

Ridgeway Petroleum Corp.

**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**
March 31, 2004

RIDGEWAY PETROLEUM CORP.**CONSOLIDATED BALANCE SHEET**

	March 31 2004	December 31 2003 <small>(restated-Note 2)</small>
Assets		
Current assets		
Cash	\$ 1,048,353	\$ 1,550,968
Accounts receivable	6,209	7,617
Prepaid expenses and deposits	369,524	304,686
	1,424,086	1,863,271
Office furniture and equipment and automotive, at cost	172,586	172,586
Less: Accumulated depreciation <i>(Note 2)</i>	(111,347)	(107,702)
	61,239	64,884
Resource properties, net <i>(Note 3)</i>	38,702,405	38,389,475
	\$ 40,187,730	\$ 40,317,630
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 84,868	\$ 134,591
Asset retirement obligation <i>(Notes 2 and 4)</i>	109,808	218,461
Future income tax liability <i>(Note 6)</i>	8,396,456	8,396,456
Shareholders' Equity		
Equity instruments <i>(Note 5)</i>	62,682,696	62,302,446
Contributed surplus <i>(Note 5)</i>	2,627,768	2,317,768
Deficit	(33,545,461)	(32,883,687)
Common shares acquired, at cost <i>(Note 5)</i>	(168,405)	(168,405)
	31,596,598	31,568,122
	\$ 40,487,730	\$ 40,317,630
<i>Ability to continue operations (Note 1)</i>		

Approved by the Board “K. B. Sparks” Director “W. B. Ruck” Director
K. B. Sparks W. B. Ruck

RIDGEWAY PETROLEUM CORP.**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**

	Quarter ended March 31	
	2004	2003 (restated-Note 2)
Revenues		
Production of crude carbon dioxide, net of royalties	\$ -	\$ 45,531
Interest and other income	957	323
	957	45,854
Expenses		
Accretion of asset retirement obligation (Notes 2 and 4)	4,982	4,510
Depreciation and depletion	3,645	40,141
Foreign currency translation (gain)	(20,103)	14,086
Insurance	8,873	8,102
Land management services	8,473	3,367
Legal	22,018	49,163
Office and equipment	34,442	36,457
Other	1,288	1,015
Other professional	169,012	77,730
Promotion	19,846	24,177
Stock-based compensation (Note 5)	310,000	-
Transfer agent and stock exchange fees	7,922	8,412
Travel	4,236	22,574
Wages and salaries	88,097	108,160
	662,731	397,894
Loss for the period	(661,774)	(352,040)
Deficit, beginning of period	(32,883,687)	(30,141,492)
Deficit, end of period	\$(33,545,461)	\$(30,493,532)
Loss per share-Basic and diluted	\$ (0.02)	\$ (0.01)

RIDGEWAY PETROLEUM CORP.**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Quarter ended March 31	
	2004	2003 (restated-Note2)
Cash (used in) provided by operating activities		
Net loss for the year	\$ (661,774)	\$ (352,040)
Items not affecting cash		
Accretion of asset retirement obligation	4,982	4,510
Stock-based compensation	310,000	-
Depreciation and depletion	3,645	40,141
	(343,147)	(307,389)
Changes in non-cash working capital	(113,153)	248,334
Cash (used in) provided by operating activities	(456,300)	(59,055)
Cash provided by (used in) investing activities		
Property expenditures	(312,930)	(345,256)
Asset retirement obligation settlement	(113,635)	-
Cash provided by (used in) investing activities	(426,565)	(345,256)
Cash provided by (used in) financing activities		
Issuance of equity instruments for cash, net of issue expenses	380,250	250,500
Cash provided by (used in) financing activities	380,250	250,500
Increase (decrease) in cash	(502,615)	(153,811)
Cash, beginning of period	1,550,968	309,820
Cash, end of period	\$ 1,048,353	\$ 156,009

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

1 Ability to continue operations

The Company operates in Canada and the United States and is engaged in the business of development of its helium and carbon dioxide project in eastern Arizona and western New Mexico. The Company has spent approximately \$38,863,966 to date in acquiring, exploring and developing the project. As disclosed in the Consolidated Statements of Operations and Deficit and Cash Flows respectively, the net loss for the quarter was \$661,774 and the cash used in operating activities was \$456,300. Continuation of operations and realization of the capitalized cost of resource properties are dependent upon the Company obtaining long term contracts for carbon dioxide, constructing the appropriate facilities and obtaining additional external financing and achieving profitable operations. Management is focussed on the activities necessary to achieve these objectives including the holding of a number of meetings with key potential users of carbon dioxide for enhanced oil recovery purposes, primarily in California. The securing of long term contracts for carbon dioxide is the critical step in this process. If these contracts are not obtained, the Company may not be able to fully realize its assets.

