



Q1 2009

RICHARDS OIL & GAS LIMITED MANAGEMENT DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This management discussion and analysis of the results of operations and financial condition ("MD&A") for the Company should be read in conjunction with the Company's unaudited financial statements for the three months ended March 31, 2009 and the Company's audited financial statements and MD&A for the year ended December 31, 2008. All amounts are stated in Canadian dollars unless otherwise specified. This MD&A is based upon information available to, and is dated, May 28, 2009. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Throughout this MD&A, BOE, or barrel of oil equivalent, is defined as 6 Mcf to 1 bbl. BOEs may be misleading particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The financial information presented has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

SELECTED FINANCIAL INFORMATION

\$ Amount except for per share information	Three months ended March 31		
	2009	2008	Change
Production revenues	533,295	949,144	(44%)
Net income (loss)	(11,502,246)	(551,198)	1,987%
Net income (loss) per share	(0.16)	(0.01)	1,500%
Property and equipment additions	400,960	1,495,077	(73%)
Total assets	12,395,252	22,927,300	(46%)
Total liabilities	11,817,167	9,039,476	31%
Common shares outstanding – basic	72,661,602	72,661,602	nil%
Common shares outstanding – diluted	96,648,038	96,931,003	(0.3%)

SELECTED OPERATIONAL INFORMATION

	Three months ended March 31		
	2009	2008	Change
Natural gas (mcf/day)	1,161	1,232	(6%)
Oil and natural gas liquids (bbl/day)	8	12	(33%)
Total (boe/day)	202	217	(7%)
Exit rate (boe/day)	216	220	(2%)
Natural gas price (\$/mcf)	\$4.87	\$7.90	(38%)
Oil price (\$/bbl)	\$30.92	\$60.17	(49%)
Royalties (\$/boe)	\$3.26	\$7.58	(57%)
Operating expenses (\$/boe)	\$22.06	\$17.99	23%
Operating netback (\$/boe)	\$4.04	\$22.61	(82%)



FINANCIAL RESULTS

The net loss for the first quarter of 2009 was \$11,502,246 which compares to a net loss of \$551,198 in the first quarter of 2008. Included in the net loss experienced in the first quarter of 2009 is an impairment charge of \$10,500,000 on the Company's oil and gas properties. This impairment charge is due entirely to the considerable decline in forecasted natural gas prices as at March 31, 2009.

OPERATIONS

Oil and gas production revenues decreased to \$533,295 in the first quarter of 2009 from \$949,144 in the same period in 2008. This decrease is primarily a result of lower natural gas prices received and slightly lower production volumes achieved. Natural gas production year over year fell seven percent as net production for the first quarter of 2009 was 202 BOE per day compared with 217 BOE per day for the first quarter of 2008.

Current natural gas production levels are considerably lower than expected primarily as a result of operational issues experienced at the Company's Thorsby property. Production from the Company's wells that targeted the Edmonton sand intervals have formation water entering the wellbores and therefore have inhibited gas flow. The Company is currently evaluating production alternatives to remove this water from the wellbores and re-configuring the gathering system to allow for the production of water in association with the natural gas.

The first quarter of the 2009 capital expenditures were minimal. The Company spent \$400,960 on completing and testing its Horseshoe Canyon CBM wells and on the completion of the gathering system in the Thorsby area. Currently at the Company's Thorsby area, four wells (3.6 net) that are tied-in are awaiting further completion work and seven gross wells, (7.0 net) were awaiting tie-in at March 31, 2009.

OUTLOOK

Production challenges experienced on start-up at the Company's Thorsby property has resulted lower than expected initial production volumes negatively impacting the expected initial cashflows from this property. When the effect of these lower than expected initial production volumes are combined with the current natural gas prices, the result is that only nominal cashflow is currently being generated from the Company's operating areas.

Until natural gas prices recover considerably and the Company is in a position to undertake a capital program to increase production at Thorsby, the Company will continue to generate negative cashflow from operations. To mitigate the impact on cashflow from operations in the near term, some of the Company's less economic wells are being evaluated for shut-in as this may be the most appropriate course of action while natural gas pricing remains depressed.

