

PORTRUSH PETROLEUM CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

NINE MONTH PERIOD ENDED
SEPTEMBER 30, 2006

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, 2006.

PORTRUSH PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	September 30, 2006	December 31, 2005 (Audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 212,573	\$ 189,546
Receivables	128,613	73,649
Prepays	<u>17,503</u>	<u>-</u>
	358,689	263,195
Oil and gas properties (Note 3)	<u>1,467,865</u>	<u>1,571,241</u>
	<u>\$ 1,826,554</u>	<u>\$ 1,834,436</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 33,343	\$ 89,123
Due to related parties (Note 6)	<u>-</u>	<u>16,571</u>
	33,343	105,694
Future site restoration	<u>10,494</u>	<u>10,494</u>
	<u>43,837</u>	<u>116,188</u>
Shareholders' equity		
Capital stock (Note 4)		
Authorized		
100,000,000 common shares without par value		
Issued and outstanding		
44,058,792 common shares (2005 – 43,433,792)	13,543,867	13,398,523
Contributed surplus (Note 4)	523,667	337,747
Deficit	<u>(12,284,817)</u>	<u>(12,018,022)</u>
	<u>1,782,717</u>	<u>1,718,248</u>
	<u>\$ 1,826,554</u>	<u>\$ 1,834,436</u>

Nature and continuance of operations (Note 2)

Subsequent events (Note 9)

On behalf of the Board:

“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 AND DEFICIT
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Three Month Period Ended September 30, 2006	Three Month Period Ended September 30, 2005	Nine Month Period Ended September 30, 2006	Nine Month Period Ended September 30, 2005
REVENUE				
Oil and gas revenue, net of royalties	\$ 205,098	\$ 173,355	\$ 584,895	\$ 478,169
DIRECT COSTS				
Depletion	35,592	36,108	90,437	132,925
Operating expenses	69,059	52,115	204,474	214,875
Total direct costs	(104,651)	(88,223)	(294,911)	(347,800)
EXPENSES				
Consulting and administration fees	2,816	524	20,069	35,024
Investor relations	28,191	6,316	62,583	24,183
Management fees – related party	20,049	18,000	60,667	54,000
Office and miscellaneous (recovery)	(659)	7,938	23,559	47,605
Professional fees	48,274	41,749	99,806	46,915
Shareholder costs	3,978	6,680	14,314	22,981
Stock-based compensation	33,114	2,876	237,514	2,876
Transfer agent and regulatory fees	1,829	3,256	17,708	22,643
Travel and promotion	3,342	-	10,287	-
Total expenses	(140,934)	(87,339)	(546,507)	(256,227)
Income (loss) before other items	(40,487)	(2,207)	(256,523)	(125,858)
OTHER ITEMS				
Foreign exchange loss	-	-	(10,272)	-
Write-off of accounts payable	-	-	-	7,650
Total other items	-	-	(10,272)	7,650
Income (loss) for the period	(40,487)	(2,207)	(266,795)	(118,208)
Deficit, beginning of the period	(12,244,330)	(11,973,775)	(12,018,022)	(11,857,774)
Deficit, end of period	\$ (12,284,817)	\$ (11,975,982)	\$ (12,284,817)	\$ (11,975,982)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	44,058,792	41,498,330	43,915,477	40,921,567

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

PORTRUSH PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Three Month Period Ended September 30, 2006	Three Month Period Ended September 30, 2005	Nine Month Period Ended September 30, 2006	Nine Month Period Ended September 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for the period	\$ (40,487)	\$ (113,576)	\$ (266,795)	\$ (118,208)
Items not affecting cash:				
Depletion	35,592	46,039	90,437	132,925
Stock-based compensation	33,114	-	237,514	2,876
Write-off of accounts payable	-	(7,650)	-	(7,650)
Changes in non-cash working capital items:				
(Increase) decrease in receivables	49,732	58,661	(54,964)	14,554
(Increase) decrease in prepaids	21,415	-	(17,503)	5,625
Increase (decrease) in accounts payable and accrued liabilities	<u>(52,111)</u>	<u>(92,867)</u>	<u>(55,780)</u>	<u>(201,729)</u>
Cash used in operating activities	<u>47,255</u>	<u>(109,393)</u>	<u>(67,091)</u>	<u>(171,607)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from (repaid to) related parties	-	21,917	(16,571)	(133,602)
Proceeds from issuance of capital stock	<u>-</u>	<u>85,425</u>	<u>93,750</u>	<u>467,925</u>
Cash provided by financing activities	<u>-</u>	<u>107,342</u>	<u>77,179</u>	<u>334,323</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Oil and gas property recoveries	-	-	12,939	-
Oil and gas property expenditures	<u>-</u>	<u>(12,414)</u>	<u>-</u>	<u>(62,632)</u>
Cash provided by (used in) investing activities	<u>-</u>	<u>(12,414)</u>	<u>12,939</u>	<u>(62,632)</u>
Change in cash and cash equivalents during period	47,255	(14,465)	23,027	100,084
Cash and cash equivalents, beginning of period	<u>165,318</u>	<u>63,294</u>	<u>189,546</u>	<u>74,543</u>
Cash and cash equivalents, end of period	\$ 212,573	\$ 48,829	\$ 212,573	\$ 174,627

