

**Financial Statements of
Richards Oil & Gas Limited
March 31, 2009**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

RICHARDS OIL & GAS LIMITED
BALANCE SHEETS
(UNAUDITED)

	March 31, 2009	December 31, 2008
ASSETS		
CURRENT		
Cash and cash equivalents	\$ (107,334)	\$ 1,816,333
Accounts receivable	1,208,339	1,553,765
Prepaid expenses	146,084	109,380
	<u>1,247,089</u>	<u>3,479,478</u>
PROPERTY AND EQUIPMENT (note 4)	<u>11,112,639</u>	<u>21,682,114</u>
	<u>\$ 12,359,728</u>	<u>\$ 25,161,592</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,938,790	\$ 4,648,160
Credit facilities (note 5)	3,275,000	2,000,000
	<u>5,213,790</u>	<u>6,648,160</u>
CONVERTIBLE DEBENTURES (note 6)	5,555,960	5,456,242
ASSET RETIREMENT OBLIGATION (note 7)	1,011,893	995,516
	<u>11,781,643</u>	<u>13,099,918</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 8)	28,804,906	28,804,906
WARRANTS (note 8)	1,588,081	1,588,081
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES (note 6)	1,435,822	1,435,822
CONTRIBUTED SURPLUS (note 10)	3,752,410	3,733,753
DEFICIT	(35,003,134)	(23,500,888)
	<u>578,085</u>	<u>12,061,674</u>
	<u>\$ 12,359,728</u>	<u>\$ 25,161,592</u>

GOING CONCERN (note 1)

COMMITMENTS (note 13)

The accompanying notes form an integral part of these financial statements.

RICHARDS OIL & GAS LIMITEDSTATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
(UNAUDITED)

	Three months ended March 31, 2009	Three months ended March 31, 2008
REVENUE		
Production	\$ 533,295	\$ 949,144
Royalties	(59,172)	(149,307)
Interest and other	17,271	79,956
	<u>491,394</u>	<u>879,793</u>
EXPENSES		
Operating	400,769	354,417
General and administrative	331,516	381,239
Stock-based compensation	18,484	50,957
Interest and financing charges (note 11)	255,886	230,470
Depletion, amortization and accretion	486,985	413,908
Impairment of oil and gas properties (note 4)	10,500,000	-
	<u>11,993,640</u>	<u>1,430,991</u>
NET LOSS, before income taxes	(11,502,246)	(551,198)
Future income tax reduction	-	-
NET LOSS AND COMPREHENSIVE LOSS	(11,502,246)	(551,198)
DEFICIT, beginning of period	<u>(23,500,888)</u>	<u>(20,947,681)</u>
DEFICIT, end of period	<u>\$ (35,003,134)</u>	<u>\$ (21,498,879)</u>
Loss per share (note 9)	<u>\$ (0.16)</u>	<u>\$ (0.01)</u>

The accompanying notes form an integral part of these financial statements.

RICHARDS OIL & GAS LIMITED
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three months ended March 31, 2009	Three months ended March 31, 2008
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss and comprehensive loss for the period	\$ (11,502,246)	\$ (551,198)
Items not affecting cash		
Stock-based compensation	18,484	50,957
Depletion, amortization and accretion	486,985	413,908
Impairment of oil and gas properties	10,500,000	-
Accretion of discount on convertible debentures	99,718	100,826
Interest expense to be settled with the issuance of shares (note 6)	127,869	-
Change in non-cash working capital (note 12)	(57,125)	(274,135)
	<u>(326,315)</u>	<u>(259,642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property and equipment	(400,960)	(1,495,077)
Change in non-cash working capital (note 12)	(2,471,391)	(2,135,890)
	<u>(2,872,351)</u>	<u>(3,630,967)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in credit facility	1,275,000	-
	<u>1,275,000</u>	<u>-</u>
DECREASE IN CASH and CASH EQUIVALENTS	(1,923,667)	(3,890,609)
CASH and CASH EQUIVALENTS, BEGINNING of PERIOD	1,816,333	6,225,567
CASH and CASH EQUIVALENTS, END of PERIOD	\$ (107,334)	\$ 2,334,958

The accompanying notes form an integral part of these financial statements

RICHARDS OIL & GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2009

1. GOING CONCERN

These financial statements of Richards Oil & Gas Limited (the "Company") have been prepared on the basis that the Company will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in these financial statements, and that the Company will be able to continue its business activities.