At March 31, 2009, the Company has a net working capital deficit of \$3,966,701. The working capital deficit is due to drawings on the Company's credit facilities and accounts payable associated with the large capital program undertaken in the last quarter of 2008. The Company has, at present, total credit facilities of \$3,600,000. Subsequent to March 31, 2009, the Company has realized cash proceeds of \$220,000 from the sale of certain non-core heavy oil assets in an effort to reduce its net working capital deficit.

Recent market events, including disruptions in credit markets and other financial systems and the deterioration of global economic conditions have resulted in significant declines in commodity prices. As a result of the current commodity price and credit environment, management is considering financing opportunities to fund its future prospects and commitments, farming out interests in its oil and gas properties, further asset dispositions and strategic alternatives to continue operations. The Company will also consider its option to pay the interest payment on its convertible debenture obligation due on June 30, 2009 in common shares of the Company.



FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking financial and operational information including production and capital expenditures projections. The projections are based on the Company's expectations and are subject to a number of risks and uncertainties that could materially affect the results. Actual results achieved during the forward-looking period may differ materially from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: general economic, market and business conditions; industry capacity; competitive action by other companies; fluctuations in oil and gas prices; the ability to produce and transport crude oil and natural gas to markets; the result of exploration and development drilling and related activities; fluctuation in foreign currency exchange rates; the imprecision of reserve estimates; the ability of suppliers to meet commitments; actions by governmental authorities including increases in taxes; decisions or approvals of administrative tribunals; change in environmental and other regulations; risks associated with oil and gas operations; the weather in areas of operation; and other factors, many of which are beyond the control of Richards Oil & Gas Limited. The Company disclaims any intention or obligation to publicly update or revise any forward-looking statements or information whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

OPERATING NETBACKS

	Three months ended March 31, 2009			
	Natural gas (\$/mcf)	Oil (\$/bbl)	Natural gas liquids (\$/bbl)	Total (\$/boe)
Price	\$4.87	\$30.95	\$38.24	\$29.36
Net royalties	(\$0.54)	(\$0.31)	(\$18.82)	(\$3.26)
Operating expenses	(\$3.68)	(\$21.26)	(\$20.85)	(\$22.06)
Operating netback	\$0.65	\$9.38	(\$1.43)	\$4.04

	Three months ended March 31, 2008			
	Natural gas (\$/mcf)	Oil (\$/bbl)	Natural gas liquids (\$/bbl)	Total (\$/boe)
Price	\$7.90	\$60.17	\$72.97	\$48.18
Net royalties	(\$1.26)	(\$6.62)	(\$11.35)	(\$7.58)
Operating expenses	(\$2.92)	(\$17.36)	(\$18.26)	(\$17.99)
Operating netback	\$3.72	\$36.19	\$43.36	\$22.61



RESULTS OF OPERATIONS

Revenues

\$ Amounts	Three months ended March 31		
	2009	2008	Change
Natural gas revenues	509,031	885,559	(43%)
Oil revenues	17,611	46,802	(62%)
Natural gas liquids revenues	6,653	16,783	(60%)
Total production revenue	533,295	949,144	(44%)

Production

	Three months ended March 31		
	2009	2008	Change
Natural gas (mcf/day)	1,161	1,232	(6%)
Oil (bbl/day)	6	9	(33%)
Natural gas liquids (bbl/day)	2	3	(33%)
Total (boe/day)	202	217	(7%)

Average Sales Price

	Three months ended March 31		
	2009	2008	Change
Natural gas (\$/mcf)	\$4.87	\$7.90	(38%)
Oil (\$/bbl)	\$30.92	\$60.17	(49%)

Average Benchmark Sales Price

	Three months ended March 31		
	2009	2008	Change
AECO (daily) natural gas (\$/mcf)	\$4.92	\$7.90	(38%)
WTI crude oil (\$US/bbl)	\$43.08	\$97.90	(56%)
Bow River blend crude oil (\$CAD/bbl)	\$44.09	\$77.72	(43%)
Exchange rate (\$US/\$CAD)	1.244	1.004	(24%)

Production for the three months ended March 31, 2009 averaged 202 boe per day representing a 7% decrease over the same period in 2008. This decrease is a result of weather related operational issues and natural decline in the Company's Morningside / Lacombe areas partially offset with increased production from the Company's Thorsby property. The year over year decline in oil production is primarily a result of natural declines and the shutting in of one well that was no longer economic. The Company has not hedged its production, and its crude oil, natural gas liquids and natural gas production is sold into spot markets.

