Financial Statements of
Richards Oil & Gas Limited
September 30, 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)

	September 30, 2009	December 31, 2008
ASSETS		
CURRENT		
Cash and cash equivalents	$ --	$ 1,816,333
Accounts receivable	631,653	1,553,765
Prepaid expenses	121,311	109,380
	752,964	3,479,478
PROPERTY AND EQUIPMENT (note 4)	3,727,481	21,682,114
	$ 4,480,445	$ 25,161,592
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 2,020,777	$ 4,648,160
Credit facilities (note 5)	2,780,011	2,000,000
	4,800,788	6,648,160
CONVERTIBLE DEBENTURES (note 6)	5,758,720	5,456,242
ASSET RETIREMENT OBLIGATION (note 7)	825,930	995,516
	11,385,438	13,099,918
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 8)	29,062,769	28,804,906
WARRANTS (note 8)	-	1,588,081
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES (note 6)	1,435,822	1,435,822
CONTRIBUTED SURPLUS (note 10)	5,342,579	3,733,753
DEFICIT	(42,746,163)	(23,500,888)
	(6,904,993)	12,061,674
	$ 4,480,445	$ 25,161,592

GOING CONCERN (note 1)
COMMITMENTS (note 13)

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

RICHARDS OIL & GAS LIMITED
STATEMENTS OF OPERATIONS AND DEFICIT
(UNAUDITED)

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
REVENUE				
Production	245,871	822,612	1,125,798	2,915,325
Royalties	24,669	(125,021)	41,706	(392,058)
Interest and other	7,464	19,748	31,034	125,495
	278,004	717,339	1,198,538	2,648,762
EXPENSES				
Operating	351,169	379,919	1,139,412	1,069,572
General and administrative	347,040	347,185	1,000,357	1,194,619
Stock-based compensation	1,044	38,523	20,573	201,431
Interest and financing charges (note 11)	259,374	232,839	784,332	693,170
Depletion, amortization and accretion	288,887	443,496	1,099,139	1,245,783
Impairment of oil and gas properties (note 4)	5,900,000	-	16,400,000	-
	7,147,514	1,441,962	20,443,813	4,404,575
NET LOSS, before income taxes	(6,869,510)	(724,623)	(19,245,275)	(1,755,813)
Future income tax reduction	-	-	-	-
NET LOSS	(6,869,510)	(724,623)	(19,245,275)	(1,755,813)
DEFICIT, beginning of period	(35,876,653)	(21,978,871)	(23,500,888)	(20,947,681)
DEFICIT, end of period	(42,746,163)	(22,703,494)	(42,746,163)	(22,703,494)
Loss per share (note 9)				
Basic and diluted	(0.09)	(0.01)	(0.26)	(0.02)

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

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

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES				
Net loss for the period	(6,869,510)	(724,623)	(19,245,275)	(1,755,813)
Items not affecting cash				
Stock-based compensation	1,044	38,523	20,573	201,431
Depletion, amortization and accretion	288,887	443,496	1,099,139	1,245,783
Impairment of oil and gas properties	5,900,000	-	16,400,000	-
Accretion of discount on convertible debentures	101,934	101,934	302,478	303,586
Interest expense settled with shares (note 6)	-	-	257,863	-
	(577,645)	(140,670)	(1,165,222)	(5,013)
Net change in non-cash working capital (note 12)	212,204	357,126	426,859	258,181
	(365,441)	216,456	(738,363)	253,168
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions of property and equipment	(91,226)	(2,001,942)	(745,737)	(3,742,280)
Dispositions of property and equipment	619,817		1,031,818	
Net Change in non-cash working capital (note 12)	253,820	1,526,767	(2,144,062)	(795,984)
	782,411	(475,175)	(1,857,981)	(4,538,264)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in credit facility	(419,989)	-	780,011	-
	(419,989)	-	780,011	-
INCREASE (DECREASE) IN CASH and CASH EQUIVALENTS	(3,019)	(258,719)	(1,816,333)	(4,285,096)
CASH and CASH EQUIVALENTS, BEGINNING of PERIOD	(3,019)	2,199,190	1,816,333	6,225,567
CASH and CASH EQUIVALENTS, END of PERIOD	-	1,940,471	-	1,940,471

The accompanying notes form an integral part of these financial statements

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 operations. There is no assurance that the Company will be able to continue its business activities.

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 (see note 5). 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 30, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements of Richards Oil & Gas Limited (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 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 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.

4. PROPERTY AND EQUIPMENT

$ Amount	As at September 30, 2009	As at December 31, 2008
Capitalized costs – oil and natural gas properties	40,970,971	41,473,380
Capitalized costs – other assets	115,746	115,746
Accumulated Depletion and amortization	(37,359,236)	(19,907,012)
Net book value	3,727,481	21,682,114

At September 30, 2009, $8,627,200 (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 September 30, 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 $5,900,000 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 for the three months ended September 30, 2009. The prices used in the ceiling test evaluation of the Company's oil and natural gas reserves at September 30, 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	71.49	77.63	3.24	2.0	0.900
2010	75.09	81.60	5.26	2.0	0.900
2011	78.11	84.94	6.29	2.0	0.900
2012	82.28	87.09	6.95	2.0	0.925
2013	92.01	94.97	7.50	2.0	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 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's credit facilities were reduced again on June 1, 2009 with Facility A being reduced to $2,250,000 and the per annum interest rate for Facility A was increased to the bank's prime lending rate plus 2.5 percent. The Company's credit facilities reduced further on November 4, 2009 with Facility A being reduced to $455,000 as a result of the Thorsby property sale.