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

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

2 Summary of significant accounting policies

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

Principles of consolidation

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

Foreign currency translation

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

Depreciation

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

Revenue recognition

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

Cash and cash equivalents

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

Resource properties

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

Asset retirement obligation

Effective January 1, 2004, the Company retroactively adopted the new accounting standard relating to asset retirement obligations. This new standard requires liability recognition for retirement obligations associated with tangible long-lived assets, such as well sites. The obligations within the scope of this standard are those for which the Company faces a legal obligation for settlement (or has made promissory estoppel). The initial measurement of the asset retirement obligation is at fair value, defined as "the price that an entity would have to pay a willing third party of comparable credit rating to assume the liability in a current transaction other than in a forced or liquidation sale." The asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. Amortization of asset retirement costs are included in depletion expense on the consolidated statement of operations. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the consolidated statement of operations. Actual expenditures incurred are charged against the accumulated obligation. Upon adoption, all prior periods have been restated for this change in accounting policy. The change results in an increase in the net loss of \$4,982 for the quarter ended March 31, 2004 (2003--\$4,510). The effect of this change on the December 31, 2003 Consolidated Balance Sheet was an increase in Resource Properties, net of \$130,261 and an increase in the Deficit of \$88,200.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

Income taxes

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

Stock-based compensation

The Company periodically grants stock options to directors and employees of the Company. Effective January 1, 2004, the Company retroactively adopted the new accounting standard relating to stock-based compensation. Under the new standard, the Company records compensation expense in the Consolidated Financial Statements for stock options granted to directors and employees using the fair value method. Fair values are determined using the Black-Scholes option pricing model (see Note 5).

Per share data

The diluted per share information is calculated using the treasury stock method. The treasury stock method assumes the notional exercise of all in-the-money stock options and warrants and that all notional proceeds to the Company are used to repurchase the Company's common shares at the average market price during the period. No adjustment to diluted earnings per share is made if the result of this calculation is anti-dilutive. The weighted average number of shares outstanding during the year, which was used for purposes of the computation of per share data, was 39,467,100 (2003-37,574,700).

3 Resource properties

	March 31	
	2004	2003
Balance, beginning of period	\$ 38,389,475	\$ 37,722,843
Add: Expenditures	312,930	345,256
Deduct: Depletion for the period	-	(35,195)
Balance, end of period	\$ 38,702,405	\$ 38,032,904

Resource property expenditures were incurred on the Company's Arizona and New Mexico leases. Of the expenditures, approximately \$20 million comprise resource property costs which are without tax basis. The balance of the expenditures comprise primarily drilling costs and include approximately \$5,124,000 of lease acquisition and rental costs (2003 - 4,478,000). Also included in resource property costs are asset retirement costs of \$130,261 (2003--\$130,261).

RIDGEWAY PETROLEUM CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2004****4 Asset retirement obligation**

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

	March 31	
	2004	2003
Balance, beginning of period	\$ 218,461	\$ 200,423
Add: Accretion expense	4,982	4,510
Deduct: Liabilities settled	(113,635)	-
Balance, end of period	\$ 109,808	\$ 204,933

The total undiscounted amount of estimated cash flows required to settle the obligations is \$391,173 (2003--\$504,808), which has been discounted using a credit-adjusted risk free rate of 9%. Most of these obligations are not expected to be paid for many years in the future and will be funded from general Company resources at the time of retirement.

5 Equity instruments

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

- (b) Issued and outstanding

	March 31, 2004		March 31, 2003	
	Number	Amount	Number	Amount
Common shares				
Balance, beginning of period	39,444,901	\$ 62,255,279	37,546,569	\$ 58,920,823
Issued				
Warrants--cash	65,000	152,750	30,000	63,000
--assigned value		3,250		1,500
Incentive stock options	130,000	227,500	150,000	187,500
Balance, end of period	39,639,901	62,638,779	37,726,569	59,172,823

RIDGEWAY PETROLEUM CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2004**

Warrants

Balance, beginning of period	943,332	47,167	55,000	2,750
Exercised	(65,000)	(3,250)	(30,000)	(1,500)
Expired	-	-	(25,000)	(1,250)
Balance, end of period	878,332	43,917	-	-
Total equity instruments		\$ 62,682,696		\$ 59,172,823

At March 31, 2004, common share purchase warrants to purchase 878,332 common shares at exercise prices ranging from \$2.25 to \$2.45 were outstanding. 280,000 of these warrants expire in 2004 and the balance expire in 2005. During the twelve months ended September 30, 2002, the Company acquired 85,200 of its common shares, pursuant to a normal course issuer bid, at a cost of \$168,405.

