



Annual Consolidated Financial Statements
for the Years Ended
December 31, 2010 and 2009

Management's Report

To the Shareholders of Rodinia Oil Corp.:

Management is responsible for the preparation of the accompanying consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

Rodinia's external auditors, KPMG LLP, Chartered Accountants, who are appointed by the shareholders, have audited the consolidated financial statements. The Audit Committee has reviewed the consolidated financial statements with management and the auditors and has recommended their approval to the Board of Directors. The Board of Directors has subsequently approved the consolidated financial statements.

"signed"

Paul J. Bennett, H.BSc., MSc., P. Geol.
President and Chief Executive Officer

"signed"

Shane J. Kozak, CA
Vice President Finance and Chief Financial

Calgary, Canada
April 29, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rodinia Oil Corp.

We have audited the accompanying consolidated financial statements of Rodinia Oil Corp. ("the Company"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the year ended December 31, 2010 and the period from February 6, 2009 (date of incorporation) to December 31, 2009, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

"signed"

KPMG LLP
Chartered Accountants

Calgary, Canada
April 26, 2011

CONSOLIDATED BALANCE SHEETS

Rodinia Oil Corp.

(Canadian Dollars)

(Audited)

<i>As at</i>	December 31, 2010	December 31, 2009
ASSETS		
Current		
Cash and cash equivalents	51,338,334	348,356
Accounts receivable	2,468,420	36,287
Prepaid expenses and deposits	572,597	40,941
Financial instruments (Note 8)	1,233,414	
	55,612,765	425,584
Investment in PetroFrontier Corp.(Note 5)	2,743,060	1,301,452
Property, plant and equipment (Note 3)	15,716,637	10,841,456
	74,072,462	12,568,492
LIABILITIES		
Current		
Accounts payable and accrued liabilities	1,693,665	309,121
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	67,261,558	12,071,933
Warrants (Note 4)	3,328,595	-
Contributed surplus (Note 4)	4,868,156	2,539,574
Accumulated other comprehensive income (Note 4)	1,817,526	1,385,642
Deficit	(4,897,038)	(3,737,778)
	72,378,797	12,259,371
	74,072,462	12,568,492

See accompanying notes to the consolidated financial statements

Commitments (Note 9)

Subsequent events (Note 11)

Approved on behalf of the Board

“signed”

Martin P. McGoldrick
Director

“signed”

Robert J. Iverach, Q.C., ICD.D
Director

CONSOLIDATED STATEMENTS OF OPERATIONS COMPREHENSIVE LOSS AND DEFICIT

Rodinia Oil Corp.

(Canadian Dollars)

(Audited)

	Year Ended December 31	
	2010	2009
Revenue		
Interest revenue	267,194	8,624
Other income		
Realized gain on financial instruments (Note 8)	601,075	
Unrealized gain on financial instruments (Note 8)	1,233,414	
	2,101,683	8,624
EXPENSES		
General and administrative	1,854,355	707,952
Stock based compensation (Note 4)	2,759,218	289,187
Interest and banking expense	26,633	12,846
Depreciation	57,725	37,782
Bad debt expense/(recovery)	(38,972)	38,972
	4,658,959	1,086,739
Gain on equity investment (Note 5)	1,398,016	801,451
Net Loss	(1,159,260)	(276,664)
OTHER COMPREHENSIVE EARNINGS		
Gain on equity investment (Note 5)	43,592	
Foreign exchange gain on self-sustaining foreign operations	388,292	1,572,343
COMPREHENSIVE EARNINGS (LOSS)	(727,376)	1,295,679
Deficit, beginning of year	(3,737,778)	(3,461,114)
Deficit, end of year	(4,897,038)	(3,737,778)
Net loss per share (Note 4)		
Basic and diluted	(\$0.01)	(\$0.01)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Rodinia Oil Corp.