For the three months ended March 31, 2009, the Company reported a net loss of \$11,502,246 and incurred negative cash flow from operating activities of \$326,315. The Company also has a net working capital deficit of \$3,966,701 in relation to its available credit facilities of \$3,775,000 at March 31, 2008, and accordingly is in breach of the financial-based covenant requiring the Company to maintain a working capital ratio of no less than 1:1 associated with the Company's credit facility. The Company has also outlined its commitments in note 13. These conditions raise doubt about the Company's ability to continue as a going concern.

The future operation of the Company is dependent on its ability to successfully explore, develop and produce economically viable reserves and market natural gas products from its properties, raise capital and receive the continued financial support from its bank (see note 5). 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 has restricted capital and administrative spending and continues to monitor financing opportunities to fund its future prospects and commitments. 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. As at May 28, 2009, the date of these financial statements, no financing or other agreements have been signed nor can it be assured that such agreements will be reached.

The Company has informed the bank of its current working capital shortfall and of the fact that it is in breach of the financial-based covenant requiring the Company to maintain a working capital ratio of no less than 1:1. As outlined in the paragraph above, the Company is currently attempting to rectify this issue. If through its efforts the Company remains in non-compliance and loses the financial support it is receiving from its bank, it is unlikely that the Company will be able to continue its activities and discharge its obligations.

Management of the Company believes that the going concern assumption is appropriate for these financial statements. If this assumption is not appropriate, adjustments to the carrying amounts of the assets and liabilities, revenues and expenses and the balance sheet classifications used may be necessary.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenues and expenses during the period. In the opinion of management, these financial statements have been prepared within reasonable limits of materiality. These interim financial statements follow the same significant accounting policies as described and used in the financial statements of the Company for the year ended December 31, 2008, except as noted below and should be read in conjunction with these statements.

3. CHANGES IN ACCOUNTING POLICIES AND PRACTICES

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.

RICHARDS OIL & GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2009

4. PROPERTY AND EQUIPMENT

\$ Amount	As at March 31, 2009	As at December 31, 2008
Capitalized costs – oil and natural gas properties	41,874,513	41,473,380
Capitalized costs – other assets	115,746	115,746
Accumulated depletion and amortization	(30,877,620)	(19,907,012)
Net book value	11,112,639	21,682,114

At March 31, 2009, \$12,621,900 (December 31, 2008 - \$12,621,900) of future development costs were included in the costs subject to depletion.

The Company performed a ceiling test calculation at March 31, 2009 resulting in undiscounted cash flows from proved reserves not exceeding the carrying value of oil and gas assets. Consequently, the Company performed stage two of the ceiling test assessing whether discounted future cash flows from the production of proved plus probable reserves exceeded the carrying value of its oil and natural gas properties. As a result of performing this test, a ceiling test impairment loss of \$10,500,000 has been recorded as an impairment of oil and natural gas properties in the statements of operations and deficit and is included in accumulated depletion. The prices used in the ceiling test evaluation of the Company's oil and natural gas reserves at March 31, 2009 were:

Forecast Year	WTI Crude Oil (\$US/Barrel)	Edmonton par Price 40° API (\$CAD/Barrel)	Alberta AECO-C Spot (\$CAD/MMBtu)	Inflation Rate (%)	Exchange Rate (\$US/\$CAD)
2009	47.54	57.21	4.89	2.0	.800
2010	55.42	63.37	5.93	2.0	.850
2011	60.37	67.15	6.42	2.0	.875
2012	75.37	77.48	7.12	2.0	.950
2013	81.18	83.58	7.50	2.0	.950

Various Escalation Rates Thereafter

5. CREDIT FACILITIES

The Company currently maintains two fully secured, demand credit facilities with a Canadian chartered bank. At December 31, 2008 the credit facilities in place for Richards Oil & Gas Limited consisted of a \$2,000,000 revolving operating demand loan ("Facility A") and a \$2,000,000 non-revolving acquisition / development demand loan ("Facility B"). The per annum interest rate for Facility A was the bank's prime lending rate plus 1.0 percent and for Facility B was the bank's prime lending rate plus 1.5 percent.

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 was fully drawn on its \$1,100,000 demand loan facility. 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 (note 1).

RICHARDS OIL & GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2009

6. CONVERTIBLE DEBENTURES

On June 26, 2006 the Company issued \$6.5 million of 8.0% convertible unsecured subordinated debentures (the "Convertible Debentures") for net proceeds of \$5.9 million. The Convertible Debentures have an initial maturity date of June 26, 2011. The Convertible Debentures bear interest at 8.0% per annum which is paid semi-annually on June 30 and December 31 of each year and are subordinated to all other liabilities of the Company.

