

**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 Refugio and Goliad Counties, 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 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, 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 November 27, 2007.

**2007 Highlights**

- Drilling has been completed on the first well of a new four well program in Mission River. The well was drilled to a depth of 7,950 feet and the Company is waiting for the completion results. A total of four wells are planned. The Company holds a 10% working interest in the Mission River Project.
- The Company has established a credit facility with a Texas based bank to finance future cash calls on the current Mission River drilling program.
- The Company has begun drilling the Waubuno prospect in Ontario and expects to complete drilling the well in December, 2007. The Company has retained a 90% interest in the project.
- Reported oil and gas revenues for the 9 month period ended September 30, 2007 was \$331,711 compared to \$584,895 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.

**Properties of the Company**

**Waubuno 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 Colinville and Waubuno. The Company has begun drilling this prospect and expects to complete drilling the well in December, 2007. The Company has retained a 90% interest in the project.

## **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 nine month period ended September 30, 2007, the operator 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 and 7 wells. The first well is expected to be drilled by the end of November, 2007.

## **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 nine month period ended September 30, 2007, the Company recorded gross revenue of \$331,711 compared with \$584,895 in 2006. Well operating expenses were \$76,216 compared with \$204,474 in the previous year and the Company recorded depletion expenses of \$178,501 compared with \$90,437 in the previous year.

General and administration expenses were \$314,514 compared with \$546,507 for the same period in 2006.

General and Administrative expenses decreased when compared to the same period in the previous year when stock-based compensation expense, a non-cash charge of \$38,339 (2006 - \$237,514) 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.

On July 25, 2007, the Company established a credit facility with the Regions Bank in Texas, U.S.A. for \$103,047 (US\$98,732) which is being used to fund the Company's 10% participation in the oil and gas properties located in Texas. Interest is charged at the US Prime Rate and is paid monthly. The loan matures July 25, 2008.

### 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 Income (loss) per share	0.01	(0.01)	(0.01)	(0.01)
2007	Total Revenue	135,139	102,713	93,829	
	Net Income (loss)	(73,191)	(91,248) <sup>(8)</sup>	(118,920) <sup>(9)</sup>	
	Basic and diluted Income (loss) per share	(0.01)	(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, (9) \$25,703

### 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 completed 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 until July 6, 2009.

### 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. Lindsay Malcolm has replaced Allan McGirr as the Company's investor relations consultant. Mr. Malcolm will be engaged at \$2,500 per month on a month to month basis as an investor relations consultant. Mr. Malcolm was granted stock options to purchase 150,000 common shares at \$0.15 per share.

## 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 of the date of this Management Discussion and Analysis:

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Common shares	45,262,363
Stock options	4,200,000
Warrants	1,500,000

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(See Note 5 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 advisors 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**

### *Stock Options*

The Company granted 350,000 stock options to directors exercisable at \$0.10 until October 4, 2010.

### *Mission River update*

The Company has drilled the Scanio/Sheldon No.8 well to a total depth of 7,950 feet and a decision to complete the well has been taken. The operator intends to perforate the upper six feet with six shots per foot of potential production zone and place the well on production.

### *Wabuno prospect update*

Drilling commenced at the Portrush et al No. 1-Moore 5-13-III in Moore township, Lambton County, Southwestern Ontario. The prospect is located on trend and mid-point between two pinnacle reef gas storage pools, Kimball Colinville and Waubuno.