(Canadian Dollars)

(Audited)

	Year ended December 31	
	2010	2009
Cash provided by (used in)		
OPERATING		
Net loss	(1,159,260)	(276,664)
Unrealized gain on financial instruments (Note 8)	(1,233,414)	
Loss(gain) on equity investment (Note 5)	(1,398,017)	(801,451)
Stock based compensation (Note 4)	2,759,218	289,187
Depreciation	57,725	37,782
	(973,748)	(751,146)
Change in non-cash working capital (Note 6)	(578,202)	(217,479)
	(1,551,950)	(968,625)
FINANCING		
Issuance of common shares and warrants net of share issue costs	57,302,318	159,562
Issuance of common shares from exercise of stock options	683,750	
	57,986,068	159,562
INVESTING		
Expenditure on petroleum and natural gas properties	(4,580,758)	(977,851)
Changes in non-cash working capital (Note 6)	(863,382)	(883,526)
	(5,444,140)	(1,861,377)
Increase/(decrease) in cash and cash equivalents	50,989,978	(2,670,440)
Cash and cash equivalents, beginning of year	348,356	3,018,796
Cash and cash equivalents, end of year	51,338,334	348,356

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Rodinia Oil Corp.

For the years ended December 31, 2010

Audited

(Canadian Dollars)

Rodinia Oil Corp. (the "Corporation") was incorporated on July 21, 2006 under the name Officer Basin Energy Inc. On March 5, 2008, the Corporation filed articles of amendment to change the name to Rodinia Oil Corp. Rodinia is engaged in the business of international petroleum exploration in Australia, through its wholly owned subsidiary, Rodinia Oil (Australia) Pty. Ltd. ("Rodinia Australia").

1. EXPLORATION STAGE CORPORATION

Rodinia is engaged primarily in the pursuit of petroleum and natural gas through exploration in Australia. Since inception, the efforts of the Corporation have been devoted to the pursuit of petroleum exploration licenses with the government of Australia, land access agreements with the aboriginal stakeholders, and initial stage seismic acquisition. To date, the Corporation has not earned revenue from these operations and is considered to be in the development stage. The recoverability of the costs incurred to date is uncertain and dependent upon achieving commercial production or sale, the ability of the Corporation to obtain sufficient financing to fulfill its obligations under the petroleum exploration licenses and upon future profitable operations and upon finalizing agreements.

These financial statements have been prepared by management in accordance with accounting principles applicable to a going concern which assumes the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. At December 31, 2010, the Corporation had working capital surplus of \$53,919,100 a deficit of \$4,897,038 and a net loss for the year ended of \$1,159,260. The Corporation's petroleum licenses are in the exploration stage.

The Corporation is dependent on obtaining sufficient financing to fulfill its obligations under the petroleum exploration licenses and upon future profitable operations and finalizing agreements. On March 19 and 25, 2010, the Corporation closed a non-brokered private placement financing for aggregate gross proceeds of \$4,167,409 through the issuance of 5,556,545 units (the "Private Placement Units") at an ascribed value of \$0.75 per Private Placement Unit. Each Private Placement Unit is comprised of one common share and one half of one common share purchase warrant with a full warrant entitling the holder to purchase one common share of the Corporation at a price of \$1.15 per share until the date that is 24 months following the closing date. In addition to the private placement, on May 28, 2010 and June 11, 2010, the Corporation closed its initial public offering (the "IPO") and the over-allotment to the IPO for gross proceeds of \$52,500,000 and \$4,858,750, respectively. The IPO financing consisted of the sale of units at an ascribed price of \$1.00 per unit (the "IPO Units"). Each IPO Unit is comprised of one common share and one half of one common share purchase warrant (the "IPO Warrants") with a full IPO Warrant entitling the holder to purchase one common share of the Corporation at a price of \$1.33 per share until the date that is 24 months following the closing date. The Corporation will utilize these funds for future operations including seismic and drilling activities planned for 2011 in addition to working capital funds that management believes will allow the Corporation to operate well into 2012.

