

Ridgeway Petroleum Corp.

FORM 51-102F1

MANAGEMENT'S DISCUSSION & ANALYSIS

QUARTER ENDED JUNE 30, 2005

August, 2005

Overview

Ridgeway Petroleum Corp. ("Ridgeway" or the "Company") is principally engaged in the business of appraisal and development of its helium and carbon dioxide ("CO₂") project (the "St. Johns Helium/CO₂ Project") in eastern Arizona and western New Mexico. To date, the Company has spent approximately \$41,557,400 in acquiring, exploring and appraising the St. Johns Helium/CO₂ Project. The Company currently owns a 100% working interest in leases covering approximately 247,000 acres.

General

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

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

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

The results of these activities have established that the Company's St. Johns Helium/CO₂ Project has significant gas in place and is a world class asset.

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

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

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

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

As previously stated the key strategic goal for 2005/2006 is for the Company to become cash flow positive. With this in mind, the Board, in principle, has approved the design, construction and implementation of a helium and CO₂ plant with productive capacity of 25 million cubic feet of raw gas per day. The production from this plant will allow the Company to gain extensive data regarding well deliverability, gas composition and pressures while, at the same time, providing sufficient cash flow to cover expenses and corporate overhead. In the second quarter, the plant design work was completed and several long lead time items went out to tender.

A key long term goal is the securing of gas contracts for the purchase of CO₂ in the enhanced oil recovery (EOR) arena, which the Company is actively pursuing. The Company has held meetings with a number of the key potential users of CO₂ with the objective of providing their current and long-term needs. With oil prices well above U.S.\$40 per barrel the incentive for additional CO₂ flooding is increasing and demand for CO₂ is growing by the day. Our most recent meetings with several EOR participants have been very encouraging, not only for Ridgeway but for the EOR industry in general.

In the longer term, the full field development plan contemplates the appraisal of the field including the drilling of additional wells, adding any necessary field compression and installing gathering pipelines, the construction and operation of the helium processing plant and related facilities and construction and operation of a CO₂ pipeline to customers in the Permian Basin of West Texas and, potentially, into California.

In 2004, the Company completed the drilling of the 11-18 helium/CO₂ well. Initial test results reported that the deepest known productive zone has a helium content of approximately 0.575 percent. These results are significantly higher than the helium composition in either of the two wells previously tested in this zone. Notwithstanding the technical difficulties associated with this well, the initial results were positive. Further testing of the well will be deferred until such time as additional wells are drilled.

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

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

The Company had previously anticipated that, by now, Reliant Processing would have achieved their projected volume target of 500 liquid tons of CO₂ per day from their liquids plant. However, in July 2003, Reliant shut down production from the plant. In the second quarter of this year, the Company was notified by Reliant of their intent to arbitrate a contractual dispute between the two organizations pursuant to which Reliant is claiming unliquidated damages. The Company believes this claim is without merit and has instructed its U.S. counsel to vigorously defend the matter.

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

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

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

Liquidity and Capital Resources

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

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

The Company has spent sufficient funds to establish size and value of the St. Johns Helium/CO₂ Project. The Company's main financial objective is to have adequate funds available to maintain the lease position and to pay the general and administrative expenses while efforts continue to maximize the value of this asset.

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

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

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

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

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

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

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

Results of Operations

Six Months Ended June 30, 2005 and 2004

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

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

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

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

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

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

Further losses will be incurred during this development stage of the St. Johns Helium/CO₂ Project. Profitability will not occur until the Project is further developed and Helium and/or CO₂ is flowing to markets.

Resource property expenditures were \$553,972 in 2005 compared to \$1,677,578 in the prior period, all of which were attributable to the St. Johns Helium/CO₂ Project. The drilling and testing of the 11-18 helium/CO₂ well described above accounts for the higher costs in 2004.

Results of Operations

Quarter Ended June 30, 2005 and 2004

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

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

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

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

Resource property expenditures were \$265,733 in the period 2005 compared to \$1,364,648 in the prior period, all of which were attributable to the St. Johns Helium/CO₂ Project. The drilling and testing of the 11-18 helium/CO₂ well described above accounts for the higher costs in 2004.

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

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

Additional information related to Ridgeway is on SEDAR at www.sedar.com.

Outstanding Share Data

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

Share Capital

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

Issued and outstanding
Preference Shares
Common Shares

1,000
43,501,993

Warrants Outstanding

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

Options Outstanding

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

Potential Risks and Uncertainties

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

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