The Company's realized average sales price for the three months ended March 31, 2009 was \$4.87 per mcf, a 38% decrease from the average sales price received in the same period in 2008. This year over year decrease in natural gas prices is consistent with the increase witnessed in market prices for AECO (daily) natural gas over the last year.

Substantially all of the Company's production is natural gas the majority of which is CBM, natural gas produced from coal formations. CBM is in all material respects the same as natural gas except for a variance in heating content and other elements contained within the produced gas stream. The Company currently receives pricing that is equal to the AECO (daily) natural gas market price.



Royalties

\$ Amount except percentages	Three months ended March 31		
	2009	2008	Change
Crown royalties	14,772	96,470	(85%)
Gross overriding and freehold royalties	44,400	52,837	(16%)
Total net royalties	59,172	149,307	(60%)
Net royalties (\$/boe)	\$3.26	\$7.58	(57%)
Average corporate royalty rate	11%	16%	(5%)

Royalties are paid to various government entities and other land, mineral rights and interest holders in respect of the Company's natural gas, natural gas liquids and oil production. For the three months ended March 31, 2009 the Company incurred total net royalty expenses of \$59,172 which represents 11% of total production revenues recorded or \$3.26 on a per boe basis. This represents a decline of 57% in total net royalties incurred from the first quarter of 2009 versus the first quarter of 2008. This decline in net royalties is primarily a result of reduced Crown royalties due to the low prices realized in the period. Current Crown royalties are also reduced as a result of an increased gas cost allowance rate which significantly impacted the Company beginning in February 2009.

Operating Expenses

\$ Amount except percentages	Three months ended March 31		
	2009	2008	Change
Operating expenses	400,769	354,417	13%
Operating expenses (\$/boe)	\$22.06	\$17.99	23%

Operating expenses for the three months ended March 31, 2009 increased 13% over the same period in 2008 and totaled \$400,769, which on both a per boe and an absolute basis were comparable to the \$403,386 in operating expenses incurred in the last quarter of 2008. On a per boe basis operating expenses increased 23% to \$22.06 per boe in first quarter of 2009 when compared to the same period in 2008. This relatively high per boe operating cost is partially a result of the aforementioned lower production levels due to weather related operational issues and natural decline in the Company's Morningside / Lacombe areas. Also impacting operating costs were costs incurred at the Company's Thorsby property in early 2009. The compression and facilities at the Thorsby property are currently in excess of the Company's needs and as production increases with comingling approvals received in March and April 2009 and the subsequent tie-in of the Company's additional wells, the cost per unit of production in the area and for the Company as a whole will decline accordingly.

GENERAL AND ADMINISTRATIVE EXPENSES

\$ Amount except percentages	Three months ended March 31		
	2009	2008	Change
Total general and administrative expenses incurred	353,534	463,692	(24%)
Less overhead recoveries	(22,018)	(54,550)	(60%)
Less capitalized overhead	-	(27,903)	n/a%
Net general and administrative expenses	331,516	381,239	(13%)

Net general and administrative expenses for the three months ended March 31, 2009 totaled \$331,516 versus the \$381,239 incurred during the same period in 2008, representing a reduction of \$49,723 or 13%. This reduction in expenses from the first quarter of 2008 is primarily a result of management's commitment to reduce costs.



INTEREST AND FINANCING CHARGES

\$ Amount	Three months ended March 31		
	2009	2008	Change
Interest on convertible debenture	127,869	129,644	(1%)
Accretion of discount on convertible debentures	99,718	100,826	(1%)
Interest expense	28,299	-	n/a%
Total	255,886	230,470	11%

Interest and financing charges for the three months ended March 31, 2009 totaled \$255,886, versus \$230,470 for the three months ended March 31, 2008 representing an increase of \$25,416 or 11%. This increase is due almost exclusively to interest expense related to the Company's credit facilities.

CAPITAL EXPENDITURES

The Company spent \$400,960 on capital expenditures during the three months ended March 31, 2009. Most of these capital expenditures were primarily spent on completing and testing its Horseshoe Canyon CBM wells and completion of the gathering system in the Thorsby area.