These financial statements have been prepared on the basis that the Corporation will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in these financial statements, and that the Corporation will be able to continue its business activities. These financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption is inappropriate, and these adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Basis of Presentation

The Corporation is involved in the exploration for petroleum and natural gas in Australia. The consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.

Joint Operations

Substantially all of the Corporation's exploration activities are conducted in joint participation with others and the accounts reflect only the Corporation's proportionate interest in such activities.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian GAAP 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.

NOTES (continued)

A) Petroleum and Natural Gas Properties

(i) Oil and natural gas properties

The Corporation follows the full cost method of accounting for oil and natural gas operations, whereby all costs related to the acquisition, exploration and development of oil and natural gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical costs, carrying charges of undeveloped properties, costs of drilling both productive and nonproductive wells, the cost of oil and natural gas production equipment and overhead charges directly related to exploration and development activities.

Capitalized costs, together with estimated future capital costs associated with proved reserves, are depleted and depreciated using the unit-of-production method based on gross (before royalty) proved reserves of oil and natural gas as determined by independent engineers. For purposes of this calculation, reserves and production are converted to equivalent units of oil based on relative energy content of six thousand cubic feet of natural gas to one barrel of oil. Costs of unproved properties, net of impairments, are excluded from the depletion and depreciation calculation.

Oil and natural gas properties are assessed by the Corporation in each reporting period to determine if there are events or circumstances that would indicate it is unlikely the carrying value of the properties will not be recovered in the future. If there are costs that are considered unlikely to be recovered, they are charged to earnings.

Proceeds from the disposition of oil and natural gas properties are applied against capitalized costs except for dispositions that would change the rate of depletion and depreciation by 20 percent or more, in which case a gain or loss would be recorded.

(ii) Other capital assets

Administrative capital assets are depreciated over their estimated useful lives at annual rates ranging from 10 percent to 100 percent. Leasehold improvements are amortized on a straight-line basis over the remaining lease term.

B) Cash and Short-Term Investments

Cash and short-term investments consist of cash in the bank, less outstanding cheques and short-term deposits with an original maturity of less than three months.

C) Asset Retirement Obligations

The Corporation records a liability for the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the asset retirement cost, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability. As at December 31, 2010, the Corporation has not recorded an asset retirement liability as no wells have been drilled nor any facilities have been constructed.

D) Income Taxes

The Corporation follows the asset and liability method of accounting for income taxes. Temporary differences arising from the differences between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Future income tax assets are recognized with respect to deductible temporary differences and loss carry-forwards only to the extent that their realization is considered more likely than not.

E) Stock Based Compensation

The Corporation follows the fair value method for valuing stock option grants. Under this method, compensation cost, attributable to stock options issued to employees and directors of Rodinia, is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The Corporation has not incorporated an estimated forfeiture rate for stock options that will not vest, rather, the Corporation accounts for actual forfeitures as they occur.

NOTES (continued)

F) Foreign currency translation

The functional currency of the Australian subsidiary is the Australian dollar. Therefore, assets and liabilities denominated in Australian dollars of the self-sustaining foreign operations are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at rates in effect at the time of the transactions. Unrealized exchange gains and losses resulting from changes in the foreign exchange rate at the measurement date are included in the financial statements of the Corporation as Other Comprehensive Income/(loss) within a separate component of shareholders' equity entitled Accumulated Other Comprehensive Income. Realized gains and losses of foreign currency transactions are included in earnings.

G) Per share amounts

Net loss per common share is computed by dividing net loss for the period by the weighted average number of common shares outstanding in the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments, whereby it is assumed that the exercise of "in the money" stock options and warrants are used by the Corporation to repurchase Corporation shares at the weighted average market price during the year.

H) Financial instruments

Financial instruments are classified in one of five ways: (i) held for trading; (ii) held to maturity; (iii) loans and receivables; (iv) available-for-sale; or (v) other financial liabilities. The Corporation's cash and short term deposits are considered held for trading and the values they are carried at approximate their fair values due to their short term nature. Accounts receivable, accounts payable and related accruals are considered loans and receivables and are carried at amortized costs. The Corporation does not currently participate in any hedging activities.

