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# Form 52-109FT2-Certification of Interim Filings during Transition Period

I, **B. D. Lasker, President of Ridgeway Petroleum Corp.**, certify that:

SUPPL

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Ridgeway Petroleum Corp. (the "issuer") for the interim period ending June 30, 2005;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings; and
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the period presented in the interim filings.

Date: August 19, 2005

Signature: "Barry D. Lasker"



SUPPL

Title: President

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**Form 52-109FT2-Certification of Interim Filings during  
Transition Period**

**I, J. B. Petrie, Chief Financial Officer of Ridgeway Petroleum Corp., certify that:**

- 1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Ridgeway Petroleum Corp. (the "issuer") for the interim period ending June 30, 2005;**
- 2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings; and**
- 3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the period presented in the interim filings.**

**Date: August 19, 2005**

**Signature: "J. Bruce Petrie"**

**Title: Chief Financial Officer**

# **Ridgeway Petroleum Corp.**

**INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**  
June 30, 2005

**RIDGEWAY PETROLEUM CORP.****CONSOLIDATED BALANCE SHEET**

	June 30 2005	December 31 2004
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 369,027	\$ 22,286
Accounts receivable	6,804	3,032
Prepaid expenses and deposits	165,319	151,292
	<hr/> 541,150	<hr/> 176,610
Office furniture and equipment and automotive, at cost	176,374	172,586
Less: Accumulated depreciation (Note 2)	(127,669)	(122,288)
	<hr/> 48,705	<hr/> 50,298
Resource properties, net (Note 3)	41,395,825	40,841,853
	<hr/> \$ 41,985,680	<hr/> \$ 41,068,761
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 182,732	237,561
Asset retirement obligation (Notes 2 and 4)	217,927	208,543
Future income tax liability (Note 6)	8,396,456	8,396,456
<b>Shareholders' Equity</b>		
Equity instruments (Note 5)	66,393,860	64,326,966
Contributed surplus (Note 5)	3,532,658	3,129,868
Deficit	(36,569,548)	(35,062,228)
Common shares acquired, at cost (Note 5)	(168,405)	(168,405)
	<hr/> 33,188,565	<hr/> 32,226,201
	<hr/> \$ 41,985,680	<hr/> \$ 41,068,761

*Ability to continue operations (Note 1)*

Approved by the Board "K. B. Sparks" Director "B. D. Lasker" Director  
K. B. Sparks B. D. Lasker

**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**

	Six months ended June 30	
	2005	2004
<b>Revenues</b>		
Proceeds received settlement of legal matters	\$ -	\$ 100,000
Interest and other income	1,213	1,308
	<u>1,213</u>	<u>101,308</u>
<b>Expenses</b>		
Accretion of asset retirement obligation (Notes 2 and 4)	9,384	7,398
Consulting fees	389,944	324,633
Depreciation and depletion	5,381	7,292
Foreign currency translation (gain)	5,124	(47,266)
Insurance	17,236	20,369
Interest and financing (Note 9)	115,596	-
Land management services	14,284	20,236
Legal	138,486	67,897
Office and equipment	93,458	97,971
Other	12,917	3,861
Promotion	14,349	38,970
Stock-based compensation (Note 5)	393,040	310,000
Transfer agent and stock exchange fees	42,939	31,317
Travel	24,229	11,927
Wages and salaries	232,166	174,801
	<u>1,508,533</u>	<u>1,069,406</u>
<b>Loss for the period</b>	<b>(1,507,320)</b>	<b>(968,098)</b>
<b>Deficit, beginning of period</b>	<b>(35,062,228)</b>	<b>(32,883,687)</b>
<b>Deficit, end of period</b>	<b>\$(36,569,548)</b>	<b>\$(33,851,785)</b>
<b>Loss per share-Basic and diluted</b>	<b>\$ (0.04)</b>	<b>\$ (0.03)</b>

