Q2 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 and six month periods ended June 30, 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, August 27, 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.

Except where specifically noted, the financial information herein presented has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

SELECTED FINANCIAL INFORMATION

$ Amount except for per unit amounts	**Three months ended June**	Three months ended June	**Six months ended June**	Six months ended June
	2009	2008	**2009**	2008
Production revenues	**346,632**	1,143,569	**879,927**	2,092,713
Funds from operations [1]	**(318,388)**	121,164	**(587,578)**	135,657
Net loss	**(873,519)**	(479,992)	**(12,375,765)**	(1,031,190)
Net loss per share	**(0.01)**	(0.01)	**(0.17)**	(0.01)
Property and equipment additions	**253,550**	245,261	**654,510**	1,740,338
Property and equipment disposals	**(412,000)**	-	**(412,000)**	-
Total assets	**11,427,804**	20,605,769	**11,427,804**	20,605,769
Total liabilities	**11,464,331**	7,080,395	**11,464,331**	7,080,395
Common shares outstanding – basic	**77,818,850**	72,661,602	**77,818,850**	72,661,602

(1) See "Non-GAAP Measures"

SELECTED OPERATIONAL INFORMATION

$ Amount except for per unit amounts	**Three months ended June**	Three months ended June	**Six months ended June**	Six months ended June
	2009	2008	**2009**	2008
Natural gas (mcf/day)	**1,095**	1,174	**1,128**	1,203
Oil and natural gas liquids (bbl/day)	**3**	8	**6**	10
Total (boe/day)	**186**	204	**194**	210
Total boe	**16,892**	18,541	**35,055**	38,241
Natural gas price ($/mcf)	**$3.38**	$10.03	**$4.14**	$8.94
Oil and NGL price ($/bbl)	**$33.97**	$97.69	**$33.02**	$77.43
Royalties ($/boe)	**$(4.51)**	$6.35	**$(0.49)**	$6.98
Operating expenses ($/boe)	**$22.94**	$18.08	**$22.49**	$18.03
Operating netback ($/boe) [1]	**$2.09**	$37.25	**$3.10**	$29.71

(1) See "Non-GAAP Measures"

FINANCIAL RESULTS

The net loss for the second quarter of 2009 was $873,519 compared to a net loss of $479,992 in the comparable period in 2008. Included in the net loss experienced in the first quarter and first six months of 2009 is an impairment charge of $10,500,000 on the Company's oil and gas properties. This impairment charge was due entirely to the considerable decline in forecasted natural gas prices as at March 31, 2009.

OPERATIONS

Oil and gas production revenues decreased to $346,632 in the second quarter of 2009 from $1,143,569 in the same period in 2008. This decrease is primarily a result of lower natural gas prices received and lower production volumes achieved. Natural gas production year over year fell 7% as net production for the second quarter of 2009 was 1,095 mcf per day compared with 1,174 mcf per day in the second 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 second quarter 2009 capital expenditures were minimal. The Company spent $253,550 on completing and testing its Horseshoe Canyon CBM wells and on final completion of the gathering system in the Thorsby area and restoration of pipeline right-of-ways. 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 June 30, 2009. Capital dispositions in the period totaled $412,000 reflecting the sale of the Company's heavy-oil property and the sale of the deep rights in the Company's Crossfield property.

OUTLOOK

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 cash flow from operations. To mitigate the impact on cash flow from operations in the near term, some of the Company's less economic wells have been shut-in as this is the most appropriate course of action while natural gas pricing remains depressed.

At June 30, 2009 the Company has a net working capital deficit of $3,998,770. 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 and first quarter of 2009. The Company has, at present, total credit facilities of $3,150,000**.** Subsequent to June 30, 2009, the Company has realized net cash proceeds of over $400,000 from the sale of certain assets in a continued effort to reduce its net working capital deficit.

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. Recent market events, including disruptions in credit markets and other financial systems, the deterioration of global economic conditions and over-supply of natural gas in the North American marketplace have resulted in significant declines in natural gas prices. As a result of the current commodity price and credit environment, management has restricted capital and administrative spending and shut-in uneconomic production. Through 2009 management has exerted considerable effort in an attempt to secure financing to fund its future prospects and commitments, to farm out interests in its oil and gas properties, to dispose of certain assets and pursue strategic alternatives in an effort to continue operations. As at August 27, 2009, the date of this MD&A, no financing or material agreements have been signed nor can it be assured that such agreements will be reached.

To preserve liquidity the Company exercised its option to pay the interest obligation on its convertible debt due June 30, 2009 in common shares. As a result, $257,863 in an interest liability was exchanged for the issuance of 5,157,248 common shares of the Company.