Other comprehensive income represents items such as the change in equity arising from unrealized gains and losses from financial instruments designated as available-for-sale, changes in fair market value of derivatives designated as hedges and unrealized gains/losses on translation of foreign subsidiaries, are presented as a separate component of shareholders' equity on the balance sheet.

Rodinia classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. The fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity.

The fair value of the forward contracts is determined by the mark to market value at the reporting date obtained from the independent bank facility that issued the forward contracts. The fair value of the forward contracts is classified as level 2 within the fair value hierarchy.

I) Investments

Long-term investments in which the Corporation exerts significant influence over the investee are accounted for by the equity method. Under this method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the Corporation's pro rata share of post acquisition earnings (loss) of the investee. When there has been a decline in the value of an investment that is other than temporary, the investment is written down to estimated net realizable value.

NOTES (continued)

Future Accounting Changes

International Financial Reporting Standards (IFRS)

On February 13, 2008, the Accounting Standards Board (AcSB) confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises for interim and annual financial statements, effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010. The objective is to improve financial reporting by having a single set of accounting standards that are comparable with other entities on an international basis. The transition from current Canadian GAAP to IFRS is a significant undertaking that will materially affect the Corporation's reported financial position and results of operations. The Corporation continues to monitor standards developments issued by the International Accounting Standards Board and the AcSB, as well as regulatory developments issued by the Canadian Securities Administrators which may affect the timing, nature or disclosure of its adoption of IFRS.

Business Combinations

In 2009 a new standard 1582, Business Combinations replaced the previous business combinations standard. The new standard applies prospectively to business combinations on or after January 1, 2011 with earlier adoption permitted. Under this standard, the purchase price used in a business combination is based on the fair value of shares exchanged at the market price at the acquisition or closing date. Under the current standard, the purchase price used is based on the market price of the shares for a reasonable period before and after the date the acquisition is announced. In addition, the new standard requires all acquisition costs to be expensed while the current standard allows for the capitalization of these costs as part of the purchase price. The new standard also addresses contingent liabilities, which will be required to be recognized at fair value on acquisition and subsequently re-measured at each reporting period until settled. The current standard requires only contingent liabilities that are payable to be recognized. The new standard requires negative goodwill to be recognized in earnings rather than the current standard of deducting from non-current assets in the purchase price allocation. The Corporation is currently assessing the impact of the standard. The adoption of section 1582 will also require the adoption of sections 1601 "Consolidated Financial Statements" and 1602 "Non-controlling interests". The Corporation is currently assessing the impact of the standard.

Consolidated Financial Statements and Non-Controlling Interests

In 2009 two new standards, 1601, Consolidated Financial Statements and 1602, Non-Controlling Interests, were issued which replace the existing guidance under section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective for business combinations occurring on or after January 1, 2011, with early application permitted. The Corporation is currently assessing the impact of the standard.

3. PROPERTY AND EQUIPMENT

	December 31, 2010	December 31, 2009
South Australia	(\$)	(\$)
Land costs and acquisitions	1,871,133	1,682,872
Seismic acquisition	11,867,210	7,463,225
Drilling preparations	154,081	-
	13,892,424	9,146,097
Western Australia		
Land costs and acquisitions	8,324	
Seismic acquisition	1,590,480	1,527,937
	1,598,804	1,572,937
Total Land and Exploration	15,491,228	10,674,034
Office furniture and equipment	364,988	250,276
Accumulated depreciation	(140,579)	(82,854)
	15,716,637	10,841,456

No amounts relating to general and administrative expenses or stock based compensation were capitalized in 2010 or 2009.

