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This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

PRELIMINARY PROSPECTUS

Initial Public Offering

January 28, 2005

RICHARDS OIL & GAS LIMITED

(an oil and natural gas exploration company)

Maximum Offering: \$6,300,000 (up to ● Equity Units and ● Flow Through Shares)

Minimum Offering: \$2,025,000 (● Equity Units)

Each Equity Unit consists of one Common Share at \$ ● per Common Share and one Warrant to purchase Common Shares at \$ ● per Common Share, expiring 24 months from the Closing.

Price: \$ ● per Equity Unit and \$ ● per Flow Through Share

1,813,750 Common Shares

(Issuable upon the Exercise of Special Warrants)

Richards Oil & Gas Limited (“ROG” or the “Corporation”) is hereby qualifying for distribution a minimum of ● and a maximum of ● Equity Units (the “Equity Units”) and up to ● Flow Through Shares (the “Flow Through Shares”) at a price of \$ ● per Equity Unit and \$ ● per Flow Through Share, for gross aggregate proceeds of a minimum of \$2,025,000 and a maximum of \$6,300,000. Such Equity Units and Flow Through Shares shall sometimes be referred to herein as the “Offering”. Each Equity Unit consists of one common share of ROG (a “Common Share”) at a price of \$ ● per common share and one common share purchase warrant of ROG (a “Warrant”). Each Warrant will entitle the holder to purchase one Common Share at a price of \$ ● per share for a period of twenty-four (24) months from the initial closing of this Offering. Each Flow Through Share shall be issued as “flow-through shares”, within the meaning of the Tax Act, at a price of \$ ● per flow-through share. The Corporation will incur on or before December 31, 2006, and renounce, effective on or before December 31, 2005, to each subscriber of Flow Through Shares, Canadian exploration expense or Canadian development expense that may be renounced as CEE in an amount equal to the aggregate purchase price paid by such subscriber. See “Plan of Distribution” and “Canadian Federal Income Tax Considerations”.

1,813,750 of the Common Shares (the “Special Warrants”) offered hereunder are to be issued to holders of previously issued Special Warrants of the Corporation. The Special Warrants were sold to investors pursuant to prospectus exemptions under applicable securities legislation through Union Securities Ltd. (the “Agent”) at a price of \$0.40 per Special Warrant. Each Special Warrant entitles the holder thereof to acquire one Common Share, at no additional cost, during the period commencing on the closing of the Special Warrants and ending at 4:30 p.m. (Calgary time) on the earlier of: (i) five business days after the date upon which a final receipt for this prospectus has been obtained from the last of the Securities Commissions to issue a receipt; and (ii) the first anniversary of the closing of the Special Warrants (the “Expiry Time”). Any Special Warrant not exercised prior to the Expiry Time will be deemed to be exercised without any further action on the part of the holder, immediately prior to the Expiry Time. See “Plan of Distribution”.

Of the total purchase price of \$ ● per Equity Unit, the Corporation will allocate \$ ● to each Common Share and \$nil to each Warrant constituting the Equity Unit. The offering prices of the Equity Units and Flow Through Shares was

determined by negotiation between the Corporation and the Agent. The Exchange has conditionally approved the listing of the shares and warrants comprising the Equity Units and the Flow Through Shares. Listing is subject to the Corporation fulfilling all of the listing requirements of the Exchange.

Offering	Price to Investor	Agent's Fee ⁽¹⁾	Net Proceeds to ROG ⁽²⁾
Per Equity Unit	\$ ●	\$ ●	\$ ●
Per Flow Through Share	\$ ●	\$ ●	\$ ●
Maximum Offering ⁽³⁾	\$6,300,000	\$630,000	\$5,670,000
Minimum Offering	\$2,025,000	\$202,500	\$1,822,500

Notes:

- (1) The agent, Union Securities Ltd. (the "Agent") will receive a commission of 10% of the gross proceeds from the Offering. As additional compensation, ROG will grant to the Agent, upon closing of the Offering, a number of non-transferable broker warrants (a "Broker Warrant") equal to 10% of the total number of Equity Units and Flow Through Shares sold pursuant to this Offering. Each Broker Warrant will entitle the holder thereof to purchase one Equity Unit at a price of \$ ● per Equity Unit for a period of 24 months from the date of the initial closing of the Offering. This prospectus qualifies the distribution of the Broker Warrants. The Agent will also be reimbursed for certain expenses. No additional commission or fee will be payable by ROG in connection with the distribution of Common Shares upon the exercise of the Special Warrants, Warrants or the Broker Warrants.
- (2) Before deducting the expenses of this Offering, not including the agent's commission, estimated at \$100,000, to be paid by ROG out of the proceeds from the Offering of the Equity Units. See "Use of Proceeds".
- (3) The Offering is subject to there being acceptable subscriptions of Equity Units for a minimum of \$2,025,000 in the aggregate. Subscription proceeds for the Offering will be deposited with the Agent to be held in trust pending closing of the Offering. If a minimum of \$2,025,000 in Equity Unit subscription funds has not been received within 90 days from the date of the final receipt for this prospectus (or such other date as the Corporation and the Agent may agree upon with the consent of applicable securities regulatory authorities), any subscription funds will be returned to subscribers without interest or deduction. See "Plan of Distribution".

These securities are considered to be highly speculative due to the nature of the Corporation's business, and its present state of development, and other risk factors that are inherent in such an investment. An investment in securities of the Corporation should only be made by persons who can afford a significant or total loss of their investment. The Corporation is in the business of acquisition, exploration, development and production of oil and natural gas, the success of which cannot be assured. The Corporation has never paid any dividends on its common shares. Subscribers must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. See "Risk Factors".

There is currently no market through which the Equity Units, Flow Through Shares, Common Shares or Warrants may be sold and purchasers may not be able to resell the securities acquired under this prospectus.

Completion of the Offering is subject to subscriptions being received for the minimum Offering. Until such time as a closing has occurred in respect of the minimum Offering, all subscription funds received by the Agent will be held by the Agent, pending closing of the minimum Offering. If the minimum Offering has not been subscribed for within 90 days from the date of receipt for the final prospectus, or such later date as may be agreed to by the Corporation and the Agent with the consent of applicable securities regulatory authorities, the Agent shall promptly return the proceeds of subscriptions to the subscribers without interest or deduction unless such subscribers have otherwise instructed the Agent.

The Agent conditionally offers the Equity Units and Flow Through Shares on a best efforts basis, subject to prior sale, if, as and when issued by the Corporation in accordance with the Agency Agreement referred to under "Plan of Distribution", subject to approval of all legal matters on the Corporation's behalf by Garfinkle, Biderman LLP and on the Agent's behalf by Macleod Dixon LLP. Subscriptions for Equity Units and Flow Through Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Definitive certificates for the Common Shares and Warrants will be available for delivery upon closing of the Offering.

For further information relating to the Offering, please contact:

UNION SECURITIES LTD.
3260 – 450 1st Street SW
Calgary, Alberta
T2P 5H1

TABLE OF CONTENTS

GLOSSARY	5
CURRENCY	6
ABBREVIATIONS AND GEOLOGICAL TERMS	6
CONVERSION	7
PROSPECTUS SUMMARY	8
THE CORPORATION	12
BUSINESS OF THE CORPORATION	13
PROPERTIES OF THE CORPORATION	14
USE OF PROCEEDS	23
SELECTED FINANCIAL INFORMATION	23
MANAGEMENT'S DISCUSSION AND ANALYSIS	24
DESCRIPTION OF SHARE CAPITAL	25
CAPITALIZATION	25
OPTIONS TO PURCHASE SECURITIES	26
PRIOR SALES	26
ESCROWED SECURITIES	27
PRINCIPAL SHAREHOLDERS	27
DIRECTORS AND OFFICERS	28
EXECUTIVE COMPENSATION	31
INDEBTEDNESS OF DIRECTORS AND OFFICERS	32
PLAN OF DISTRIBUTION	32
RISK FACTORS	34
PROMOTERS	38
LEGAL PROCEEDINGS	38
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	38
AUDITORS, REGISTRAR AND TRANSFER AGENT	38
MATERIAL CONTRACTS	38
EXPERTS	39
CANADIAN FEDERAL INCOME TAX CONSIDERATIONS	39
ELIGIBILITY FOR INVESTMENT	42
INDUSTRY CONDITIONS	42
OTHER MATERIAL FACTS	44
STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION	44
FINANCIAL STATEMENTS	45
CERTIFICATE OF THE CORPORATION	73
CERTIFICATE OF THE PROMOTER	73
CERTIFICATE OF THE AGENT	73

GLOSSARY

In this prospectus, the following terms have the meanings set forth below:

“**ABCA**” means the *Business Corporations Act* (Alberta), as amended from time to time.

“**Agency Agreement**” means the agency agreement dated as of ● between the Corporation and the Agent relating to the offering of the Equity Units and Flow Through Shares.

“**Agent**” means Union Securities Ltd., 3260, 450 - 1st Street S.W., Calgary, Alberta, T2P 5H1.

“**Associate**” and “**Affiliate**” each have the meaning ascribed thereto by the Securities Act (Ontario).

“**Business Day**” means a day which is not a Saturday, Sunday or a legal holiday in the City of Toronto, Ontario or the City of Calgary, Alberta.

“**Canadian Development Expense**” or “**CDE**” means Canadian development expense as defined in s. 66.2(5) of the Tax Act.

“**Canadian Exploration Expense**” or “**CEE**” means Canadian exploration expense as defined in s. 66.1(6) of the Tax Act.

“**CBM**” means Coal Bed Methane.

“**Common Shares**” means the common shares in the capital of the Corporation.

“**Corporation**”, “**ROG**”, “**we**”, “**our**” or “**us**” means Richards Oil & Gas Limited, a corporation incorporated pursuant to the Business Corporations Act (Alberta).

“**Equity Unit**” or “**Equity Units**” means the Equity Units offered for sale hereunder. Each Equity Unit consists of one Common Share at \$ ● per Common Share and one Warrant to purchase Common Shares at \$ ● per Common Share, expiring 24 months from the Closing.

“**Escrow Agent**” means Valiant Trust Company.

“**Exchange**” means the TSX Venture Exchange.

“**Flow Through Share**” means a Common Share that is a "flow-through share" within the meaning of the Tax Act.

“**Offering**” means the public offering and sale of Equity Units and Flow Through Shares under this prospectus.

“**Person**” means an individual, corporation, partnership, limited partnership, trust, joint venture, unincorporated association, syndicate, organization, trustee, executor and administrator or other legal representative.

“**Qualification Date**” means the date on which the last of the British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and New Brunswick Securities Commissions issue a final receipt for this prospectus.

“**Qualifying Expenditures**” means those expenditures classified for tax purposes as expenses of the type described in:

- (a) the definition of “Canadian exploration expense” (“CEE”) in subsection 66.1(6) of the Tax Act and when renounced under subsection 66(12.66) of the Tax Act, means Canadian exploration expense described in paragraphs (a) or (d) of that definition or that would be described in paragraph (h) of that definition if the words “paragraphs (a), (b), (c), (d), (f), and (g),” were read as “paragraphs (a) and (d)” in all cases excluding amounts which are prescribed to constitute “Canadian exploration and development overhead expense” under the Tax Act, the amount of assistance described in paragraph 66(12.6)(a) of the Tax Act, and any expenditure described in paragraph 66(12.6)(b.1) of the Tax Act; and

(b) paragraphs (a) or (b) of the definition of “Canadian development expense” (“CDE”) in subsection 66.2(5) of the Tax Act or that would be described in paragraph (f) of that definition if the words “paragraphs (a) to (e)” in that paragraph were read as “paragraphs (a) and (b)”, excluding amounts which are prescribed to constitute “Canadian exploration and development overhead expense” under the Tax Act and any amount of assistance described in subparagraphs 66(12.62)(a) and 66(12.601)(c) of the Tax Act.

“**Special Warrants**” means the special warrants issued by the Corporation to subscribers in British Columbia, Alberta, Ontario and Nova Scotia pursuant to a private placement completed on December 31, 2004.

“**Subscriber**” means a subscriber for Equity Units or Flow Through Shares.

“**Subscription Agreements**” means the one or more subscription and renunciation agreements to be made between ROG and the Agent or one or more sub-agents of the Agent, as agent for, on behalf and in the name of subscribers for Flow Through Shares, pursuant to which subscriptions for Flow Through Shares will be made.

“**Tax Act**” means the Income Tax Act (Canada) and the regulations thereunder, as amended from time to time.

“**Warrant**” means a warrant of ROG comprising part of an Equity Unit, each such warrant entitling the holder thereof to purchase one Common Share at a price of \$ ● for a period of 24 months from the date of the initial closing of the Offering.

CURRENCY

Unless otherwise specified, in this prospectus all dollar amounts are expressed in Canadian dollars.

ABBREVIATIONS AND GEOLOGICAL TERMS

Abbreviations and geological terms used in this prospectus have the following meanings:

“\$” means Canadian Dollar.

“bbl” means barrel.

“bbls” means barrels.

“bbl/d” means barrels per day.

“bcf” means billion cubic feet.

“boe” means barrels of oil equivalent calculated on the basis of 6 mcf per barrel.

“boed” means barrels of oil equivalent per day.

“NGLs” means natural gas liquids.

“m³” means cubic metres.

“mcf” means thousand cubic feet.

“mmbbls” means millions of barrels.

“mmboe” means million barrels of oil equivalent.

“mmcf” means million cubic feet.

“mmcf/d” means million cubic feet per day.

CONVERSION

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	cubic metres	28.317
cubic metres	cubic feet	35.494
bbls	cubic metres	0.159
cubic metres	bbls	6.289
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Reference is made to the "Glossary" for the meanings of certain defined terms.

The Corporation

ROG was incorporated to pursue opportunities in the oil and gas industry. The Corporation plans to engage in the acquisition and exploration of oil and natural gas properties in Canada and the United States of America. The Corporation intends to use its specific CBM expertise and resources as a competitive advantage to leverage it into positions in unexploited acreage. As at the date hereof the Corporation has made several offers to mineral lease owners on several CBM prospective parcels of land, and in October and November 2004 the Corporation acquired two (2) sections of CBM prospective lands and entered into two (2) farmin agreements. The completion of the first acquisitions and farmins will enable ROG to drill at least one (1) well in early 2005. The Corporation is also reviewing options to acquire conventional producing assets, land and production, which complement its proposed core business and provides a risk hedge and instant cash flow. Pursuant to an agreement dated November 22, 2004 the Corporation agreed to purchase all of the issued shares of Penzance Petroleum Ltd.

See "Corporate Background", "General Development of the Corporation", "Business of the Corporation", "Properties of the Corporation" and "Material Contracts".

The Offering:

The Offering consists of a minimum of ● and a maximum of ● Equity Units and up to ● Flow Through Shares at a price of \$ ● per Equity Unit and \$ ● per Flow Through Share, for gross aggregate proceeds of a minimum of \$2,025,000 and a maximum of \$6,300,000. Such Equity Units and Flow Through Shares shall sometimes be referred to herein as the "Offering". Each Equity Unit consists of one Common Share at a price of \$ ● per common share and one Warrant. Each Warrant will entitle the holder to purchase one Common Share at a price of \$ ● per share for a period of twenty-four (24) months from the initial closing of this Offering. Flow Through Shares are to be issued as "flow-through shares", within the meaning of the Tax Act, at a price of \$ ● per flow through share.

Of the total purchase price of \$ ● per Equity Unit, the Corporation will allocate \$ ● to each Common Share and \$nil to each Warrant constituting the Equity Unit. The offering prices of the Equity Units and Flow Through Shares was determined by negotiation between the Corporation and the Agent.

It is expected that the initial closing of the Offering will take place on or about March 15, 2005, or such other date as may be agreed upon by the Agent and ROG. Additional closings may occur from time to time as agreed upon by the Agent and ROG, provided that the final closing will occur no later than 90 days from the date of the final receipt for this prospectus (or such other date as the Corporation and the Agent may agree upon with the consent of applicable securities regulatory authorities). If closing does not take place as aforesaid, any subscription funds will be returned to subscribers without interest or deduction. See "Plan of Distribution".

Subscriptions for Flow Through Shares will be made pursuant to one or more Subscription Agreements to be made between ROG and the Agent on behalf of the Subscriber. The execution by the Agent on behalf of the Subscriber and

delivery of a Subscription Agreement by a Subscriber for Flow Through Shares will bind such Subscriber to the terms thereof.

See “Plan of Distribution”.

Use of Proceeds:

The net proceeds from the Special Warrants and the Offering, after deducting expenses thereof estimated to be \$155,000, and the Agent’s commission (\$630,000 assuming the maximum Offering and \$202,500 assuming the minimum Offering) for the Offering and \$72,550 previously paid in respect to the Special Warrants, assuming no exercise of the Warrants or the Broker Warrants, are estimated to be \$6,167,950 assuming the maximum Offering is achieved, or \$2,320,450 assuming the minimum Offering is achieved. The Agent will also be reimbursed for all of its reasonable out-of-pocket expenses associated with the offering of the Special Warrants and the Offering.

The Corporation intends to expend the net proceeds from the issue of the Special Warrants, Equity Units and Flow Through Shares as follows:

Use of Proceeds	Minimum Offering	Maximum Offering⁽¹⁾
Penzance transaction	\$400,000	\$400,000
Land acquisition	\$500,000	\$1,700,000
CBM exploration and exploitation projects	\$1,020,450	\$3,667,950
Working capital	\$400,000	\$400,000
Agent’s commission	\$275,050	\$702,550
Cost of issue	\$155,000	\$155,000
Total	\$2,750,500	\$7,025,500

Notes:

- (1) Without giving effect to the exercise of the Warrants and the Broker Warrants.
- (2) Includes the Agent’s commission of \$72,550 previously paid in respect to the Special Warrants and \$630,000 assuming the maximum Offering and \$202,500 assuming the minimum Offering.

See “Use of Proceeds”.

Special Warrant Placement:

On December 31, 2004, the Corporation completed a special warrant financing on a private placement basis pursuant to the exemption to the registration and distribution requirements in the Provinces of British Columbia, Alberta, Ontario and Nova Scotia. This prospectus qualifies the common shares issuable upon the exercise of the Special Warrants. Pursuant to the private placement of Special Warrants the Corporation raised gross proceeds of \$725,500 and estimated net proceeds of \$597,950. The Agent pursuant to this Offering was also the agent pursuant to the Special Warrant offering.

