



Q3 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 nine month periods ended September 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, November 30, 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	Three months	Nine months	Nine months
	ended September	ended September	ended September	ended September
	2009	2008	2009	2008
Production revenues	245,871	822,612	1,125,798	2,915,325
Funds from operations ⁽¹⁾	(577,645)	(140,670)	(1,165,222)	(5,013)
Net loss	(6,869,510)	(724,623)	(19,245,275)	(1,755,813)
Net loss per share	(0.09)	(0.01)	(0.26)	(0.02)
Property and equipment additions	91,226	2,001,942	745,737	3,742,280
Property and equipment disposals	(619,817)	-	(1,013,818)	-
Total assets	4,480,445	21,857,140	4,480,445	21,857,140
Total liabilities	11,385,438	9,016,923	11,385,438	9,016,923
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	Three months	Nine months	Nine months
	ended September	ended September	ended September	ended September
	2009	2008	2009	2008
Natural gas (mcf/day)	872	1,023	1,038	1,143
Oil and natural gas liquids (bbl/day)	2	11	4	10
Total (boe/day)	147	182	177	201
Total boe	13,377	16,736	48,433	54,976
Natural gas price (\$/mcf)	\$3.02	\$7.65	\$3.83	\$8.55
Oil and NGL price (\$/bbl)	\$40.81	\$100.37	\$34.04	\$87.12
Royalties (\$/boe)	\$1.84	(\$7.47)	\$0.86	(\$7.13)
Operating expenses (\$/boe)	(\$26.25)	(\$22.70)	(\$23.52)	(\$19.46)
Operating netback (\$/boe) ⁽¹⁾	(\$6.03)	\$18.98	\$0.58	\$26.44

(1) See "Non-GAAP Measures"



FINANCIAL RESULTS

The net loss for the third quarter of 2009 was \$6,869,510 compared to a net loss of \$724,623 in the comparable period in 2008. Included in the net loss is an impairment charge of \$5,900,000 on the Company's oil and gas properties.

OPERATIONS

Oil and gas production revenues decreased to \$245,871 in the third quarter of 2009 from \$822,612 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 15% as net production for the third quarter of 2009 was 872 mcf per day compared with 1,023 mcf per day in the third 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 coupled with the sale of the Lacombe properties in the quarter.

Third quarter 2009 capital expenditures were minimal. The Company spent \$91,226 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. Capital dispositions in the period totaled \$619,817 reflecting the sale of the Company's Crossfield Seismic asset and the Lacombe property.

OUTLOOK

Until natural gas prices recover considerably and the Company is in a position to undertake a capital program to increase production on its Morningside, Crossfield and Ardley properties, 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.

For the nine months ended September 30, 2009, the Company reported a net loss of \$19,245,275 and incurred negative cash flow from operating activities of \$1,165,223. The Company also has a net working capital deficit of \$4,047,824 in relation to its available credit facilities of \$3,200,000 at September 30, 2009, 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 demand loan. On June 25, 2009 the Company received a notice of event of default letter from the bank for failure to comply with its covenants under the current loan agreement and as a result of this event of default the bank has demanded the total amount due and owing under the credit facility be repaid immediately. The Company has also outlined its commitments in note 13. These conditions, which have persisted for most of the calendar year 2009, raise significant 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. 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 dispose of certain assets and pursue strategic alternatives in an effort to continue operations. As at November 29, 2009, the date of these financial statements, no financing or material agreements have been signed except as explained in note 16 subsequent events to the financial statements. At present it is unlikely that the Company will secure any financing to continue operations.

Even though the bank has demanded the total amount due and owing under the credit facility be repaid immediately, the bank has been supportive of the Company and as at the date of these financial statements has not forced the Company into a forbearance agreement or placed the Company into receivership. The Company has been aggressively disposing of its properties in order to repay the amount owed to the bank under its credit facilities. Without positive cash flows from the properties remaining once the amount owed to the bank under its credit facilities has been satisfied, the Company will not be able to continue operations.



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 nine months ended September 30, 2009 and 2008.

\$ Amount	Three months	Three months	Nine months	Nine months
	ended September	ended September	ended September	ended September
	2009	2008	2009	2008
Net loss	(6,869,510)	(724,623)	(19,245,275)	(1,755,813)
Add items not involving cash				
Stock-based compensation	1,044	38,523	20,573	201,431
Depletion and amortization	274,923	426,531	1,052,224	1,198,411
Impairment of properties	5,900,000	-	16,400,000	-
Accretion of asset retirement obligation	13,964	16,965	46,915	47,372
Accretion of discount on convertible debentures	101,934	101,934	302,478	303,586
Interest settled with shares	-	-	257,863	-
Funds from operations ⁽¹⁾	(577,645)	(140,670)	(1,165,222)	(5,013)

(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 September 30, 2009 and 2008.