NOTES (continued)

4. SHARE CAPITAL

Authorized

Unlimited number of voting Class A Common Shares, without nominal or par value
 Unlimited number of non-voting Class B Common Shares, without nominal or par value
 Unlimited number of voting Class C Preferred Common Shares, without nominal or par value
 Unlimited number of non-voting Class D Preferred Common Shares, without nominal or par value

Issued	Year ended December 31, 2010		Year Ended December 31, 2009	
	Number	Amount (\$)	Number	Amount (\$)
Common Shares				
Balance, beginning of year	41,040,693	12,071,932	38,733,172	11,832,370
Private placement (i)	5,556,545	3,611,754	573,222	171,952
Issued for employee compensation (ii)	216,945	111,750	266,667	80,000
Issued on Liquidity entitlement	-	-	1,467,632	-
Exercise of stock options (iii)	1,700,000	995,969	-	-
Exercise of warrants (iv)	145,001	195,751	-	-
GORR acquisition (v)	135,356	101,517	-	-
IPO (vi)	57,200,000	54,340,000	-	-
Share issue costs	-	(4,167,115)	-	(12,390)
Balance, end of year	105,994,540	67,261,558	41,040,693	12,071,932
Warrants				
Balance, beginning of year	-	-	14,676,315	1,467,632
Expired unexercised	-	-	(14,676,315)	(1,467,632)
Private placement (i)	2,778,278	555,655	-	-
Issued for employee compensation (ii)	33,334	6,667	-	-
IPO (vi)	30,187,500	3,018,750	-	-
Exercise of warrants (iv)	(145,001)	(29,000)	-	-
Share issue costs	-	(223,477)	-	-
Balance, end of year	32,854,111	3,328,595	-	-

Issue of Common Shares

- (i) On March 19 and 25, 2010, the Corporation closed a non-brokered private placement financing for aggregate gross proceeds of \$4,167,409 through the issuance of 5,556,545 Private Placement Units. Each Private Placement Unit is comprised of one common share and one-half of one common share purchase warrant, each whole warrant entitles the holder to acquire one common share at a price of \$1.15, until May 28, 2012. The fair value of the Private Placement Warrants was estimated on the date of issuance using the Black-Scholes pricing model with weighted average assumptions and resulting values for issuances as follows:

Assumptions

Risk free interest rate (%)	4.00
Expected life (years)	2.00
Expected volatility (%)	55
Expected dividends	-
Weighted average fair value per whole warrant	\$0.20

- (ii) The Corporation had agreed to an employee compensation arrangement with the Corporation's President and Chief Executive Officer and one of its directors whereby a portion of their annual compensation was paid in common shares of the Corporation. This compensation arrangement ceased at the end of March 31, 2010. The common shares issued under this arrangement were issued on a quarterly basis at the prevailing fair market price during the period of service. During the three months ended March 31, 2010 83,611 common shares were issued at \$0.30 per share for total compensation of \$25,082 relating to amounts earned and accrued during the three months ended December 31, 2009. The remaining 66,667 common shares were issued at \$0.65 per share for total compensation of \$43,334 and related to amounts earned during the three months ended March 31, 2010. In addition, on April 1, 2010, 66,667 Private Placement Units were issued at \$0.65 per share and \$0.20 per warrant for total compensation of \$50,001 to the Corporation's Vice President Finance, Chief Financial Officer and Secretary as part of his employment compensation. The Corporation accounts for this non-cash expense within stock based compensation with the offset being recorded in share capital, not contributed surplus.

NOTES (continued)