**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**

	Quarter ended June 30	
	2005	2004
<b>Revenues</b>		
Proceeds received on settlement of legal matters	\$ -	\$ 100,000
Interest and other income	1,068	351
	<b>1,068</b>	<b>100,351</b>
<b>Expenses</b>		
Accretion of asset retirement obligation (Notes 2 and 4)	4,692	2,416
Consulting fees	219,781	155,621
Depreciation and depletion	2,690	3,647
Foreign currency translation (gain)	3,324	(27,163)
Insurance	9,411	11,496
Interest and financing (Note 9)	79,262	-
Land management services	6,566	11,763
Legal	79,036	45,879
Office and equipment	56,528	63,529
Other	9,592	2,573
Promotion	11,117	19,124
Stock-based compensation (Note 5)	235,690	-
Transfer agent and stock exchange fees	24,694	23,395
Travel	16,843	7,691
Wages and salaries	145,937	86,704
	<b>905,163</b>	<b>406,675</b>
<b>Loss for the period</b>	<b>(904,095)</b>	<b>(306,624)</b>
<b>Deficit, beginning of period</b>	<b>(35,665,453)</b>	<b>(33,545,461)</b>
<b>Deficit, end of period</b>	<b>\$(36,569,548)</b>	<b>\$(33,851,785)</b>
<b>Loss per share-Basic and diluted</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Six months ended June 30	
	2005	2004
<b>Cash (used in) provided by operating activities</b>		
Net loss for the period	\$ (1,507,320)	\$ (968,098)
Items not affecting cash		
Accretion of asset retirement obligation	9,384	7,398
Stock-based compensation	393,040	310,000
Depreciation and depletion	5,381	7,292
	<b>(1,099,515)</b>	<b>(643,408)</b>
Asset retirement obligation settlement	-	(113,635)
Changes in non-cash working capital	91,764	549,664
<b>Cash (used in) provided by operating activities</b>	<b>(1,007,751)</b>	<b>(207,379)</b>
<b>Cash provided by (used in) investing activities</b>		
Property expenditures	(553,972)	(1,677,578)
Office furniture and equipment expenditures	(3,788)	-
Changes in non-cash working capital	(164,392)	359,222
<b>Cash provided by (used in) investing activities</b>	<b>(722,152)</b>	<b>(1,318,356)</b>
<b>Cash provided by (used in) financing activities</b>		
Issuance of equity instruments for cash, net of issue expenses	2,076,644	445,050
<b>Cash provided by (used in) financing activities</b>	<b>2,076,644</b>	<b>445,050</b>
<b>Increase (decrease) in cash</b>	<b>346,741</b>	<b>(1,080,685)</b>
<b>Cash, beginning of period</b>	<b>22,286</b>	<b>1,550,968</b>
<b>Cash, end of period</b>	<b>\$ 369,027</b>	<b>\$ 470,283</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Quarter ended June 30	
	2005	2004
<b>Cash (used in) provided by operating activities</b>		
Net loss for the period	\$ (904,095)	\$ (306,324)
Items not affecting cash		
Accretion of asset retirement obligation	4,692	2,416
Stock-based compensation	235,690	-
Depreciation and depletion	2,690	3,647
	(661,023)	(300,261)
Changes in non-cash working capital	(1,196,264)	662,817
<b>Cash (used in) provided by operating activities</b>	<b>(1,857,287)</b>	<b>362,556</b>
<b>Cash provided by (used in) investing activities</b>		
Property expenditures	(265,733)	(1,364,648)
Office furniture and equipment expenditures	(3,788)	-
Changes in non-cash working capital	(15,788)	359,222
<b>Cash provided by (used in) investing activities</b>	<b>(285,309)</b>	<b>(1,005,426)</b>
<b>Cash provided by (used in) financing activities</b>		
Issuance of equity instruments for cash, net of issue expenses	1,976,644	64,800
<b>Cash provided by (used in) financing activities</b>	<b>1,976,644</b>	<b>64,800</b>
<b>Increase (decrease) in cash</b>	<b>(165,952)</b>	<b>(578,070)</b>
Cash, beginning of period	534,979	1,048,353
<b>Cash, end of period</b>	<b>\$ 369,027</b>	<b>\$ 470,283</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2005**

**1 Ability to continue operations**

The Company operates in Canada and the United States and is engaged in the business of development of its helium and carbon dioxide project in eastern Arizona and western New Mexico. The Company has spent approximately \$41,557,400 to date in acquiring, exploring and developing the project. As disclosed in the Consolidated Statements of Operations and Deficit and Cash Flows respectively, the net loss for the period was \$1,507,320 and the cash used in operating activities was \$1,007,751. Continuation of operations and realization of the capitalized cost of resource properties are dependent upon the Company obtaining long term contracts for carbon dioxide, constructing the appropriate facilities and obtaining additional external financing and achieving profitable operations. Management is focussed on the activities necessary to achieve these objectives including the holding of a number of meetings with key potential users of carbon dioxide for enhanced oil recovery purposes, primarily in California. The securing of long term contracts for carbon dioxide is the critical step in this process. If these contracts are not obtained, the Company may not be able to fully realize its assets.

