently completed deep well commenced production in October, 2006. A gas pipeline runs through the property. Total production from the field for the month of August 2006 amounted to approximately 56 million cubic feet of gas and 1,960 barrels of oil.

## Lenox Project, Michigan

In June 2000, the Company acquired a 25% interest in two Silurian-Ordovician prospects, and associated leased lands (approximately 2,560 acres) located in St. Clair County, Cottrellville Township and Macomb County, Lenox Township, Southeast Michigan.

The Company focused its efforts on the Lenox project in Macomb County, SE Michigan where the Company earned a 22.5% working interest. At present the Company has two oil wells on production and excess gas is being flared. Lenox provided a significant portion of the oil and gas revenue during 2005.

The Michigan Basin contains extensive belts of organic reefs composed of carbonate rocks (Limestone and Dolomite) formed under shallow seas in the Silurian period. These oil and gas filled reefs are the principal target for exploration companies in the basin.

### Exploration Risks

Oil and gas exploration and development involves significant risks. Few wells which are drilled are developed into commercially producing fields. Substantial expenditures may be required to establish reserves and no assurance can be given that commercial quantities or further reserves will be discovered or, if found, will be present in sufficient quantities to enable the Company to recover the costs incurred. The Company's estimates of exploration and production costs can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, and unusual or unexpected formations, pressures and work interruptions. There can be no assurance that actual exploration cost will not exceed projected cost.

### Selected Financial Information

|  | 9 Months<br>Ended<br>September<br>30,2006 | 9 Months<br>Ended<br>September<br>30,2005 |
|--|---|---|
| Total Revenues                               | \$ 584,895                                | 478,169                                   |
| G&A expense <sup>1</sup>                     | 546,507                                   | 256,227                                   |
| Net Loss                                     | 266,795                                   | 118,208                                   |
| Working Capital                              | 325,346                                   | 136,036                                   |
| Oil and Gas Properties                       | 1,467,865                                 | 1,572,100                                 |
| Total Assets                                 | 1,826,554                                 | 1,799,867                                 |
| Basic and diluted income (loss)<br>per share | (0.01)                                    | (0.01)                                    |
| Long-term liabilities                        | -   | -   |
| Cash dividends                               | -   | -   |

<sup>1</sup> G&A expense includes a non-cash charge for stock-based compensation of \$237,514 (2005 - \$2,876) pertaining to the grant of stock options.

The Company's accounting policy is to record its resource properties at cost. Exploration and development expenditures relating to oil and gas properties are deferred until either the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

## Results of Operations

During the nine month period ended September 30, 2006, the Company recorded gross revenue of \$584,895 compared with \$478,169 in 2005. Well operating expenses were \$204,474 compared with \$214,875 in the previous year and the Company recorded depletion expenses of \$90,437 compared with \$132,925 in the previous year.

General and administration expenses before non-cash expenses were \$308,993 compared with \$253,351 for the same period in 2005. The Company recorded a non-cash charge for stock-based compensation pertaining to the grant of stock options of \$237,514. The Company expects general and administrative expenses to remain relatively constant as the Company expects its level of activity to remain the same for next quarter. The Company paid or accrued to the President of the Company management fees of US\$6,000 per month.

## Summary of Quarterly Results

|      |   | 1 <sup>st</sup> Quarter | 2 <sup>nd</sup> Quarter  | 3 <sup>rd</sup> Quarter | 4 <sup>th</sup> Quarter |
|------|---|-------------------------|--------------------------|-------------------------|-------------------------|
| 2004 | Total Revenue                             | 79,187                  | 89,417                   | 94,094                  | 179,670                 |
|      | Net Loss                                  | (49,234)                | (601,270) <sup>(1)</sup> | (249,247)               | (133,431)               |
|      | Basic and diluted loss per share          | (0.01)                  | (0.02)                   | (0.01)                  | (0.01)                  |
| 2005 | Total Revenue                             | 157,958                 | 146,856                  | 173,355                 | 115,429                 |
|      | Net Loss                                  | (2,425)                 | (113,576) <sup>(2)</sup> | (2,207) <sup>(3)</sup>  | (42,040) <sup>(4)</sup> |
|      | Basic and diluted loss per share          | (0.01)                  | (0.01)                   | (0.01)                  | (0.01)                  |
| 2006 | Total Revenue                             | 150,811                 | 228,986                  | 205,098                 |                         |
|      | Net Income (loss)                         | 7,868                   | (234,176) <sup>(5)</sup> | (40,487) <sup>(6)</sup> |                         |
|      | Basic and diluted Income (loss) per share | 0.01                    | (0.01)                   | (0.01)                  |                         |

(1) During the quarter, the Company recorded stock based compensation expenses of \$428,612.

(2) During the quarter, the Company recorded stock based compensation expenses of \$29,672.

(3) During the quarter, the Company recorded stock based compensation expenses of \$2,876.

