

**PORTRUSH PETROLEUM CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**(Expressed in Canadian Dollars)**

**(Unaudited – Prepared by Management)**

**THREE MONTH PERIOD ENDED**

**MARCH 31, 2008**

**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 March 31, 2008.

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

	March 31, 2008	December 31, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 19,509	\$ 34,617
Receivables	44,006	46,949
Prepays	<u>2,545</u>	<u>24,183</u>
	66,060	105,749
<b>Oil and gas properties</b> (Note 4)	<u>488,054</u>	<u>514,105</u>
	<u>\$ 554,114</u>	<u>\$ 619,854</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 68,634	\$ 93,702
Loan payable (Note 5)	<u>103,047</u>	<u>103,047</u>
	171,681	196,749
<b>Future site restoration</b> (Note 6)	<u>36,022</u>	<u>36,022</u>
	<u>207,703</u>	<u>232,771</u>
<b>Shareholders' equity</b>		
Capital stock (Note 7)	13,590,071	13,590,071
Contributed surplus (Note 7)	605,735	595,755
Deficit	<u>(13,849,395)</u>	<u>(13,798,743)</u>
	<u>346,411</u>	<u>387,083</u>
	<u>\$ 554,114</u>	<u>\$ 619,854</u>

**Nature and continuance of operations** (Note 2)

**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 March 31, 2008	Three Month Period Ended March 31, 2007
<b>REVENUE</b>		
Oil and gas revenue, net of royalties	\$ 81,637	\$ 135,169
<b>DIRECT COSTS</b>		
Depletion	25,066	54,215
Operating expenses	33,934	65,330
Total direct costs	(59,000)	(119,545)
<b>EXPENSES</b>		
Consulting and administration fees	1,764	2,347
Interest expense	2,103	-
Investor relations	5,000	20,805
Management fees – related party	18,455	20,527
Office and miscellaneous	12,012	11,986
Professional fees	17,755	20,485
Shareholder costs	1,362	4,001
Stock-based compensation (Note 7)	9,980	-
Transfer agent and regulatory fees	5,528	5,765
Travel and promotion	1,568	5,451
Total expenses	(75,527)	(91,367)
<b>Loss before other item</b>	(52,890)	(75,743)
<b>OTHER ITEM</b>		
Foreign exchange	2,238	2,552
<b>Loss and comprehensive loss for the period</b>	(50,652)	(73,191)
<b>Deficit, beginning of period</b>	(13,798,743)	(12,453,139)
<b>Deficit, end of period</b>	\$ (13,849,395)	\$ (12,526,330)
<b>Basic and diluted loss per share</b>	\$ (0.01)	\$ (0.01)
<b>Weighted average number of shares outstanding</b>	45,262,363	43,832,125

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 March 31, 2008	Three Month Period Ended March 31, 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (50,652)	\$ (73,191)
Items not affecting cash:		
Depletion	25,066	54,215
Stock-based compensation expense	9,980	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	2,943	43,383
(Increase) decrease in prepaids	21,638	(4,119)
Increase (decrease) in accounts payable and accrued liabilities	<u>(25,068)</u>	<u>4,441</u>
Cash provided by (used in) operating activities	<u>(16,093)</u>	<u>24,729</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital stock purchased for cancellation	<u>-</u>	<u>(6,250)</u>
Cash provided by financing activities	<u>-</u>	<u>(6,250)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Oil and gas property recoveries	2,535	(4,500)
Oil and gas property expenditures	<u>(1,550)</u>	<u>1,322</u>
Cash used in investing activities	<u>985</u>	<u>(3,178)</u>
<b>Change in cash during the period</b>	(15,108)	15,301
<b>Cash, beginning of period</b>	<u>34,617</u>	<u>50,691</u>
<b>Cash, end of period</b>	<u>\$ 19,509</u>	<u>\$ 65,992</u>

**Supplemental disclosure with respect to cash flows (Note 8)**

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

**PORTRUSH PETROLEUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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, 2007. 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. It also has a property located in the province of Ontario, Canada with a 5% working interest.

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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	March 31, 2008	December 31, 2007
Working capital (deficiency)	\$ (105,621)	\$ (91,000)
Deficit	(13,849,395)	(13,798,743)

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**3. CHANGE IN ACCOUNTING POLICY**

Effective January 1, 2008, the Company adopted the following new standards issued by the Canadian Institute of Chartered Accountants (“CICA”):

*Assessing Going Concern*

The Canadian Accounting Standards Board (“AcSB”) amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity’s ability to continue as a going concern.

*Financial Instruments*

The AcSB issued CICA Handbook Section 3862, *Financial Instruments – Disclosures*, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity’s financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation*, and Section 3865, *Hedges*.

The AcSB issued CICA Handbook Section 3863, *Financial Instruments – Presentation*, which is to enhance financial statement users’ understanding of the significance of financial instruments to an entity’s financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

*Capital Disclosures*

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity’s capital and how it is managed.

The Company is evaluating the impact of these new standards on its consolidated financial statements.