Supplemental disclosure with respect to cash flows (Note 5)

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

PORTRUSH PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)
SEPTEMBER 30, 2006

1. BASIS OF PRESENTATION

The consolidated financial statements contained herein include the accounts of the Company and its wholly-owned subsidiary Portrush Petroleum (US) Corporation (collectively "the Company"). Significant inter-company transactions have been eliminated on consolidation.

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. Certain comparative figures have been reclassified to conform with the current year's presentation. 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, 2005. 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 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. 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.

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. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

	September 30, 2006	December 31, 2005
Working capital	\$ 325,346	\$ 157,501
Deficit	(12,284,817)	(12,018,022)

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3. OIL AND GAS PROPERTIES

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

	September 30, 2006	December 31, 2005
Oil and gas properties:		
U.S.A., proved	\$ 2,708,708	\$ 2,708,708
Canada, unproved	<u>91,525</u>	<u>104,464</u>
	2,800,233	2,813,172
Less: Accumulated depletion	<u>(1,332,368)</u>	<u>(1,241,931)</u>
	<u>\$ 1,467,865</u>	<u>\$ 1,571,241</u>

At September 30, 2006, the oil and gas properties include \$91,525 (December 31, 2005 - \$104,464) relating to unproved properties that have been excluded from the depletion calculation.

Ontario prospect, Canada

The Company entered into an agreement to acquire a 5% working interest in a prospect located in Ontario, Canada in exchange for funding 50% of the project costs by paying US\$120,000. The Company will receive a payout of all costs incurred plus a 5% working interest in the prospect.

Michigan and Wyoming, U.S.A.

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.

Texas, U.S.A.

The Company acquired a 10% working interest (7.5% net revenue 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 US\$1,044,000.

The full cost ceiling test results as of December 31, 2005 resulted in no impairment of evaluated oil and gas properties. No ceiling test was performed at June 30, 2006. The future prices used in the December 31, 2005 ceiling test are as follows:

	Natural Gas (Cdn \$/Mmbtu)	Oil (Cdn \$/Bbl)
2006	\$ 11.08	\$ 71.08
2007	10.87	69.67
2008	10.65	68.28
2009	10.42	66.88
2010	10.23	65.59

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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, 2005	43,433,792	\$ 13,398,523	\$ 337,747
Exercise of stock options	625,000	93,750	-
Stock-based compensation	-	-	237,514
Contributed surplus on exercise of stock options	-	51,594	(51,594)
Balance, September 30, 2006	44,058,792	\$ 13,543,867	\$ 523,667

During the nine month period ended September 30, 2006, the Company issued 625,000 common shares for gross proceeds of \$93,750 pursuant to the exercise of stock options.

Stock options

The Company has a stock option plan whereby, from time to time, at the discretion of the Board of Directors, stock options are granted to directors, officers and certain consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of the grant less an applicable discount. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors.

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

	Number of Shares	Exercise Price	Expiry Date
Options	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
Warrants	2,000,000	0.15	September 14, 2007

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

Stock-based compensation

The Company granted 2,200,000 (2005 – Nil) stock options during the current period, resulting in stock-based compensation expense under the Black-Scholes pricing model of \$237,514 (2005 - \$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 period:

	2006	2005
Risk-free interest rate	4.14% ~ 4.23%	-
Expected life of options	2~ 3 years	-
Annualized volatility	96.63% ~ 102.10%	-
Dividend rate	0.00%	-

5. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2006	2005
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

There were no significant non-cash transactions during the nine month periods ended September 30, 2006 and 2005.

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$60,667 (2005 - \$54,000) to a director.
- b) Repayment of \$Nil (2005 - \$190,316) for advances to the Company from a director.

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.

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7. SEGMENT INFORMATION

All of the Company's operations are in the oil and gas industry and 100% of the revenues have been generated in the U.S.A.

The total amount of capital assets attributable to Canada is \$91,525 (December 31, 2005 - \$104,464) and the total amount of capital assets attributable to the U.S.A. is \$1,376,340 (December 31, 2005 - \$1,466,777).

8. 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.

9. SUBSEQUENT EVENTS

Subsequent to September 30, 2006, the Company:

- a) Announced a share buy-back program with the Company deciding to 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.
- b) Granted 175,000 stock options to certain consultants and employees exercisable at \$0.15 until October 31, 2009.