See “Plan of Distribution”.

Canadian Federal Income Tax Considerations:

The Corporation will incur and renounce effective on or before December 31, 2005 Qualifying Expenditures of \$ ● per share to subscribers of Flow Through Shares. Qualifying Expenditures renounced to a subscriber will generally be 100% deductible for tax purposes. Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of an investment in Flow Through Shares. See “Canadian Federal Income Tax Considerations”.

Directors and Management:	Richard Cohen	-	Chairman of the Board, Vice-President (Corporate Communications) and Director
	David Thomas	-	Chief Executive Officer, President and Director
	Brad Van Den Bussche	-	Vice-President (Exploration)
	Norman Grill	-	Chief Financial Officer
	Barry M. Polisuk	-	Director
	Stephen Freedhoff	-	Director

Eligibility for Investment: In the opinion of Garfinkle, Biderman LLP, counsel to the Corporation, the Common Shares and Warrants, when listed and posted for trading on a prescribed stock exchange, will be a qualified investment under the Tax Act for trusts governed by registered retired savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans.

Risk Factors: An investment in the Equity Units or Flow Through Shares should be considered speculative due to the nature of the Corporation's involvement in the exploration for and development of oil and natural gas and its current early stage of development. Exploration for oil and natural gas involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Investors should carefully consider the risks described under "Risk Factors", which are summarized below:

- Risks associated with the exploration, development and production of oil and natural gas may not be insurable.
- Growth and profitability may be affected by the ability to retain and attract skilled and experienced employees.
- There are potential conflicts of interest to which some of the directors and officers of the Corporation may be subject in connection with its operations.
- The Corporation may be subject to growth-related risks.
- The oil and gas industry is subject to extensive government controls and regulations.
- The oil and gas industry is intensely competitive.
- There can be no assurance that commercial quantities of hydrocarbons will be recovered.
- Availability of funds may be limited.
- The leases and licenses held by the Corporation may expire or be terminated under certain circumstances.
- Environmental regulation is onerous and compliance costs may impact materially on the costs of future production.
- Numerous factors beyond the Corporation's control may affect pricing, marketability and deliverability of oil and gas.
- Uncertainty of global financial markets.

- There is no public market for the Common Shares or Warrants and there is no assurance that any will develop.
- Amendments to Canadian taxation laws and regulations may alter the tax treatment of “flow-through shares”.

Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of the investment. See “Risk Factors”.

Selected Financial Information	From Incorporation to October 22, 2004⁽¹⁾⁽²⁾⁽³⁾ (audited)	After the Special Warrant Offering
Total assets	\$432,765	\$1,188,215
Working capital	\$389,000	\$1,029,450
Shareholders' equity	\$389,000	\$1,144,450 ⁽⁴⁾

Notes:

- (1) ROG was incorporated on May 18, 2004.
- (2) The information presented is contained in the audited financial statements of ROG for the period from incorporation to October 22, 2004 set forth herein and should be read in conjunction with such financial statements.
- (3) Includes proceeds from the issuance of a private placement on October 22, 2004 wherein 740,000 common shares were subscribed for gross proceeds to the Corporation of \$185,000 and 606,063 flow through common shares were subscribed for gross proceeds to the Corporation of \$200,000. See “Capitalization”, “Prior Sales” and “Directors and Officers”.
- (4) Includes costs of the October 22, 2004 private placement of \$38,500 and estimated costs of the Special Warrant offering of \$55,000 and the agent’s commission of \$72,550.

THE CORPORATION

The Corporation was incorporated pursuant to the provisions of the Business Corporation Act (Alberta) on May 18, 2004 as Richards Oil & Gas Limited. On October 28, 2004, the Corporation's articles were amended by removing private company restrictions. The registered office and the head office of the Corporation is located at 1600, 840 – 7th Avenue S.W., Calgary, Alberta, T2P 3G2. The Corporation does not have any subsidiaries.

The Corporation was founded to operate as an oil and gas exploration, development and production company on May 18, 2004. The Corporation has, since this time, acquired some seed funding, put in place an operational structure, set up an office in Calgary, engaged key exploration and land personnel, acquired two (2) petroleum and natural gas leases, entered into two (2) farmin agreements and identified a number of prospective properties on which ROG is negotiating positions in. Furthermore, pursuant to an agreement dated May 16, 2004 (the "Consulting Agreement") Richard Cohen, in trust for the Corporation, engaged Coal Gas Technology Ltd. ("CGT") to provide engineering and development expertise on a consulting basis. The Corporation assumed the rights and obligations of the Consulting Agreement after its incorporation. See "Business of the Corporation", "Properties of the Corporation" and "Material Contracts".

CGT has significant expertise in the oil and gas industry, with a special emphasis on CBM. In dealing with CGT as a consultant, ROG can avail itself of CGT's expertise on an as needed basis without incurring increased fixed overhead costs. The Corporation has engaged the services of Brad Van Den Bussche, a former principal CGT Geologist, who has and is continuing to identify opportunities within the Canadian and US coal basins for the Corporation.

Pursuant to an agreement dated November 22, 2004 (the "Share Purchase Agreement") the Corporation has agreed to purchase all of the issued shares (the "Purchased Shares") in the capital of Penzance Petroleum Ltd., an Alberta corporation, ("Penzance"). The purchase price for the Purchased Shares shall, subject to adjustment, be equal to \$800,000. This purchase price has been established based on a report (the "Engineering Report") dated October 1, 2004, prepared by Martin & Brusset Associates, consulting engineers of Calgary, Alberta. See "Material Contracts".

The Engineering Report provides an evaluation and calculation of Penzance's oil and natural gas reserves and an evaluation of the other assets owned by Penzance. The purchase price for the Purchased Shares shall be paid as to fifty percent (50%) thereof or \$400,000 by certified cheque on closing and as to the remaining fifty percent (50%) by issuance to the vendors of fully paid and non-assessable shares in the capital of ROG at a deemed issuance price of \$0.35 per share. As well, ROG has agreed to issue 400,000 share warrants to purchase common shares in the capital of the Corporation at \$0.50 each, for a period of two (2) years following the Closing Date. ROG anticipates closing of the Penzance transaction on the third business day after the shares of ROG are listed and posted for trading on the Exchange (the "Closing Date") or such earlier or later date as ROG and Penzance shall agree to. Closing of the transaction shall be subject but not limited to the following conditions:

1. receipt of all prescribed governmental and third party consents;
2. ROG must successfully complete this Offering and list its commons shares on the Exchange prior to March 15, 2005;
3. ROG's approval of the Engineering Report; and
4. completion of satisfactory and customary due diligence by ROG.

The Share Purchase Agreement contains customary covenants, representations and warranties and indemnities by the vendors in favour of ROG. Audited financial statements of Penzance for the year ending September 30, 2004 are attached to this prospectus. The purchase price payable for the Purchased Shares shall be increased based on the average daily production of certain properties set out in the Share Purchase Agreement, by an additional Six Thousand Nine Hundred Dollars (\$6,900.00) per barrel for:

- (a) gas production on a per barrel of oil equivalent (6:1 ratio) generated in the third (3rd) month from the date that the gas extraction system or "tie in" is in place; and

(b) oil production on a per day average generated in the fifth (5th) month from each well commencing on the day that each of the wells in question goes into production, excluding “down days” from the average.

The Corporation has been active in identifying suitable acquisition targets for conventional assets to help broaden the Corporation’s production base and as a hedge against commodity price volatility and potential transportation/processing bottlenecks, which will have immediate and direct impact on cash flows.

The Corporation is focused on becoming involved in the CBM area of the oil and gas industry: domestically, in the United States and internationally, plus building on associate conventional discoveries to focus on building this entity.

The Corporation has 2 full-time employees, 2 part-time employees and 3 part-time consultants.

BUSINESS OF THE CORPORATION

General

The Corporation intends to engage in the acquisition and exploration of Coal Bed Methane and conventional oil and gas projects in Canada, the United States and certain other international locations. ROG believes that with the strong interest in CBM projects, the buoyant oil and gas commodity prices, the recent improvements in drilling technologies, the Corporation will be able to position itself to identify, evaluate and acquire oil and gas prospects. The full-time management and consultants of ROG have extensive experience in CBM exploration, development and production and have the capability to expand the scope of ROG’s activities as appropriate opportunities arise. The Corporation is currently engaged in negotiating and acquiring interests in mineral leases in the Edmonton to Calgary corridor focused on CBM opportunities. The purpose is to rapidly develop CBM assets applying the expertise of ROG’s employees in conjunction with the CBM engineering expertise available to ROG through its engineering consultant contractor, CGT, whom ROG has retained. Elsewhere in the Western Canadian Sedimentary basin, other opportunities are being explored. As well, ROG is identifying production acquisition targets that complement ROG’s core business.

Historical Background

Richards Oil & Gas Limited is a start up venture. The goal of the Corporation is to establish footholds and, ultimately, controlling interests in all the properties it becomes involved in. The collective experience of the principals, the management and the consultants to the Corporation span many years of creating and maintaining value within companies and delivering value to shareholders. The Corporation has raised seed capital, established the structure and acquired the necessary expertise to implement the Corporation’s business plan; ROG has identified oil and gas properties and has commenced negotiations for them. ROG has entered into two (2) acquisition agreements - one with Penzance and one with Rocky Layman Energy Inc. and two (2) farmin agreements - one with Transglobe Energy Corporation (the “Morningside Farmin Agreement”) and one with Compliance Energy Corporation and the Upper Simikameen Indian Band (the “Tulameen Farmin Agreement”). See “Properties of the Corporation” and “Material Contracts”. ROG anticipates being able to close two to three additional acquisitions prior to February 28, 2005 and plans to drill its first exploration well in December 2004 or January 2005.

Operational Plans

On completion of the Rocky Layman Agreement, the Morningside Farmin Agreement and the Tulameen Farmin Agreement, ROG will undertake a suitable drilling program. Upon closing of the Penzance transaction, a drill program will be undertaken using cash held by Penzance. ROG intends on establishing itself as an operator, putting in place the necessary bonds and acquiring suitable general liability coverage. ROG will follow up with other acquisitions as they are identified and as agreements can be reached on mutually satisfactory terms.

Summary of Consultant’s Contract

The Corporation seeks opportunities to explore, acquire, test, and produce natural gas from any sources, especially but not exclusively from coal seams; and CGT has experience in the geologic, engineering, land, regulatory,

environmental, and business aspects of exploring, acquiring, testing, and producing natural gas from unconventional sources, especially but not specifically from coal seams.

CGT will, pursuant to the Consulting Agreement, pursue various natural gas exploitation and development opportunities, including coal bed methane opportunities, on behalf of ROG. The main focus of such opportunities shall be in Canada, however opportunities in other locations may arise. Opportunities in which ROG participates which have been introduced by, or in which CGT assists in effectively exploiting shall be subject to a 2% CGT overriding royalty on gross production from the interest acquired by ROG or its associates. ROG and its associates shall have a first right to participate in opportunities up to 100% of the available interest as presented by CGT at that time. CGT shall have the right to offer to other parties any interests that are not taken up by ROG and its associates.

ROG agrees to pay for the professional time and expenses incurred by CGT for approved professional, technical and service work on projects in which ROG has made a participation commitment and on projects acquired by ROG. ROG will initially contract CGT for all professional and other services required for managing, supervising, planning, and operating the various projects acquired. If ROG has the option to operate a project under a joint operating agreement with other parties, then the terms for operating the project with CGT will be negotiated at that time. CGT's royalty interest(s) is transferable with the lands.

2 and 3-D Seismic Programs

Although seismic testing does not completely remove all exploration risk, especially in CBM exploration, it greatly improves success rates, particularly in the dryer and more conventional coals where structure is important, and ensures that productive wells are optimally located, thus delivering better production rates and exhibiting longer life.

Business Objectives

ROG intends to grow by employing the following key strategies:

1. Identify, evaluate and acquire oil and natural gas exploration and development prospects in Canada in order to establish commercial reserves that will generate production, cash flow and profitability.
2. Focus on CBM properties augmented with conventional oil and gas projects.
3. Utilize the latest and most advanced exploration and exploitation technologies available.
4. Provide opportunities for other oil and gas companies to farm into ROG's projects.
5. Source opportunities for farm in projects with other oil and gas companies.
6. Develop an inventory of exploitation and exploration prospects.
7. Practice prudent financial management to achieve consistent cash flow and earnings.
8. Build ROG's asset base to allow ROG to pursue strategies to maximize shareholder value and to take advantage of appropriate market conditions.

ROG plans to continue acquiring interests in oil and gas assets and exploration and development prospects in Canada and possibly the United States, either directly or through participation agreements.

PROPERTIES OF THE CORPORATION

The Corporation has completed the acquisition of its Rocky Layman properties, entered into an agreement to purchase all of the shares of Penzance and entered into the Morningside Farmin Agreement and the Tulameen Farmin Agreement. Upon completion of the Penzance transaction, ROG shall acquire the properties and oil and gas interests owned by Penzance. A description of such properties and interests follows:

Property Description and Location - Tulameen Basin, British Columbia

Pursuant to an agreement with Compliance Energy Corporation and the Upper Simikameen Indian Band, the Corporation has the right to earn a 100% interest in all coal bed methane rights in 3,357 hectares (8,392.5 acres), subject to an overriding royalty of between 3% and 7.5%, by performing the following:

- (a) payment of \$30,000 upon execution of the agreement;
- (b) payment by March 31, 2005 of \$50,000 in cash or the issuance of 125,000 common shares of the Corporation issuable at a deemed price of \$0.40 per share, and
- (c) drill, prior to July 31, 2005, at its expense, 3 test wells to a depth of not greater than 500 meters or a depth sufficient to test the Allenby Formation, which ever first occurs.

Geological and resource assessments were undertaken by in-house experts and CGT is preparing an independent report on the property. The budget for this 3 well project is approximately \$550,000. The Corporation will be the operator. See "Prior Sales" and "Material Contracts".

Property Description and Location – Morningside Area, Alberta

Pursuant to an agreement with Transglobe Energy Corporation, the Corporation has the right to earn a 100% interest before payout (60% after payout) in a spacing unit of land by drilling, at its expense, one test well to a depth of a 750 meters or 50 meters below the top of the Belly River formation, whichever first occurs. A spacing unit is defined as 160 acres for oil and 640 acres for gas. The Corporation is budgeting \$150,000 for the test well and anticipates drilling the well in the first quarter of 2005. The Corporation has the option, for sixty days after completion of the earning well, to drill further option wells on the farmor's 3,200 acres of land on the same terms and conditions, on a rolling basis. The Corporation will be the operator. Geological and resource assessments were undertaken by in-house experts and CGT is preparing an independent report on the property. See "Material Contracts".

Property Description and Location - Rocky Layman Energy Inc.

The Corporation has recently entered into an arms-length agreement dated November 1, 2004 with Rocky Layman Energy Inc. (the "Rocky Layman Agreement") whereby it acquired an interest in two sections of land on an Ardley play west of the 5th. The first section, called "Voyager", is missing 20 ha-2.5 LSDs and expires March 2005. The terms were \$5,000 cash and a 5.5% royalty. The second section is called "Obed". The terms were \$30,000 cash and a 7.5% royalty. There is one condition. The first well must be drilled by July 11, 2006 or the land reverts back to the vendor. The target comprises several attractive coal seams within the Ardley formation as determined from well bores in the immediate area. The drilling program envisaged is for a well on each section to evaluate the play. Provided there are no major complications, this will be followed up with a downspacing request and the drilling and completion of an additional 3 wells per section through the remainder of the drilling season, as warranted. As the property is exploration focused there are no engineering reserve reports quantifying the expected reserve and production. Geological and resource assessments were undertaken by in-house experts supported by CGT. See "Material Contracts".

Property Description and Location – Penzance Petroleum Ltd.

The properties / assets comprise:

- 6½ sections of land (4,160 acres) adjacent either side of the Saskatchewan / Alberta border. Interests range from 1.5% to 35% WI average (21%);
- 2 oil wells producing some (110 bopd gross) 16 bopd net (13% gravity) to PPL, equipped with dual 750 bbl insulated tanks, motors and 3 ½" tubing and 16m3 1500 progressive cavity pumps;
- 1 oil well with equipment (750 bbl tank, motor and tubing and PCP) recently re-equipped with a high lift pump producing 7 m³/day gross, (net 2.2 m³/day to Penzance);
- 2 cased potential gas wells waiting perforation and testing (one shallow Belly River, one deeper Mannville);
- 3 locations for oil wells are being licensed and should be drilled in the next 60 days;

- 1 well is awaiting co-minglement approval to complete it in a deeper gas zone;
- The company has acquired 7.5 miles of high quality proprietary seismic data and is planning on shooting a 3 square mile 3D this winter; and
- The company has entered a drilling option arrangement with a small publicly traded company to explore for shallow Belly River to Mannville gas targets on a 12 section license in the Pine Creek area of Alberta.

Drilling Activity

Penzance has drilled or participated in the drilling of the following wells during the periods set forth below.

	For the Year Ended December 31, 2003		For the Year Ended December 31, 2002	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Oil	2	0.4625	1	0.15
Gas	-	-	-	-
Abandoned	1	0.30	1	0.05
Gas Suspended	1	0.30	1	0.5
Total	4	1.0625	3	0.7

Notes:

- (1) "Gross" wells are defined as the total number of wells in which Penzance has a working or royalty interest.
- (2) "Net" wells are defined as the aggregate of the numbers obtained by multiplying each gross well by Penzance's percentage working interest in the gross well.

Principal Properties

Lone Rock, Saskatchewan

The Buzzard property is located 40 kilometres to the SE of Lloydminster Saskatchewan. Penzance owns 15% working interest in 480 hectares (all PNG). The Buzzard property consists of two Sparky and GP oil wells. Currently, both wells are producing. One of the wells is scheduled for a recompletion in more Sparky zones and the GP following approval of the cominglement by the SEM. Production from the two wells is approximately 16-20bopd. Additional seismic was shot through the summer of 2004 and three additional drill locations identified. Work has begun on the site for the first of these drill locations 13-6.