(4) During the quarter, the Company recorded stock based compensation expenses of \$42,645.

(5) During the quarter, the Company recorded stock based compensation expenses of \$204,400.

(6) During the quarter, the Company recorded stock based compensation expenses of \$33,114.

The Company has increased its revenues over the last two years from its various producing wells. Administrative costs have remained relatively consistent over the last two years when stock-based compensation, a non-cash expense, is excluded from administrative costs.

## Liquidity

The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of any additional projects. The payment of property payments and the development of the property interests will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There is no assurance that the Company will be successful in obtaining the required financing or that financing will be available on terms and conditions acceptable to the Company or that will not cause significant dilution to shareholders.

## Investor Relations

On September 1, 2005, the Company entered into an investor relations agreement with Agora Investor Relations Corp. to provide shareholder communications services for the Company. Agora is paid US\$2,500 per month over a 12 month period and was granted stock options to purchase 200,000 common shares at

\$0.15 per share expiring September 1, 2007. In addition, on June 7, 2006, Allan McGirr joined the Company as an investor relations consultant. Mr. McGirr was granted stock options to purchase 300,000 common shares at \$0.18 per share expiring June 7, 2008 and will be paid \$2,500 per month on a month to month basis starting July 1, 2006.

The Company uses AGORA (<http://www.agoracom.com>) to provide a dynamic interactive investor relations service thru the use of its IR HUB website. The website provides effective communication between the Company, it's shareholders and the investment community through AGORA's Internet based investor relations system. The Company's IR HUB (<http://www.agoracom.com/IR/Portrush>) will allow both the Company and AGORA to communicate with all investors simultaneously, anytime and in real-time, while providing shareholders with equal access and complete transparency to all investor relations communications.

The Company will continue its corporate awareness program with the aim of enhancing the Company's visibility and foster a clear understanding of its performance and strategic direction.

### **Financing, Principal Purposes and Milestones**

During the nine month period ended September 30, 2006, the Company raised \$93,750 through the issuance of 625,000 common shares at \$0.15 per share upon the exercise of previously issued stock options. These funds will be used for working capital.

### **Outstanding Share Data**

There were 44,058,792 common shares of the Company outstanding as of September 30, 2006.

(See Note 4 of the financial statements for additional detail)

The following incentive stock options and share purchase warrants were outstanding at September 30, 2006:

|                 | Number<br>of Shares | Exercise<br>Price | Expiry Date        |
|-----------------|---------------------|-------------------|--------------------|
| <b>Options</b>  |                     |                   |                    |
|                 | 305,000             | \$ 0.15           | April 27, 2007     |
|                 | 100,000             | 0.15              | August 11, 2007    |
|                 | 600,000             | 0.15              | September 1, 2007  |
|                 | 150,000             | 0.15              | December 15, 2007  |
|                 | 300,000             | 0.18              | June 7, 2008       |
|                 | 1,600,000           | 0.15              | April 10, 2009     |
|                 | 300,000             | 0.15              | April 25, 2009     |
| <b>Warrants</b> |                     |                   |                    |
|                 | 2,000,000           | 0.15              | September 14, 2007 |

\*During April, 2006 1,195,000 options expired unexercised, 100,000 options were exercised prior to expiry and 1,900,000 stock options exercisable at \$0.15 were granted. During June, 2006 387,500 warrants expired unexercised.

### **Capital Resources**

The Company has not entered into a property option agreement that requires the Company to meet certain yearly exploration expenditure requirements.

## **Off-Balance Arrangements**

The Company has not entered into any off-balance sheet financing arrangements.

## **Transactions with Related Parties**

The Company paid or accrued management fees of US\$6,000 per month (2005 - CDN\$6,000 per month) to a director, Martin Cotter for his services as the President of the Company. In April, 1,000,000 stock options previously granted to Mr. Cotter to purchase shares at \$0.15 expired and were replaced by the grant to Mr. Cotter of 1,500,000 options at \$0.15 expiring April 10, 2009. In June, a director exercised options to purchase 100,000 at \$0.15 per share.

Amounts due to related parties are non-interest bearing, unsecured 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.

## **Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities and due to related parties. 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.

## **Changes in Accounting Policies**

### **Site Restoration**

The Company has adopted the recently issued CICA Handbook Section 3110 "Asset Retirement Obligations". This standard focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for any changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time.

## **Subsequent Events**

Subsequent to September 30, 2006, the Company:

- announced a share buy-back program whereby the Company may purchase up to 2,200,000 (up to 5% of the Company's issued share capital) of its common shares over the next 12 months through the facilities of the TSX Venture Exchange.
- announced that the operator of the Mission River project, in which the Company holds a 10% working interest, has decided to proceed with a multi-well drilling program on the property.
- granted stock options to certain employees and consultants to purchase 175,000 common shares at \$0.15 per share expiring October 31, 2009.