On June 25, 2009 the Company received a notice of event of default letter from the bank notifying the Company that it is in default under its loan agreement for failure to comply with certain covenants under the current loan agreement the Company has with the bank. As a result of this event of default, the bank has demanded the total amount due and owing under the loan agreement be repaid immediately. The Company is currently actively pursuing asset dispositions and strategic alternatives to satisfy the demand notice from the bank. To date the bank has been supportive of these initiatives and accordingly has not forced the Company into forbearance or placed the Company into receivership. At November 24, 2009 the Company had drawn $455,000 on its Facility A and was fully drawn on its $1,100,000 demand loan facility.

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 September 30, 2009 the Company was not in compliance with the working capital covenant described above (note 1).

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 are 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. 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.

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	-	302,478
Balance as at September 30, 2009	1,435,822	5,758,720

7. ASSET RETIREMENT OBLIGATION

As at September 30, 2009 the Company has estimated undiscounted future costs related to the abandonment and restoration of its oil and gas properties to be $1,233,110 (December 31, 2008 - $1,568,295). These obligations are to be settled over an average of 5.9 years and have been discounted using a credit-adjusted risk free interest rate of 6.0% and inflation rate of 2.0%.

Changes to the asset retirement obligation were as follows:

$ Amount	Nine months ended September 30, 2009	Year ended December 31, 2008
Balance, beginning of period	995,516	736,956
Liabilities disposed during period	(216,501)	
Liabilities incurred during the period	-	194,951
Accretion of asset retirement obligation during the period	46,915	63,609
Balance, end of period	825,930	995,516

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	5,157,248	257,863
Balance as at September 30, 2009	77,818,850	29,062,769

The Company issued 5,157,248 Common Shares as a result of exercising its option to satisfy its interest obligation due June 30, 2009. As a result, interest payable in the amount of $257,863 was exchanged for Common Shares of the Company.

ii) Stock Options
The number of stock options granted and their exercise prices are as follows:

	Nine months ended September 30, 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	(1,945,000)	$ 0.74	(1,628,333)	$ 1.07
Outstanding at end of period	2,845,000	$ 0.62	4,790,000	$ 0.67
Exercisable at end of period	2,831,665	$ 0.62	4,148,330	$ 0.74

The following summarizes details about the Company's stock option granted as at September 30, 2009:

	Options outstanding			Options vested		
Range of exercise price	Outstanding options	Remaining contract life	Weighted average exercise price	Vested options	Remaining contract life	Weighted average exercise price
$0.16 to $0.49	1,945,000	3.2	$0.21	1,931,665	3.2	$0.21
$0.50 to $0.99	300,000	2.6	$0.72	300,000	2.6	$0.72
$1.00 to $1.49	100,000	1.1	$1.31	100,000	1.1	$1.31
$1.50 to $1.99	150,000	1.8	$1.62	150,000	1.8	$1.62
$2.00 to $2.49	350,000	1.5	$2.16	350,000	1.5	$2.16
	2,845,000	2.8	$0.62	2,831,665	2.8	$0.62

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 entitled the holder thereof to acquire one common share at a price of $0.40 on or prior to July 10, 2009. These warrants were not exercised and therefore expired on July 10, 2009.

$ Amount	Nine months ended September 30, 2009	Year ended December 31, 2008
Balance, beginning of year	1,588,081	1,588,081
Transfer of expired warrants to contributed surplus	(1,588,081)	-
Balance, end of period	-	1,588,081

9. BASIC AND DILUTED 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	Weighted average number of shares	Income / (Loss) per share
Three months ended	September 30, 2009	$ (6,869,510)	77,818,850	$ (0.09)
	September 30, 2008	$ (724,623)	72,661,602	$ (0.01)
Nine months ended	September 30, 2009	$ (19,245,275)	74,418,467	$ (0.26)
	September 30, 2008	$ (1,755,813)	72,661,602	$ (0.02)

For the periods ended September 30, 2009 and September 30, 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	Nine months ended September 30, 2009	Year ended December 31, 2008
Balance, beginning of year	3,733,753	3,502,156
Stock-based compensation	20,745	231,597
Transfer of expired warrants from warrants account	1,588,081	-
Balance, end of period	5,342,579	3,733,753

11. INTEREST AND FINANCING CHARGES

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

$ Amount	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Interest on convertible debenture	130,006	130,711	387,869	389,290
Accretion of discount on convertible debentures	101,934	101,934	302,478	303,586
Interest expense on credit facility	27,434	194	93,985	294
Total	259,374	232,839	784,332	693,170

12. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital comprised the following:

$ Amount	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Accounts receivable	8,682	142,301	922,112	1,559,651
Prepaid expenses	15,643	(2,249)	(11,931)	(12,546)
Accounts payable and accrued liabilities	441,699	1,743,831	(2,627,383)	(2,084,908)
Net change	466,024	1,883,893	(1,717,202)	(537,803)
Net change by activity:				
Operating	212,204	357,126	426,860	258,182
Investing	253,820	1,526,767	(2,144,062)	(795,985)
Net change	466,024	1,883,893	(1,717,202)	(537,803)
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 that it no longer occupies over the next four years. The operating lease commitment, before operating costs, for the next five years are as follows; 2009 - $34,048, 2010 - $140,415, 2011 - $144,638 and 2012 - $148,860.

14. CAPITAL STRUCTURE POLICIES

The Company's current objective when managing capital is to safeguard its ability to continue as a going concern, so that it can attempt to provide returns to shareholders and benefits for other stakeholders. 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 assets. 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.

15. 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.

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 meets 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.

16. 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. The net proceeds of the sale of the Thorsby property were used to reduce the Company's borrowings under its credit facilities.