The Convertible Debentures were convertible at the option of the holder into common shares of the Company at any time after October 26, 2006 and prior to June 26, 2008 at a conversion price of \$1.65 per share. From June 26, 2008 until maturity, the conversion price increases by 10% per year. The Convertible Debentures are not redeemable by the Company before June 28, 2008 but may be redeemed in whole or in part at the option of the Company providing the Company's common shares are trading at not less than \$3.50 per share for 20 consecutive trading days ending five days prior to conversion. Redemptions and conversions entitle the holder to accrued and unpaid interest to and including the effective date.

At the option of the Company, the payment of the interest obligation on the Convertible Debentures may be settled in common shares. The number of common shares to be issued upon to satisfy the interest obligation will be calculated by dividing the interest obligation by the greater of; \$0.05 and, 95% of the weighted average trading price for 20 consecutive trading days ending five days prior to the date the interest obligation is due. For the interest payment due on June 30, 2009 the Company is considering its option to pay the interest due and payable in common shares of the Company.

The following summarizes the Company's accounting for its Convertible Debentures:

\$ Amount	Equity Component	Liability Component
Balance as at December 31, 2008	1,435,822	5,456,242
Accretion of non-cash interest expense	-	99,718
Balance as at March 31, 2009	1,435,822	5,555,960

7. ASSET RETIREMENT OBLIGATION

As at March 31, 2009 the Company has estimated undiscounted future costs related to the abandonment and restoration of its oil and gas properties to be \$1,561,278 (December 31, 2008 - \$1,568,295). These obligations are to be settled over an average of 6.1 years and have been discounted using a credit-adjusted risk free interest rate of 6.0% to 10.0% and inflation rate of 2.0%.

Changes to the asset retirement obligation were as follows:

\$ Amount	Three months ended March 31, 2009	Year ended December 31, 2008
Balance, beginning of period	995,516	736,956
Liabilities incurred during the period	-	194,951
Liabilities settled during the period	-	-
Accretion of asset retirement obligation during the period	16,377	63,609
Balance, end of period	1,011,893	995,516

RICHARDS OIL & GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2009

8. SHARE CAPITAL

Authorized:

-Unlimited number of common voting shares

i) Changes in Common Share Capital

	Number	\$ Amount
Balance as at December 31, 2008	72,661,602	28,804,906
Shares issued	-	-
Balance as at March 31, 2009	72,661,602	28,804,906

ii) Stock Options

The number of stock options granted and their exercise prices are as follows:

	Three months ended March 31, 2009		Year ended December 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of period	4,790,000	\$ 0.67	5,203,333	\$ 0.91
Options granted	-	\$ -	1,215,000	\$ 0.16
Options expired	-	\$ -	(1,628,333)	\$ 1.07
Outstanding at end of period	4,790,000	\$ 0.67	4,790,000	\$ 0.67
Exercisable at end of period	4,155,830	\$ 0.74	4,148,330	\$ 0.74

The following summarizes details about the Company's stock option granted as at March 31, 2009:

Range of exercise price	Options outstanding			Options vested		
	Outstanding options	Remaining contract life	Weighted average exercise price	Vested options	Remaining contract life	Weighted average exercise price
\$0.16 to \$0.49	2,970,000	3.6	\$0.22	2,344,164	3.5	\$0.23
\$0.50 to \$0.99	610,000	2.5	\$0.75	601,666	2.5	\$0.75
\$1.00 to \$1.49	400,000	1.7	\$1.41	400,000	1.7	\$1.41
\$1.50 to \$1.99	460,000	1.9	\$1.68	460,000	1.9	\$1.68
\$2.00 to \$2.49	350,000	2.0	\$2.16	350,000	2.0	\$2.16
	4,790,000	3.0	\$0.67	4,155,830	2.9	\$0.74

iii) Warrants

The Company issued 15,625,007 warrants to the subscribers of the private placement financing that was completed on July 10, 2007. Each warrant entitles the holder thereof to acquire one common share at a price of \$0.40 and will expire on July 10, 2009. This warrant grant represents the only warrants the Company has outstanding as at March 31, 2009. When share purchase warrants are exercised the consideration received by the Company is recorded in the share capital account along with the fair value of the warrants previously recognized in the warrants account.