**4. OIL AND GAS PROPERTIES**

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

	March 31, 2008	December 31, 2007
Oil and gas properties:		
U.S.A., proved	\$ 3,053,310	\$ 3,053,310
Canada, unproved	<u>334,102</u>	<u>335,087</u>
	3,387,412	3,388,397
Less: Accumulated depletion	<u>(2,899,358)</u>	<u>(2,874,292)</u>
	<u>\$ 488,054</u>	<u>\$ 514,105</u>

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

At March 31, 2008, the oil and gas properties include \$334,102 (2007 - \$335,087) relating to unproved properties that have been excluded from the depletion calculation.

**Ontario prospects, 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.

During fiscal 2007, the Company paid net acquisition costs of \$252,489 on an additional prospect located in Ontario, Canada. The Company has an 89% interest in this prospect.

**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. During fiscal 2007, 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 \$1,049,683 included in accumulated depletion.

The full cost ceiling test results as of December 31, 2007 resulted in impairment of evaluated oil and gas properties. The future prices used in the December 31, 2007 ceiling test are as follows:

	Natural Gas (Cdn \$/Mmbtu)	Oil (Cdn \$/Bbl)
2008	\$ 7.00	\$ 76.93
2009	7.54	69.92
2010	7.45	71.49
2011	7.40	67.39

A ceiling test was not performed at March 31, 2008.

**California, U.S.A**

The Company has negotiated an option to acquire up to a 90% interest in leases in the Chico Martinez oil field in Kern County, California, U.S.A. in conjunction with Petromark Energy Group. The Company is currently evaluating the property, the development plans for the project and the final interest the Company may acquire.

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**5. LOAN PAYABLE**

On July 25, 2007, the Company established a US\$300,000 credit facility with the Regions Bank in Texas, U.S.A. maturing on July 25, 2008. The loan payable is secured by the Company's interests in the Mission River property in Texas, U.S.A.

As at March 31, 2008, the Company had taken advances on the loan payable of \$103,047 (US\$98,732) bearing interest rates ranging from 7.25% to 8.25% per annum. During the period, the Company transferred the loan to the Texas Community Bank under the same terms with an increased credit facility of US\$350,000.

**6. ASSET RETIREMENT OBLIGATION**

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties.

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	March 31, 2008	December 31, 2007
Asset retirement obligation, beginning of period	\$ 36,022	\$ 10,494
Liabilities incurred	_____ -	_____ 25,528
Asset retirement obligation, end of period	\$ 36,022	\$ 36,022

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The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at \$52,739. The obligation was calculated using a credit-adjusted risk free discount rate of 10% and an inflation rate of 5%. It is expected that this obligation will be funded from general Company resources at the time the costs are incurred with the majority of costs expected to occur between 2008 and 2011.

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**7. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common voting shares, no par value			
Issued and outstanding:			
Balance, December 31, 2007	45,262,363	\$ 13,590,071	\$ 595,755
Stock-based compensation	-	-	9,980
Balance, March 31, 2008	45,262,363	\$ 13,590,071	\$ 605,735

**Stock options and warrants**

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 March 31, 2008:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	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
	300,000	0.10	January 23, 2010
	325,000	0.10	May 31, 2010
	950,000	0.10	August 9, 2010
	350,000	0.10	October 4, 2010
<b>Warrants</b>	1,500,000	0.12	July 6, 2009

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

**Stock-based compensation**

During the three month period ended March 31, 2008, the Company granted 300,000 (2007 – nil) stock options to a consultant at a weighted average fair value of \$0.03 (2007 - \$Nil) per option. As at March 31, 2008, all of these options had vested with an attributed stock-based compensation expense of \$9,980 (2007 - \$Nil) credited to contributed surplus. The compensation recognized was calculated using the Black-Scholes option pricing model.

The following weighted average assumptions were used in the valuation of stock options granted:

	2008	2007
Risk-free interest rate	3.2%	-
Expected life of options	2.0 years	-
Annualized volatility	86%	-
Dividend rate	0.00%	-

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

	2008	2007
Cash paid during the period for interest	\$ 2,103	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Significant non-cash transactions during the three month period ended March 31, 2008 included recognizing \$2,535 in oil and gas recoveries through receivables.

Significant non-cash transactions during the three month period ended March 31, 2007 included recognizing \$1,321 in oil and gas recoveries through receivables.

**PORTRUSH PETROLEUM CORPORATION**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**9. RELATED PARTY TRANSACTIONS**

The Company paid management fees of \$18,455 (2007 - \$20,527) 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.

**10. 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 \$334,102 (2007 - \$335,087) and the total amount of capital assets attributable to the U.S.A. is \$153,952 (2007 - \$179,018).

**11. CAPITAL DISCLOSURE**

The Company's capital currently consists of common shares, options and warrants. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to meet the Company's oil and gas property development plans to ensure the growth of activities.

**12. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and loan payable. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

**Credit risk**

The Company does not believe it is subject to any significant credit risk.

**Currency risk**

Cash held in foreign currencies other than the Canadian dollar is subject to currency risk. The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk.

**Risk management**

The Company's largest non-monetary assets are its oil and gas properties in the U.S.A. The Company has established a credit facility and has a loan payable in the U.S.A. The Company could accordingly be at risk of foreign currency fluctuations. The Company relies on consultants for the management of its oil and gas properties and for legal and accounting matters.