

Ridgeway Petroleum Corp.

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

RIDGEWAY PETROLEUM CORP.**CONSOLIDATED BALANCE SHEET**

	September 30 2005	December 31 2004
Assets		
Current assets		
Cash	\$ 387,256	\$ 22,286
Accounts receivable	5,318	3,032
Prepaid expenses and deposits	151,395	151,292
	543,969	176,610
Office furniture and equipment and automotive, at cost	176,374	172,586
Less: Accumulated depreciation (Note 2)	(130,550)	(122,288)
	45,824	50,298
Resource properties, net (Note 3)	41,544,043	40,841,853
	\$ 42,133,836	\$ 41,068,761
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 134,767	\$ 237,561
Promissory note (Note 9)	581,350	-
	716,117	237,561
Asset retirement obligation (Notes 2 and 4)	249,819	208,543
Future income tax liability (Note 6)	8,396,456	8,396,456
Shareholders' Equity		
Equity instruments (Note 5)	66,373,693	64,326,966
Contributed surplus (Note 5)	3,596,575	3,129,868
Deficit	(37,030,419)	(35,062,228)
Common shares acquired, at cost (Note 5)	(168,405)	(168,405)
	32,771,444	32,226,201
	\$ 42,133,836	\$ 41,068,761

Ability to continue operations (Note 1)

Approved by the Board “K. B. Sparks” Director “B. D. Lasker” Director
K. B. Sparks B. D. Lasker

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

	Nine months ended September 30	
	2005	2004
Revenues		
Proceeds received settlement of legal matters	\$ -	\$ 100,000
Interest and other income	5,629	1,907
	5,629	101,907
Expenses		
Accretion of asset retirement obligation (Notes 2 and 4)	14,076	9,814
Consulting fees	481,717	474,954
Depreciation	8,262	10,938
Foreign currency translation (gain)	6,254	(41,073)
Insurance	26,780	31,116
Interest and financing (Note 9)	124,487	-
Land management services	18,811	28,186
Legal	253,633	96,484
Office and equipment	129,424	140,355
Other	17,906	8,598
Promotion	18,306	54,759
Stock-based compensation (Note 5)	436,790	310,000
Transfer agent and stock exchange fees	46,285	42,771
Travel	26,641	17,233
Wages and salaries	364,448	277,651
	1,973,820	1,461,786
Loss for the period	(1,968,191)	(1,359,879)
Deficit, beginning of period	(35,062,228)	(32,883,687)
Deficit, end of period	\$(37,030,419)	\$(34,243,566)
Loss per share-Basic and diluted	\$ (0.05)	\$ (0.04)

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

	Quarter ended September 30	
	2005	2004
Revenues		
Interest and other income	\$ 4,416	\$ 599
	4,416	599
Expenses		
Accretion of asset retirement obligation (Notes 2 and 4)	4,692	2,416
Consulting fees	91,773	150,321
Depreciation	2,881	3,646
Foreign currency translation (gain)	1,130	6,193
Insurance	9,544	10,747
Interest and financing (Note 9)	8,891	-
Land management services	4,527	7,950
Legal	115,147	28,587
Office and equipment	35,966	42,384
Other	4,989	4,737
Promotion	3,957	15,789
Stock-based compensation (Note 5)	43,750	-
Transfer agent and stock exchange fees	3,346	11,454
Travel	2,412	5,306
Wages and salaries	132,282	102,850
	465,287	392,380
Loss for the period	(460,871)	(391,781)
Deficit, beginning of period	(36,569,548)	(33,851,785)
Deficit, end of period	\$(37,030,419)	\$(34,243,566)
Loss per share-Basic and diluted	\$ (0.01)	\$ (0.01)

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

	Nine months ended September 30	
	2005	2004
Cash (used in) provided by operating activities		
Net loss for the period	\$ (1,968,191)	\$ (1,359,879)
Items not affecting cash		
Accretion of asset retirement obligation	14,076	9,814
Stock-based compensation	436,790	310,000
Depreciation	8,262	10,938
	(1,509,063)	(1,029,127)
Asset retirement obligation settlement	-	(113,635)
Changes in non-cash working capital	632,148	34,782
Cash (used in) provided by operating activities	(876,915)	(1,107,980)
Cash provided by (used in) investing activities		
Property expenditures	(674,990)	(1,959,247)
Office furniture and equipment expenditures	(3,788)	-
Changes in non-cash working capital	(155,981)	242,760
Cash provided by (used in) investing activities	(834,759)	(1,716,487)
Cash provided by (used in) financing activities		
Issuance of equity instruments for cash, net of issue expenses	2,076,644	1,286,720
Cash provided by (used in) financing activities	2,076,644	1,286,720
Increase (decrease) in cash	364,970	(1,537,747)
Cash, beginning of period	22,286	1,550,968
Cash, end of period	\$ 387,256	\$ 13,221

CONSOLIDATED STATEMENT OF CASH FLOWS

	Quarter ended September 30	
	2005	2004
Cash (used in) provided by operating activities		
Net loss for the period	\$ (460,871)	\$ (391,781)
Items not affecting cash		
Accretion of asset retirement obligation	4,692	2,416
Stock-based compensation	43,750	-
Depreciation	2,881	3,646
	(409,548)	(385,719)
Changes in non-cash working capital	540,384	(514,882)
Cash (used in) provided by operating activities	130,836	(900,601)
Cash provided by (used in) investing activities		
Property expenditures	(121,018)	(281,669)
Changes in non-cash working capital	8,411	(116,462)
Cash provided by (used in) investing activities	(112,607)	(398,131)
Cash provided by (used in) financing activities		
Issuance of equity instruments for cash, net of issue expenses	-	841,670
Cash provided by (used in) financing activities	-	841,670
Increase (decrease) in cash	18,229	(457,062)
Cash, beginning of period	369,027	470,283
Cash, end of period	\$ 387,256	\$ 13,221