An assumption underlying the preparation of financial statements in accordance with generally accepted accounting principles is that the enterprise will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future and do not reflect the adjustments that would otherwise be necessary if the going concern assumption was not appropriate. These financial statements have been prepared on the going concern assumption which, in the opinion of management, is appropriate.

The objectivity and integrity of data in these financial statements, including estimates and judgements relating to matters not concluded by quarter end, are the responsibility of management of the Company. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Company's accounting policies.

**2 Summary of significant accounting policies**

These financial statements are presented in Canadian dollars and are prepared in accordance with Canadian generally accepted accounting principles. The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimated.

**Principles of consolidation**

The consolidated financial statements of the Company include the accounts of Ridgeway Petroleum Corp. and its wholly-owned subsidiary Ridgeway Petroleum (Florida), Inc. ("RF").

The consolidated financial statements of RF include the results of its wholly-owned subsidiary, Arizona Resources Industries, Inc. and its wholly-owned subsidiaries, Ridgeway Arizona Oil Corp. and Ridgeway Industries, Inc.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2005**

**Foreign currency translation**

The operations of the Company's foreign subsidiaries are classified as fully integrated. Assets and liabilities are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. Expenses are translated at average exchange rates prevailing during the period with the exception of write-downs, which are translated at historical rates. Exchange gains or losses are included in earnings.

**Depreciation**

Office furniture and equipment are depreciated using the declining balance method at a rate of 20% per year. Automotive is depreciated using the declining balance method at a rate of 30% per year.

**Revenue recognition**

Revenue from the production of crude carbon dioxide is recognized at the time title passes to the purchaser.

**Cash and cash equivalents**

Cash and cash equivalents includes short-term investments with a maturity of three months or less when purchased.

**Resource properties**

Direct expenditures are initially capitalized, net of recoveries, and written off if no reserves are found. Other costs are expensed until development commences. Commencing July 1, 2002, these capitalized costs were being depleted using the unit of production method, based on the estimated volumes of gas to be produced during the twenty-year contract to provide crude carbon dioxide for a liquids plant located within the field until the plant ceased operations in July 2003. It is uncertain when the plant will resume operations. The carrying value of the Company's resource properties is subject to an annual assessment for potential impairment. Any impairment loss is the difference between the carrying value of the properties and its net recoverable amount (undiscounted).

**Asset retirement obligation**

The Company provides for asset retirement obligations. Liabilities are recognized for retirement obligations associated with tangible long-lived assets, such as well sites. The obligations are those for which the Company faces a legal obligation for settlement (or has made promissory estoppel). The initial measurement of the asset retirement obligation is at fair value, defined as "the price that an entity would have to pay a willing third party of comparable credit rating to assume the liability in a current transaction other than in a forced or liquidation sale." The asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. Amortization of asset retirement costs are included in depletion expense on the consolidated statement of operations. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the consolidated statement of operations. Actual expenditures incurred are charged against the accumulated obligation.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*June 30, 2005*

**Income taxes**

Income taxes are recorded using the liability method of accounting. Under this method, future income tax liabilities are determined by applying the tax rate at the end of the accounting period to the temporary differences between the accounting and tax bases of the Company's assets and liabilities. The future benefit of current and past tax losses is recognized whenever it is more likely than not that the Company will be able to generate sufficient future taxable income to utilize the tax losses before they expire.

**Stock-based compensation**

The Company periodically grants stock options to directors and employees of the Company. The Company records compensation expense in the Consolidated Financial Statements for stock options granted to directors and employees using the fair value method. Fair values are determined using the Black-Scholes option pricing model (see Note 5).

**Per share data**

The diluted per share information is calculated using the treasury stock method. The treasury stock method assumes the notional exercise of all in-the-money stock options and warrants and that all notional proceeds to the Company are used to repurchase the Company's common shares at the average market price during the period. No adjustment to diluted earnings per share is made if the result of this calculation is anti-dilutive. The weighted average number of shares outstanding during the period, which was used for purposes of the computation of per share data, was 42,028,600 (2004-39,521,400).

**3 Resource properties**

	June 30	
	2005	2004
Balance, beginning of period	\$40,841,853	\$38,389,475
Add: Expenditures	553,972	1,677,578
Balance, end of period	\$41,395,825	\$40,067,053

Resource property expenditures were incurred on the Company's Arizona and New Mexico leases. Of the expenditures, approximately \$20 million comprise resource property costs which are without tax basis. The balance of the expenditures comprise primarily drilling costs and include approximately \$6,013,000 of lease acquisition and rental costs (2004 - 5,400,000). Also included in resource property costs are asset retirement costs of \$214,193 (2004--\$130,261).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2005

**4 Asset retirement obligation**

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of resource properties.