Silverdale, Saskatchewan

The Silverdale property comprises a ½ section of land (128 ha / 320 acres) (all PNG) on which a well was drilled to test the Sparky and Colony sections, following the acquisition of a proprietary seismic line. The well has been on production for approximately a year and was recently shut in because of the overwhelming amount of water being produced. A new high lift pump has been installed and the well has been back on production since the first of November, producing good volumes of oil – 7m3/d; net 2.2m3/d. Penzance net working interest is 31.25%.

Marsden, Saskatchewan

The Marsden property comprises 1 LSD (16 ha/ 40 acres) (all PNG) on the edge of an older Sparky field. Penzance has a 15% working interest in the property. The land was acquired recently at a Crown sale – October 7th, 2004. The Company is participating in an exploratory well 3-35, scheduled to be drilled shortly.

Ear Lake, Saskatchewan

Ear Lake comprises two sections of land - 512 hectares (all PNG) over which the Company acquired three proprietary seismic lines to follow an Upper Mannville/ Lower Colorado channel system productive to the West. Two wells have been drilled on the property the first is cased and shut in waiting testing of a thin "Spinney Hill" gas zone. The second failed to encounter the channel and was abandoned. After the farmout involving the second well, Penzance has a 30% working interest in the two properties.

Provost, Alberta

Provost is a single section lease (all PNG) acquired in 2003 on which a shallow Belly River gas target was identified. The well was drilled, logged and cased and is currently waiting on testing of the thin zones. Recent industry activity has focused on Viking production – this section lies in the heart of the productive trend and is a farm out candidate to capitalize on this activity or as a deepening exercise for Penzance.

Chinook, Alberta

Chinook comprises two sections in which Penzance has a minor interest – 5% in both – one to base Belly River and one below base Belly River. The Corporation participated in one well to test the Belly River which was abandoned and again is waiting on industry activity and operator activity to drill a well for the Glauconite/Ellerslie.

Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which Penzance had a working interest or a royalty interest as at October 1, 2004 which are producing or which Penzance considers to be capable of production. The stated interests are subject to freeholder' and other royalties, where applicable, in addition to usual Crown royalties and mineral taxes.

	Producing				Non-producing⁽¹⁾			
	Crude Oil		Natural Gas		Crude Oil		Natural Gas	
	Gross⁽²⁾	Net⁽³⁾	Gross⁽²⁾	Net⁽³⁾	Gross⁽²⁾	Net⁽³⁾	Gross⁽²⁾	Net⁽³⁾
Saskatchewan								
Lone Rock	2	0.30	-	-	-	-	-	-
Silverdale	1	0.313	-	-	-	-	-	-
Ear Lake	-	-	-	-	-	-	1	0.3
Marsden	-	-	-	-	-	-	1	0.3
Total	3	0.613	-	-	-	-	2	0.6

Notes:

- (1) “Non-producing” wells means wells which have encountered and are capable of producing crude oil or natural gas but which are not producing due to lack of available transportation facilities, available markets or other reasons.
- (2) “Gross” wells are defined as the total number of wells in which Penzance has a working or royalty interest.
- (3) “Net” wells are defined as the aggregate of the numbers obtained by multiplying each gross well by Penzance’s percentage working interest in the gross well.

Undeveloped Landholdings

The following table sets forth information respecting the undeveloped landholdings of Penzance as at Nov. 1, 2004.

	Acres	
	November 1, 2004	
	Gross⁽¹⁾	Net⁽²⁾
Alberta	1920	256
Saskatchewan	1280	384
Total	3200	640

Notes:

- (1) “Gross” refers to the total acres in which Penzance has a working interest.
- (2) “Net” refers to the total acres in which Penzance has a working interest, multiplied by the percentage working interest owned by Goose River.

Reserve Estimates

Martin & Brusset Report

The following tables summarize the crude oil, natural gas and NGLs reserves and the present worth of future net cash flows of Penzance’s properties in the Lone Rock and Marsden areas as evaluated in a report completed by

independent engineers Martin & Brusset Associates (the “Martin & Brusset Report”). All evaluations of projected cash flows are stated prior to provision for indirect costs such as administrative overhead, other miscellaneous expenses and income taxes and after deduction of capital expenditures and royalties. It should not be assumed that the present worth of estimated future cash flows contained in the following tables is representative of the fair market value of the reserves. There is no assurance that the escalating price and cost assumptions contained in the Martin & Brusset Report will be attained and variances could be material. The recovery and reserve estimates of Penzance’s crude oil, reserves provided in the Martin & Brusset Report are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided in the Martin & Brusset Report.

Assumptions and qualifications relating to costs, prices for future production and other matters are summarized in the notes to the following tables. The Martin & Brusset Report are based upon certain factual data supplied by Penzance and the opinions of the author of the Martin & Brusset Report as to reasonable practice within the industry.

Penzance Petroleum Ltd.
Summary of Oil, Gas & Natural Gas Liquids Reserves and Present Worth
Before Income and After Income Taxes
(As of 01 October 2004)

Martin & Brusset Associates October 1, 2004 Prices & Escalations

	<u>Company’s Interest in Reserves</u>						<u>Net Present Value of Net Production Revenue Before Income Taxes M\$</u>				
	<u>Crude Oil MBbl</u>		<u>Natural Gas MMcf</u>		<u>NGL’s MBbl</u>		<u>Undis-counted</u>	<u>Discounted</u>			
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>		<u>0%</u>	<u>10%</u>	<u>15%</u>	<u>20%</u>
Proved Developed Producing	6	13	0	0	0	0	241	218	208	199	
Proved Undeveloped	8	7	0	0	0	0	108	98	94	90	
Total Proved	24	20	0	0	0	0	349	316	302	289	
Probable Developed	5	4	0	0	0	0	64	49	43	39	
Probable Undeveloped	28	23	0	0	0	0	314	263	243	225	
Total Probable	33	27	0	0	0	0	378	312	286	264	
Total Proved + Probable	57	47	0	0	0	0	727	628	588	553	
Possible	69	56	0	0	0	0	886	687	613	551	
Proved + Probable + Possible	126	102	0	0	0	0	1613	1315	1201	1104	

	Net Present Value of Net Production Revenue After Income Taxes M\$			
	Undis- counted	Discounted		
	0%	10%	15%	20%
Proved Developed Producing	174	157	150	143
Proved Undeveloped	51	46	44	43
Total Proved	225	203	194	186
Probable Developed	47	35	31	27
Probable Undeveloped	156	128	113	106
Total Probable	203	163	147	133
Total Proved + Probable	428	366	341	319
Possible	537	414	368	330
Proved + Probable + Possible	965	780	709	649

**Summary of Oil, Gas & Natural Gas Liquids Reserves and Present Worth
Before and After Income Taxes
(As of 01 October 2004)
Constant October 1, 2004 Prices & Unescalated Costs**

	Company's Interest in Reserves						Net Present Value of Net Production Revenue Before Income Taxes M\$			
	Crude Oil MBbl		Natural Gas MMcf		NGL's MBbl		Undis- counted	Discounted		
	Gross	Net	Gross	Net	Gross	Net	0%	10%	15%	20%
Proved Developed Producing	16	12	0	0	0	0	414	353	330	310
Proved Undeveloped	8	7	0	0	0	0	194	171	162	153
Total Proved	24	19	0	0	0	0	607	524	491	463
Probable Developed	5	4	0	0	0	0	135	96	82	72
Probable Undeveloped	28	22	0	0	0	0	661	534	485	443
Total Probable	33	26	0	0	0	0	796	629	567	515
Total Proved + Probable	57	45	0	0	0	0	1403	1153	1059	978
Possible	69	54	0	0	0	0	1844	1363	1193	1055
Proved + Probable + Possible Total	126	99	0	0	0	0	3247	2517	2252	2033

	Net Present Value of Net Production Revenue After Income Taxes MS			
	Undis- counted	Discounted		
		0%	10%	15%
Proved Developed Producing	292	248	231	217
Proved Undeveloped	107	93	88	83
Total Proved	399	341	319	300
Probable Developed	92	65	55	49
Probable Undeveloped	383	301	275	248
Total Probable	475	369	330	296
Proved + Probable	874	710	649	596
Possible	1169	858	748	660
Proved + Probable + Possible Total	2043	1568	1397	1256

Notes:

- (1) Reserves of Penzance's properties have been evaluated by Martin & Brusset in accordance with the following definitions, which meet guidelines set out by Canadian Securities regulatory authorities (National Instrument 51-101):
- (a) "Proven Producing (Developed) Reserves" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
- (b) "Proven Non-Producing (Developed) Reserves" are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.
- (c) "Probable Reserves" are those additional reserves that are less certain to be recovered than proven reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proven + probable reserves.
- (2) The escalating price assumption for the Martin & Brusset Report are as follows:

**Martin & Brusset Associates
Price Forecasts
Effective October 1, 3004**

Crude Oil and Natural Gas Liquids Prices, C\$/Bbl.

Year		Edmonton					f.o.b. Edmonton		
		WTI (US \$)	Light Sweet 40 API	Cromer Medium Price	Hardisty Medium 25 API	Hardisty Heavy 12 API	Propane	Butane	Pentanes Plus
2004	Q1	35.15	46.00	40.98	41.03	33.09	31.20	39.00	47.43
	Q2	38.06	51.00	45.90	44.47	36.12	30.90	40.20	53.38
	Q3	43.53	56.60	49.96	49.46	40.60	39.20	45.70	55.80
	Q4	47.00	60.00	53.50	53.00	44.00	36.00	43.20	60.00
2004	Avg. 3 Mths.	47.00	60.00	53.50	53.00	44.00	36.00	43.20	60.00
2005		41.00	52.90	47.15	46.90	38.90	31.70	38.00	54.80
2006		36.00	46.50	41.40	41.25	33.50	27.90	33.50	48.10
2007		32.00	41.30	36.20	36.05	29.30	24.80	29.80	42.70
2008		31.00	40.00	34.90	34.75	28.00	24.00	28.50	41.40
2009		31.00	40.00	34.90	34.75	28.00	24.00	28.50	41.40
2010		31.00	40.00	34.90	34.75	28.00	24.00	28.50	41.40
2011		31.50	40.60	35.50	35.35	28.60	24.40	29.30	42.00
2012		32.00	41.30	36.20	36.05	29.30	24.80	29.80	42.70
2013		32.50	41.90	36.80	36.65	29.90	25.10	30.10	43.40
2014		33.00	42.60	37.50	37.35	30.60	25.60	30.70	44.10
Thereafter					---+2.0%/Year---				

		Natural Gas Prices, \$/MMBTU (Average Plant-gate Price)					Sulphur	Exchange	Cost
		Aggregator	Alberta	Alberta	B.C.	Sask.	Alta.	Rate	Inflation
		Avg,	Field	Ref.	CanWest	Blended	Field	\$US/SCDN	%/YR
		Field	Spot	Price	Price	Price	\$/LT		
2004	Q1	6.35	6.36	6.13	5.16	6.46	28.10	0.76	
	Q2	6.57	6.56	6.47	5.21	6.66	34.80	0.74	
	Q3	6.13	6.41	6.40	4.70	6.51	37.00	0.77	
	Q4	6.15	6.50	6.44	5.30	6.60	37.00	0.78	
2004	Avg. 3 Mths								
		6.15	6.50	6.44	5.30	6.60	37.00	0.78	0
2005		6.25	6.50	6.44	5.30	6.60	25.00	0.77	2
2006		6.25	6.25	6.25	5.05	6.35	15.00	0.77	2
2007		5.75	5.75	5.75	4.55	5.85	15.00	0.77	2
2008		5.50	5.50	5.50	4.30	5.60	15.00	0.77	2
2009		5.25	5.25	5.25	4.05	5.35	15.00	0.77	2
2010		5.35	5.35	5.35	4.15	5.45	15.00	0.77	2
2011		5.45	5.45	5.45	4.25	5.55	15.00	0.77	2
2012		5.55	5.55	5.55	4.35	5.65	15.00	0.77	2
2013		5.65	5.65	5.65	4.45	5.75	15.00	0.77	2
2014		5.75	5.75	5.75	4.55	5.85	15.00	0.77	2
	Thereafter			---+2.0%/Year---				0.77	2

- (4) Field costs escalate by 1.5% per year from 2003 to 2018 and are not escalated thereafter.
- (5) The constant cost and price assumptions assume corporate average prices of \$44.47/bbl for heavy oil.
- (6) Estimated total capital costs, net to the Corporation, necessary to achieve the estimated future net cash flow of total Proven, plus unrisks Probable and Possible reserves, based on escalated dollar values, are \$273,000, \$3,000 of which are forecast to be incurred in 2004, \$153,000 in 2005 and \$117,000 in 2006.
- (7) The cash flow projections in respect of the ARTC program are assumed to be maintained indefinitely.

Production History, Prices Received and Capital Expenditures

The following table sets forth production data, production prices received and expenditures made by Penzance for the periods set forth below.

	Three Months		Six Months Ended		Nine Months		Twelve Months
	Ended March 31		June 30		Ended		Ended
	2004	2003	2004	2003	2004	2003	2003
Average Daily Production (before deduction) ⁽¹⁾⁽⁵⁾							
Crude Oil (bbl/d)	13.8	4.1	13.7	5.4	15.9	7.4	10.0
Average Net Prices Received ⁽¹⁾							
Crude Oil (\$/bbl)	29.09	n/a	30.43	n/a	33.08	n/a	26.87
Royalty expense (\$/boe) ⁽²⁾	4.02	n/a	4.39	n/a	4.78	n/a	3.20
Operating expense (\$/boe) ⁽³⁾	10.21	n/a	10.92	n/a	10.49	n/a	9.60
Capital Expenditures (\$000) ⁽⁴⁾⁽⁵⁾							
Land acquisition	0	5.8	1.8	34.2	8.4	34.2	34.2
Producing property acquisitions	0	0	0	0	0	0	0
Geological and geophysical	0	13.3	0.6	22.8	3.4	25.3	25.3
Intangible drilling and completion	0.8	8.0	5.0	91.1	10.0	142.5	155.0
Equipment and facilities	0	0	5.5	0	5.5	11.3	16.2
Total Capital Expenditures	0.8	27.1	12.9	148.1	27.3	213.3	230.7

Notes:

- (1) The average daily product volumes and the indicated net prices received do not include any volumes or revenues attributable to royalty interests.

- (2) Royalties are net of ARTC.
- (3) This figure includes all field operating expenses.
- (4) Capital expenditures include oil and natural gas property acquisitions, net of dispositions.
- (5) Penzance had no natural gas production during these periods.
- (6) Certain historical numbers are unavailable from the operator of the properties.

Selected Quarterly Information

	Three Months Ended September 30		Three Months Ended June 30	
	2004	2003	2004	2003
Average Daily Production (before deduction) (1) (5)				
Crude Oil (bbl/d)	20.03	11.5	13.6	6.6
Sales (\$000's)				
Crude oil and natural gas liquids	68.3	29.1	39.3	23.7
Royalty and processing income	0	0	0	0
Average Net Prices Received (1)				
Crude Oil (\$/bbl)	36.62	27.41	31.77	n/a
Expenses (\$000's)				
Royalty	9.9	3.2	5.9	3.3
Production	18.5	12.3	14.3	6.1
General and administrative	0	5.4	4.1	4.2
Amortization, depletion and site restoration	n/a	0	0	11.6
Capital Expenditures (\$000) (4) (5)				
Land acquisition	6.6	0	1.8	28.4
Producing property acquisitions	0	0	0	0
Geological and geophysical	2.8	2.5	0.6	9.5
Intangible drilling and completion	5.0	51.4	4.2	83.1
Equipment and facilities	0	11.3	5.5	0
Total Capital Expenditures	14.4	65.2	12.1	121.0

Notes:

- (1) The average daily product volumes and the indicated net prices received do not include any volumes or revenues attributable to royalty interests.
- (2) Royalties are net of ARTC.
- (3) This figure includes all field operating expenses.
- (4) Capital expenditures include oil and natural gas property acquisitions, net of dispositions.
- (5) Penzance had no natural gas production during these periods.
- (6) Certain historical numbers are unavailable from the operator of the properties.

Future Commitments

At the present time Penzance has no future material commitments to buy, sell, or exchange any producing property. Penzance has no long term contracts in place to buy or sell crude oil or natural gas.

The Corporation's current crude oil and natural gas volumes are taken in kind where production volumes warrant it and are marketed and sold by a marketing company. The crude oil volumes are sold under a 30 day evergreen contract. There is no natural gas production attributable to Penzance at this time.

USE OF PROCEEDS

The Corporation shall utilize a portion of the proceeds of this Offering and the Special Warrant offering to acquire additional oil and gas properties or interests in various oil and gas properties.

Funds Available

	Minimum Offering	Maximum Offering
Net proceeds of the Special Warrant offering	\$597,950	\$597,950
Net proceeds of this Offering	\$1,722,500	\$5,570,000
Working capital available as at October 22, 2004	\$389,000	\$389,000
Total Funds Available	\$2,709,450	\$6,556,950

Principal Purposes

The net proceeds from the Special Warrants and the Offering, after deducting expenses thereof estimated to be \$155,000, and the Agent's commission (\$630,000 assuming the maximum Offering and \$202,500 assuming the minimum Offering) for the Offering and \$72,550 previously paid in respect to the Special Warrants, assuming no exercise of the Warrants or the Broker Warrants, are estimated to be \$6,167,950 assuming the maximum Offering is achieved, or \$2,320,450 assuming the minimum Offering is achieved. The Agent will also be reimbursed for all of its reasonable out-of-pocket expenses associated with the offering of the Special Warrants and the Offering.

The Corporation intends to expend the net proceeds from the issue of the Special Warrants, Equity Units and Flow Through Shares as follows, however, where, for sound business reasons, a reallocation of funds may be necessary:

Use of Proceeds ⁽¹⁾	Minimum Offering	Maximum Offering
Penzance transaction	\$400,000	\$400,000
Land acquisition	\$500,000	\$1,700,000
CBM exploration and exploitation projects	\$1,020,450	\$3,667,950
Working capital	\$400,000	\$400,000
Agent's commission	\$275,050	\$702,550
Cost of issue	\$155,000	\$155,000
Total	\$2,750,500	\$7,025,500

Notes:

- (1) Without giving effect to the exercise of the Warrants and the Broker Warrants.
- (2) Includes the Agent's commission of \$72,550 previously paid in respect to the Special Warrants and \$630,000 assuming the maximum Offering and \$202,500 assuming the minimum Offering.