- (iii) For the twelve months ended December 31, 2010, 1,700,000 stock options were exercised having an average exercise price of \$0.40 per common share.
- (iv) For the twelve months ended December 31, 2010, 145,001 private placement warrants were exercised having an exercise price of \$1.15 per common share.
- (v) On April 9, 2010, pursuant to an agreement of an earlier date, the Corporation issued 115,356 common shares at a deemed price of \$0.75 per share, to acquire a 1.5% GORR on PEL 81, PEL 253 and PELA 303 from Phi Capital Corp., representing an arm's length party. On August 31, 2010, pursuant to an agreement of an earlier date, the Corporation issued 20,000 common shares at a deemed price of \$0.75 per share, to acquire a 1.5% GORR on PEL 253 from Petrex Energy Limited, representing an arm's length party.
- (vi) On May 28, 2010, the Corporation sold 52,500,000 IPO Unit for gross proceeds of \$52,500,000. Each IPO Unit was comprised of one common share and one-half of one common share purchase warrant. On June 11, 2010, the Corporation sold 4,700,000 common shares and 3,937,500 warrants for gross proceeds of \$4,858,750. Each full warrant entitles the holder to acquire one common share at a price of \$1.33 until 24 months from the date of issuance.

Stock options

Employees, officers and directors of the Corporation and contractors acting in their capacity as service providers may be granted options to purchase Common Shares. Options granted have a term of five years to expiry and typically vest equally over a two year period on the basis of one-third on the date of grant, one-third on the first anniversary date of the grant, and one-third on the second anniversary date of the grant. In certain circumstances and as directed by the board of directors, certain stock option grants to directors and executive have been granted with immediate vesting terms. The exercise price of each option equals the market price of the Corporation's Common Shares on the date of grant.

The following table sets forth a reconciliation of the Plan activity through December 31, 2010:

	December 31, 2010		December 31, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	4,825,000	\$0.55	4,825,000	\$0.55
Exercised	(1,700,000)	\$0.40	-	-
Expired	(58,334)	\$0.91	-	-
Granted	5,165,000	\$1.02	-	-
Balance, end of year	8,231,666	\$0.87	4,825,000	\$0.55

The following table summarizes stock options outstanding and exercisable under the plan at December 31, 2010:

Exercise price	Options outstanding			Options exercisable	
	Number outstanding at period end	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at period end	Weighted average exercise price
\$0.20	300,000	0.6	\$0.20	300,000	\$0.20
\$0.40	600,000	2.9	\$0.40	600,000	\$0.40
\$0.75	2,650,000	1.8	\$0.75	2,383,333	\$0.75
\$1.00	4,431,666	4.4	\$1.00	1,454,999	\$1.00
\$1.75	250,000	4.9	\$1.75	83,333	\$1.75
	8,231,666	3.3	\$0.87	4,821,665	\$0.76

Stock Based Compensation

The Corporation accounts for its stock based compensation plan using the fair value method. Under this method, a compensation cost is charged over the vesting period for stock options granted to employees, officers and directors of the Corporation, with a corresponding increase to contributed surplus.

NOTES (continued)

The following table reconciles the Corporation's contributed surplus for the years ended December 31, 2010 and 2009:

	Year ended	
	December 31	
	2010	2009
	(\$)	(\$)
Balance, beginning of year	2,539,574	887,838
Stock based compensation expense	2,640,800	184,104
Exercise of stock options	(312,218)	-
Expiry of Common Share Warrants	-	1,467,632
Balance, end of year	4,868,156	2,539,574

The fair value of the options granted during the period ended December 31, 2010 was estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

Assumptions	Year ended
	December 31, 2010
Risk free interest rate (%)	2.73
Expected life (years)	5.00
Expected volatility (%)	121
Expected dividends	-
Weighted average fair value of options granted	\$0.84

Per Common Share amounts

The basic weighted average number of Common Shares outstanding for the year ended December 31, 2010 was 80,362,775 (40,525,974 in 2009). As the Corporation has recorded a loss for the year ended December 31, 2010 and 2009, no addition is made to the basic weighted average number of Common Shares when calculating diluted weighted average number of Common Shares as the diluted per Common Share amounts are anti-dilutive.

Accumulated Other Comprehensive Income

	Year ended	
	December 31	
	2010	2009
	(\$)	(\$)
Balance, beginning of year	1,385,642	(186,701)
Gain on equity investment	43,592	
Foreign exchange gain on translation of self-sustaining foreign operations	388,292	1,572,343
Balance, end of year	1,817,526	1,385,642

Management of Capital Structure

The Corporation's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The Corporation manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Corporation considers its capital structure to include shareholders' equity, bank debt and working capital, however as at December 31, 2010, the Corporation has no bank debt.