\$ Amount per boe	Three months	Three months	Change	Nine months	Nine months	Change
	ended	ended		ended	ended	
	September	September		September	September	
	2009	2008		2009	2008	
Price	18.38	49.15	(63%)	23.24	53.03	(56%)
Net royalties	1.84	(7.47)	(125%)	0.86	(7.13)	(112%)
Operating expenses	(26.25)	(22.70)	16%	(23.52)	(19.46)	21%
Operating netback	(6.03)	18.98	(132%)	0.58	26.44	(98%)
Net general and administrative expenses	(25.94)	(20.75)	25%	(20.66)	(21.72)	(5%)
Interest and other income	0.56	1.18	(53%)	0.64	2.28	(72%)
Interest and financing charges (cash basis)	(11.77)	(7.82)	51%	(4.62)	(7.09)	(35%)
Funds from operations netback	(43.18)	(8.41)	413%	(24.06)	(0.09)	n/a



RESULTS OF OPERATIONS

Revenues

\$ Amount	Three months ended	Three months ended	Change	Nine months ended	Nine months ended	Change
	September	September		September	September	
	2009	2008		2009	2008	
Natural gas revenues	239,556	720,077	(67%)	1,085,532	2,676,975	(59%)
Oil revenues	534	93,922	(99%)	22,130	205,472	(89%)
Natural gas liquids revenues	5,781	8,613	(33%)	18,136	33,878	(46%)
Total production revenue	245,871	822,612	(70%)	1,125,798	2,915,325	(61%)

Production

	Three months ended	Three months ended	Change	Nine months ended	Nine months ended	Change
	September	September		September	September	
	2009	2008		2009	2008	
Natural gas (mcf/day)	872	1,023	(15%)	1,038	1,143	(9%)
Oil (bbl/day)	2	10	(82%)	3	9	(67%)
Natural gas liquids (bbl/day)	-	1	n/a	1	2	(50%)
Total (boe/day)	147	182	(19%)	177	201	(12%)

Average Sales Price

\$ Amount	Three months ended	Three months ended	Change	Nine months ended	Nine months ended	Change
	September	September		September	September	
	2009	2008		2009	2008	
Natural gas (\$/mcf)	3.02	7.65	(61%)	3.83	8.55	(55%)

Average Benchmark Sales Price

\$ Amount	Three months ended	Three months ended	Change	Nine months ended	Nine months ended	Change
	September	September		September	September	
	2009	2008		2009	2008	
AECO (daily) natural gas (\$/mcf)	2.94	7.74	(62%)	3.77	8.62	(56%)
Exchange rate (USDCAD)	1.10	1.04	6%	1.17	1.02	15%



Production for the three months ended September 30, 2009 averaged 147 boe per day representing a 19% decrease over the 182 boe per day in 2008. This decrease was a result of natural declines in the production along with the sale of the Company's heavy oil property that was sold in April and the Lacombe property sale that closed in August.

Production for the nine months ended September 30, 2009 averaged 177 boe per day, a 12% decrease compared to production of 201 boe per day for the nine months period ended September 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 two properties in the period. 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 September 30, 2009 was \$3.02 per mcf, a 61% 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	Three months ended	Change	Nine months ended	Nine months ended	Change
	September	September		September	September	
	2009	2008		2009	2008	
Total net royalties	(24,669)	125,021	(120%)	(41,706)	392,058	(111%)
Net royalties (\$/boe)	(1.84)	7.47	(125%)	(0.86)	\$7.13	(112%)
Average corporate royalty rate	(10%)	15%	(25%)	(4%)	13%	(17%)

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 third quarter of 2009 the Company incurred a net royalty expense credit of \$24,669 representing 10% of total production revenues recorded or \$1.84 on a per boe basis. This represents a decrease of \$149,690 or 120% in total net royalties incurred from the third quarter of 2009 to the third quarter of 2008. This change is due to lower production revenues plus the effect of 2008 GCA credit adjustments received in the period. In the third 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.

Net royalties for the nine months ended September 30, 2009 totaled a credit of \$41,706 representing 4% of total production revenues recorded or \$0.86 on a per boe basis. This represents a decrease of \$433,764 due to favorable royalty adjustments from Alberta Crown as mentioned above. On a per boe basis, total net royalties declined 112% from \$7.13 per boe in 2008. This year over year per boe reduction is primarily a result of Gas Cost Allowance credits mentioned above.



Operating Expenses

\$ Amount	Three months ended	Three months ended	Change	Nine months ended	Nine months ended	Change
	September	September		September	September	
	2009	2008		2009	2008	
Operating expenses	351,169	379,919	(8%)	1,139,412	1,069,572	7%
Operating expenses (\$/boe)	26.25	22.70	16%	23.52	\$19.45	21%

Operating expenses for the three months ended September 30, 2009 decreased 8% over the same period in 2008 and totaled \$351,169. Operating costs for the nine months ended September 30, 2009 of \$23.52 per boe is higher than the \$19.45 per boe experienced in the nine month period ended September 30, 2008 by \$4.08 per boe or 21%. These increases on a per boe basis, both in the third quarter and year to date, are partially a result of the lower production levels due to weather related issues, natural declines in the Company's Morningside / Lacombe areas and property dispositions in the period.