In the event that the Offering closes at an amount less than the maximum Offering, the use of proceeds for each item will be reduced approximately proportionately. While the Corporation intends to spend the funds available to it as stated in this prospectus, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary or desirable. If the Corporation does make such a reallocation of funds, it will continue to ensure that it expends funds equal to 100% of the gross proceeds derived from sale of Flow Through Shares on CEE or CDE.

SELECTED FINANCIAL INFORMATION

Selected Financial Information	From Incorporation to October 22, 2004 ⁽¹⁾⁽²⁾⁽³⁾ (audited)	After the Special Warrant Offering
Total assets	\$432,765	\$1,188,215
Working capital	\$389,000	\$1,029,450
Shareholders' equity	\$389,000	\$1,144,450 ⁽⁴⁾

Notes:

- (1) ROG was incorporated on May 18, 2004.

- (2) The information presented is contained in the audited financial statements of ROG for the period from incorporation to October 22, 2004 set forth herein and should be read in conjunction with such financial statements.
- (3) Includes proceeds from the issuance of a private placement on October 22, 2004 wherein 740,000 common shares were subscribed for gross proceeds to the Corporation of \$185,000 and 606,063 flow through common shares were subscribed for gross proceeds to the Corporation of \$200,000. See “Capitalization”, “Prior Sales” and “Directors and Officers”.
- (4) Includes costs of the October 22, 2004 private placement of \$38,500 and estimated costs of the Special Warrant offering of \$55,000 and the agent’s commission of \$72,550.

Dividend Policy

The Corporation has paid no dividends since the date of its incorporation and any future dividends will be at the discretion of the board of directors of the Corporation taking into account their desire to retain any earnings to finance the growth and development of the Corporation’s business.

MANAGEMENT’S DISCUSSION AND ANALYSIS

General

The Corporation has only recently been incorporated and commenced operations and accordingly it has not completed its first fiscal year. See “Business of the Corporation”. As at the date hereof the Corporation has not had any revenues. Excluding the offering of Special Warrants, the Corporation’s only sources of financing were the prior issue of 2,971,063 common shares, for net proceeds of \$535,000. See “Capitalization”. As at October 22, 2004, the Corporation had cash on hand of \$401,095.

Liquidity and Capital Resources

The Corporation is in the formative stages of operations and has not identified proven oil and gas reserves, except for those properties acquired pursuant to the Penzance Share Purchase Agreement, or generated cash flow from operating activities. See “The Corporation” and “Properties of the Corporation”. The Corporation anticipates that it will require additional funds to meet exploration and development plans and commitments and those funds will be sourced through external debt or equity financing or joint ventures.

The Corporation will conduct its operations in Canada in a manner consistent with environmental regulations as stipulated in provincial and federal legislation. The Corporation is committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and expense nature as a result of the increasing stringent laws relating to the protection of the environment. However, the Corporation does not anticipate that it will be subject to any increases in such expenditures which, as a percentage of cash flow, will be greater than those expected, on average, by other industry operators. The Corporation will maintain insurance coverage where available and financially desirable in light of risk versus cost factors. Unforeseen significant changes in such areas as markets, prices, royalties, interest rates and government regulations would have an impact on the Corporation’s future operating results and/or financial condition. See “Risk Factors”.

The oil and gas industry has been subject to considerable price volatility, over which companies have little control, and a material decline in the price of oil and/or natural gas could result in a significant decrease in the Corporation’s future anticipated revenues. The oil and gas industry has inherent business risks and there is no assurance that products can continue to be produced at economical rates or that produced reserves will be replaced. Fluctuations in currency and exchange rates and changes in production volumes are daily risks in the oil and gas industry. See “Risk Factors”.

Although the Corporation has no set policy, management of the Corporation may use financial instruments to reduce corporate risk in certain situations. The Corporation may hedge up to 50% of its production to help guarantee a return or to satisfy creditors when concluding a business transaction. The Corporation has no hedges or other financial instruments in place.

The Corporation has not incurred any capital expenditures. However pursuant to an agreement dated November 22, 2004, the Corporation has agreed to purchase all of the issued shares in the capital of Penzance Petroleum Ltd. See “The Corporation”. In addition, the Corporation has acquired various interests in oil and gas properties. See “Business of the Corporation” and “Properties of the Corporation”.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of Common Shares of which 2,971,063 Common Shares are issued and outstanding as at the date hereof.

The holders of the Common Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and shall have one vote for each Common Share held at all meetings of the shareholders of the Corporation. The holders of Common Shares are entitled to (a) receive any dividends as and when declared by the board of directors, out of the assets of the Corporation properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine, and (b) receive the remaining property of the Corporation (after payment of all outstanding debts) in the event of any liquidation, dissolution or winding-up of the Corporation. The holders of the Common Shares have no pre-emptive, redemption or conversion rights.

CAPITALIZATION

The following table sets forth the capitalization of the Corporation as at the dates indicated:

Designation of Securities	Authorized	Outstanding as at Oct. 22, 2004 ⁽⁴⁾⁽⁵⁾ (audited)	Outstanding as at January 17, 2005 ⁽³⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾ (unaudited)	Outstanding as at January 17, 2005 after giving effect to the Minimum Offering ⁽²⁾⁽⁵⁾ ⁽⁶⁾⁽⁷⁾⁽⁸⁾⁽⁹⁾ (unaudited)	Outstanding as at January 17, 2005 after giving effect to the Maximum Offering ⁽²⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾⁽⁹⁾ (unaudited)
Common Shares ⁽¹⁾	Unlimited	\$427,500 (1,771,063 shares)	\$535,000 (2,971,063 shares)	\$3,285,500 (5,671,063 shares)	\$7,560,500 (10,871,063 shares)

Notes:

- (1) In addition, as at the date hereof, 1,346,063 Common Shares are reserved for issuance upon the exercise of share purchase warrants at \$0.50 per share until October 22, 2006, 144,625 Common Shares are reserved for issuance upon the exercise of options at \$0.40 per share until December 23, 2006, and 36,750 Common Shares are reserved for issuance upon the exercise of options at \$0.40 per share until December 31, 2006. See “Prior Sales”.
- (2) For the purpose of calculating the number of Common Shares issued pursuant to the Offering, it was assumed that the gross proceeds are \$2,025,000 in the case of the minimum Offering and \$6,300,000 in the case of the maximum Offering.
- (3) Without giving effect to the exercise of any outstanding warrants, options, or the Options, Warrants, Broker Warrants or Special Warrants.
- (4) Certain directors and officers of the Corporation subscribed for 425,000 common shares of the Corporation at a subscription price of \$0.10 per common share. On October 22, 2004 pursuant to a private placement 740,000 common shares were subscribed for gross proceeds to the Corporation of \$185,000 and 606,063 flow through common shares were subscribed for gross proceeds to the Corporation of \$200,000. See “Directors and Officers” and “Prior Sales”.
- (5) Without giving effect to the costs of the private placement of \$38,500.
- (6) On December 2, 2004, Barry M. Polisuk subscribed for 100,000 common shares of the Corporation at a price of \$0.10 per share pursuant to options that were originally granted to Mr. Polisuk on September 28, 2004. See “Directors and Officers” and “Prior Sales”.
- (7) On December 17, 2004, 125,000 common shares were issued at a deemed price of \$0.40 per share pursuant to the Tulameen Farmin Agreement entered into by the Corporation. See “Properties of the Corporation” and “Material Contracts”.
- (8) On January 27, 2005, Richard Cohen subscribed for 975,000 common shares of the Corporation at a price of \$0.10 per share pursuant to options that were originally granted to Mr. Cohen on September 28, 2004. See “Directors and Officers” and “Prior Sales”.

- (9) Without giving effect to the exercise of any outstanding warrants, options, or Options, Warrants, Broker Warrants but including the 1,813,750 Special Warrants.

OPTIONS TO PURCHASE SECURITIES

Stock Option Plan

The Corporation has a stock option plan established by the directors of the Corporation on October 2, 2004 (the “Stock Option Plan”), the principal purposes of which are to (a) promote a proprietary interest in the Corporation among the officers, directors, employees and consultants of the Corporation and its affiliates, (b) retain and attract the qualified officers, directors, employees and consultants the Corporation requires, (c) provide a long-term incentive element in overall compensation, and (d) promote the long-term profitability of the Corporation. The Stock Option Plan provides that the number of Common Shares that may be issued pursuant to the exercise of options granted under the Stock Option Plan (“Options”) shall not exceed 10% of the issued and outstanding Common Shares of the Corporation at any time. The Stock Option Plan authorizes the Board, to grant Options from time to time to officers, directors, employees and consultants of the Corporation and its affiliates.

Under the Stock Option Plan, options are non-assignable and non-transferable and may be granted for a term as determined by the Corporation, but subject to the rules of any stock exchange or other regulatory body having jurisdiction (currently restricted to five (5) years). The number of Common Shares that may be reserved for issuance in any one-year period to any one person pursuant to Options must not exceed 5% of the outstanding Common Shares. The exercise price of an Option may not be lower than the “Discounted Market Price” of the Common Shares, as defined by the Exchange. If an optionee ceases to be an officer, director or employee of the Corporation other than by reason of the death of such optionee, any outstanding Option held by such optionee will expire not more than 90 days after the date of termination of service. In the event of the death of an optionee, any outstanding Option held by the optionee will be exercisable by such optionee’s representatives for a period of one year after such death. Outstanding Options may be adjusted by the Board in certain events, as to exercise price and number of Common Shares, to prevent dilution or enlargement.

At of the date of this prospectus, options to purchase Common Shares of the Corporation were issued and outstanding as follows:

Group⁽¹⁾	Number of Common Shares Under Option	Date of Grant	Exercise Price	Expiry Date
Union Securities Ltd.	89,625	December 23, 2004	\$0.40	December 23, 2006
Secutor Capital Management Corp.	53,000	December 23, 2004	\$0.40	December 23, 2006
BMO Nesbitt Burns	2,000	December 23, 2004	\$0.40	December 23, 2006
Union Securities Ltd.	26,750	December 31, 2004	\$0.40	December 31, 2006
TD Waterhouse Canada Inc.	10,000	December 31, 2004	\$0.40	December 31, 2006

Notes:

- (1) In connection with the private placement of the Special Warrants which was completed on December 31, 2004, the Corporation granted to the Agent, and applicable sub-agents, options equal to 10% of the Special Warrants sold.

At the date hereof, no stock options have been granted under the Stock Option Plan.

PRIOR SALES

Since its incorporation, the Corporation has issued an aggregate of 2,971,063 Common Shares and 1,813,750 Special Warrants for aggregate gross proceeds of \$1,310,500. On October 22, 2004 the Corporation completed a private placement. On December 31, 2004, the Corporation completed the Special Warrant offering. Details regarding these issuances are set forth below.

Date of Issuance	Number of Securities Issued	Issue Price per Securities	Gross Proceeds	Nature of Consideration
May 18, 2004	100 Common Shares	\$0.10	\$10	Cash
October 21, 2004	424,900 Common Shares	\$0.10	\$42,490	Cash
October 22, 2004	740,000 Common Shares ⁽¹⁾	\$0.25	\$185,000	Cash
October 22, 2004	606,063 Common Shares ⁽¹⁾	\$0.33	\$200,000	Cash
December 2, 2004	100,000 Common Shares ⁽²⁾	\$0.10	\$10,000	Cash
December 17, 2004	125,000 Common Shares ⁽³⁾	\$0.40	\$50,000	CBM Rights
December 23, 2004	1,446,250 Special Warrants ⁽⁴⁾	\$0.40	\$578,500	Cash
December 31, 2004	367,500 Special Warrants ⁽⁵⁾	\$0.40	\$147,000	Cash
January 27, 2005	975,000 Common Shares ⁽⁶⁾	\$0.10	\$97,500	Cash

Notes:

- (1) Each Common Share purchased included a warrant each of which entitles the holder, subject to the terms and conditions set forth in a warrant certificate, to purchase one Common Share at any time until October 22, 2006 on payment of \$0.50 per share.
- (2) Pursuant to options originally granted to Barry M. Polisuk on September 28, 2004, Mr. Polisuk subscribed for 100,000 Common Shares at an exercise price of \$0.10 per share.
- (3) Pursuant to the Tulameen Farmin Agreement, the Corporation agreed to issue a total of 125,000 Common Shares to Compliance Energy Corporation and the Upper Simikameen Indian Band at a deemed price of \$0.40 per share. See “Properties of the Corporation and “Material Contracts”.
- (4) In addition, 144,625 agent’s options were granted to purchase Common Shares at \$0.40 per share until December 23, 2006. See “Capitalizaiton”.
- (5) In addition, 36,750 agent’s options were granted to purchase Common Shares at \$0.40 per share until December 23, 2006. See “Capitalizaiton”.
- (6) Pursuant to options originally granted to Richard Cohen on September 28, 2004, Mr. Cohen subscribed for 975,000 Common Shares at an exercise price of \$0.10 per share.

ESCROWED SECURITIES

Pursuant to an escrow agreement (the “Escrow Agreement”), dated ●, among the Corporation, the Escrow Agent and certain of the current shareholders, the following securities of the Corporation are held in escrow:

Designation of Class Held in Escrow	Number of Securities held in escrow	Percentage of Class ⁽¹⁾		
		Prior to the Offering	After Giving Effect to the Minimum Offering	After Giving Effect to the Maximum Offering
Common Shares	●	● %	● %	● %
Special Warrants	●	● %	● %	● %
Warrants	●	● %	● %	● %

Note:

- (1) Without giving effect to the exercise of the Broker Warrants or the exercise of the Warrants comprising the Equity Units.

Ten percent of such Common Shares will be released from escrow on the date that the Corporation’s Common Shares are listed on the Exchange. The remaining ninety percent of such Common Shares will be released from escrow in fifteen percent tranches during consecutive six-month intervals over a 36-month period following said listing date. This escrow release schedule is subject to acceleration in accordance with National Policy 46-201 - Escrow for Initial Public Offerings and the policies of the Exchange.

PRINCIPAL SHAREHOLDERS

The following table lists as of the date hereof, those persons who own of record or beneficially, directly or indirectly, more than 10% of the issued and outstanding Common Shares of the Corporation.

Name and Municipality of Residence	Type of Ownership	Number of Common Shares	Percentage of Common Shares Owned Before Offering and Special Warrants	Percentage of Common Shares Owned After		Percentage of Common Shares Owned After Offering, fully diluted ⁽¹⁾	
				Minimum Offering	Maximum Offering	Minimum Offering	Maximum Offering
David Thomas, Calgary, Alberta	Registered and Beneficial	300,000	10.10%	5.29%	2.76%	4.34%	2.56%
Richard Cohen, Thornhill, Ontario	Registered and Beneficial	750,000	25.24%	13.23%	6.90%	10.02%	5.91%

- (1) Assuming the exercise of all the Special Warrants, including 25,000 Special Warrant subscriptions by David Thomas, but not the 1,346,063 common share purchase warrants issued pursuant to the Corporation's October 22, 2004 private placement or the 181,375 agent's options granted in connection with the Special Warrants offering. See "Capitalization".

DIRECTORS AND OFFICERS

The following table sets out the names and municipalities of residence of each of the current directors and executive officers of the Corporation, their current positions and offices with the Corporation, their principal occupations and positions held during the last five years.

Name, Age and Municipality of Residence	Director ⁽²⁾ or Officer Since	Office or Position with the Corporation and Shareholdings	Present Occupation and Positions Held During the Last Five Years
David Thomas, B.Sc., M.Sc., D.Ic. (55) ⁽¹⁾ Calgary, Alberta	Officer since September 28, 2004. Director since September 29, 2004.	President, CEO and Director 300,000 Common Shares 25,000 Special Warrants	Presently the President and CEO of ROG. During the past 5 years he was Managing Director of Penzance Petroleum Ltd., Owner of Marquand International Inc., President, COO and Director of Trinity Energy Inc.
Richard Cohen (53) Thornhill, Ontario	Director and Officer since May 18, 2004.	Chairman of the Board and Vice-President (Corporate Communications) and Director 750,000 Common Shares	Presently the Vice President (Corporate Communications) of ROG. During the past 5 years he was President and Director of Clark Avenue Company Inc., Clark Avenue Financial Group Inc., J.C.R.A. Investment Inc., Glenlong Capital Inc., 1030329 Ontario Ltd., Director and Secretary of J.C.R.A. Oil & Gas Inc., Vice-President of Rescue 7 Emergency Training Services Inc. and Director of Western Warner Oils Ltd. and Active Control Technology Inc.
Brad Van Den Bussche, B.Sc. Honors, P. Geol. (42) Calgary, Alberta	Officer since September 28, 2004.	Vice-President (Exploration) 250,000 Common Shares and 100,000 warrants to purchase shares at the price	Presently the Vice-President (Exploration) of ROG. During the past 5 years he was Principal, Geology and Marketing of Coal Gas Technology Ltd. and President of Kaybri Resource

		of \$0.50 per share, expiring October 22, 2006 ⁽³⁾	Management Ltd.
Norman Grill, C.A., CFP (68) Markham, Ontario	Officer since October 5, 2004.	CFO 100,000 Common Shares	Presently a Consultant with Kraft, Berger, Grill, Schwartz, Cohen & March LLP, Chartered Accountants. During the past 5 years he was a Partner of Kraft, Berger, Grill, Schwartz, Cohen & March LLP.
Stephen Freedhoff, C.A., CFP (69) ⁽¹⁾ Toronto, Ontario	Director since September 29, 2004.	Director 100,000 Common Shares	Presently and during the past 5 years he was a self-employed consultant and was formerly a Partner for over 30 years of PricewaterhouseCoopers and its predecessor firms.
Barry M. Polisuk, LL.B., LL.L. (45) ⁽¹⁾ Thornhill, Ontario	Director since September 29, 2004.	Director 100,000 Common Shares	Presently and during the past 5 years he was a Partner of Garfinkle, Biderman LLP.

Notes:

- (1) Member of Audit Committee.
- (2) The term of office of each of the directors of the Corporation will expire at the next annual meeting of shareholders of the Corporation.
- (3) Mr. Van Den Bussche is the President and 1/3 shareholder of an Alberta numbered company, which owns 100,000 Common Shares and 100,000 warrants of the Corporation.