As the Corporation is in the development phase and has not yet generated funds from operations, it is unable to monitor capital based on the ratio of net debt to annualized funds generated from operations. Therefore the Corporation monitors capital based on the projected rate of capital spending and available funds on hand. In order to adjust the capital structure, the Corporation may from time to time issue shares and/or adjust its capital spending levels.

On March 19 and 25, 2010, the Corporation closed a non-brokered private placement financing for aggregate gross proceeds of \$4,167,409 through the issuance of 5,556,545 Private Placement Units. In addition to the private placement, on May 28, 2010 and June 11, 2010, the Corporation closed its IPO and the over-allotment to the IPO for gross proceeds of \$52,500,000 and \$4,858,750, respectively. The Corporation will utilize these funds for future operations including seismic and drilling activities planned for 2011 in addition to working capital requirements. Management believes that these funds will allow the Corporation to operate well into 2012.

NOTES (continued)

5. LONG-TERM INVESTMENTS

	December 31, 2010 (\$)	December 31, 2009 (\$)
Balance, beginning of period	1,301,452	-
Reclassification to long-term investment, (February 26, 2009)	-	500,001
Loss on equity investment	(375,067)	(29,214)
Other comprehensive gain	43,592	-
Dilution gain	1,773,083	830,665
Balance, end of period	2,743,060	1,301,452

On February 26, 2009, the Corporation divested its interest in the Texalta farmout agreement to Australia Energy Corp. (“AEC”), a privately held Canadian controlled corporation. Pursuant to the terms of the sale agreement, Rodinia received 2,000,000 common shares, which after AEC’s initial private placement offering of \$864,200 on February 28, 2009, represented approximately 27% of the outstanding common shares of AEC. AEC raised a further \$9,175,000 on November 3, 2009 at \$1.00 per share, through a brokered private placement, which further diluted the Corporation’s shareholdings to approximately 12%. During the year ended December 31, 2010, AEC issued a further \$60,352,751 of share capital, further diluting the Corporation’s shareholdings to approximately 4%. AEC amalgamated with Pendulum Capital Corporation (“Pendulum”) on December 31 2010, and the amalgamated company changed its name to PetroFrontier Corp. (“PetroFrontier”). PetroFrontier and the Corporation share common directors and executive management and therefore the Corporation holds significant influence over the operations of PetroFrontier. Therefore the Corporation accounts for its investment in PetroFrontier as a long-term investment under the equity method and will assess its investment in PetroFrontier for impairment on a quarterly basis and at any time in which impairment indicators are present.

6. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

	Year ended December 31	
	2010	2009
	(\$)	(\$)
Accounts receivable	(2,432,133)	235,543
Prepaid expenses and deposits	(531,656)	9,299
Accounts payables and accrued liabilities	1,384,544	(1,285,552)
Other	137,661	(60,295)
Change in non-cash working capital	(1,441,584)	(1,101,005)
Relating to:		
Operating activities	(578,202)	(883,526)
Investing activities	(863,382)	(217,479)
Financing activities	-	-
	(1,441,584)	(1,101,005)

NOTES (continued)

7. FUTURE INCOME TAXES

The recovery of income taxes differs from the amount computed by applying the combined statutory Canadian federal and provincial tax rates to losses before income taxes as follows:

	Year ended December 31	
	2010	2009
	(\$)	(\$)
Net loss before recovery	(1,159,260)	(276,664)
Statutory income tax rate	28.00%	29.00%
Expected recovery	(324,593)	(80,233)
Add (deduct):		
Non-deductible stock based compensation	772,581	83,864
Impact of changes and differences in tax rates	(179,777)	(102,623)
Change in valuation allowance	(268,211)	98,992
Future income tax recovery	-	-