	June 30	
	2005	2004
Balance, beginning of period	\$ 208,543	\$ 218,461
Add: Accretion expense	9,384	7,398
Deduct: Liabilities settled	-	(113,635)
Balance, end of period	<b>\$ 217,927</b>	<b>\$ 112,224</b>

The total undiscounted amount of estimated cash flows required to settle the obligations is \$903,896 (2004--\$504,808), which has been discounted using a credit-adjusted risk free rate of 9%. Most of these obligations are not expected to be paid for many years in the future and will be funded from general Company resources at the time of retirement.

**5 Equity instruments**

- (a) Authorized  
 25,000,000 preference shares of no par value  
 100,000,000 common shares of no par value

- (b) Issued and outstanding

	June 30, 2005		June 30, 2004	
	Number	Amount	Number	Amount
Common shares				
Balance, beginning of period	41,175,855	\$ 64,222,051	39,444,901	\$ 62,255,279
Issued				
Warrants--cash	10,000	10,000	65,000	152,750
--assigned value		500		3,250
Bonus shares--Debenture (Note 9)	125,000	100,000	-	-
Private Placements, net	2,191,138	1,940,774	-	-
Incentive stock options	-	-	166,000	292,300
Balance, end of period	<b>43,501,993</b>	<b>\$ 66,273,325</b>	<b>39,675,901</b>	<b>\$ 62,703,579</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2005**

Warrants

Balance, beginning of period	2,098,286	\$ 104,915	943,332	\$ 47,167
Exercised	(10,000)	(500)	(65,000)	(3,250)
Expired (transferred to Contributed Surplus)	(195,000)	(9,750)	-	-
Private Placements	928,220	25,870	-	-
Balance, end of period	<u>2,821,506</u>	<u>120,535</u>	<u>878,332</u>	<u>43,917</u>
Total equity instruments		<u>\$ 66,393,860</u>		<u>\$ 62,747,496</u>

At June 30, 2005, common share purchase warrants to purchase 2,821,506 common shares at exercise prices ranging from \$1.00 to \$2.45 were outstanding. 1,412,332 of these warrants expire in 2005 and the balance expire in 2006. During the twelve months ended September 30, 2002, the Company acquired 85,200 of its common shares, pursuant to a normal course issuer bid, at a cost of \$168,405.

(c) Stock options

The following tables summarize the information about currently exercisable stock options to purchase common shares at June 30, 2005:

	Stock Options	Weighted Average Exercise Price
Balance, beginning of period	4,015,000	\$1.96
Granted	750,000	1.03
Cancelled	(425,000)	3.16
Expired	(200,000)	2.92
Balance, end of period	<u>4,140,000</u>	<u>\$1.62</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2005

Exercise Price (\$)	Outstanding Stock Options	
	Number of Options	Weighted Average Remaining Contractual Life (Months)
1.00	1,645,000	28
1.00	300,000	56
1.03	50,000	59
1.05	400,000	58
2.45	1,745,000	13
	<b>4,140,000</b>	<b>27.2</b>

The following table summarizes the information about currently exercisable stock options to purchase common shares at June 30, 2004:

	Stock Options	Weighted Average Exercise Price
Balance, beginning of period	3,800,000	\$2.31
Granted	250,000	3.30
Exercised	(166,000)	1.76
Expired	(365,000)	2.81
Balance, end of period	<b>3,519,000</b>	<b>\$2.35</b>

As described in Note 2, the Company records stock-based compensation expense in the consolidated financial statements for stock options granted to directors and employees using the fair value method. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The grant-date fair value of the options granted during the quarter ended March 31, 2005 was \$0.52 per option with the following assumptions: risk free interest rate--3.1%, expected lives (years)--3.0, expected volatility--0.724. The average grant-date fair value of the options granted during the quarter ended June 30, 2005 was \$0.52 per option with the following assumptions: risk free interest rate--3.1%, expected lives (years) --3.0, expected volatility--0.74.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2005**

**6 Income taxes**

At December 31, 2004, the Company and its subsidiaries had unrecognized non-capital losses and oil and gas tax deductions aggregating approximately \$15.0 million (of which approximately \$5.2 million relates to U.S. subsidiaries). The potential benefit of these losses has not been recognized in these financial statements. The Canadian non-capital losses of approximately \$8.4 million expire over various years up to 2012; the losses of the U.S. subsidiaries are available to be utilized over the next twenty years, and the oil and gas tax deductions have unlimited carryforwards. Substantially all of the Company's future income tax liability is related to temporary differences between the accounting and tax bases of the Company's resource properties.

