

# **SURGE RESOURCES INC.**

## INTERIM FINANCIAL STATEMENTS (Unaudited)

September 30, 2006

# SURGE RESOURCES INC.

BALANCE SHEET  
SEPTEMBER 30, 2006  
(Unaudited)

## ASSETS

	September 30	June 30
	2006	2006
Current assets:		
Cash	\$ 842,192	\$ 938,073
Accounts receivable	5,041	2,141
Prepaid expenses	2,888	--
	<u>\$ 850,121</u>	<u>\$ 940,214</u>

## LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued	\$ 8,000	\$ 22,438
Shareholders' equity:		
Capital Stock (Note 2)	\$ 5,807,409	\$ 5,807,409
Contributed surplus	294,667	294,667
Deficit	(5,259,955)	(5,184,300)
	<u>842,121</u>	<u>917,776</u>
	<u>\$ 850,121</u>	<u>\$ 940,214</u>

**SURGE RESOURCES INC.**  
**INTERIM STATEMENT OF INCOME AND DEFICIT**  
**SEPTEMBER 30, 2006**  
(Unaudited)

	Three months ended September 30, 2006	Three months ended September 30, 2005
Revenue:		
Interest income	\$7,935	\$4,012
Expenses:		
Bank charges and interest	49	241
Consulting	62,630	--
Management fees	6,000	6,000
Office	6,719	5,642
Professional fees	3,223	758
Public company costs	2,977	1,855
Travel	1,992	--
	83,590	14,496
Net loss for the period	(75,655)	(10,484)
Deficit, beginning of period	(5,184,300)	(5,110,257)
Deficit, end of period	\$ (5,259,955)	\$ (5,120,741)

**SURGE RESOURCES INC.**  
**INTERIM STATEMENT OF CASH FLOWS**  
**SEPTEMBER 30, 2006**  
(Unaudited)

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	<u>Three months ended September 30, 2006</u>	<u>Three months ended September 30, 2005</u>
Operating activities:		
Income (loss) from continuing operations	\$ (75,655)	\$ (10,484)
Change in non-cash working capital related to operations	(20,226)	(8,023)
	<u>(95,881)</u>	<u>(18,507)</u>
Financing activities:		
Issuance of capital stock, net of costs	<u>--</u>	<u>269,675</u>
Increase (decrease) in cash	(95,881)	251,168
Cash, beginning of period	<u>938,073</u>	<u>684,673</u>
Cash, end of period	<u>\$ 842,192</u>	<u>\$ 935,841</u>

**SURGE RESOURCES INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Unaudited)

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The interim financial statements:

- a) follow the same accounting policies and methods as the June 30, 2006 annual financial statements; and
- b) should be read in conjunction with the June 30, 2006 annual financial statements.

**2. CAPITAL STOCK**

- a) Authorized
  - Unlimited common shares
  - Unlimited preferred shares, issuable in series

Common shares have been issued as follows:

	September 30, <u>2006</u>		June 30, <u>2006</u>	
	<u>Number</u>	<u>Stated Value</u>	<u>Number</u>	<u>Stated Value</u>
Balance, beginning of year	15,744,942	\$ 5,807,409	15,141,442	\$ 5,471,734
Purchase warrants exercised (Note 3(b))	-	-	603,500	335,675
Balance, end of period	<u>15,744,942</u>	<u>\$ 5,807,409</u>	<u>15,744,942</u>	<u>\$ 5,807,409</u>

- b) On January 20, 2005, the Company issued, by way of private placement, 2,000,000 units at \$0.45 per unit. Each unit consisted of one common share and two one-half common share purchase warrants (each an "A Warrant" and a "B Warrant"). Each whole A Warrant entitled the holder thereof to purchase one common share at any time for a period of 6 months following the closing date at a price of \$0.55 per common share. Each whole B Warrant entitled the holder thereof to purchase one common share at any time for a period of 6 months following the closing date at a price of \$0.60 per common share.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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**4. STOCK OPTIONS**

The Company has established a stock option plan under which options to purchase common shares may be granted to directors, employees, consultants and officers of the Company, up to 10% of the issued and outstanding common shares:

	September 30, <u>2006</u>	Exercise <u>Price</u>	June 30, <u>2006</u>
	Number of Options		Number of Options
Outstanding, beginning of year	600,000	\$0.45	600,000
Exercised	--	\$0.45	-
Cancelled	--	\$0.45	-
Granted	<u>          --</u>	<u>          \$0.45</u>	<u>          -</u>
Outstanding, end of period	<u>          600,000</u>	\$0.45	<u>          600,000</u>