

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

**Portrush Petroleum Corporation**

**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 Gulf Coast, Texas. The Lenox project has two oil wells on production and the Mission River project has nine gas wells on production. Portrush is a reporting issuer publicly traded on the TSX Venture Exchange 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 June 30, 2007 (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 August 29, 2007.

**2007 Highlights**

- The Mission River field in Texas has nine wells on production and total daily production from the field is approximately 2 million cubic feet of gas and 90 barrels of oil.
- The Company holds a 10% working interest in the Mission River Project. McAlester, the operator of the project has decided to proceed with a new multi-well drilling program on the property and expects to drill the first well of the new program in September, 2007.
- In the third quarter, the Company will drill a new development gas well in Ontario in which it holds a 90% working interest.
- Reported oil and gas revenues for the 6 month period ended June 30, 2007 was \$237,882 compared to \$379,797 for the same period in 2006, with a reported net loss of \$0.01 per share for the period in 2007 compared to a net loss of \$0.01 per share for fiscal 2006. The Mission River gas pipeline was shut down in the month of April due to construction which resulted in reduced revenue for the period.

**Properties of the Company**

**Ontario prospect, Canada**

The Company has negotiated leases on a gas prospect located in the Moore Township, Lambton County, Southwestern Ontario, Canada. The prospect is located in the heart of a gas storage area on trend and mid point between two pinnacle reef gas storage pools, Kimball Colville and Waubuno. 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. and drilling is expected to commence in the third quarter.

**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 eight additional wells have since been drilled and completed as gas wells. Nine wells are currently on production. A gas pipeline runs through the property.

During the six month period ended June 30, 2007, the Company received notice from the operator that it has commenced drilling the next deep step utilizing a patterson-UTI drilling rig capable of drilling to 8,500 with a 4" pipe. The well has been named Scanio-Hawn No.1. The operator recently completed a 3-D seismic shoot on the property and has used the data to enhance the Scanio-Hawn location. A well was drilled to a depth of approximately 8,600 feet. It encountered hydrocarbon bearing sandstones within the main target zone. One of the zones was perforated and the well was placed on production.

The operator further announced that plans have been finalized to drill four additional wells. The wells will be drilled to intersect the 7,800 foot interval found present and capable of production in the Scanio/Shelton No. 6 & 7 wells. Preparations to drill the first well commenced subsequent to the period.

### **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.

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.

### **Results of Operations**

The Company's accounting policy is to record its oil and gas 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.

During the six month period ended June 30, 2007, the Company recorded gross revenue of \$237,882 compared with \$379,797 in 2006. Well operating expenses were \$42,321 compared with \$135,415 in the previous year and the Company recorded depletion expenses of \$113,873 compared with \$54,845 in the previous year. The Mission River gas pipeline was shut down in the month of April due to construction which resulted in reduced revenue for the period.

General and administration expenses were \$198,725 compared with \$405,573 for the same period in 2006. General and Administrative expenses decreased when compared to the same period in the previous when stock-based compensation expense, a non-cash charge of \$12,636 (2006 - \$204,400) is excluded. The Company expects general and administrative expenses to remain relatively constant as the Company expects its level of activity to remain the same for remainder of the year. 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
2005	Total Revenue	157,958	146,856	173,355	115,429
	Net Loss	(2,425)	(113,576) <sup>(1)</sup>	(2,207) <sup>(2)</sup>	(42,040) <sup>(3)</sup>
	Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)
2006	Total Revenue	150,811	228,986	205,098	192,560
	Net Income (loss)	7,868 <sup>(4)*</sup>	(234,176) <sup>(5)</sup>	(40,487) <sup>(6)</sup>	(167,322) <sup>(7)</sup>
	Basic and diluted (loss) per share	0.01*	(0.01)	(0.01)	(0.01)
2007	Total Revenue	135,139	102,713		
	Net Income (loss)	(73,191)	(91,248) <sup>(8)</sup>		
	Basic and diluted (loss) per share	(0.01)	(0.01)		

During the quarter, the Company recorded stock based compensation expenses of (1) \$Nil, (2) \$2,876, (3) \$42,645, (4) \$9,540, (5) \$204,400, (6) \$6,889, (7) \$20,731, (8) \$12,636

\*Income

### Liquidity

The Company does not 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 and public financing. 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.

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.

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.

### Investor Relations

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. 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 8, 2008 and was paid \$2,500 per month on a month to month basis.

## Share Buy Back Program

In December, 2006 the Company initiated 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. To date, the Company has purchased 350,000 shares for \$46,250. All of the shares will be cancelled over the course of the buy-back program.

## Outstanding Share Data

The following table summarizes the outstanding share capital as at August 29, 2007:

---

---

Common shares	45,262,363
Stock options	4,500,000
Warrants	3,500,000

---

---

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

## 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 to a director, Martin Cotter for his services as the President of the Company.

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, 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.

## Internal Controls over Financial Reporting

Management has established and maintained disclosure controls and procedures for the Company in order to provide reasonable assurance that material information relating to the Company is made known to it in a timely manner, particularly during the period in which the annual filings are being prepared. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at

the date of this report, and believes them to be effective in providing such reasonable assurance.

Management is also responsible for the design of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles (“GAAP”). Management has evaluated the design of the Company’s internal controls and procedures over financial reporting as of the end of the period covered by the interim filings, and believes the design to be sufficient to provide such reasonable assurance.

In addition, because of the size of the Company and the small number of staff, the Company must rely upon various advisers and consultants to assist with the various regulatory disclosure requirements, and as such these advisers and consultants form part of the disclosure controls and procedures.

During the reporting period, the Company made changes to its system of internal controls that did not materially affect internal control over financial reporting.

## **Outlook**

The Company's primary focus for the foreseeable future will be on reviewing its financial position and the ability to finance new business ventures in the oil and gas industry.

## **Additional Information**

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com) and at [www.portrushpetroleum.com](http://www.portrushpetroleum.com).

## **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.

### *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.

### *Next Well in Mission River*

The Company announced that field operations began in preparation to drill the next well in the Mission River property in Texas. The well will be drilled to a depth of 7,950 feet and is anticipated to take approximately 14 days. A total of four wells will be drilled. The Company has established a credit facility to finance future cash calls on the project.