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

1 Ability to continue operations

The Company operates in Canada and the United States and is engaged in the business of development of its helium and carbon dioxide project in eastern Arizona and western New Mexico. The Company has spent approximately \$41,464,000 to date in acquiring, exploring and developing the project. As disclosed in the Consolidated Statements of Operations and Deficit and Cash Flows respectively, the net loss for the period was \$1,968,191 and the cash used in operating activities was \$876,915. 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
September 30, 2005

Foreign currency translation

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

Depreciation

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

Revenue recognition

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

Cash and cash equivalents

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

Resource properties

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

Asset retirement obligation

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

Income taxes

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

Stock-based compensation

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

Per share data

The diluted per share information is calculated using the treasury stock method. The treasury stock method assumes the notional exercise of all in-the-money stock options and warrants and that all notional proceeds to the Company are used to repurchase the Company's common shares at the average market price during the period. No adjustment to diluted earnings per share is made if the result of this calculation is anti-dilutive. The weighted average number of shares outstanding during the period, which was used for purposes of the computation of per share data, was 42,491,600 (2004-39,666,400).

3 Resource properties

	September 30	
	2005	2004
Balance, beginning of period	\$40,841,853	\$38,389,475
Add: Expenditures	674,990	1,959,247
Revision of asset retirement obligation estimate	27,200	-
Balance, end of period	\$41,544,043	\$40,348,722

Resource property expenditures were incurred on the Company's Arizona and New Mexico leases. Of the expenditures, approximately \$20 million comprise resource property costs which are without tax basis. The balance of the expenditures comprise primarily drilling costs and include approximately \$6,065,000 of lease acquisition and rental costs (2004 - 5,460,000). Also included in resource property costs are asset retirement costs of \$241,393 (2004--\$130,261).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

4 Asset retirement obligation

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

	September 30	
	2005	2004
Balance, beginning of period	\$ 208,543	\$ 218,461
Add: Accretion expense	14,076	9,814
Revision of asset retirement obligation estimate	27,200	
Deduct: Liabilities settled	-	(113,635)
Balance, end of period	\$ 249,819	\$ 114,640

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

5 Equity instruments

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

- (b) Issued and outstanding

	September 30, 2005		September 30, 2004	
	Number	Amount	Number	Amount
Common shares				
Balance, beginning of period	41,175,855	\$ 64,222,051	39,444,901	\$ 62,255,279
Issued				
Warrants--cash	10,000	10,000	65,000	152,750
--assigned value		500		3,250
Bonus shares--Debenture (Note 9)	125,000	100,000	-	-
Private Placements, net	2,191,138	1,940,774	480,954	817,622
Incentive stock options	-	-	166,000	292,300
Balance, end of period	43,501,993	\$ 66,273,325	40,156,855	\$ 63,521,201

RIDGEWAY PETROLEUM CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****September 30, 2005**

Warrants				
Balance, beginning of period	2,098,286	\$ 104,915	943,332	\$ 47,167
Exercised	(10,000)	(500)	(65,000)	(3,250)
Expired (transferred to Contributed Surplus)	(598,332)	(29,917)	-	-
Private Placements	928,220	25,870	480,954	24,048
Balance, end of period	2,418,174	100,368	1,359,286	67,965
Total equity instruments		\$ 66,373,693		\$ 63,589,166

At September 30, 2005, common share purchase warrants to purchase 2,418,174 common shares at exercise prices ranging from \$1.00 to \$2.00 were outstanding. These warrants expire in 2006. During the twelve months ended September 30, 2002, the Company acquired 85,200 of its common shares, pursuant to a normal course issuer bid, at a cost of \$168,405.

(c) Stock options

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

	Stock Options	Weighted Average Exercise Price
Balance, beginning of period	4,015,000	\$1.96
Granted	850,000	1.02
Cancelled	(425,000)	3.16
Expired	(350,000)	2.49
Balance, end of period	4,090,000	\$1.59

RIDGEWAY PETROLEUM CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

Exercise Price (\$)	Outstanding Stock Options	
	Number of Options	Weighted Average Remaining Contractual Life (Months)
0.95	100,000	58
1.00	1,590,000	25
1.00	300,000	53
1.03	50,000	56
1.05	400,000	55
2.45	1,650,000	10
	4,090,000	25.3

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**September 30, 2005**

options granted during the quarter ended September 30, 2005 was \$0.44 per option with the following assumptions: risk free interest rate--3.2%, expected lives (years)--3.0, expected volatility--0.69.

6 Income taxes

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

7 Segmented information

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

For the nine months ended September 30, 2005, the Company had a net loss of \$1,968,191. Approximately \$481,228 of this net loss pertains to the U.S. operations.

	September 30, 2005		
	Canada	U.S.A.	Total
Office furniture and equipment and automotive	\$ 75,813	\$ 100,561	\$ 176,374
Less: Accumulated depreciation	(63,971)	(66,579)	(130,550)
Resource properties	-	41,705,604	41,705,604
Less: Accumulated depletion	-	(161,561)	(161,561)
Corporate assets	361,770	182,199	543,969
Total assets	\$ 373,612	41,760,224	42,133,836
Capital expenditures	\$ 3,788	\$ 674,990	678,778

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

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

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

8 Financial instruments

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

9 Debenture/Promissory Note

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

During the third quarter, the Company issued a U.S.\$500,000 unsecured promissory note bearing interest at 10% per annum due March 31, 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2005

10 Comparative amounts

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

11 Legal matters

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

Auditor review of interim financial statements

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