As outlined in the paragraphs above, the Company is doing everything within its powers and making every effort in an attempt to rectify this issue. To date, the bank has been supportive of these initiatives and as at the date of these financial statements has not forced the Company into a forbearance agreement. Without positive cash flows and the continued support of the bank, it is unlikely that the Company will be able to continue its activities and discharge its obligations.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking financial and operational information including production and capital expenditure 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.

NET LOSS AND FUNDS FROM OPERATIONS

The following table reconciles the Company's net loss to the reported funds from operations for the three and six months ended June 30, 2009 and 2008.

$ Amount	**Three months ended June 2009**	Three months ended June 2008	Change	**Six months ended June 2009**	Six months ended June 2008	Change
Net loss	**(873,519)**	(479,992)	82%	**(12,375,765)**	(1,031,190)	1100%
Add items not involving cash						
Stock-based compensation	**1,045**	111,951	(99%)	**19,529**	162,908	(88%)
Depletion and amortization	**306,692**	373,079	(18%)	**777,300**	771,880	1%
Impairment of properties	**-**	-	-	**10,500,000**	-	n/a
Accretion of asset retirement obligation	**16,574**	15,300	8%	**32,951**	30,407	8%
Accretion of discount on convertible debentures	**100,826**	100,826	-	**200,544**	201,652	(1%)
Interest settled with shares	**129,994**	-	-	**257,863**	-	n/a
Funds from operations(1)	**(318,388)**	121,164	(363%)	**(587,578)**	135,657	533%

(1) See "Non-GAAP Measures"

NETBACK ANALYSIS

The following table summarizes the Company's operating netback and funds from operations on a boe basis for the three and six months ended June 30, 2009 and 2008.

$ Amount per boe	**Three months ended June**	Three months ended June	Change	**Six months ended June**	Six months ended June	Change
	2009	2008		**2009**	2008	
Price	**$20.52**	$61.68	(67%)	**$25.10**	$54.72	(54%)
Net royalties	**$4.51**	($6.35)	(171%)	**$0.49**	($6.98)	(107%)
Operating expenses	**($22.94)**	($18.08)	27%	**($22.49)**	($18.03)	25%
Operating netback	**$2.09**	$37.25	(94%)	**$3.10**	$29.71	(90%)
Net general and administrative expenses	**($19.05)**	($25.14)	(24%)	**($18.64)**	($22.16)	(16%)
Interest and other income	**$0.37**	$1.39	(73%)	**$0.68**	$2.76	(76%)
Interest and financing charges (cash basis)	**($2.26)**	($6.96)	(67%)	**($1.90)**	($6.76)	(72%)
Funds from operations netback	**($18.85)**	$6.54	(388%)	**($16.76)**	$3.55	(573%)

RESULTS OF OPERATIONS

Revenues

$ Amount	**Three months ended June**	Three months ended June	Change	**Six months ended June**	Six months ended June	Change
	2009	2008		**2009**	2008	
Natural gas revenues	**336,945**	1,071,339	(69%)	**845,976**	1,956,898	(57%)
Oil revenues	**3,985**	64,748	(94%)	**21,596**	111,550	(81%)
Natural gas liquids revenues	**5,702**	7,482	(24%)	**12,355**	24,265	(49%)
Total production revenue	**346,632**	1,143,569	(70%)	**879,927**	2,092,713	(58%)

Production

$ Amount	**Three months ended June**	Three months ended June	Change	**Six months ended June**	Six months ended June	Change
	2009	2008		**2009**	2008	
Natural gas (mcf/day)	**1,095**	1,174	(7%)	**1,128**	1,203	(6%)
Oil (bbl/day)	**1**	7	(86%)	**4**	10	(60%)
Natural gas liquids (bbl/day)	**2**	1	100%	**2**	2	-
Total (boe/day)	**186**	204	(9%)	**194**	210	(8%)

Average Sales Price

$ Amount	**Three months ended June**	Three months ended June	Change	**Six months ended June**	Six months ended June	Change
	2009	2008		**2009**	2008	
Natural gas ($/mcf)	**$3.38**	$10.03	(66%)	**$4.14**	$8.94	(54%)

Average Benchmark Sales Price

$ Amount	**Three months ended June**	Three months ended June	Change	**Six months ended June**	Six months ended June	Change
	2009	2008		**2009**	2008	
AECO (daily) natural gas ($/mcf)	**$3.45**	$10.22	(66%)	**$4.18**	$9.06	(54%)
Exchange rate ($US/$CAD)	**1.166**	1.010	15%	**1.203**	1.007	19%

Production for the three months ended June 30, 2009 averaged 186 boe per day representing a 9% decrease over the 204 boe per day in 2008. This decrease was a result of expected declines in the production along with the sale of the Company's heavy oil property that was sold in April.