(c) Stock options

The following tables summarize the information about currently exercisable stock options to purchase common shares at March 31, 2004:

	Stock Options	Weighted Average Exercise Price
Balance, beginning of period	3,800,000	\$2.31
Granted	250,000	3.30
Exercised	(130,000)	1.75
Expired	(365,000)	2.81
Balance, end of period	3,555,000	\$2.35

RIDGEWAY PETROLEUM CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

Exercise Price (\$)	Outstanding Stock Options	
	Number of Options	Weighted Average Remaining Contractual Life (Months)
1.80	1,185,000	7
2.45	1,745,000	28
2.90	100,000	10
2.95	200,000	14
3.00	75,000	15
3.30	250,000	22
	3,555,000	19.3

The following table summarizes the information about currently exercisable stock options to purchase common shares at March 31, 2003:

	Stock Options	Weighted Average Exercise Price
Balance, beginning of period	3,615,000	\$2.33
Exercised	(150,000)	1.25
Balance, end of period	3,465,000	\$2.37

As described in Note 1, the Company records stock-based compensation expense in the consolidated financial statements for stock options granted to directors and employees using the fair value method effective January 1, 2004. The Company previously accounted for its stock-based compensation plans using the intrinsic-value method whereby no costs were recognized in the consolidated financial statements. Upon adoption of this new standard, all prior periods have been restated for this change in accounting policy. The effect of the new standard on the December 31, 2002 balance sheet for stock options granted during 2002 was to increase contributed surplus by \$1,034,292 and to increase the deficit by the same amount. The effect of the new standard on the December 31, 2003 balance sheet for stock options granted during 2003 was to increase contributed surplus by an additional 1,282,226 and to increase the deficit by the same amount.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: risk free interest rate--2.5%,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**March 31, 2004**

expected lives (years)--2.0, expected volatility--0.715. The grant-date fair value of the options granted during the period ended March 31, 2004 was \$1.24 per option.

6 Income taxes

At December 31, 2003, the Company and its subsidiaries had unrecognized non-capital losses and oil and gas tax deductions aggregating approximately \$16.4 million (of which approximately \$7.2 million relates to U.S. subsidiaries). The potential benefit of these losses has not been recognized in these financial statements. The Canadian non-capital losses of approximately \$7.4 million expire over various years up to 2011; the losses of the U.S. subsidiaries are available to be utilized over the next twenty years, and the oil and gas tax deductions have unlimited carryforwards. Substantially all of the Company's future income tax liability is related to temporary differences between the accounting and tax bases of the Company's resource properties.

7 Segmented information

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

For the quarter ended March 31, 2004, the Company had a net loss of \$661,774. Approximately \$133,162 of this net loss pertains to the U.S. operations.

	March 31, 2004		
	Canada	U.S.A.	Total
Office furniture and equipment and automotive	\$ 72,025	\$ 100,561	\$ 172,586
Less: Accumulated depreciation	(60,511)	(50,836)	(111,347)
Resource properties	-	38,863,966	38,863,966
Less: Accumulated depletion	-	(161,561)	(161,561)
Corporate assets	916,896	507,190	1,424,086
Total assets	\$ 928,410	\$ 39,259,320	\$ 40,187,730
Capital expenditures	\$ -	\$ 312,930	\$ 312,930

For the year ended December 31, 2003, the Company had a net loss of \$2,742,195. Approximately \$589,540 of this net loss and all of the production revenues pertain to the U.S. operations.

RIDGEWAY PETROLEUM CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

	December 31, 2003		
	Canada	U.S.A.	Total
Office furniture and equipment and automotive	\$ 72,025	\$ 100,561	\$ 172,586
Less: Accumulated depreciation	(59,906)	(47,796)	(107,702)
Resource properties	-	38,551,036	38,551,036
Less: Accumulated depletion	-	(161,561)	(161,561)
Corporate assets	1,301,147	562,124	1,863,271
Total assets	\$ 1,313,266	\$ 39,004,364	\$ 40,317,630
Capital expenditures	\$ 599	\$ 734,928	\$ 735,527

8 Financial instruments

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

9 Comparative amounts

Certain amounts relating to 2003 have been restated to conform with the presentation adopted in 2004.

RIDGEWAY PETROLEUM CORP.

Auditor review of interim financial statements

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