GENERAL AND ADMINISTRATIVE EXPENSES

\$ Amount	Three months ended	Three months ended	Change	Nine months ended	Nine months ended	Change
	September	September		September	September	
	2009	2008		2009	2008	
Total general and administrative expenses incurred	366,527	385,278	(5%)	1,071,103	1,351,191	(21%)
Less overhead recoveries	(19,487)	(31,607)	(38%)	(63,401)	(49,815)	27%
Less capitalized overhead	-	(6,486)	(100%)	(7,345)	(106,757)	(93%)
Net general and administrative expenses	347,040	347,185	(0%)	1,000,357	1,194,619	(16%)
Net general and administrative expenses (\$/boe)	25.94	20.75	25%	20.65	21.72	(5%)

Net general and administrative expenses for the three months ended September 30, 2009 totaled \$347,040 versus the \$347,185 incurred during the same period in 2008. Net general and administrative expenses for the nine months ended September 30, 2009 totaled \$1,000,357 versus \$1,194,619 for the comparable period in 2008. The general decline in net general and administrative expenses is a result of a reduction in staffing load.

INTEREST AND FINANCING CHARGES

\$ Amount except percentages	Three months ended	Three months ended	Change	Nine months ended	Nine months ended	Change
	September	September		September	September	
	2009	2008		2009	2008	
Interest on convertible debenture	130,006	130,711	(1%)	387,869	389,290	0%
Interest expense	27,434	194	n/a	93,985	294	n/a
Accretion of discount on convertible debentures	101,934	101,934	0%	302,478	303,586	0%
Total	259,374	232,839	11%	784,332	693,170	13%

Interest and financing charges for the three months ended September 30, 2009 totaled \$259,374 versus \$232,839 for the three months ended September 30, 2008 representing an increase of \$27,535 or 11%. This increase is due almost exclusively to an increase in the Company's credit facilities.

For the nine months ended September 30, 2009, interest expense increased to \$784,332 or 13% from the \$693,170 incurred in the same period in 2008. This increase was directly a function of the increase in the Company's credit facilities.



QUARTERLY FINANCIAL SUMMARY

\$ Amount except for per unit amounts	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Sales – Natural gas (mcf/day)	872	1,095	1,161	1,149	1,023	1,174	1,232	946
Sales – Oil and natural gas liquids (bbls/day)	2	3	8	10	11	8	12	11
Sales – Total (boe/day)	147	186	202	201	182	204	217	169
Average Natural gas price (\$/mcf)	\$3.02	\$3.38	\$4.87	\$6.64	\$7.65	\$10.03	\$7.90	\$5.96
Average Oil and natural gas liquids price (\$/bbl)	\$40.81	\$33.97	\$32.66	\$41.54	\$97.56	\$97.69	\$63.08	\$45.97
Total production revenue	245,871	346,632	533,295	738,427	822,612	1,143,569	949,144	565,369
Interest and other revenue	7,464	6,298	17,271	12,260	19,748	25,791	79,956	104,363
Royalty expense, net of ARTC	(24,669)	(76,209)	59,172	108,089	125,021	117,730	149,307	90,233
EXPENSES								
Operating expense	351,169	387,474	400,769	403,386	379,919	335,236	354,417	338,615
General and administrative expenses	347,040	321,801	331,516	288,171	347,185	466,195	381,239	249,179
Stock-based compensation	1,044	1,045	18,484	18,623	38,523	111,951	50,957	54,037
Interest and financing charges	259,374	269,072	255,886	232,645	232,839	229,861	230,470	244,092
Depletion, amortization & accretion expense	288,887	323,266	486,985	497,167	443,496	388,379	413,908	390,271
Impairment of oil and gas properties	5,900,000	-	10,500,000	-	-	-	-	8,250,000
Future income tax reduction	-	-	-	-	-	-	-	(7,081)
Net income (loss)	(6,869,510)	(873,519)	(11,502,246)	(797,394)	(724,623)	(479,992)	(551,198)	(8,939,614)

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 - \$34,048, 2010 - \$140,415, 2011 - \$144,638 and 2012 - \$148,860.

SUBSEQUENT EVENTS

On November 4, 2009, the Company closed the sale of The Thorsby property to a private oil and gas company for gross proceeds of \$1,400,000, reduced by normal course purchase and sale adjustments and approximately \$45,000 in transaction fees. This property represented approximately 186 mcf per day or 21% of third quarter production and approximately \$300,000 of the Company's net reported asset retirement obligation. The net proceeds of the sale of the Thorsby property were used to reduce the Company's borrowings under its credit facilities

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 publicly 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.