**7 Segmented information**

The Company operates in Canada and the United States and is engaged in the business of development of its helium and carbon dioxide project in eastern Arizona and western New Mexico.

For the six months ended June 30, 2005, the Company had a net loss of \$1,507,320. Approximately \$385,857 of this net loss pertains to the U.S. operations.

	Canada	June 30, 2005 U.S.A.	Total
Office furniture and equipment and automotive	\$ 75,813	\$ 100,561	\$ 176,374
Less: Accumulated depreciation	(63,296)	(64,373)	(127,669)
Resource properties	-	41,557,386	41,557,386
Less: Accumulated depletion	-	(161,561)	(161,561)
Corporate assets	365,577	175,573	541,150
<b>Total assets</b>	<b>\$ 378,094</b>	<b>\$ 41,607,586</b>	<b>\$ 41,985,680</b>
Capital expenditures	\$ 3,788	\$ 553,972	\$ 557,760

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2005**

For the year ended December 31, 2004, the Company had a net loss of \$2,178,541. Approximately \$590,649 of this net loss and all of the production revenues pertain to the U.S. operations.

	December 31, 2004		
	Canada	U.S.A.	Total
Office furniture and equipment and automotive	\$ 72,025	\$ 100,561	\$ 172,586
Less: Accumulated depreciation	(62,326)	(59,962)	(122,288)
Resource properties	-	41,003,414	41,003,414
Less: Accumulated depletion	-	(161,561)	(161,561)
Corporate assets	6,682	169,928	176,610
<b>Total assets</b>	<b>\$ 16,381</b>	<b>\$ 41,052,380</b>	<b>\$ 41,068,761</b>
Capital expenditures	\$ -	\$ 2,368,446	\$ 2,368,446

**8 Financial instruments**

The Company's financial assets and liabilities that are included in the consolidated balance sheet comprise cash, accounts receivable and current liabilities. The fair values of the financial assets and liabilities that are included in the consolidated balance sheet approximate their carrying amount.

**9 Debenture**

During the first quarter, the Company issued a \$500,000 debenture bearing interest at 12% per annum with a maturity date of June 30, 2005. A debenture discount, reflecting the 125,000 bonus shares issued in connection with the placement and having a deemed value of \$100,000, was amortized over the four month term of the debenture. The amortized amount is included in interest and financing expense.

**10 Comparative amounts**

Certain amounts relating to 2004 have been restated to conform with the presentation adopted in 2005.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2005**

**11      *Legal matters***

The Company has been notified by Reliant Holdings, Ltd. of their intent to arbitrate a contractual dispute between the two organizations pursuant to which Reliant is claiming unliquidated damages. The Company believes this claim is without merit and has instructed its U.S. counsel to vigorously defend the matter.

**12      *Subsequent event***

Subsequent to the quarter end, the Company arranged interim unsecured debt financing of U.S.\$500,000 due March 31, 2006, bearing interest at 10% per annum.

***Auditor review of interim financial statements***

These Interim Consolidated Financial Statements have NOT been reviewed by an auditor.

# **Ridgeway Petroleum Corp.**

**FORM 51-102F1**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**QUARTER ENDED JUNE 30, 2005**

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August, 2005

### *Overview*

Ridgeway Petroleum Corp. ("Ridgeway" or the "Company") is principally engaged in the business of appraisal and development of its helium and carbon dioxide ("CO<sub>2</sub>") project (the "St. Johns Helium/CO<sub>2</sub> Project") in eastern Arizona and western New Mexico. To date, the Company has spent approximately \$41,557,400 in acquiring, exploring and appraising the St. Johns Helium/CO<sub>2</sub> Project. The Company currently owns a 100% working interest in leases covering approximately 247,000 acres.

### *General*

Management's Discussion and Analysis relating to the consolidated financial statements for the six months ended June 30, 2005 and 2004 follows. All financial data contained herein has been prepared in accordance with Canadian generally accepted accounting principles. The reporting currency is the Canadian dollar.

Since early 1997, the Company has completed a number of financings for gross proceeds of approximately \$36.0 million including proceeds from the subsequent exercise of common share purchase warrants issued in conjunction with such financings. In addition, a further \$2.3 million has been raised through the exercise of incentive stock options.

