

# **SURGE RESOURCES INC.**

## INTERIM FINANCIAL STATEMENTS (Unaudited)

December 31, 2006

# SURGE RESOURCES INC.

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## Notice to Reader

The accompanying unaudited interim consolidated financial statements of Surge Resources Inc. (the "Company" or the "Corporation") for the period ended December 31, 2006 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Corporation. These statements have not been reviewed by the Corporation's external auditors.

DATED the 22<sup>nd</sup> day of February, 2007

(signed) *"Ray Antony"*

Ray Antony,  
Chairman and Chief Financial Officer

# SURGE RESOURCES INC.

BALANCE SHEET  
DECEMBER 31, 2006  
(Unaudited)

## ASSETS

	December 31	June 30
	2006	2006
Current assets:		
Cash	\$ 852,625	\$ 938,073
Accounts receivable	635	2,141
	<u>\$ 853,260</u>	<u>\$ 940,214</u>

## LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued	\$ 9,149	\$ 22,438
Shareholders' equity:		
Capital Stock (Note 2)	\$ 5,807,409	\$ 5,807,409
Contributed surplus	294,667	294,667
Deficit	(5,257,965)	(5,184,300)
	<u>844,111</u>	<u>917,776</u>
	<u>\$ 853,260</u>	<u>\$ 940,214</u>

**SURGE RESOURCES INC.**  
**INTERIM STATEMENT OF INCOME AND DEFICIT**  
**DECEMBER 31, 2006**  
(Unaudited)

	Three months ended December 31, 2006	Six months ended December 31, 2006	Three months ended December 31, 2005	Six months ended December 31, 2005
Revenue:				
Interest income	\$ 7,374	\$ 15,309	\$ 5,292	\$ 9,304
Sale of oil and gas property	--	--	12,500	12,500
	<u>7,374</u>	<u>15,309</u>	<u>17,792</u>	<u>21,804</u>
Expenses:				
Bank charges and interest	45	94	(180)	61
Consulting	(29,877)	32,753	--	--
Management fees	6,000	12,000	6,000	12,000
Office	11,059	17,778	3,816	9,458
Professional fees	14,200	17,423	14,041	14,799
Public company costs	3,957	6,934	3,078	4,933
Travel	--	1,992	--	--
	<u>5,384</u>	<u>88,974</u>	<u>26,755</u>	<u>41,251</u>
Net income (loss) for the period	1,990	(73,665)	(8,963)	(19,447)
Deficit, beginning of period	<u>(5,259,955)</u>	<u>(5,184,300)</u>	<u>(5,120,741)</u>	<u>(5,110,257)</u>
Deficit, end of period	<u>\$ (5,257,965)</u>	<u>\$ (5,257,965)</u>	<u>\$ (5,129,704)</u>	<u>\$ (5,129,704)</u>

**SURGE RESOURCES INC.**  
**INTERIM STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2006**  
(Unaudited)

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	Three months ended December 31, 2006	Six months ended December 31, 2006	Three months ended December 31, 2005	Six months ended December 31, 2005
Operating activities:				
Income (loss)	\$ 1,990	\$ (73,665)	\$ (8,963)	\$ (19,447)
Change in non-cash working capital related to operations	8,443	(11,783)	(9,356)	(17,379)
	<u>10,433</u>	<u>(85,448)</u>	<u>(18,319)</u>	<u>(36,826)</u>
Financing activities:				
Issuance of capital stock, net of costs	<u>--</u>	<u>--</u>	<u>22,000</u>	<u>291,675</u>
Increase (decrease) in cash	10,433	(85,448)	3,681	254,849
Cash, beginning of period	<u>842,192</u>	<u>938,073</u>	<u>935,841</u>	<u>684,673</u>
Cash, end of period	<u>\$ 852,625</u>	<u>\$ 852,625</u>	<u>\$ 939,522</u>	<u>\$ 939,522</u>

**SURGE RESOURCES INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**  
(Unaudited)

**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:

	December 31, 2006		June 30, 2006	
	Number	Stated Value	Number	Stated Value
Balance, beginning of year	15,744,942	\$ 5,807,409	15,141,442	\$ 5,471,734
Purchase warrants exercised (Note 2(b))	-	-	603,500	335,675
	<u>15,744,942</u>	<u>\$ 5,807,409</u>	<u>15,744,942</u>	<u>\$ 5,807,409</u>
Balance, end of period				

- 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.

**3. 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:

	December 31, 2006	Exercise Price	June 30, 2006
	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>	<u>\$0.45</u>	<u>600,000</u>