

**PORTRUSH PETROLEUM CORPORATION**

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

**SIX MONTH PERIOD ENDED**  
**JUNE 30, 2007**

**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, 2007.



**PORTRUSH PETROLEUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
(Expressed in Canadian Dollars)  
(Unaudited – Prepared by Management)

	Three Month Period Ended June 30, 2007	Three Month Period Ended June 30, 2006	Six Month Period Ended June 30, 2007	Six Month Period Ended June 30, 2006
<b>REVENUE</b>				
Oil and gas revenue, net of royalties	\$ 102,713	\$ 228,986	\$ 237,882	\$ 379,797
<b>DIRECT COSTS</b>				
Depletion	59,658	30,965	113,873	54,845
Operating expenses	<u>18,490</u>	<u>102,239</u>	<u>42,321</u>	<u>135,415</u>
Total direct costs	<u>(78,148)</u>	<u>(133,204)</u>	<u>(156,194)</u>	<u>(190,260)</u>
<b>EXPENSES</b>				
Consulting and administration fees	23,183	30,094	27,917	32,399
Investor relations	11,050	19,867	31,855	34,392
Management fees – related party	21,028	19,785	41,555	40,618
Office and miscellaneous	18,723	8,289	30,709	24,218
Professional fees	21	10,458	20,506	36,386
Shareholder costs	6,437	10,336	10,438	10,336
Stock-based compensation	12,636	204,400	12,636	204,400
Transfer agent and regulatory fees	7,181	7,491	12,946	15,879
Travel and promotion	<u>4,712</u>	<u>6,945</u>	<u>10,163</u>	<u>6,945</u>
Total expenses	<u>(104,971)</u>	<u>(317,665)</u>	<u>(198,725)</u>	<u>(405,573)</u>
<b>Loss before other items</b>	<u>(80,406)</u>	<u>(221,883)</u>	<u>(117,037)</u>	<u>(216,036)</u>
<b>OTHER ITEMS</b>				
Foreign exchange gain (loss)	<u>(10,842)</u>	<u>(12,293)</u>	<u>(8,290)</u>	<u>(10,272)</u>
Total other items	<u>(10,842)</u>	<u>(12,293)</u>	<u>(8,290)</u>	<u>(10,272)</u>
<b>Net income (loss) for the period</b>	(91,248)	(234,176)	(125,327)	(226,308)
<b>Deficit, beginning of period</b>	<u>(12,487,218)</u>	<u>(12,010,154)</u>	<u>(12,453,139)</u>	<u>(12,018,022)</u>
<b>Deficit, end of period</b>	<u>\$ (12,578,466)</u>	<u>\$ (12,244,330)</u>	<u>\$ (12,578,466)</u>	<u>\$ (12,244,330)</u>
<b>Basic and diluted earnings (loss) per share</b>				
	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>				
	43,746,155	44,030,495	43,788,462	43,842,632

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 June 30, 2007	Three Month Period Ended June 30, 2006	Six Month Period Ended June 30, 2007	Six Month Period Ended June 30, 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income (loss) for the period	\$ (91,248)	\$ (234,176)	\$ (125,327)	\$ (226,308)
Items not affecting cash:				
Depletion	59,658	30,965	113,873	54,845
Stock-based compensation	12,636	204,400	12,636	204,400
Changes in non-cash working capital items:				
(Increase) decrease in receivables	4,284	(73,627)	47,667	(104,696)
Increase (decrease) in prepaids	998	(26,418)	(3,121)	(38,918)
Increase (decrease) in accounts payable and accrued liabilities	<u>26,543</u>	<u>22,016</u>	<u>30,984</u>	<u>(3,669)</u>
Cash provided by (used in) operating activities	<u>12,871</u>	<u>(76,840)</u>	<u>76,712</u>	<u>(114,346)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advances from (repaid to) related parties	-	-	-	(16,571)
Proceeds from issuance of capital stock	-	18,750	-	93,750
Share subscriptions received in advance	90,000	-	90,000	-
Capital stock purchased for cancellation	<u>-</u>	<u>-</u>	<u>(6,250)</u>	<u>-</u>
Cash provided by financing activities	<u>90,000</u>	<u>18,750</u>	<u>83,750</u>	<u>77,179</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Oil and gas property expenditures	-	-	(43,612)	-
Oil and gas property recoveries	<u>-</u>	<u>1,925</u>	<u>1,322</u>	<u>12,939</u>
Cash used in investing activities	<u>-</u>	<u>1,925</u>	<u>(42,290)</u>	<u>12,939</u>
<b>Change in cash position during the period</b>	102,871	(56,165)	118,172	(24,228)
<b>Cash position, beginning of period</b>	<u>65,992</u>	<u>221,483</u>	<u>50,691</u>	<u>189,546</u>
<b>Cash position, end of period</b>	<u>\$ 168,863</u>	<u>\$ 165,318</u>	<u>\$ 168,863</u>	<u>\$ 165,318</u>

Supplemental disclosure with respect to cash flows (Note 5)

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

**PORTRUSH PETROLEUM CORPORATIO**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
JUNE 30, 2007  
(Unaudited – Prepared by Management)

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**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, 2006. 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.