Production for the six months ended June 30, 2009 averaged 194 boe per day, a 8% decrease compared to production of 210 boe per day for the six months period ended June 30, 2008. Consistent with the explanation above, this decrease was a result of expected declines in the Company's production along with the result of the sale of the Company's heavy oil property. 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 June 30, 2009 was $3.38 per mcf, a 69% 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 decrease 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 approximately equal to the AECO (daily) natural gas market price.

Royalties

$ Amount	**Three months ended June**	Three months ended June	Change	**Six months ended June**	Six months ended June	Change
	2009	2008		**2009**	2008	
Total net royalties	**(76,209)**	117,730	(165%)	**(17,037)**	267,037	(106%)
Net royalties ($/boe)	**$(4.51)**	$6.35	(171%)	**$(0.49)**	$6.98	(107%)
Average corporate royalty rate	**(22%)**	10%	(133%)	**(2%)**	13%	(115%)

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 second quarter of 2009 the Company incurred a net royalty expense credit of $76,209 representing 22% of total production revenues recorded or $4.51 on a per boe basis. This represents a decrease of $10.86 or 165% in total net royalties incurred from the second quarter of 2009 to the second quarter of 2008. This change is due to lower production revenues plus the effect of 2008 GCA credit adjustments received in the period. For the three months ended June 30, 2009 the Company's average corporate royalty rate was (22%). In the second quarter of both 2008 and 2009 the Company received favorable royalty adjustments from the Alberta Crown reimbursing the Company for the capital component associated with the processing of Crown royalty natural gas volumes. These adjustments are not capable of being reasonably estimated, and therefore were not accrued in prior periods. Excluding the impact of this royalty adjustment, the average corporate royalty rate for the second quarter of 2009 would have been 17%.

Net royalties for the six months ended June 30, 2009 totaled a credit of $17,037 representing 2% of total production revenues recorded or $0.49 on a per boe basis. This represents a decrease of $7.47 due to favorable royalty adjustments from Alberta Crown as mentioned above. On a per boe basis, total net royalties declined 107% from $6.98 per boe in 2008 to a credit of $0.49 per boe in 2009. This year over year per boe reduction is primarily a result of Gas Cost Allowance credits mentioned above. Excluding the impact of this royalty adjustment, the average corporate royalty rate for the second quarter of 2009 would have been 19%.

Operating Expenses

$ Amount	**Three months ended June**	Three months ended June	Change	**Six months ended June**	Six months ended June	Change
	2009	2008		**2009**	2008	
Operating expenses	**387,474**	335,236	16%	**788,243**	689,653	14%
Operating expenses ($/boe)	**$22.94**	$18.08	27%	**$22.49**	$18.03	25%

Operating expenses for the three months ended June 30, 2009 increased 16% over the same period in 2008 and totaled $387,474. Operating costs for the six months ended June 30, 2009 of $22.49 per boe is higher than the $18.03 per boe experienced in the six month period ended June 30, 2008 by $4.46 per boe or 25%. These increases on a per boe basis, both in the second quarter and year to date, are partially a result of the lower production levels due to weather related issues and natural declines in the Company's Morningside / Lacombe areas. Also impacting operating costs were costs incurred at the Company's Thorsby property early in 2009 as the facilities at this property are currently in excess of the Company's needs. Cost per unit will decrease when economies of scale at the Thorsby property are eventually realized.

GENERAL AND ADMINISTRATIVE EXPENSES

$ Amount	**Three months ended June**	Three months ended June	Change	**Six months ended June**	Six months ended June	Change
	2009	2008		**2009**	2008	
Total general and administrative expenses incurred	**351,041**	502,222	(30%)	**704,576**	965,913	(27%)
Less overhead recoveries	**(21,895)**	(20,601)	6%	**(43,914)**	(75,150)	(42%)
Less capitalized overhead	**(7,345)**	(15,426)	(52%)	**(7,345)**	(43,329)	(83%)
Net general and administrative expenses	**321,801**	466,195	(31%)	**653,317**	847,434	(23%)
Net general and administrative expenses ($/boe)	**$19.05**	$25.14	(24%)	**$18.64**	$22.16	(16%)

Net general and administrative expenses for the three months ended June 30, 2009 totaled $321,801 versus the $466,195 incurred during the same period in 2008, representing a reduction of $144,394 or 31%. Net general and administrative expenses for the six months ended June 30, 2009 totaled $653,317 versus $847,434 for the comparable period in 2008. These reductions in expenses are a result of management's commitment to improve its administrative expense metrics.