The current and proposed directors and officers of the Corporation, as a group, currently beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 1,500,000 Common Shares, representing 50.49% of the issued and outstanding Common Shares before the Offering and 26.45% of the issued and outstanding Common Shares after giving effect to the minimum Offering 13.80% after giving effect to the maximum Offering.

Mr. Thomas and Mr. Van Den Bussche will devote their full-time and attention to the business and affairs of the Corporation. Mr. Cohen will devote 50% of his time and attention to the affairs of the Corporation, as required, and Messers. Grill, Polisuk and Freedhoff will devote their time on an as needed basis. Profiles of the Corporation's directors and officers are set forth below.

David M. Thomas, B.Sc. (Geology), M.Sc., D.Ic. (Engineering)

Since immigrating to Canada some 20 years ago, Mr. David M. Thomas, BSc (Geology), MSc, D.I.C. (Engineering), has become increasingly involved in domestic exploration and production, with emphasis on gas and oil in Alberta and Saskatchewan. He has the distinction of being at the forefront of developing coal bed methane in Alberta, having drilled some of the early experimentation wells in the first late 80's push and, subsequently, at the forefront of late-90's-to-present thrust. As President - COO of a small private energy company, he put in place one of the earliest CBM pilot projects in Alberta, having acquired a large land base to do so some 2 years in advance of the competition. He has crystallized significant value for shareholders by subsequently selling interests to Nexen Inc. and Trident Exploration Corp. Mr. Thomas has been involved in exploration and development of hydrocarbons for over 30 years, maintaining a strong geological and geophysical base, while moving through senior management positions. For some two-thirds of his career, he was involved with international exploration, from Argentina through to Zambia and across most of the continents, both on and offshore, developing plays and prospects for majors and intermediate-sized companies. Mr. Thomas has a very focused, value-based approach to building and maintaining an oil & gas portfolio. Through involvement in smaller domestic companies, he has in-depth experience in maximizing returns throughout the acquisition, development, production and disposition cycle.

Richard Cohen

Mr. Cohen has worked in the oil patch since 1990 and has worked as a consultant to numerous junior and microcap oil and gas companies. He was a founder of Beaver Lake Energy Inc. in 1993. Mr. Cohen has taken the initiative in forming ROG and has negotiated the contract with CGT. He will be responsible for corporate communications and

for arranging the financings for the Corporation. Mr. Cohen's company, Clark Avenue Company Inc., is currently engaged as a consultant to 3 microcap public companies, Active Control Technology Inc., Sawtooth International Resources Inc. and Stealth Ventures Inc. and one private company, Rescue 7 Emergency Training Services Inc., and will continue to offer his services to these companies.

Brad Van Den Bussche, B.Sc. Honors (Geology), P. Geol.

Mr. Van Den Bussche has twenty years of experience in the coal and energy industry where he has worked mainly as a geologist and project manager. He has worked on numerous coal and coalbed methane feasibility studies, assessments, exploration programs and regional evaluations in Canada, the United States, Asia, Latin America and the U.K. Since 2000 Mr. Van Den Bussche has focused exclusively on coalbed methane exploration and development as a consultant to the Canadian coalbed methane industry through CGT. Mr. Van Den Bussche has in-depth experience with coal and coalbed methane exploration.

Norman Grill, C.A., CFP

Mr. Grill, C.A., CFP is a consultant with Kraft, Berger, Grill, Schwartz, Cohen & March LLP, Chartered Accountants, since October 1, 2003. Previously, he was a partner with this firm for 42 years. Mr. Grill will devote his time and attention on an as needed basis.

Barry M. Polisuk, B.A., LL.B., LL.L.

Mr. Polisuk, LL.B., is a graduate of McGill University and University of Ottawa Law Schools, having obtained an LL.B. cum laude and a Quebec Civil Law Degree. Mr. Polisuk was called to the bar in 1988. He has been with Garfinkle, Biderman LLP since 1995 and became a partner in 1997. Mr. Polisuk is a corporate and commercial lawyer, focused on financings, corporate and commercial work, including securities.

Stephen Freedhoff, C.A., CFP

Stephen H. Freedhoff, CA, CFP, has been a self-employed consultant since July 1999. Previously, he was a partner for over 30 years of PricewaterhouseCoopers and its predecessor firms.

Corporate Cease Trade Orders or Bankruptcies

Richard Cohen was a director of Western Warner Oils Limited, a reporting issuer listed on the Alberta Stock Exchange, which was ordered to be ceased traded on January 25, 1995 by the Alberta Securities Commission and de-listed by the Alberta Stock Exchange on June 20, 1995 for failure to file financial statements. The reason for the failure was that Western Warner Oils Limited had experienced business losses and no longer had funds available to fulfil its reporting requirements. At the time of the cease trade and de-listing, Mr. Cohen was not actively involved in the day-to-day management of that company.

Penalties or Sanctions

None of the directors, officers or promoters of the Corporation has, within the ten years prior to the date hereof, been subject to any penalties or sanctions imposed by a court or security regulatory authority relating to trading in securities, promotion or management of a publicly traded corporation, or theft or fraud.

Personal Bankruptcies

With the exception of Richard Cohen, who made a voluntary assignment in bankruptcy on the 25th day of June, 2003, no director, officer or promoter of the Corporation has, within five years of the date hereof, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or institute any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets. Richard Cohen was granted a full discharge in the matter of his bankruptcy pursuant to subsection 168.1(1) of the Bankruptcy and Insolvency Act (the "Bankruptcy Act"), on the 26th day of March, 2004, which releases and discharges him from all debts. Subsection 178(1) of the Bankruptcy Act includes certain matters which are not released by a discharge in bankruptcy, however none of the enumerated matters are applicable to Mr. Cohen.

Conflicts of Interest

Mr. Polisuk, a director of the Corporation, is a partner of Garfinkle, Biderman LLP, which law firm provides legal services to the Corporation. See “Directors and Officers”, “Executive Compensation” and “Prior Sales”.

There are potential conflicts of interest to which some of the directors and officers of the Corporation may be subject in connection with their operations. Some of the directors and officers are engaged in and will continue to be engaged in searches for corporations, businesses or assets which may be in competition with searches by the Corporation for such corporations, businesses or assets. Conflicts, if any, will be subject to and governed by the procedures and remedies set forth in the ABCA.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth certain information regarding the prior and proposed compensation of the executive officers of the Corporation.

Name and Position(s)	Annual Compensation				Long Term Compensation	All Other Compensation
	Year	Salary	Bonus	Other Annual Compensation	Securities under Options Granted (#)	
David Thomas, President and CEO	2005	\$ ● ⁽¹⁾	Nil	Nil	Nil	Nil
Brad Van Den Bussche, VP Exploration	2005	\$ ● ⁽¹⁾	Nil	Nil	Nil	Nil
Norman Grill, CFO	2005	\$ ● ⁽¹⁾	Nil	Nil	Nil	Nil
Richard Cohen, VP Communications	2005	\$ ● ⁽¹⁾	Nil	Nil	975,000	Nil

Notes:

- (1) Salary shown on an annualized basis.
- (2) No compensation was paid to any executive officer of the Corporation in 2004 except for Richard Cohen who was granted 975,000 options to purchase 975,000 Common Shares of the Corporation at an exercise price of \$0.10 per share on September 28, 2004, which he exercised on January 27, 2005.

Stock Options

As of the date hereof no stock options, other than the 975,000 options originally granted to Richard Cohen and the 100,000 originally granted to Barry M. Polisuk, which have since been exercised, have been granted to the executive officers and directors of the Corporation. See “Capitalization”, “Prior Sales” and “Directors and Officers”.

Long Term Incentive Plans

The Corporation has no pension plans for its directors, officers or employees.

Termination of Employment, Change in Responsibilities and Employment Contracts

Since its incorporation the Corporation has not entered into any employment contracts nor has it terminated the employment of any employees.

Compensation of Directors

No director of the Corporation will be compensated by the Corporation for his services in his capacity as a director other than through the grant of stock options under the Stock Option Plan of the Corporation. At the date hereof, no stock options have been granted to the directors pursuant to the Stock Option Plan of the Corporation.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Other than as disclosed herein, no director, proposed director, senior executive officer or promoter of the Corporation, or any of their respective associates or affiliates, is or has been, at any time since the date of incorporation, indebted to the Corporation.

PLAN OF DISTRIBUTION

Offering of Equity Units and Flow Through Shares

The Offering consists of a minimum of ● and a maximum of ● Equity Units and up to ● Flow Through Shares at a price of \$ ● per Equity Unit and \$ ● per Flow Through Share, for gross aggregate proceeds of a minimum of \$2,025,000 and a maximum of up to \$6,300,000. Each Equity Unit consists of one common share of ROG at a price of \$ ● per common share and one warrant. Each whole Warrant will entitle the holder to purchase one Common Share at a price of \$ ● per share for a period of twenty-four (24) months from the initial closing of this Offering. Flow Through Shares are to be issued as “flow-through shares”, within the meaning of the Tax Act, at a price of \$ ● per flow through share.

Of the total purchase price of \$ ● per Equity Unit, the Corporation will allocate \$ ● to each Common Share and \$nil to each Warrant constituting the Equity Unit. The offering prices of the Equity Units and Flow Through Shares were determined by negotiation between the Corporation and the Agent.

Pursuant to an agency agreement (the “Agency Agreement”) dated as of ●, between ROG and the Agent, ROG has appointed the Agent as its exclusive agent to offer the Equity Units and Flow Through Shares to the public on a best efforts basis with respect to the Offering, subject to the terms and conditions of the Agency Agreement. The Agent’s address is Union Securities Ltd., 3260, 450 – 1st Street S.W., Calgary, Alberta, T2P 5H1. The Agent has agreed to use its best efforts to secure subscriptions for the Equity Units on behalf of ROG in the provinces of British Columbia, Alberta, Saskatchewan, Ontario, New Brunswick, and Nova Scotia. The Agent may, in connection with the Offering and in its discretion, retain one or more other licensed dealers, brokers and investment dealers (referred to herein as the “Selling Firms”) as sub-agents and may receive subscriptions for Equity Units and Flow Through Shares from such Selling Firms. This prospectus qualifies the distribution of the Equity Units and Flow Through Shares to the subscribers thereof. The obligations of the Agent under the Agency Agreement may be terminated at its discretion on the basis of its assessment of the state of financial markets and may also be terminated on the occurrence of certain stated events.

ROG has agreed to pay the Agent a 10% cash commission on the purchase price of each of the Equity Units and Flow Through Shares, such commission payable to the Agent on the closing date of the Offering. In addition, the Agent will be entitled to receive as additional compensation non-transferable broker warrants (a “Broker Warrant”) equal to 10% of the total number of Equity Units and Flow Through Shares sold pursuant to this Offering. Each Broker Warrant will entitle the holder thereof to purchase one Equity Unit at a price of \$ ● and will be exercisable for a period of 24 months from the date of the initial closing of the Offering. This prospectus also qualifies for distribution the Broker Warrants. The Agent will be reimbursed for certain expenses. No additional commission or fee will be payable by ROG in connection with the distribution of Common Shares upon the exercise of the Warrants or the Broker Warrants. The Agent will also be reimbursed for all of its reasonable out-of-pocket expenses associated with the Offering.

It is expected that the initial closing of the Offering will take place on or about March 15, 2005, or such other date as may be agreed upon by the Agent and ROG. Additional closings may occur from time to time as agreed upon by the Agent and ROG, provided that the final closing will occur no later than 90 days from the issuance of the final receipt for this prospectus, or such later date as may be agreed to by the Corporation and the Agent with the consent of

applicable securities regulatory authorities. Subscriptions for Equity Units and Flow Through Shares will be received subject to rejection or allotment in whole or in part by the Corporation and the right is reserved to close the subscription books at any time without prior written notice. There will not be certificates representing the Equity Units. Definitive certificates representing the Common Shares and Warrants subscribed for will be available for delivery at the time of closing of the Offering.

Renunciation of Qualifying Expenditures

ROG will renounce to each subscriber for Flow Through Shares, effective on or before December 31, 2005, Qualifying Expenditures in an amount equal to the gross proceeds allocated to the Flow Through Shares subscribed for (\$ ● per Flow Through Share), and will incur Qualifying Expenditures in an amount equal to such gross proceeds. See “Canadian Federal Income Tax Considerations”.

Subscriptions for Flow Through Shares, will be made pursuant to one or more Subscription Agreements to be made between ROG and the Subscriber. The delivery of a Subscription Agreement by the subscriber for Flow Through Shares will bind such subscriber to the terms of the Subscription Agreement. Pursuant to the Subscription Agreements, ROG will covenant and agree (i) to renounce to the original subscriber, effective on or before December 31, 2005, Qualifying Expenditures in an amount equal to the gross proceeds allocated to the Flow Through Shares and to use such gross proceeds to incur Qualifying Expenditures, and (ii) that if it does not renounce to such subscriber effective on or before December 31, 2006, Qualifying Expenditures equal to such amount and incur on or before December 31, 2006, Qualifying Expenditures in such an amount or there is a reduction in the amount renounced pursuant to subsection 66(12.73) of the Tax Act (except as a result of any amendment to the Tax Act), and there is no other recourse of the original subscriber for such failure or reduction, ROG will indemnify the original subscriber as to, and pay in settlement thereof to the original subscriber, an amount equal to the amount of any tax payable under the Tax Act (and under any corresponding provincial legislation) by the original subscriber as a consequence of such failure or reduction.

The Subscription Agreements will contain additional representations, warranties, covenants and agreements by ROG in favour of the subscriber for Flow Through Shares, which are consistent with and supplement ROG’s obligations as described in this prospectus. The contract arising out of the Subscription Agreements and all documents relating thereto shall be governed by and construed in accordance with the laws of the province of Alberta and the laws of Canada applicable therein. The Subscription Agreements will also provide representations, warranties and agreements of the subscriber, and by its purchase of Flow Through Shares, each subscriber for Flow Through Shares will be deemed to have represented, warranted and agreed, for the benefit of ROG and the Agent that (i) the subscriber, and any beneficial purchaser for whom it is acting, is not a non-resident of Canada for the purposes of the Tax Act; (ii) the subscriber, and any beneficial purchaser for whom it is acting, deals and will, at all relevant times, continue to deal, at arm’s length with ROG for the purposes of the Tax Act; (iii) the subscriber is of the full age of majority and has the legal capacity and competence to enter into and be bound by the Subscription Agreement; (iv) the subscriber waives any right that such purchaser may have to any federal or provincial credits, grants or similar or like payments or benefits arising or resulting from the incurring of expenditures under the agreement by ROG or the operations of ROG and acknowledges that all such credits, grants, and similar or like payments or benefits shall belong to, be vested in, and accrue solely to the benefit of ROG; (v) the subscriber has received and reviewed a copy of this prospectus; and (vi) the liability of ROG in respect of its agreement to renounce Qualifying Expenditures shall be limited to the extent specifically stated in this prospectus.

Notwithstanding the foregoing, ROG may enter into one or more Subscription Agreements for Flow Through Shares on such other terms as may be agreed to by ROG and the applicable subscriber.

Special Warrants

Pursuant to the an agency agreement dated the 22nd day of November, 2004 between the Corporation and the Agent, the Corporation appointed the Agent as its exclusive agent to offer for sale, on a best efforts basis, the Special Warrants at a price of \$0.40 per Special Warrant. Each Special Warrant entitles the holder thereof to acquire one Common Share, at no additional cost, during the period commencing on the closing of the Special Warrants and ending at 4:30 p.m. (Calgary time) on the earlier of: (i) five business days after the date upon which a final receipt for this prospectus has been obtained from the last of the Securities Commissions to issue a receipt; and (ii) the first

anniversary of the closing of the Special Warrants (the “Expiry Time”). Any Special Warrant not exercised prior to the Expiry Time will be deemed to be exercised without any further action on the part of the holder, immediately prior to the Expiry Time.

The private placement of the Special Warrants closed on December 23, 2004 and December 31, 2004. Under the terms of the agency agreement, the Corporation has paid the Agent a fee of 10% of the gross proceeds received by ROG from the sale of the Special Warrants, for an aggregate fee of \$72,550, and the Corporation granted to the Agent and sub-agents options equal to 10% of the Special Warrants sold for an aggregate of 181,375 options exercisable at a price of \$0.40 per warrant for a period expiring 24 months from the respective closing dates of the Special Warrants. The Agent also received an agency fee of \$25,000 and was reimbursed for out-of-pocket expenses, including legal fees, disbursements and other charges incurred in connection with the private placement of the Special Warrants. This prospectus qualifies the common shares issuable upon the exercise of the Special Warrants.

The Exchange has conditionally approved the listing of these securities. The listing is subject to the Corporation fulfilling all of the requirements of the Exchange, including distribution of these securities to a minimum number of public security holders.

RISK FACTORS

Investment Risk

An investment in this Offering involves a number of significant risks and should be considered to be speculative due to the nature of the Corporation’s business and its relatively early stage of development. The investment is unsuitable for persons who are unable to risk all of their investment or face the possibility of no return thereon. Potential investors should consider the risks and merits of the investment and should consult their professional advisors to assess the legal, financial and other aspects of the investment.

Issuer Risk

Dependence on Key Personnel

Investors must rely on the ability, expertise, judgment and integrity of the management of the Corporation. The success of the Corporation is largely dependent upon the quality of its management and personnel. Loss of the services of such persons, or the inability to attract personnel of equal ability, could materially adversely affect the Corporation’s business operations and prospects. There is a risk that the death of any senior officer could have an adverse effect on the Corporation.

Conflicts of Interest

Certain directors of the Corporation are also directors of other companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the ABCA.

Need for Further Financings

Even if this Offering is completed, the Corporation could require additional financing to finance its future operations. The ability of the Corporation to arrange such financing in the future will depend in part upon prevailing capital market conditions as well as the business performance of the Corporation. There can be no assurance that the Corporation will be successful in its efforts to arrange additional financing on satisfactory terms. If additional financing is raised by the issuance of shares from treasury of the Corporation, control of the Corporation may change and shareholders may suffer dilution. If the Corporation is unable to successfully secure adequate or satisfactory financing as required, the Corporation’s ability to implement its business plan could be seriously and adversely affected.

No Dividends

The Corporation has not paid dividends on its common shares to date. Any determination to pay dividends will be at the discretion of the board of directors of the Corporation and will depend upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the board of directors of the Corporation may then deem relevant.