To date, Ridgeway has expended most of the proceeds on the drilling of nineteen exploratory and delineation wells, including coring, casing, drill stem testing, completions and production testing as well as lease acquisition and maintenance and the completion of feasibility studies and resource evaluations regarding development of a commercial project.

The results of these activities have established that the Company's St. Johns Helium/CO<sub>2</sub> Project has significant gas in place and is a world class asset.

In the first quarter of 2003, the Company signed a fifteen year take or pay contract with Air Liquide for the purchase of Ridgeway's helium once in production.

The Company is presently embarking on a number of initiatives with the overall objective of developing a sustainable cash flow that will initially be sufficient to cover lease rentals and corporate overhead.

In February 2005, the Board of Directors of the Company announced the appointment of Barry D. Lasker as Director, President and CEO effective immediately. Mr. Lasker is located in Houston, Texas where a new office has been established. Mr. Lasker replaced Walter B. Ruck, who announced his intended resignation as President in December 2004 pending appointment of his successor. Mr. Ruck was the founding shareholder of the Company in 1980 and remained as a Director and Chairman of the Board until his sudden passing in July 2005. In late July, Mr. Rodney L. Eson was appointed Chairman of the Company.

The initial task of Mr. Lasker was the development of a business plan that will deliver both short term and long term growth. The Board of Directors approved the plan in mid-April. It is anticipated that the Company will embark upon a number of initiatives including the continuation of the drilling program that will collect the critical production, composition and volume data and possibly provide the basis for a small-scale gaseous helium plant. The objective is to develop a sustainable cash flow that will initially cover lease rentals and corporate overhead.

As previously stated the key strategic goal for 2005/2006 is for the Company to become cash flow positive. With this in mind, the Board, in principle, has approved the design, construction and implementation of a helium and CO<sub>2</sub> plant with productive capacity of 25 million cubic feet of raw gas per day. The production from this plant will allow the Company to gain extensive data regarding well deliverability, gas composition and pressures while, at the same time, providing sufficient cash flow to cover expenses and corporate overhead. In the second quarter, the plant design work was completed and several long lead time items went out to tender.

A key long term goal is the securing of gas contracts for the purchase of CO<sub>2</sub> in the enhanced oil recovery (EOR) arena, which the Company is actively pursuing. The Company has held meetings with a number of the key potential users of CO<sub>2</sub> with the objective of providing their current and long-term needs. With oil prices well above U.S.\$40 per barrel the incentive for additional CO<sub>2</sub> flooding is increasing and demand for CO<sub>2</sub> is growing by the day. Our most recent meetings with several EOR participants have been very encouraging, not only for Ridgeway but for the EOR industry in general.

In the longer term, the full field development plan contemplates the appraisal of the field including the drilling of additional wells, adding any necessary field compression and installing gathering pipelines, the construction and operation of the helium processing plant and related facilities and construction and operation of a CO<sub>2</sub> pipeline to customers in the Permian Basin of West Texas and, potentially, into California.

In 2004, the Company completed the drilling of the 11-18 helium/CO<sub>2</sub> well. Initial test results reported that the deepest known productive zone has a helium content of approximately 0.575 percent. These results are significantly higher than the helium composition in either of the two wells previously tested in this zone. Notwithstanding the technical difficulties associated with this well, the initial results were positive. Further testing of the well will be deferred until such time as additional wells are drilled.

At the Field level, a Field Operations Supervisor has been hired whose role is to assist in the operational activity within the field area. His first order of activity was to review the inventory of wells in the field and prepare a long term testing plan that will ultimately enable the Company to determine the long term productivity from the productive zones. By gathering this additional data, we will be able to show to our potential customers that we are able to deliver certain rates from our wells and that these rates are sustainable over the long term.

The inventory of wells has now been completed and the status of several wells is currently being reviewed to determine the best course of action. Also in the Field, new structure and isopach maps have been completed for each pay interval over the entire field area. The new maps now include the 11-18 well data and now incorporate all nearby water well data in order to more accurately locate the main frontal bounding fault. The completion of these new maps will enable us to locate future drilling locations in their optimal position.

The Company had previously anticipated that, by now, Reliant Processing would have achieved their projected volume target of 500 liquid tons of CO<sub>2</sub> per day from their liquids plant. However, in July 2003, Reliant shut down production from the plant. In the second quarter of this year, the Company was notified by Reliant of their intent to arbitrate a contractual dispute between the two organizations pursuant to which Reliant is claiming unliquidated damages. The Company believes this claim is without merit and has instructed its U.S. counsel to vigorously defend the matter.

On the Corporate level, a review of internal processes, needs and manpower requirements is underway to enable the Company to become more cost efficient.