The following table summarizes the Company's investment activities by types and compares the expenditures made on a year over year basis:

\$ Amount	Three months ended March 31		
	2009	2008	Change
Land	15,298	13,060	17%
Geological and geophysical	11,740	12,446	(6%)
Drilling and completion	230,968	1,388,793	(83%)
Well equipment and facilities	142,954	74,160	93%
Office equipment and leaseholds	-	6,618	n/a
Total	400,960	1,495,077	(73%)

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital resources typically consist of its cashflow from operating activities, existing credit facilities and access to debt and capital markets. In addition, the Company has realized cash proceeds from the sale of certain non-core heavy oil assets subsequent to March 31, 2009.

Cashflow from Operating Activities

Production challenges experienced on start-up at the Company's Thorsby property has resulted lower than expected initial production volumes negatively impacting the expected initial cashflows from this property. When the effect of these lower than expected initial production volumes are combined with the current natural gas prices, the result is that only nominal cashflow is currently being generated from the Company's operating areas. As a result of these factors, the Company generated negative cashflow from operating activities during the three months ended March 31, 2009 of \$326,315.

Until natural gas prices recover considerably and the Company is in a position to undertake a capital program to increase production at Thorsby, the Company will continue to generate negative cashflow from operations. To mitigate the impact on cashflow from operations in the near term, some of the Company's less economic wells are being evaluated for shut-in as this may be the most appropriate course of action while natural gas pricing remains depressed.



Credit Facilities

After completion of a borrowing base review effective April 30, 2009 by the bank has revised the Company's credit facilities. Facility A was increased to \$2,500,000 and Facility B was not renewed. In place of the original Facility B, a \$1,100,000 demand loan facility was arranged. The per annum interest rate for Facility A is the bank's prime lending rate plus 1.5 percent and the per annum interest rate for the \$1,100,000 demand loan facility is the bank's prime lending rate plus 5.0 percent. The Company is obliged to repay \$50,000 per month on Facility A. At May 28, 2009 the Company had drawn \$2,150,000 on its Facility A and \$1,100,000 on its Facility B. The loans are shown as a current liability due to their demand nature.

The credit facilities are secured by a single \$10,000,000 fixed and floating charge demand debenture with a floating charge over the assets of the Company. The facilities are subject to a financial-based covenant requiring the Company to maintain a working capital ratio (adjusted for the undrawn portion of Facility A) of no less than 1:1. At March 31, 2009 the Company was not in compliance with the working capital covenant described above

Capital Resources

At March 31, 2009, the Company has a net working capital deficit of \$3,966,701. The working capital deficit is due to drawings on the Company's credit facilities and accounts payable associated with the large capital program undertaken in the last quarter of 2008. The Company has, at present, total credit facilities of \$3,600,000 as described above. Subsequent to March 31, 2009, the Company has realized cash proceeds of \$220,000 from the sale of certain non-core heavy oil assets in an effort to reduce its net working capital deficit.

Recent market events, including disruptions in credit markets and other financial systems and the deterioration of global economic conditions have resulted in significant declines in commodity prices. As a result of the current commodity price and credit environment, management is considering financing opportunities to fund its future prospects and commitments, farming out interests in its oil and gas properties, further asset dispositions and strategic alternatives to continue operations. The Company will also consider its option to pay the interest payment on its convertible debenture obligation due on June 30, 2009 in common shares of the Company.

Capitalization

Outstanding Common Shares

Weighted average outstanding common shares		
- Basic and diluted at March 31, 2009	72,661,602	
Outstanding securities at March 31, 2009		Average price per share
- Common shares	72,661,602	-
- Common share options	4,790,000	\$0.67
- Common share warrants	15,625,007	\$0.40
- Shares issuable on conversion of convertible debentures	3,571,429	\$1.82



Total Market Capitalization

The Company's total market capitalization at March 31, 2009 was \$2.2 million.

\$ Amount except for per share information

Outstanding common shares at March 31, 2009	72,661,602
Common share price (closing price on the TSX Venture exchange on March 31, 2009)	\$0.03
Total market capitalization	2,180,000

As at May 28, 2009 the total issued and outstanding shares in the Company was 72,661,602.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize any off-balance sheet arrangements.