Unlimited Authorization to Issue Common Shares

The Corporation's board of directors is authorized to issue an unlimited number of Common Shares without obtaining shareholder approval, thereby potentially diluting the percentage interest of existing shareholders without their approval or consent.

Acquisition of Penzance

There is no assurance that this transaction will close. If all of the conditions in the Share Purchase Agreement, including but not limited to the completion of this Offering, and the listing and posting of the common shares of the Corporation on the Exchange, are not met or waived, the Corporation may not be in a position to acquire the shares of Penzance.

Industry Risk

In addition to factors set forth elsewhere herein, purchasers of Equity Units and Flow Through Shares should carefully consider the following factors, many of which are inherent to the ownership of securities of a company carrying out competing in the oil and gas industry.

Risks Associated with the Exploration, Development and Production of Oil and Natural Gas May Not Be Insurable

The Corporation's operations are subject to the risks normally incident to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, blow-outs and fires, all of which could result in the personal injuries, loss of life and damage to property of the Corporation and others. In accordance with customary industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable. As referred to under "Industry Conditions – Environmental Regulation", environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The Corporation expects it will be able to fully comply with all regulatory requirements in this regard.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

Government Regulation

The oil and natural gas industry is subject to extensive controls and regulations imposed by various levels of government. It is not expected that any of these controls or regulations will affect the operations of the Corporation in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and the Corporation is unable to predict what additional legislation or amendments may be enacted.

Competition

Oil and gas exploration is intensely competitive and involves a high degree of risk. There can be no assurance that commercial production of hydrocarbons can be obtained from any of the Corporation's properties, nor are there any assurances that production, if obtained, will be in sufficient quantities to be profitable. In its efforts to acquire properties, the Corporation competes with other companies that have significantly greater resources. Many of these companies not only explore for and produce oil and gas, but also conduct refining and petroleum marketing operations on a worldwide basis. Competition for producing properties will be affected by the amount of funds available to the Corporation, information available to the Corporation and any standards established by the Corporation for the minimum projected return on investment. Competition may also be presented by alternative fuel sources.

Risks Associated with Oil and Gas Exploration

There can be no assurance that the Corporation will recover commercial quantities of hydrocarbons in the future. The marketability of any oil and gas acquired or discovered will be affected by numerous factors beyond the control of the Corporation. These factors include market fluctuations, proximity and capacity of oil and gas pipelines and processing equipment and government regulations (including regulations relating to royalties, allowable production, importing and exporting of oil and gas, and environmental protection). In addition, hazards such as unusual or unexpected formations, pressures or other conditions are involved in drilling and operating wells.

Financial Risks

The Corporation does not presently have sufficient financial resources to undertake by itself all of its planned exploration and development programs. The exploration and development of the Corporation's properties depend, therefore, on the Corporation's ability to obtain additional financing through joint ventures, debt financing, equity financing or other means. There can be no assurance that the Corporation will obtain necessary additional financing or that any joint venture partner will obtain financing under the terms of any joint venture agreement into which it enters with the Corporation. The failure of the Corporation to obtain additional financing on a timely basis or on terms favourable to the Corporation could result in the loss or substantial dilution of the Corporation's interests (as existing or as proposed to be acquired) in its properties. In addition, the failure of any joint venture partner to obtain any required financing could adversely affect the Corporation's ability to complete the exploration or development of any such joint venture project on a timely basis. Should the Corporation elect to satisfy its cash commitments through the issuance of securities, by way of either private placement or public offering, there can be no assurance that the Corporation's efforts to raise such funding will be successful, or achieved on terms favourable to the Corporation or its existing shareholders.

Expiration of Licenses and Leases

The Corporation's properties will be held in the form of licenses and leases and working interests in licenses and leases. If the Corporation or the holder of the license or lease fails to meet the specific requirement of a license or lease, the license or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each license or lease will be met. The termination or expiration of the Corporation's licenses or leases or the working interests relating to a license or lease may have a material adverse effect on the Corporation's results of operation and business.

Environmental Regulation

Hazards incident to the exploration and development of oil and gas properties such as accidental spills or leakage of petroleum liquids and other unforeseen conditions may be encountered by the Corporation. The Corporation may be subject to liability for pollution and other damages due to hazards, which cannot be insured against due to prohibitive premium costs or for other reasons. Governmental regulations relating to environmental matters could also increase the cost of doing business or require alteration or cessation of operations in certain areas. Existing and possible fixture environmental legislation, regulations and actions could give rise to additional expense, capital expenditures, restrictions and delays in the activities of the Corporation, the extent of which cannot be predicted. Regulatory requirements and environmental standards are subject to constant evaluation and may be significantly

increased, which could materially and adversely affect the business of the Corporation or its ability to develop its properties on an economically feasible basis. Before development and production can commence on any properties, the Corporation must obtain regulatory and environmental approvals. There is no assurance that such approvals will be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or preclude entirely the economic development of a property.

Fluctuation in Oil and Gas Prices

As with most other companies involved in resource exploration, the Corporation may be adversely affected by future increases in the costs of conducting exploration, development and resource extraction that may not be fully offset by increases in the price received on sale of the petroleum or natural gas. The Corporation's revenues, profitability and future growth and the carrying value of its oil and gas properties will be substantially dependent on prevailing prices of oil and gas. The Corporation's ability to borrow and to obtain additional capital on attractive terms will also be substantially dependent upon oil and gas prices. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include economic conditions in the United States and Canada, the actions of the Organization of Petroleum Exporting Countries, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and gas would have an adverse effect on the Corporation's carrying value of its proved reserves, borrowing capacity, revenues, profitability and cash flows from operations. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Uncertainty of Global Financial Markets

On September 11, 2001, the United States was the subject of terrorist attacks resulting in significant loss of life and property damage. The events of September 11, 2001 and the response of the United States and other nations have created an environment of uncertainty in global financial markets, the effect of which could have a material impact upon the Corporation, its proposed business and its ability to finance future operations.

Tax Treatment of Flow Through Shares

The tax treatment applicable with respect to oil and gas activities and flow-through shares constitutes a major factor when considering an investment in the Flow Through Shares. There is no guarantee that the taxation laws and regulations and the current administrative practices of both the federal and provincial tax authorities will not be amended or construed in such a way that the tax considerations for a subscriber of Flow Through Shares will not be altered, and moreover there is no guarantee that there will not be any differences of opinion between the federal and provincial tax authorities with respect to the tax treatment of the Flow Through Shares, the status of the Flow Through Shares and the activities contemplated by the Corporation's exploration and development programs. See "Canadian Federal Income Tax Considerations".

The Flow Through Shares are designed for investors whose income is subject to high marginal tax rates. No guarantee can be given that Canadian tax laws will not be amended, that the amendments announced with respect to such laws will be adopted or that the current administrative practices of the tax authorities will not be modified. In addition, there is no guarantee that the projected tax deductions will be accepted by the CCRA. Consequently, the tax considerations for subscribers holding or selling Flow Through Shares may be fundamentally altered. See "Canadian Federal Income Tax Considerations".

There is no guarantee that an amount equal to the total proceeds from the subscriptions of the Flow Through Shares offered hereunder will be expended on or prior to December 31, 2005 as Qualifying Expenditures resulting in the deductions described under "Canadian Federal Income Tax Considerations". If the Corporation does not expend an amount equal to the proceeds from the subscriptions of the Flow Through Shares so as to incur Qualifying Expenditures prior to December 31, 2005, the Corporation will be required to restate the amount of expenses that it has renounced in favour of the subscribers for Flow Through Shares and such subscribers will be reassessed and will

be required to reverse the tax benefits arising from all or part of the renounced expenses. Although the Corporation has agreed to indemnify such subscribers in such event, there is no guarantee that the Corporation will have the financial resources to fund such obligation.

PROMOTERS

Messrs. Thomas and Cohen may be considered to be the promoters of the Corporation in that they took the initiative in founding and organizing the Corporation. Messrs. Thomas and Cohen each hold, directly and indirectly, 35.34% of the outstanding Common Shares of the Corporation prior to this Offering. Mr. Cohen holds 750,000 Common Shares of the Corporation. Mr. Cohen made a voluntary assignment in bankruptcy on the 25th day of June, 2003. Mr. Thomas holds 300,000 Common Shares of the Corporation and 25,000 Special Warrants. See "Prior Sales" and "Directors and Officers".

LEGAL PROCEEDINGS

The Corporation is not involved in or aware of any present or pending legal proceedings against the Corporation involving it jointly or separately as a party.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

David Thomas, the President, Chief Executive Officer and a Director of the Corporation is the Managing Director and a shareholder of Penzance, and Brad Van Den Bussche, the Vice President (Exploration), was an officer and director of CGT until his resignation on September 28, 2004, but remains a shareholder of CGT.

Other than the foregoing and as set out in this prospectus, management is not aware of any material interest in any matter to be acted upon or any material transaction, direct or indirect, of any director, proposed director or senior officer of the Corporation, or of any persons, beneficially owning, directly or indirectly, more than 10% of the Corporation's voting shares or of any associate or affiliate thereof.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Corporation are Hudson & Company LLP, through its office at 300, 625 – 11th Avenue S.W., Calgary, Alberta, T2R 0E1.

The transfer agent and registrar of the Corporation is Valiant Trust Company, at its principal offices in Calgary, Alberta.

MATERIAL CONTRACTS

The Corporation has not entered into any contracts material to subscribers since incorporation, other than contracts in the ordinary course of business, except:

1. Consulting Agreement dated the 16th day of May, 2004, between Richard Cohen, in trust for the Corporation and CGT;
2. Rocky Layman Agreement dated the 1st day of November, 2004, between the Corporation and Rocky Layman Energy Inc.;
3. Agency Agreement re: Special Warrants dated the 22nd day of November, 2004, between the Corporation and the Agent;
4. Share Purchase Agreement dated the 22nd day of November, 2004, between the Corporation, Penzance and the shareholders of Penzance;
5. Morningside Farmin Agreement dated the 21st day of October, 2004, and agreed and accepted on the 6th day of December, 2004, between the Corporation and Transglobe Energy Corporation;

6. Tulameen Farmin Agreement dated the 22nd day of November, 2004, and agreed and accepted on the 6th day of December, 2004, between the Corporation, Compliance Energy Corporation and the Upper Simikameen Indian Band;
7. Agency Agreement re: this Offering dated the ● day of ●, 2005, between the Corporation and the Agent; and
8. Escrow Agreement dated the ● day of ●, 2005, between the Corporation, the Escrow Agent and those shareholders that executed such Escrow Agreements (see “Escrowed Securities”).

Copies of the foregoing agreements will be available for inspection while the securities offered by this prospectus are in the course of distribution and for a period of 30 days thereafter at the registered head office of the Corporation, 1600, 840 – 7th Avenue S.W., Calgary, Alberta, T2P 3G2, during ordinary business hours.

EXPERTS

Certain legal matters relating to the sale of the Equity Units and Flow Through Shares will be passed upon by Garfinkle, Biderman LLP, counsel on behalf of the Corporation and by Macleod Dixon LLP on behalf of the Agent. To the knowledge of management of the Corporation, as of the date hereof, except for Barry M. Polisuk, the partners and associates of Garfinkle, Biderman LLP beneficially owned, directly or indirectly, none of the outstanding Common Shares of the Corporation, and the partners and associates of Macleod Dixon LLP, as a group, beneficially owned, directly and indirectly, none of the outstanding Common Shares of the Corporation.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Garfinkle, Biderman LLP, counsel to the Corporation, the following is a fair and adequate summary of the principal Canadian federal income tax considerations generally applicable to subscribers who acquire Equity Units and/or Flow Through Shares under this Offering and who, for purposes of the Tax Act and at all relevant times, are residents of Canada, deal at arm’s length with the Corporation and hold the Flow Through Shares acquired hereunder as capital property. The Flow Through Shares will generally constitute capital property to a holder thereof unless the holder holds such securities in the course of carrying on the business of trading or dealing in securities or otherwise as part of a business of buying and selling securities or has acquired such securities in a transaction or transactions considered to be an adventure in the nature of trade.

This summary is not applicable to subscribers who are principal business corporations within the meaning of the Tax Act, whose business includes trading or dealing in rights, licences or privileges to explore for, drill or take minerals, oil, natural gas or other related hydrocarbons, who, at any time, have an “at-risk” adjustment as defined in the Tax Act, who are subject to the “mark-to-market” provisions of the Tax Act, who are partnerships or trusts or who are “financial institutions” for purposes of the Tax Act.

This summary is based on the Tax Act and the regulations enacted thereunder (the “Regulations”) taking into account all published proposals for the amendments thereof to the date hereof (the “Proposed Amendments”) and upon Garfinkle, Biderman LLP’s understanding of the current administrative practices of the Canada Customs and Revenue Agency (“CCRA”). This summary does not otherwise take into account or anticipate any change in law or administrative practice, nor does it take into account provincial or territorial tax laws of Canada or tax laws of any foreign country. No assurances can be given that the Proposed Amendments to the Tax Act and the Regulations will be enacted as proposed or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular subscriber. Accordingly, potential subscribers should consult their own tax advisors for advice with respect to the income tax consequences of investing in Flow Through Shares having regard to their own particular circumstances.

This summary assumes that the Corporation will make all filings in respect of the issue of the Flow Through Shares and the renunciation of Qualifying Expenditures in the manner and within the times required by the Tax Act and the Regulations and that all renunciations will be validly made. In addition, while the Corporation will furnish each subscriber of Flow Through Shares with information with respect to renounced Qualifying Expenditures for purposes of filing income tax returns, the preparation and filing of returns will remain the responsibility of each subscriber of Flow Through Shares. This summary is based upon the assurance of the Corporation that it will be a “principal business corporation” at all material times and that the Flow Through Shares, when issued, will not be prescribed shares, all within the meaning of the Tax Act. The purpose of the prescribed share rules is to prevent renunciation of resource expenses where an investor’s risk of loss in respect of the share may be limited in any manner. Generally, the prescribed share rules prevent the issuance of preferred or guaranteed shares as flow-through shares. However, the Regulations defining prescribed shares are broadly worded and could be interpreted as encompassing some types of common shares. Although Garfinkle, Biderman LLP is of the view that the Flow Through Shares are not prescribed shares, there is no assurance that the CCRA or a court would agree with Garfinkle, Biderman LLP’s view. If any of the above assumptions are incorrect, the Corporation may be unable to renounce some or all of the Qualifying Expenditures which it has agreed to renounce hereunder.

The federal income tax consequences to a particular subscriber of his investment hereunder will vary according to a number of factors including the particular province in which the subscriber resides, carries on business or has a permanent establishment, the legal characterization of the subscriber as an individual, corporation, trust or partnership, the amount that would be the subscriber’s taxable income but for his investment in the Flow Through Shares, the length of a subscriber’s fiscal period and the manner in which the proceeds for the Flow Through Shares are expended.

Qualifying Expenditures

The Corporation will be entitled to renounce Qualifying Expenditures incurred by it in an amount equal to the Flow Through Funds, as permitted by and in accordance with the Tax Act. Such Qualifying Expenditures as are properly renounced to a subscriber will be deemed to have been incurred by that subscriber on the effective date of the renunciation.

Special rules in the Tax Act provide that a corporation that has taxable capital (as determined in the Tax Act) alone or combined with an associated corporation (as defined in the Tax Act) of not more than \$15,000,000 may renounce up to \$1,000,000 of certain CDE (“Eligible CDE”) incurred in a calendar year to subscribers and have the Eligible CDE deemed to constitute CEE to the subscriber. The Corporation intends to incur Eligible CDE so that the renounced Eligible CDE will be considered to be CEE to the subscriber in accordance with the above rules. CEE and Eligible CDE that is considered to have been incurred by a subscriber will be added to such subscriber’s cumulative CEE (“CCEE”) account.

The Tax Act contains a one year “look-back” rule which, if certain conditions are satisfied, entitles the Corporation to have CEE or Eligible CDE incurred by it before the end of a particular calendar year renounced to subscribers effective on the last day of the immediate preceding calendar year. In other words, the subscribers are deemed to have incurred the CEE and Eligible CDE on the last day of a calendar year even though the Corporation did not incur the expenditures until the next year. For this rule to apply in respect of a share, the subscriber must have paid the consideration in money for the share before the last day of the calendar year in which the Qualifying Expenditures are effectively renounced. In the event that the Corporation does not fully expend the amounts renounced under the one year “look-back” rule by the end of the year of the renunciation, the Corporation will be required to reduce the amount of expenditures renounced to the subscribers and the subscribers’ income tax returns for the years in which the expenditures were claimed will be reassessed accordingly.

A subscriber may deduct in computing such subscriber’s income from all sources for a taxation year an amount not exceeding 100% of the balance of such subscriber’s CCEE account at the end of that taxation year. Deductions claimed by a subscriber reduce the CCEE account in the year deductions are claimed. To the extent that a subscriber does not deduct the balance of such subscriber’s CCEE account at the end of the taxation year, the balance may be carried forward and deducted in subsequent taxation years in accordance with the provisions of the Tax Act.

Certain restrictions apply in respect of the deduction of CCEE following an acquisition of control and on certain reorganizations of a corporate subscriber. Corporate subscribers should consult their own independent tax advisors for advice with respect to the potential application of these rules to them having regard to their own particular circumstances.

The computation of the amount that the Corporation will be entitled to renounce to subscribers of Flow Through Shares is complex. Generally speaking, the Corporation will be entitled to renounce the amount of otherwise deductible Qualifying Expenditures incurred by it after Closing excluding certain assistance received in respect of the expenditure, most overhead expenditures, and the cost of certain seismic data. The Corporation will not be entitled to renounce CEE or Eligible CDE if the renunciation, if it were effective, would cause the Corporation's CCEE or CCDE account, as the case may be, to be a negative amount. Qualifying Expenditures that may be renounced are also restricted to the amount of Qualifying Expenditures the Corporation would have otherwise been entitled to deduct in computing its income. However, the CCRA's published administrative position is that this restriction would not apply merely because the Corporation has insufficient income to otherwise claim the deductions.