RICHARDS OIL & GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2009

9. LOSS PER SHARE AMOUNTS

Per share amounts have been calculated based on the weighted average number of shares outstanding. Basic and diluted loss per share for both is calculated as follows:

		Net loss and comprehensive loss	Weighted average number of shares	Loss per share
Three months ended:	March 31, 2009	\$ (11,502,246)	72,661,602	\$ (0.16)
	March 31, 2008	\$ (551,198)	72,661,602	\$ (0.01)

For the three months ended March 31, 2009 and March 31, 2008 the conversion of stock options, convertible debentures and warrants is anti-dilutive.

10. CONTRIBUTED SURPLUS

The following table summarizes the changes in the Company's contributed surplus account:

\$ Amount	Three months ended March 31, 2009	Year ended December 31, 2008
Balance, beginning of period	3,733,753	3,502,156
Stock-based compensation	18,657	231,597
Balance, end of period	3,752,410	3,733,753

11. INTEREST AND FINANCING CHARGES

The following table summarizes the components of interest and financing charges:

\$ Amount	Three months ended March 31, 2009	Three months ended March 31, 2008
Interest on convertible debenture	127,869	129,644
Accretion of discount on convertible debentures	99,718	100,826
Interest on credit facility	28,299	-
Total	255,886	230,470

RICHARDS OIL & GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2009

12. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital comprised the following:

<u>\$ Amount</u>	<u>Three months ended March 31, 2009</u>	<u>Three months ended March 31, 2008</u>
Accounts receivable	345,426	(628,152)
Prepaid expenses	(36,704)	(28,332)
Accounts payable and accrued liabilities	<u>(2,837,238)</u>	<u>(1,753,541)</u>
Net change	<u>(2,528,516)</u>	<u>(2,410,025)</u>
Net change by activity:		
Operating	(57,125)	(274,135)
Investing	<u>(2,471,391)</u>	<u>(2,135,890)</u>
Net change	<u>(2,528,516)</u>	<u>(2,410,025)</u>
Cash interest paid on part XII.6 tax	-	138,217

13. 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.

14. 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.

15. CAPITAL STRUCTURE POLICIES

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying oil and natural gas properties. The Company considers its capital structure to include shareholders' equity, convertible debt, available capacity under its credit facility and working capital. In order to maintain or adjust the capital structure, the Company may from time to time issue shares, sell or farm-out interests on its oil and gas properties and adjust its capital spending to manage its current and projected debt levels. Aside from the financial-based covenant requiring the Company to maintain a working capital ratio of no less than 1:1 associated with the Company's credit facility, the Company has no other externally imposed capital requirements.

RICHARDS OIL & GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2009

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Commodity Price Risk Management

The Company's financial performance is closely linked to natural gas prices. While the Company may employ the use of financial instruments in the future to manage these price exposures, the Company has not used any such instruments to hedge its production, and its crude oil, natural gas liquids and natural gas production is sold into spot markets. A \$0.25 per mcf change in the price of natural gas received by the Company is expected to impact the annual net loss by approximately \$100,000.

Fair Value of Financial Instruments

The Company's exposure under its financial instruments is limited to financial assets and liabilities, all of which are included in these financial statements. The fair values of financial assets, liabilities, and convertible debentures that are included in the balance sheet approximate their carrying amounts.

Credit Risk

A substantial portion of the Company's accounts receivable are with customers and joint interest partners in the oil and gas industry and are subject to normal industry credit risks. Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint interest partners and petroleum and natural gas marketers.

Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Company historically has not experienced any collection issues with its petroleum and natural gas marketers. Joint interest receivables are typically collected within one to two months of the joint interest bill being issued to the partner. The Company attempts to mitigate the risk from joint interest receivables by obtaining partner approval of significant capital expenditures and payment of cash advances prior to expenditure. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances are dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. The Company does not typically obtain collateral from petroleum and natural gas marketers or joint interest partners. However the Company does have the ability to withhold production from joint interest partners in the event of non-payment.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages liquidity by ensuring, as far as possible, that it will have sufficient liquidity under both normal and stressed commodity market and economic conditions.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as necessary. The Company operates a high percentage of its oil and gas properties, which allows for significant control over future expenditures. To support the capital spending program, the Company maintains two fully secured credit facilities, as outlined in Note 5.

Foreign Currency Exchange Risk

The Company is exposed to foreign currency fluctuations as crude oil and natural gas prices received are referenced to U.S. dollar denominated prices. Price fluctuations can affect the fair value and future cash flows. However, given the indirect influence of currency fluctuations, the impact of currency rate changes cannot be accurately determined.

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that its credit facility is at a floating rate of interest. With the drawings on the Company's credit facility at March 31, 2009, a one percent change in the prevailing interest rate for its credit facility would result in an estimated annual change to net income of \$32,750.