On a shareholder relations level, several initiatives are being considered that will hopefully get the Company and its asset out to the mainstream investors throughout North America. It is our intention to conduct several road shows to potential investor groups and present the Company at several upcoming investor seminars and small capital company conferences.

While continuing to develop the Project, the Company's objective is to maximize the value of the asset and thereby create value for our shareholders. The Company continues to work very closely with Petrie Parkman, its investment banking firm, in assessing a number of alternatives. Several potential transaction candidates have been identified and a number of meetings have been held in this regard. This ongoing process is extremely time consuming recognizing both the complexity and size of our Project.

#### *Liquidity and Capital Resources*

At June 30, 2005, the Company had working capital of \$358,428.

Ridgeway has demonstrated the ability to raise the necessary capital, as it is required. As the Company does not believe its current share price reflects the value of the Company, each recent financing has been relatively modest in order to minimize the impact of dilution on existing shareholders.

The Company has spent sufficient funds to establish size and value of the St. Johns Helium/CO<sub>2</sub> Project. The Company's main financial objective is to have adequate funds available to maintain the lease position and to pay the general and administrative expenses while efforts continue to maximize the value of this asset.

The Company will continue to require additional funds. Ridgeway believes that it has access to sufficient equity capital to maintain the asset during this period. In addition, there are common share purchase warrants and incentive stock options outstanding, which when exercised, could provide funds of approximately \$10.7 million.

To date, all of the Company's fundings have been done in Canadian dollars. However, as the Company's major asset is located in the United States, the majority of its operations are conducted in U.S. dollars. This has resulted in the Company being exposed to the impact of a fluctuating Canadian dollar. Ultimately, it is the Company's objective to obtain U.S. funding and thereby reduce the foreign exchange exposure.

The Company has raised approximately \$2.0 million to date in 2005 through a combination of private placements and the exercise of common share purchase warrants.

In the first quarter of 2005, the Company completed a debenture placement of \$500,000. The debenture bears interest at 12% per annum and is for a term of four months. In addition, 125,000 shares of the Company were issued to the lender that are subject to a four-month hold period. In the second quarter, the Company repaid the debenture, prior to its maturity, from the proceeds of a private placement.

In the second quarter of 2005, the Company completed a 1,430,266 unit private placement at \$0.80 per unit for aggregate proceeds of approximately \$1,144,213. Each unit comprised one share of the company and one quarter non-transferable share purchase warrant. Each whole warrant will entitle the holder to purchase one additional share of the Company at a price of \$1.00 per share for one year from the date of the closing of the private placement.

Also in the second quarter of 2005, the Company completed another private placement of 760,872 units at a price of \$1.15 per unit for aggregate proceeds of approximately \$875,000. Each unit comprised one share of the Company and three quarters of one whole non-transferable share purchase warrant. Each whole warrant will entitle the holder to purchase one share of the Company at a price of \$1.30 per share for one year from the date of the closing of the private placement.

In the third quarter, the Company arranged interim unsecured debt financing of U.S.\$500,000 due March 31, 2006 and bearing interest at 10% per annum. These funds should provide the Company with sufficient liquidity to determine the ultimate capital and financing requirements for attaining the Company's goal of becoming cash flow positive in 2006.

#### *Results of Operations*

##### *Six Months Ended June 30, 2005 and 2004*

The Company incurred a net loss of \$1,507,320 for the six months ended June 30, 2005 compared to a net loss of \$968,098 during the same period in 2004.

The increase in the loss in the current period is the result of a number of factors.

In 2004, the Company received proceeds from the settlement of a lawsuit.

In 2005, there were increases in consulting fees, interest and financing, legal, travel and wages and salaries. The reduction in promotion follows the development of a business plan that resulted in a curtailment of promotional activities.

Consulting fees include the costs of concluding a contractor arrangement as well as engineering studies. Interest and financing includes the costs related to the debenture financing in the first quarter. Legal includes fees related to contractual reviews, assessments and other corporate activities. Travel includes the costs of directors meetings. Wages and salaries reflect, in part, the addition of the new President and CEO.

An additional factor influencing the results for both periods is the continuing fluctuation of the Canadian dollar relative to the United States dollar. Over one half of the operating expenses and virtually all of the capital expenditures are paid in United States dollars which to date have been funded in Canadian dollars.

Further losses will be incurred during this development stage of the St. Johns Helium/CO<sub>2</sub> Project. Profitability will not occur until the Project is further developed and Helium and/or CO<sub>2</sub> is flowing to markets.