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	June 30, 2007	December 31, 2006
Working capital	\$ 185,149	\$ 142,507
Deficit	(12,578,466)	(12,453,139)

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**PORTRUSH PETROLEUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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:

	June 30, 2007	December 31, 2006
Oil and gas properties:		
U.S.A., proved	\$ 2,941,603	\$ 2,879,005
Canada, unproved	<u>151,907</u>	<u>109,616</u>
	3,093,510	2,988,621
Less: Accumulated depletion	<u>(1,754,840)</u>	<u>(1,640,967)</u>
	<u>\$ 1,338,670</u>	<u>\$ 1,347,654</u>

At June 30, 2007, the oil and gas properties include \$151,907 (December 31, 2006 - \$109,616) relating to unproved properties that have been excluded from the depletion calculation.

**Ontario prospects, Canada**

The Company has 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.

The Company has incurred acquisition costs of \$63,621 on an additional prospect located in Ontario, Canada. During the six month period ended June 30, 2007, the Company was granted a drill permit for this prospect. The Company intends to retain more than a 50% interest in the project.

**Michigan, U.S.A.**

The Company has a 22.5% working interest in a prospect located in Michigan, U.S.A.

**Texas, U.S.A.**

The Company acquired 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 US\$1,044,000.

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

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

	Natural Gas (Cdn \$/Mmbtu)	Oil (Cdn \$/Bbl)
2007	\$ 8.56	\$ 75.74
2008	9.16	73.41
2009	8.97	69.92
2010	8.74	65.84
2011	8.97	61.76

A ceiling test was not performed at June 30, 2007.

**4. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
100,000,000 common voting shares, no par value			
Issued and outstanding:			
Balance, December 31, 2006	43,758,792	\$ 13,508,437	\$ 486,968
Stock-based compensation	-	-	12,636
Purchased for cancellation	<u>(50,000)</u>	<u>(6,250)</u>	<u>-</u>
Balance, June 30, 2007	<u>43,708,792</u>	<u>\$ 13,502,187</u>	<u>\$ 499,604</u>

**Common shares returned to treasury**

On November 14, 2006, the Company filed a notice of intention to undertake a normal course issuer bid with the British Columbia Securities Commission for up to 5% of the Company's issued share capital (2,200,000 common shares) over a 12 month period. The issuer bid was approved by the TSX Venture Exchange. During the six month period ended June 30, 2007, the Company purchased 50,000 common shares for \$6,250 to return to treasury.

**Private placement**

During the period the Company arranged a non-brokered private placement financing of 1,500,000 units for gross proceeds of \$150,000. Each unit consists of one common share and one warrant entitling the holder to purchase one additional common share at an exercise price of \$0.12 per share for 24 months. The financing is subject to regulatory approval. As at June 30, 2007, the Company had received \$90,000 in subscription proceeds. Subsequent to the period, the Company closed and completed the private placement.

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

**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 June 30, 2007:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	100,000	\$ 0.15	August 11, 2007 (subsequently expired)
	600,000	0.15	September 1, 2007
	150,000	0.15	December 15, 2007
	300,000	0.18	June 8, 2008
	1,600,000	0.15	April 10, 2009
	300,000	0.15	April 25, 2009
	175,000	0.15	October 31, 2009
	100,000	0.15	November 30, 2009
	325,000	0.10	May 31, 2010
<b>Warrants</b>	2,000,000	0.15	September 14, 2007

On January 12, 2007, 250,000 stock options exercisable at \$0.15 expired unexercised.

On April 27, 2007, 305,000 stock options exercisable at \$0.15 expired unexercised.

**Stock-based compensation**

The Company granted 325,000 (2006 – 1,900,000) stock options during the current period, resulting in stock-based compensation expense under the Black-Scholes pricing model of \$12,636 (2006 - \$204,400), 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:

	2007	2006
Risk-free interest rate	4.55%	4.14%
Expected life of options	3 years	3 years
Annualized volatility	51.43%	96.64% ~ 102.10%
Dividend rate	0.00%	0.00%

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

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	2007	2006
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

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During the six month period ended June 30, 2007 the Company incurred \$1,322 in recoveries through receivables. There were no significant non-cash transactions during the six month period ended June 30, 2006.

**6. RELATED PARTY TRANSACTIONS**

The Company paid or accrued management fees of \$41,555 (2007 - \$40,618) to 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.

**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 \$151,907 (December 31, 2006 - \$91,525) and the total amount of capital assets attributable to the U.S.A. is \$1,186,763 (December 31, 2006 - \$1,411,932).

**8. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, 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**

*Private Placement Completed*

On July 10, 2007, the Company announced the completion of a 1,500,000 unit private placement at \$0.10 per unit for gross proceeds of \$150,000. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one common share at an exercise price of \$0.12 until July 10, 2009. A finder's fee of 7.5% on \$75,000 of the offering was paid by the issuance of 53,571 common shares.

All shares and warrants are subject to a four month hold period from the date of issuance.

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**9. SUBSEQUENT EVENTS** (cont'd...)

*Stock Options Granted*

On August 9, 2007, the Company announced that it granted 950,000 incentive stock options to directors, officers and employees. The options are exercisable at \$0.10 per share until August 9, 2010.