QUARTERLY FINANCIAL SUMMARY

\$ Amount except for per unit amounts	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Sales – Natural gas (mcf/day)	1,161	1,149	1,023	1,174	1,232	946	655	609
Sales – Oil and natural gas liquids (bbls/day)	8	10	11	8	12	11	13	13
Sales – Total (BOE/day)	202	201	182	204	217	169	122	114
Average Natural gas price (\$/mcf)	\$4.87	\$6.64	\$7.65	\$10.03	\$7.90	\$5.96	\$4.92	\$7.10
Average Oil and natural gas liquids price (\$/bbl)	\$32.66	\$41.54	\$97.56	\$97.74	\$63.08	\$45.97	\$47.42	\$41.17
Total production revenue	533,295	738,427	822,612	1,143,569	949,144	565,369	353,086	441,256
Interest and other revenue	17,271	12,260	19,748	25,791	79,956	104,363	104,278	36,802
Royalty expense	59,172	108,089	125,021	117,730	149,307	90,233	48,754	46,004
EXPENSES								
Operating expense	400,769	403,386	379,919	335,236	354,417	338,615	219,898	223,707
General and administrative expenses	331,516	288,171	347,185	466,195	381,239	249,179	353,977	538,193
Stock-based compensation	18,484	18,623	38,523	111,951	50,957	54,037	152,492	161,904
Interest and financing charges	255,886	232,645	232,839	229,861	230,470	244,092	260,829	290,391
Depletion, amortization & accretion expense	486,985	497,167	443,496	388,379	413,908	390,271	318,993	283,547
Impairment of oil and gas properties	10,500,000	-	-	-	-	8,250,000	3,700,000	2,150,000
Future income tax reduction	-	-	-	-	-	(7,081)	(1,188,588)	(960,795)
Net income (loss)	(11,502,246)	(797,394)	(724,623)	(479,992)	(551,198)	(8,939,614)	(3,408,991)	(2,254,893)



RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2009, the Company paid \$98,368 for consulting services to a firm of which a director of the Company is the President. As at March 31, 2009, the Company owed \$8,395 to the same firm.

COMMITMENTS

The Company is committed to payments under an operating lease for office space over the next four years. The operating lease commitment, before operating costs, for the next four years are as follows; 2009 - \$102,144, 2010 - \$140,415, 2011 - \$144,638 and 2012 - \$148,860.

FUTURE ACCOUNTING POLICIES

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has recently confirmed that in the year 2011 International Financial Reporting Standards ("IFRS") will replace current GAAP for publically accountable profit-oriented enterprises in Canada. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. At present the Company is actively monitoring and assessing the impact of convergence of Canadian GAAP and IFRS.

ADVISORIES

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that information required to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their assessment, that the disclosure controls and procedures in place are effective to provide reasonable assurance that material information related to Richards Oil & Gas Limited is made known to them. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures are effective, except for the material weaknesses in design of the internal controls noted below, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable assurance, not absolute assurance, that the objectives of the control system are met.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of Richards Oil & Gas Limited are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision 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 GAAP. Management has identified certain weaknesses that it considers necessary to disclose in order to present an accurate and complete picture of the condition of the design of the Company's internal controls over financial reporting.

- i. The Company is not able to achieve appropriate segregation of incompatible accounting duties, with its current accounting staff complement.
- ii. The Company does not have a sufficient number of financial accounting personnel with the technical accounting knowledge to address all complex and non-routine accounting transactions that may arise.

Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting, through the review of financial accounting processes, financial disclosures and communication with the external auditors. The Company does not believe that the additional costs to hire additional personnel to mitigate these



weaknesses are justifiable at this stage in the Company's development.

BOE Presentation

Throughout this MD&A BOE, or barrel of oil equivalent, is defined as 6 Mcf to 1 bbl. BOEs may be misleading particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Non-GAAP Measures

The Company's management uses and reports certain non-GAAP measures in the evaluation of operating and financial performance. Specifically, this MD&A contains the term "operating netback" which the Company views as non-GAAP measures of operating and financial performance. The Company's determination of operating netback may not be comparable to that reported by other companies. Richards Oil & Gas Limited's peer companies in the oil and gas industry use the same definitions and for consistency the Company will continue to report in this manner.