Resource property expenditures were \$553,972 in 2005 compared to \$1,677,578 in the prior period, all of which were attributable to the St. Johns Helium/CO<sub>2</sub> Project. The drilling and testing of the 11-18 helium/CO<sub>2</sub> well described above accounts for the higher costs in 2004.

*Results of Operations*  
*Quarter Ended June 30, 2005 and 2004*

During the quarter ended June 30, 2005, the Company incurred a net loss of \$904,095 compared to a net loss of \$306,624 during the same period in 2004.

The primary reasons for the increase in the loss in 2005 relates to the stock-based compensation expense of \$235,690 reflecting the grant of stock options in this quarter plus increases in consulting fees, interest and financing, legal, travel, and wages and salaries. In addition, the Company received proceeds from the settlement of a lawsuit in 2004.

Consulting fees include the costs of concluding a contractor arrangement as well as engineering studies. Interest and financing includes the costs related to the debenture financing in the first quarter. Legal includes fees related to contractual reviews, assessments and other corporate activities. Travel includes the costs of directors meetings. Wages and salaries reflect, in part, the addition of the new President and CEO.

An additional factor influencing the results for both periods is the continuing fluctuation of the Canadian dollar relative to the United States dollar as noted above.

Resource property expenditures were \$265,733 in the period 2005 compared to \$1,364,648 in the prior period, all of which were attributable to the St. Johns Helium/CO<sub>2</sub> Project. The drilling and testing of the 11-18 helium/CO<sub>2</sub> well described above accounts for the higher costs in 2004.

Quarterly financial data for each of the eight most recently completed quarters is provided below. Variations from quarter to quarter reflect the timing of the expenses noted above with the largest variable being stock-based compensation.

	2005 Second	2005 First	2004 Fourth	2004 Third	2004 Second	2004 First	2003 Fourth	2003 Third
Revenues	\$1,068	\$145	\$8,969	\$599	\$100,351	\$957	\$893	\$1,917
Loss before discontinued items	\$904,095	\$603,225	\$818,362	\$391,781	\$306,624	\$661,774	\$390,135	\$1,611,006
Loss per common share	\$0.03	\$0.01	\$0.01	\$0.01	\$0.01	\$0.02	\$0.01	\$0.04
Loss per fully diluted common share	\$0.03	\$0.01	\$0.01	\$0.01	\$0.01	\$0.02	\$0.01	\$0.04
Net loss	\$904,095	\$603,225	\$818,362	\$391,781	\$306,624	\$661,774	\$390,135	\$1,611,006
Net loss per common share	\$0.03	\$0.01	\$0.01	\$0.01	\$0.01	\$0.02	\$0.01	\$0.04
Net loss per fully diluted common share	\$0.03	\$0.01	\$0.01	\$0.01	\$0.01	\$0.02	\$0.01	\$0.04

Additional information related to Ridgeway is on SEDAR at [www.sedar.com](http://www.sedar.com).

*Outstanding Share Data*

The following outstanding share data is as of August 15, 2005.

Share Capital

Authorized capital	
Preference Shares	25,000,000
Common Shares	100,000,000

Issued and outstanding  
 Preference Shares  
 Common Shares

1,000  
 43,501,993

Warrants Outstanding

Number of Share Purchase Warrants	Exercise Price	Expiry Date
403,332	\$2.45	September 5, 2005
480,954	\$2.00	July 24, 2006
1,009,000	\$1.00	November 7, 2005
357,566	\$1.00	April 14, 2006
570,654	\$1.30	May 4, 2006

Options Outstanding

Number of Options	Exercise Price	Expiry Date
1,745,000	\$2.45	August 11, 2006
1,645,000	\$1.00	November 2, 2007
300,000	\$1.00	February 21, 2010
400,000	\$1.05	April 21, 2010
50,000	\$1.03	June 1, 2010
100,000	\$0.95	July 26, 2010

***Potential Risks and Uncertainties***

The resource industry is highly competitive and, in addition, exposes the Company to a number of risks. Resource exploration and development involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. It is also highly capital intensive and the ability to complete a development project may be dependent on the Company's ability to raise additional capital. In certain cases, this may be achieved only through joint ventures or other relationships, which would reduce the Company's ownership interest in the project. There is no assurance that development operations will prove successful.

In addition to the risks and uncertainties identified above, this Management's Discussion and Analysis contains several forward-looking statements, which are also subject to unknown and uncertain risks, uncertainties and other factors that could cause actual results to differ materially from any future results expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, and should be aware the Company is under no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.