INTEREST AND FINANCING CHARGES

$ Amount except percentages	**Three months ended June**	Three months ended June	Change	**Six months ended June**	Six months ended June	Change
	2009	2008		**2009**	2008	
Interest on convertible debenture	**129,994**	128,935	-	**257,863**	258,579	-
Interest expense	**38,252**	100	382%	**66,551**	100	666%
Accretion of discount on convertible debentures	**100,826**	100,826	-	**200,544**	201,652	(1%)
Total	**269,072**	229,861	17%	**524,958**	460,331	14%

Interest and financing charges for the three months ended June 30, 2009 totaled $269,072 versus $229,861 for the three months ended June 30, 2008 representing an increase of $39,211 or 17%. This increase is due almost exclusively to an increase in the Company's credit facilities.

For the six months ended June 30, 2009, interest expense increased to $524,958 or 14% from the $460,331 incurred in the same period in 2008. This increase was directly a function of the increase in the Company's credit facilities.

CAPITAL EXPENDITURES

The Company spent $654,510 on capital expenditures during the six months ended June 30, 2009 completing and testing its Horseshoe Canyon CBM wells and on final completion of the gathering system in the Thorsby area and restoration of pipeline right-of-ways. 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 June 30, 2009. Capital dispositions in the period totaled $412,000 reflecting the sale of the Company's heavy-oil property and the sale of the deep rights in the Company's Crossfield property.

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

$ Amount	Six months ended June 30		
	2009	2008	Change
Land	**27,147**	17,095	59%
Geological and geophysical	**35,290**	73,597	(52%)
Drilling and completion	**343,541**	1,551,135	(78%)
Well equipment and facilities	**248,532**	89,034	(179%)
Office equipment and leaseholds	**-**	9,477	(100%)
Property dispositions	**(412,000)**	-	n/a
Total	**242,510**	1,740,338	(86%)

OFF-BALANCE SHEET ARRANGEMENTS

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

QUARTERLY FINANCIAL SUMMARY

$ Amount except for per unit amounts	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Sales – Natural gas (mcf/day)	1,095	1,161	1,149	1,023	1,174	1,232	946	655
Sales – Oil and natural gas liquids (bbls/day)	3	8	10	11	8	12	11	13
Sales – Total (boe/day)	186	202	201	182	204	217	169	122
Average Natural gas price ($/mcf)	$3.38	$4.87	$6.64	$7.65	$10.03	$7.90	$5.96	$4.92
Average Oil and natural gas liquids price ($/bbl)	$33.97	$32.66	$41.54	$97.56	$97.69	$63.08	$45.97	$47.42
Total production revenue	346,632	533,295	738,427	822,612	1,143,569	949,144	565,369	353,086
Interest and other revenue	6,298	17,271	12,260	19,748	25,791	79,956	104,363	104,278
Royalty expense, net of ARTC	(76,209)	59,172	108,089	125,021	117,730	149,307	90,233	48,754
EXPENSES								
Operating expense	387,474	400,769	403,386	379,919	335,236	354,417	338,615	219,898
General and administrative expenses	321,801	331,516	288,171	347,185	466,195	381,239	249,179	353,977
Stock-based compensation	1,045	18,484	18,623	38,523	111,951	50,957	54,037	152,492
Interest and financing charges	269,072	255,886	232,645	232,839	229,861	230,470	244,092	260,829
Depletion, amortization & accretion expense	323,266	486,985	497,167	443,496	388,379	413,908	390,271	318,993
Impairment of oil and gas properties	-	10,500,000	-	-	-	-	8,250,000	3,700,000
Future income tax reduction	-	-	-	-	-	-	(7,081)	(1,188,588)
Net income (loss)	(873,519)	(11,502,246)	(797,394)	(724,623)	(479,992)	(551,198)	(8,939,614)	(3,408,991)

COMMITMENTS

The Company is committed to payments under an operating lease for office space over the next five years. The operating lease commitment, before operating costs, for the next four years are as follows; 2009 - $68,096, 2010 - $140,415, 2011 - $144,638 and 2012 - $148,860.

FUTURE ACCOUNTING POLICIES

The Accounting Standards Board of the CICA has recently confirmed that in the year 2011 International Financial Reporting Standards ("IFRS") will replace current Canadian Generally Accepted Accounting Principles ("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.

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 terms "operating netback" and "funds from operations" which the Company views as non-GAAP measures of operating and financial performance. These measurements should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of the Company's performance. The Company's determination of funds from operations and 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.

Funds from operations are determined as operating cash flows before working capital adjustments and abandonment expenditures. Funds from operations is used by the Company to analyze operating performance, leverage and liquidity. Readers should refer to the "NET LOSS AND FUNDS FROM OPERATIONS" section of the MD&A for a reconciliation of funds from operations.

The Company uses the term Operating Netbacks to evaluate operational performance of the Company. Operating netback, which is calculated as average unit sales price less royalties, and operating expenses, represents the operating cash margin for every barrel oil equivalent sold. Readers should refer to the "OPERATING NETBACKS" section of the MD&A for the calculations of operating netbacks.