Minimum Tax

Under the Tax Act an alternative minimum tax is payable by an individual other than certain trusts equal to the amount by which the alternative minimum tax exceeds the tax otherwise payable. In calculating adjusted taxable income for the purpose of determining minimum tax, certain deductions and credits otherwise available such as the deduction for CEE (including Eligible CDE) not used to reduce resource income, are disallowed and certain amounts not otherwise taxable are included in income, such as one-half of net capital gains. The Tax Act disallows the deduction of certain carrying charges for purposes of computing adjusted taxable income for minimum tax purposes that relate to an investment in flow-through shares to the extent that the deduction for such carrying charges exceeds the individual's resource income after deductions for resource expenses, including CEE (including Eligible CDE). Whether and to what extent the tax liability of a particular subscriber will be increased by the minimum tax will depend upon the amount of such subscriber's income, the sources from which it is derived and the nature and amounts of any deductions that such subscriber claims. Any additional tax payable for a year from the application of the minimum tax provisions is recoverable in subsequent years to the extent that tax otherwise determined exceeds the minimum tax for any of the following seven taxation years. Subscribers should consult their own independent tax advisors with respect to the potential alternative minimum tax consequences to them having regard to their own particular tax circumstances.

Cumulative Net Investment Loss

One-half of the amount of CEE (including Eligible CDE) renounced to a subscriber of Flow Through Shares will be added to the subscriber's cumulative net investment loss ("CNIL") account, as defined in the Tax Act. A subscriber's CNIL account may impact a subscriber's ability to access the \$500,000 lifetime capital gains exemption available on the disposition of certain qualified small business corporation shares and farm property.

Allocation of Equity Units Issue Price

A subscriber for Equity Units will be required to allocate the subscription price paid for such Equity Units (together with any reasonable acquisition costs) on a reasonable basis. Management of ROG believes that it is reasonable to allocate the entire subscription price for an Equity Unit to the Common Share acquired by a subscriber. This allocation is not binding on either a subscriber or Revenue Canada.

Disposition of Common Shares

Any disposition or deemed disposition (other than to ROG) of Common Shares (including those acquired as Flow Through Shares) will result in the realization of a capital gain (or capital loss) in the taxation year of the disposition to the extent the proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of such Common Shares and any reasonable costs of disposition. In determining a subscriber's adjusted cost base in the Common Shares, the cost of the Common Shares acquired hereunder (including those acquired as Flow Through

Shares) must be averaged with any other Common Shares held by such subscriber as capital property. The cost of the Flow Through Shares acquired by a subscriber hereunder is deemed to be nil for the purposes of the Tax Act.

One-half of any capital gain (a “taxable capital gain”) realized on the disposition or deemed disposition of Common Shares must be included in computing the income of a subscriber for the taxation year in which such disposition or deemed disposition occurs. Subject to certain restrictions, one-half of any capital loss (an “allowable capital loss”) realized on the disposition or deemed disposition of Common Shares may be deducted by a subscriber from any taxable capital gains realized by the subscriber in the year of disposition and excess allowable capital losses may generally be carried back three years and forward indefinitely and deducted from taxable capital gains realized in those years to the extent and in the circumstances allowed under the Tax Act.

Warrants

Exercise or Expiry of Warrants

The subscription for Common Shares on the exercise of the Warrants will not be considered to be a disposition of property for tax purposes, and the exercise should therefore have no income tax consequences to the subscriber. The cost of Common Shares issued to a subscriber on the exercise of the Warrants will be equal to the exercise price. In determining a subscriber’s adjusted cost base in any Common Shares, the cost of the Common Shares acquired on exercise of the Warrants must be averaged with the cost of any other Common Shares held by such subscriber as capital property.

The expiry of an unexercised Warrant will generally result in a capital loss to the subscriber equal to the adjusted cost base of the Warrant.

Disposition of Warrants

Any disposition or deemed disposition of Warrants (other than on the exercise thereof) by a subscriber will result in the realization of a capital gain (or capital loss) in the taxation year of the disposition to the extent the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of the disposed property and any reasonable costs of disposition. The taxation of capital gains and losses is described above under “Disposition of Common Shares”.

ELIGIBILITY FOR INVESTMENT

In the opinion of Garfinkle, Biderman LLP, counsel to the Corporation, the Common Shares and Warrants when listed and posted for trading on a prescribed stock exchange, will be a qualified investment under the Tax Act for trusts governed by registered retired savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans.

INDUSTRY CONDITIONS

The oil and gas industry is subject to extensive controls and regulations imposed by various levels of government. Outlined below are some of the more significant aspects of the legislation, regulations and agreements governing the oil and gas industry in Canada. Although it is not expected that these controls and regulations will affect the operations of the Corporation in a manner materially different than it would affect other oil and gas companies of a similar size, the controls and regulations should be considered carefully by investors. All current legislation is a matter of public record and the Corporation is unable to predict what additional legislation or amendments may be enacted.

Pricing and Marketing - Natural Gas

In Canada, the price of natural gas sold in interprovincial and international trade is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the National Energy Board (the “NEB”) and the government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain criteria prescribed by the NEB and the government

of Canada. As is the case with oil, natural gas exports pursuant to contracts with a term of less than two years must be made pursuant to an NEB order or, in the case of exports pursuant to contracts with a longer duration, pursuant to an NEB license and Governor-in-Council approval. The provincial governments also regulate the volume of natural gas, which may be removed from those provinces for consumption elsewhere based on such factors as reserve availability, transportation arrangements and market considerations.

Pricing and Marketing - Oil

In Canada, producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market and the value of refined products. Oil may be exported from Canada pursuant to export contracts with terms not exceeding one year in the case of light crude, and not exceeding two years in the case of heavy crude, provided that an order approving any such export has been obtained from the NEB. Any oil export to be made pursuant to a contract of longer duration (to a maximum of twenty-five years) requires an exporter to obtain an export license from the NEB and the issue of such a license requires the approval of the Governor-in-Council.

The North American Free Trade Agreement

On January 1, 1994 the North American Free Trade Agreement (“NAFTA”) among the governments of Canada, the United States and Mexico became effective. NAFTA carries forward most of the material energy terms contained in the Canada-U.S. Free Trade Agreement. NAFTA contemplates the reduction of restrictive trade practices in the energy sector and prohibits discriminatory border restrictions and export taxes. The agreement also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes and to minimize disruption of contractual arrangements, which is important for Canadian natural gas exports.

Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations, which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by government regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date and the type or quality of the petroleum product produced. From time to time the governments of Canada and the provincial governments have established incentive programs which have included royalty rate reductions, royalty holidays and tax credits for the purpose of encouraging oil and natural gas exploration or enhanced planning projects.

Canadian Environmental Regulation

The oil and natural gas industry is subject to environmental regulation pursuant to provincial and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances produced or utilized in association with certain oil and gas industry operations. In addition, legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in the imposition of fines and penalties. The Corporation is committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased, although not material, expenditures of both a capital and expense nature as a result of the increasingly stringent laws relating to the protection of the environment. In 1994, the United Nations’ Framework on Climate Change came into force and three years later led to the Kyoto Protocol, which requires nations to reduce their emissions of carbon dioxide and, therefore, greenhouse gases. The Government of Canada has ratified the Kyoto Protocol. Reductions in greenhouse gases from producers may be required which could result in, among other things, increased operating and capital expenditures for those producers, which may make certain production of crude oil or natural gas uneconomic. The Corporation is unable to predict the effect on the future earnings of ROG as a result of the ratification of the Kyoto Protocol by the Government of Canada.

OTHER MATERIAL FACTS

There is no other material fact relating to this Offering which has not been otherwise disclosed hereunder. This prospectus contains full, true and plain disclosure of all material facts relating to the securities being distributed.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. **The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.**

RICHARDS OIL & GAS LIMITED
FINANCIAL STATEMENTS
OCTOBER 22, 2004

AUDITORS' REPORT

To: The Directors of
Richards Oil & Gas Limited

We have audited the balance sheet of **Richards Oil & Gas Limited** (the "Company") as at October 22, 2004. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Company as at October 22, 2004, in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
October 25, 2004, except for note 7
which is as at _

HUDSON & COMPANY LLP
Chartered Accountants

RICHARDS OIL & GAS LIMITED
BALANCE SHEET

OCTOBER 22, 2004

ASSETS

CURRENT

Cash	\$ 401,095
GST receivable	1,400
Deferred costs (note 3)	<u>30,270</u>
	<u>\$ 432,765</u>

LIABILITIES

CURRENT

Accounts payable	\$ 43,750
Due to related party (note 4)	<u>15</u>
	43,765

SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 5)	<u>389,000</u>
	<u>\$ 432,765</u>

Approved on behalf of the Board

David Thomas *(signed)* _____

Richard Cohen *(signed)* _____

RICHARDS OIL & GAS LIMITED
NOTES TO THE FINANCIAL STATEMENT

OCTOBER 22, 2004

1. **NATURE OF OPERATIONS**

Richards Oil & Gas Limited (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on May 18, 2004. The Company was founded to operate as an oil and gas exploration, development and production company.

The Company has not commenced operations and as a result no statements of earnings, retained earnings nor statement of cash flows are presented in this financial statement.

2. **SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared using the historical cost basis in accordance with Canadian generally accepted accounting principles. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are deferred costs and accounts payable.

Cash

Cash consists of balances with financial institutions.

Deferred costs

Direct costs incurred to prepare the prospectus referred to in note 7 and to perform the public offering have been deferred. Upon completion of this transaction a charge to share capital will be done for the balance. Failure to complete the offering will result in a charge to earnings.

Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

Stock-based compensation

The Company has a stock-based compensation plan, which is described in note 5. Awards of options under this plan are expensed based on the fair value of the options at the grant date. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

RICHARDS OIL & GAS LIMITED
NOTES TO THE FINANCIAL STATEMENT

OCTOBER 22, 2004

3. **DEFERRED COSTS**

The deferred costs consist of the following:

Agency fee	\$ 12,500
Professional fees	10,000
Office costs	270
TSX-V listing fee	<u>7,500</u>
	<u>\$ 30,270</u>

4. **RELATED PARTY TRANSACTIONS**

(a) During the year, the Company entered into transactions with the following related party:

Clark Avenue Company Inc., related by common control

(b) Due to related party

Clark Avenue Company Inc.	<u>\$ 15</u>
---------------------------	--------------

The balances due to related party is unsecured, non-interest bearing with no set terms of repayment and relate to an expense paid on behalf of the Company.

5. **SHARE CAPITAL**

a) Authorized with an unlimited number of the following:

Unlimited Class A, common voting shares, redeemable at \$1.00 per share
Unlimited Class B, common non-voting, redeemable shares

b) Issued

	<u>Issued</u>	<u>Amount</u>
Founders shares issued for cash	425,000	\$ 42,500
Private placement dated October 22, 2004, less share issue costs of \$38,500	740,000	146,500
Flow through shares issued in private placement dated October 22, 2004	<u>606,063</u>	<u>200,000</u>
	<u>1,771,063</u>	<u>\$ 389,000</u>

RICHARDS OIL & GAS LIMITED
NOTES TO THE FINANCIAL STATEMENT

OCTOBER 22, 2004

5. **SHARE CAPITAL, continued**

On September 28, 2004 the Company issued 425,000 common shares at a price of \$0.10 per share for proceeds of \$42,500.

On October 22, 2004 the Company issued 740,000 common share units for an aggregate of \$185,000 less issuance costs of \$38,500 and 606,063 flow through share units for an aggregate of \$200,000. Each common share unit was offered at \$0.25 per unit consisting of one common share and one purchase warrant entitling the holder to purchase one common share at \$0.50 per common share for a period of 24 months after the closing of the offer. The flow through unit was offered at \$0.33 per unit consisting of one flow through common share and one purchase warrant entitling the holder to purchase one common share at \$0.50 per common share for a period of 24 months after the closing of the offer. The fair value of the warrants have been calculated as immaterial therefore all of the proceeds have been credited to share capital.

c) Stock options

The Company has adopted an incentive stock option plan whereby options may be granted from time to time to directors, officers, employees and consultants to the Company with common shares to be reserved for issuance as options not to exceed 10% of the issued and outstanding common shares. The Company granted on September 28, 2004 1,075,000 options to purchase common shares, exercisable at a price of \$0.10 per share and 100,000 expire on December 10, 2004 and the remaining 975,000 expire on December 31, 2004. These options have been estimated to have an immaterial fair value.

d) Warrants

The warrants were issued in a unit with the common shares and flow through shares in the private placement. As explained above the warrants have been calculated to have an immaterial fair value. A summary of the Company's warrants at October 22, 2004 is presented below:

	Warrants outstanding	Exercise price
Expiring October 22, 2006	1,346,063	\$ 0.50

6. **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, deferred costs and accounts payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximate their carrying values.

RICHARDS OIL & GAS LIMITED
NOTES TO THE FINANCIAL STATEMENT

OCTOBER 22, 2004

7. **SUBSEQUENT EVENTS**

a) Share Purchase Agreement

The Company has reached an agreement in principal to purchase all of the shares of a junior oil and gas company. The purchase price is \$800,000 of which \$400,000 will be paid in cash on closing and the remaining \$400,000 will be paid with shares of the Company with a value of \$0.35 per share. There is also a purchase price adjustment of \$6,900 per barrel of oil equivalent of newly generated production over a 7 month period from the closing date. This purchase is contingent on the successful completion of the Company's initial public offering (see below).

b) Offering Memorandum

The Company intends to offer up to 15,000,000 special warrants at a price of \$0.40 per special warrant. Each special warrant will be issued on a flow-through basis and is convertible into 1 common share of the Company with no additional consideration. The special warrants expire on the earlier of five business days after the date upon which a receipt for a prospectus has been obtained or one year from the closing date of this offering. Upon expiration, if the special warrants have not been converted they will be deemed to be exercised without any further action required.

c) Initial Public Offering

The Company has announced its intention to file a preliminary prospectus in order to obtain additional capital and a listing for its shares.

PENZANCE PETROLEUM LTD.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

AUDITORS' REPORT

To: The Shareholders of
Penzance Petroleum Ltd.

We have audited the balance sheet of Penzance Petroleum Ltd. (the "Company") as at September 30, 2004 and the statements of operations and retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2004, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were not subject to audit or review and were compiled by another firm of chartered accountants.

Calgary, Alberta
November 3, 2004, except note 8 which is as at _

HUDSON & COMPANY LLP
Chartered Accountants

PENZANCE PETROLEUM LTD.
BALANCE SHEET

SEPTEMBER 30	2004	2003 unaudited
ASSETS		
CURRENT		
Cash	\$ 106,408	\$ 14,249
Accounts receivable	82,519	119,684
	<u>188,927</u>	<u>133,933</u>
CAPITAL ASSETS (note 3)	413,082	455,950
	<u>\$ 602,009</u>	<u>\$ 589,883</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 51,783	\$ 43,054
Income taxes payable	3,419	-
	<u>55,202</u>	<u>43,054</u>
FUTURE INCOME TAXES	24,479	30,000
SITE RESTORATION	10,037	-
	<u>89,718</u>	<u>73,054</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 4)	524,500	509,500
RETAINED EARNINGS (DEFICIT)	(12,209)	7,329
	<u>512,291</u>	<u>516,829</u>
	<u>\$ 602,009</u>	<u>\$ 589,883</u>

Approved on behalf of the Board

Director _____

Director _____

PENZANCE PETROLEUM LTD.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

YEAR ENDED SEPTEMBER 30	2004	2003 unaudited
REVENUE		
Production revenue, net of royalties	\$ 150,396	\$ 53,335
Interest income	42	75
	<u>150,438</u>	<u>53,410</u>
EXPENSES		
Depletion and amortization	95,396	11,625
Well operating	52,916	17,314
Provision for site restoration	10,037	-
Professional fees	8,609	11,650
Office	5,096	3,396
Interest and bank charges	24	84
	<u>172,078</u>	<u>44,069</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	<u>(21,640)</u>	<u>9,341</u>
INCOME TAX EXPENSE (RECOVERY) (note 5)		
Current	3,419	-
Future	(5,521)	2,000
	<u>(2,102)</u>	<u>2,000</u>
NET EARNINGS (LOSS)	(19,538)	7,341
RETAINED EARNINGS (DEFICIT), beginning of year	<u>7,329</u>	<u>(12)</u>
RETAINED EARNINGS (DEFICIT), end of year	<u>\$ (12,209)</u>	<u>\$ 7,329</u>
EARNINGS (LOSS) PER SHARE	<u>\$ (3.44)</u>	<u>\$ 1.33</u>

PENZANCE PETROLEUM LTD.
STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30	2004	2003 unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	\$ (19,538)	\$ 7,341
Items not affecting cash		
Amortization	6,452	10,450
Depletion	88,944	1,175
Future income taxes	(5,521)	2,000
Future income taxes charged to share capital on flow through shares	-	28,000
Site restoration	10,037	-
	80,374	48,966
Changes in non-cash working capital items		
Accounts receivable	37,165	10,114
Accounts payable and accrued liabilities	8,730	(70,851)
Income taxes	3,419	-
	129,688	(11,771)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of oil and gas properties and equipment	(52,529)	(364,075)
CASH FLOWS FROM FINANCING ACTIVITY		
Issuance of share capital	15,000	364,500
CHANGE IN CASH POSITION	92,159	(11,346)
CASH, beginning of year	14,249	25,595
CASH, end of year	\$ 106,408	\$ 14,249

PENZANCE PETROLEUM LTD.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

1. NATURE OF OPERATIONS

Penzance Petroleum Ltd. (the "Company") was incorporated pursuant to the provisions of the Alberta Business Corporations Act on August 30, 2002. The Company's principal business is the production of oil and gas reserves.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using the historical cost basis in accordance with Canadian generally accepted accounting principles. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are accounts receivable, capital assets, accounts payable and accrued liabilities and future income taxes.

Cash

Cash consists of balances with financial institutions.

Capital assets

Capital assets are recorded at cost. The Company provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Production equipment	25 %
Computer equipment	30 %

PENZANCE PETROLEUM LTD.
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

2. **SIGNIFICANT ACCOUNTING POLICIES, continued**

Resource properties

The Company follows the full cost method of accounting whereby all costs related to the acquisition, exploration and development of petroleum and natural gas reserves are capitalized in a Canadian cost centre and charged against income as discussed below. Such costs include lease acquisition costs, geological and geophysical expenditures, lease rentals on non-productive properties, cost of drilling both productive and non-productive wells, equipment costs and general and administrative expenses applicable to these activities.

Costs of acquiring and evaluating unproven properties are initially excluded from the costs subject to depletion and amortization. These properties are assessed regularly to ascertain whether impairment has occurred. When production commences or the property is considered to be impaired, the cost of the property or the amount of impairment is added to the costs subject to depletion and amortization.

Proceeds from disposal of properties will normally be applied as a reduction of the cost of the remaining assets unless the disposal results in a change in the depletion rate by more than twenty percent in which case a gain on loss of disposal will be recorded.

Amortization and depletion

Amortization and depletion of petroleum and natural gas properties and equipment is provided for using the unit-of-production method based on estimated gross proven petroleum and natural gas reserves before royalty deductions as determined by independent engineers. For the purpose of this calculation, petroleum and natural gas reserves are converted to a common unit of measurement on the basis of their relative energy content.

The depletion and amortization base includes total capitalized costs, less costs of unproven properties, plus provision for future development costs of gross proven undeveloped reserves, as determined by independent engineers.

Ceiling test

The Company adopted the new oil and gas full cost accounting guideline effective January 1, 2004. The guideline changes the determination of the ceiling amount for ascertaining the recoverability of accumulated costs in a cost center. The ceiling amount for a cost center is based on the undiscounted cash flows from proved reserves, using future prices, and the cost of unproven properties. If the costs are determined to be not fully recoverable, they are written down to fair value. Fair value is estimated as the present value of expected future cash flows from proven and probable reserves, using future prices, and the value of unproved properties. The Company's estimated risk-free rate is used to determine present values.

The Company used a weighted average price of \$40.00 per barrel of oil in determination of the ceiling amount at September 30, 2004. There was no impact on reported results due to the application of this guideline.

PENZANCE PETROLEUM LTD.
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

2. **SIGNIFICANT ACCOUNTING POLICIES, continued**

Site restoration

The estimated costs of future removal and site restoration of petroleum and natural gas properties are provided for on the unit-of-production method. The annual charge is made to site restoration expense and actual site restoration expenses will be charged to the accumulated future site restoration account as incurred.

Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

Earnings (loss) per share

The treasury stock method of calculating per share amounts is used whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

Flow-through shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. A future tax liability is generated upon the issuance of such shares. The liability is reduced when the related expenditures are incurred.

3. **CAPITAL ASSETS**

	2004		2003 unaudited	
	Cost	Accumulated Amortization and Depletion	Net	Net
Production equipment	\$ 25,726	\$ 6,498	\$ 19,228	\$ 18,033
Computer equipment	7,526	1,129	6,397	-
Resource properties	486,851	99,394	387,457	437,917
	\$ 520,103	\$ 107,021	\$ 413,082	\$ 455,950

PENZANCE PETROLEUM LTD.
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

4. **SHARE CAPITAL**

Authorized

Unlimited number of Class A common voting shares

Unlimited number of Class B preferred non-voting shares

Changes in share capital

	Number	Amount
Balance September 30, 2002	1,600	\$ 145,000
Issued for cash	3,925	392,500
Future tax liability arising from flow-through share tax pool renunciation	-	(28,000)
Balance September 30, 2003	5,525	509,500
Issued for cash	150	15,000
Balance September 30, 2004	5,675	\$ 524,500

5. **INCOME TAXES**

a) The components of future income tax balances are as follows:

	2004	2003 unaudited
Future income tax asset		
Cumulative eligible capital	\$ 815	\$ -
Site restoration	1,869	-
Future income tax liability		
Carrying amount of capital assets in excess of tax basis	(27,163)	(30,000)
	\$ (24,479)	\$ (30,000)

PENZANCE PETROLEUM LTD.
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

5. **INCOME TAXES, continued**

b) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 18.62% (2003 - 18%) to the earnings (loss) for the years as follows:

	2004	2003	unaudited
Earnings (loss) for the year before income taxes	\$ (21,640)	\$	9,341
Anticipated income tax expense (recovery)	\$ (4,029)	\$	1,681
Resource allowance	(4,414)		(1,416)
Non-deductible crown payments	4,011		925
Effective rate change	1,032		-
Other	1,298		810
Provision for income taxes	\$ (2,102)	\$	2,000

For income tax purposes, the Company has accumulated tax pools of \$99,254 of cumulative development expenses, \$141,418 of cumulative Canadian oil and gas property expenses and \$26,521 of undepreciated capital cost. These pools will be available to offset future income.

6. **EARNINGS (LOSS) PER SHARE**

Basic earnings per share is calculated using the weighted average number of shares outstanding during the year. Earnings per share is calculated as follows:

	2004			2003		
	Net earnings (loss)	Shares	Earnings (loss) per share	Net earnings (loss)	Shares	Earnings (loss) per share
Basic	(19,538)	5,675	(3.44)	7,341	5,525	1.33

PENZANCE PETROLEUM LTD.
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

7. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of accounts receivable which will result in future cash receipts, as well as accounts payable and accrued liabilities and site restoration which will result in future cash outlays.

The Company's carrying value of cash, accounts receivable, and accounts payable and accrued liabilities approximates its fair value due to the immediate or short-term maturity of these instruments

The Company is exposed to the credit risk in respect of certain of the financial instruments held. Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. The Company's customers are in the oil and gas industry.

8. SUBSEQUENT EVENTS

The shareholders have reached an agreement in principal to sell all of the shares of the Company. The purchase price is \$800,000 of which \$400,000 will be paid in cash on closing and the remaining \$400,000 will be paid with shares of the purchaser with a value of \$0.35 per share. There is also a purchase price adjustment on newly generated production. This sale is contingent on the successful completion of the purchasers initial public offering.

PENZANCE PETROLEUM LTD.

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(Unaudited - See Notice to Reader)**

McKinnon & Co.
Chartered Accountants

ALLAN J. McKINNON, B.Comm., C.FP, R.FP, C.A. *
WILLIAM D. NELSON, B.Comm., C.A. *

* Denotes Professional Corporation

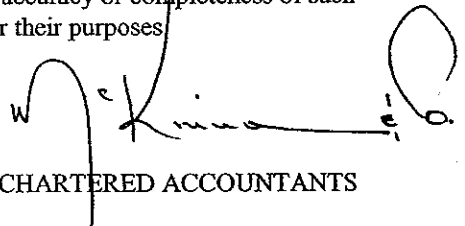
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NOTICE TO READER

We have compiled the balance sheet of PENZANCE PETROLEUM LTD. as at SEPTEMBER 30, 2003 and the statements of earnings and retained earnings and cash flows for the year then ended from information provided by management. We have not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.



W. D. Nelson
CHARTERED ACCOUNTANTS

Calgary, Alberta
September 24, 2004

PENZANCE PETROLEUM LTD.

BALANCE SHEET
SEPTEMBER 30, 2003
(Unaudited - See Notice to Reader)

	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 14,249	\$ 25,595
Accounts receivable	56,694	45,116
Share subscription receivable	<u>60,000</u>	<u>-</u>
	<u>130,943</u>	<u>70,711</u>
CAPITAL ASSETS, at cost (Note 2)		
Resource property	449,740	103,500
Production equipment	<u>19,010</u>	<u>-</u>
	468,750	103,500
Less accumulated amortization and depletion	<u>11,625</u>	<u>-</u>
	<u>457,125</u>	<u>103,500</u>
	<u>\$ 588,068</u>	<u>\$ 174,211</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 40,064	\$ 29,211
Income taxes payable	<u>-</u>	<u>-</u>
	<u>40,064</u>	<u>29,211</u>
FUTURE INCOME TAXES	<u>30,000</u>	<u>-</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
Authorized - Unlimited number of shares		
Issued - 5525 shares	509,500	145,000
RETAINED EARNINGS	<u>8,504</u>	<u>-</u>
	<u>518,004</u>	<u>145,000</u>
	<u>\$ 588,068</u>	<u>\$ 174,211</u>

CONTINGENT LIABILITY (Note 3)

APPROVED BY THE BOARD:

_____ Director

_____ Director

See Accompanying Notes.

PENZANCE PETROLEUM LTD.

STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(Unaudited - See Notice to Reader)

	<u>2003</u>	<u>2002</u>
REVENUE		
Production revenue, net	\$ 53,335	\$ -
Interest	<u>75</u>	<u>-</u>
	<u>53,410</u>	<u>-</u>
EXPENSES		
Amortization	1,175	-
Bank charges and interest	84	-
Depletion	10,450	-
Office and stationary	4,296	-
Professional fees	10,750	-
Well operating	<u>16,151</u>	<u>-</u>
	<u>42,906</u>	<u>-</u>
Earnings before income taxes	<u>10,504</u>	<u>-</u>
Income taxes		
Current	-	-
Future	<u>2,000</u>	<u>-</u>
	<u>2,000</u>	<u>-</u>
NET EARNINGS FOR THE YEAR	8,504	
Retained earnings beginning of year	<u>-</u>	<u>-</u>
RETAINED EARNINGS END OF YEAR	<u>\$ 8,504</u>	<u>\$ -</u>

See Accompanying Notes.

PENZANCE PETROLEUM LTD.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(Unaudited - See Notice to Reader)**

	<u>2003</u>	<u>2002</u>
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net earnings for the year	\$ 8,504	\$ -
Add: charges to operations not requiring a current cash payment		
- Amortization	1,175	-
- Depletion	10,450	-
- Deferred income taxes	<u>2,000</u>	<u>-</u>
	22,129	-
Net change in non-cash working capital balances related to operations	<u>(60,725)</u>	<u>(15,905)</u>
	<u>(38,596)</u>	<u>(15,905)</u>
INVESTMENT ACTIVITIES		
Purchase resource property	<u>(365,250)</u>	<u>(103,500)</u>
FINANCING ACTIVITIES		
Issued shares	364,500	145,000
Non cash charge -- deferred tax arising on flow through share issue	<u>28,000</u>	<u>-</u>
	<u>392,500</u>	<u>145,000</u>
NET INCREASE IN CASH	(11,346)	25,595
Cash position beginning of year	<u>25,595</u>	<u>-</u>
CASH POSITION END OF YEAR	<u>\$ 14,249</u>	<u>\$ 25,595</u>

See Accompanying Notes.

PENZANCE PETROLEUM LTD.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(Unaudited - See Notice to Reader)**

1. SIGNIFICANT ACCOUNTING POLICIES

a) **Petroleum and Natural Gas Properties -**

The costs of acquiring interests in oil and gas properties and the development costs of productive wells are capitalized. Property costs of an area are transferred from unproven to proven when production commences. Depletion is provided on proven property costs on a unit of production method based on the total of estimated proven reserves of oil and gas.

Lease rentals and unproven property expenses, dry hole costs and exploration expenses are charged to expense as incurred. The costs of properties which are abandoned are written-off when the properties are surrendered.

Amortization on equipment is provided on the diminishing balance basis at an annual rate of 30%.

b) **Income Taxes -**

The Company follows the tax allocation method of accounting for income taxes whereby the income tax provision is based upon income reported in the accounts.

c) **Use of Estimates -**

The preparation of the Corporation's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CAPITAL ASSETS

	2003		2002
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Resource properties	\$ 449,740	\$ 10,450	\$ 439,290
Production equipment	<u>19,010</u>	<u>1,175</u>	<u>17,835</u>
	<u>\$ 468,750</u>	<u>\$ 11,625</u>	<u>\$ 457,125</u>
			<u>\$ 103,500</u>

PENZANCE PETROLEUM LTD.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(Unaudited - See Notice to Reader)**

3. CONTINGENT LIABILITY:

The Company would be liable for the future costs of abandoning wells and restoring the sites of oil and gas properties in which it holds an interest. Based on information available, management is unable to make a reasonable estimate of the amount of the future liability. Consequently, no provision to accrue an appropriate amount has been reflected in the financial statements. In 2004, management will again review the information available with the intention of determining an estimate of the future liability. If the Company is able to make a reasonable estimate and if the amount has a material impact on the financial statements, management intends to record a prior period adjustment of the provision that should have been recorded in respect of the 2003 operations.

Richards Oil & Gas Limited

Pro Forma Consolidated Balance Sheet
 October 22, 2004
 (Unaudited - See Compilation Report)

	Richards Oil & Gas Limited	Penzance Petroleum Ltd.	Pro Forma Adjustments	Pro Forma Consolidated Balance Sheet
Notes			2 and 3	
Assets				
Current Assets				
Cash	\$ 401,095	\$ 106,408	(2) \$ 1,940,450	\$ 2,447,953
Accounts receivable	1,400	82,519	-	83,919
Deferred costs	30,270	-	-	30,270
	432,765	188,927	1,940,450	2,562,142
Capital assets	-	413,082	(2) 402,709	815,791
	\$ 432,765	\$ 602,009	\$ 2,343,159	\$ 3,377,933
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable	\$ 43,750	\$ 51,783	\$ -	\$ 95,533
Due to related party	15	-	-	15
Income taxes payable	-	3,419	-	3,419
	43,765	55,202	-	98,967
Future income taxes	-	24,479	-	24,479
Site restoration	-	10,037	-	10,037
	43,765	89,718	-	133,483
Shareholders' Equity				
Share capital	389,000	524,500	(2),(3) 2,330,950	3,244,450
Retained earnings (deficit)	-	(12,209)	(2a) 12,209	-
	389,000	512,291	2,343,159	3,244,450
	\$ 432,765	\$ 602,009	\$ 2,343,159	\$ 3,377,933

Richards Oil & Gas Limited

Pro Forma Consolidated Balance Sheet
October 22, 2004
(Unaudited – See Compilation Report)

1. Basis of Presentation

Management has prepared the accompanying unaudited pro forma balance sheet (the “Balance Sheet”) of Richards Oil and Gas Limited (“Richards”) (collectively the “Corporations”) in accordance with Canadian generally accepted accounting principles. The Balance Sheet has been prepared from information derived from the audited financial statements of Richards and Penzance Petroleum Limited (“Penzance”) as at October 22, 2004 and September 30, 2004 respectively, together with other information available to the Corporations. Management believes the Balance Sheet includes all adjustments necessary for fair presentation of the proposed common share issuances and the reorganization of the Corporations.

The Balance Sheet should be read in conjunction with the audited consolidated financial statements of Richards and Penzance referred to above, the Pro Forma Adjustments described more fully in note 2 below and the Prospectus dated •.

2. Pro Forma Adjustments

The Balance Sheet includes the following pro forma adjustments reflecting transactions disclosed in the Prospectus.

- (a) Richard’s issuance of 1,142,858 common shares from treasury valued at \$400,000 and \$400,000 cash to Penzance shareholders in exchange for all of Penzance’s outstanding shares. As described above, this transaction will be accounted for as an acquisition of Penzance’s net assets by Richards. Accordingly, the issuance of treasury shares will be recorded by eliminating Penzance’s share capital and deficit. As a result the following are the net adjustments to the Pro Forma Balance Sheet items:

Decrease in cash	\$ 400,000
Increase in capital assets	\$ 287,709
Decrease in share capital and deficit	\$ 112,291

- (b) A private placement of 1,813,750 Special Warrants on a flow-through basis for gross proceeds of \$725,500 (net proceeds of \$597,950 after deducting commissions and fees of \$127,550). Each Special Warrant is convertible into 1 common share. The agent will receive as a commission, purchase warrants allowing it the opportunity to purchase

up to an additional 181,375 common shares of Richards at a price of \$0.40 per share for a period of twenty-four months from the date of closing of the private placement. These costs are not shown on the Balance Sheet as their inclusion would have no effect on consolidated assets or liabilities.

- (c) Included in the Pro Forma Balance sheet are the subsequent exercise of 1,075,000 common stock options yielding additional cash of \$107,500.
- (d) Richards subsequently entered into agreements to acquire additional interests in non-producing oil and gas properties whose cash outlay and issuance of common shares have been included in the Pro Forma Balance Sheet:

- (1) Rocky Layman Energy Inc.- \$35,000 cash
- (2) Tulameen Basin (Farmin) - \$30,000 cash
- \$50,000 - issue of 125,000

Common Shares @ \$0.40 per share.

- (3) Morningside Area, Alberta (Farmin) – nil cost, however under the farmin agreement the Company must expend funds drilling wells on these properties as more fully disclosed under “Properties Of The Corporation”. This expenditure has not been included in the Pro Forma.

- (e) Included in the Pro Forma Balance Sheet is the expected minimum amount of \$2,000,000 by way of an Initial Public Offering of Equity Units at a price of \$• per Equity Unit and Flow Through Shares at a price of \$• per Flow Through Shares. The expected costs of issue are \$300,000.

3. Share Capital Continuity

A continuity of Richards Common Share Capital and related recorded values after giving effect to the Pro Forma transactions described in Note 2 above is set out below:

<u>Common Shares</u>	<u>Number of Shares</u>	<u>Amount</u>
Richard’s shares issued and outstanding at		
October 22, 2004	1,771,063	\$ 389,000
Private placement	1,813,750	597,950
Exercise of stock options	1,075,000	107,500
Acquisition of additional oil and gas properties	<u>125,000</u>	<u>50,000</u>
	4,784,813	1,144,450
Purchase of Penzance shares (Note 2(a))	1,142,858	400,000
Initial Public Offering (MINIMUM)	<u>•</u>	<u>1,700,000</u>
	<u>•</u>	<u>\$3,244,450</u>

CERTIFICATE OF THE CORPORATION

DATED: January 28, 2005

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of the *Securities Act* (Saskatchewan), Part XV of the *Securities Act* (Ontario), by Section 63 of the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick) and the respective regulations thereunder.

(Signed) David Thomas
President, Chief Executive Officer and Director

(Signed) Norman Grill
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) Barry M. Polisuk
Director

(Signed) Richard Cohen
Director

CERTIFICATE OF THE PROMOTERS

DATED: January 28, 2005

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of the *Securities Act* (Saskatchewan), Part XV of the *Securities Act* (Ontario), by Section 63 of the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick) and the respective regulations thereunder.

(Signed) David Thomas

(Signed) Richard Cohen

CERTIFICATE OF THE AGENT

DATED: January 28, 2005

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of the *Securities Act* (Saskatchewan), Part XV of the *Securities Act* (Ontario), by Section 63 of the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick) and the respective regulations thereunder.

UNION SECURITIES LTD.

Per: (Signed) John Thompson
Chief Executive Officer