The tax effects of temporary differences that give rise to significant portions of the future income tax assets and liabilities at December 31, 2010 and 2009 for the Canadian and Australian entities are as follows:

	2010		2009	
Future income tax assets	Australia	Canada	Australia	Canada
	(\$)	(\$)	(\$)	(\$)
Non-capital loss carryforwards	4,180,448	1,093,911	2,675,426	1,002,413
Share issue costs	-	896,929	-	159,186
Property, plant and equipment and other	(3,939,104)	(383,312)	(2,574,534)	(187,313)
Valuation allowance	(241,344)	(1,607,528)	(100,892)	(974,286)
Net future income tax asset	-	-	-	-

The Corporation has non-capital losses as at December 31, 2010 of approximately \$13.9 million (2009 - \$8.7 million) in Australia which have no expiry and \$4.4 million (2009 - \$3.8 million) in Canada which expire between 2026 and 2030.

8. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity.

The Corporation uses forward foreign currency exchange rate contracts in order to reduce its exposure to currency risks from fluctuations in the Canadian and Australian currencies. These contracts are classified as Level 2 within the fair value hierarchy and are recorded on the Corporation's balance sheet as an asset or liability based on reporting date fair values. As at December 31, 2010 the Corporation had the following forward foreign currency exchange rate contracts:

Type of contract	AUD bought (\$)	CAD sold (\$)	Rate (%)	Term	Mark to Market Fair Value
Currency exchange	2,500,000	2,105,250	84.21	March 9, 2011	421,111
Currency exchange	2,500,000	2,088,000	83.52	June 9, 2011	413,302
Currency exchange	2,500,000	2,077,750	83.11	September 9, 2011	399,001
Total					1,233,414

Credit risk

Credit risk is the risk that a third party fails to meet its contractual obligations that could result in the Corporation incurring a loss. The Corporation's accounts receivable are primarily with joint venture partners. Receivables from joint partners arise when the Corporation invoices them for their share of the costs. As at December 31, 2010, there was no allowance for doubtful accounts for the joint venture receivables as all amounts are considered collectable.

NOTES (continued)

Currency risks

Rodinia (the Canadian entity) is exposed to exchange rate fluctuations in relation to amounts due to services it must purchase in foreign currencies including the Australian Dollar and the United States dollar. As at December 31, 2010, the Corporation's cash and cash equivalents included approximately \$2,625,968 (2009 - \$54,899) denominated in Australian Dollars. Management continually monitors the Corporation's currency risk and believes this exposure is not material to its overall operations.

Interest rate risk

The Corporation is exposed to interest rate fluctuations in relation to the interest income earned on cash and cash equivalent balance. As at December 31, 2010, the Corporation had \$51,338,334 in cash and cash equivalents. Management believes this exposure is not material to its overall operations.

Liquidity risk

Liquidity risk relates to the risk the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The financial liabilities on its balance sheet are limited to accounts payable. The Corporation anticipates it will continue to have adequate liquidity to fund its existing financial liabilities and ongoing operating and general administrative expenses through its existing working capital. The pace of future capital investment and the related financial liabilities incurred from the capital investment program will be dependent upon the Corporation's capacity to secure additional equity financing on favorable terms. The Corporation had no defaults or breaches on any of its financial liabilities.

Market risk

Market risk is comprised of currency risk, interest rate risk and other price risks which consist primarily of fluctuations in petroleum and natural gas prices. With no bank debt as at December 31, 2010, there is no direct exposure to fluctuations in interest rates. As the Corporation is in the development stage, fluctuations in commodity prices bear no direct risk to the Corporation's revenue, however adverse fluctuations in interest rates, exchange rates and commodity prices may indirectly affect the Corporation's ability to obtain equity financing and future bank debt, if required, and on favorable terms.

9. COMMITMENTS

As at December 31, 2010, Rodinia had the following material commitments:

PEL 81 Minimum Work Plan Commitment

The Corporation was granted PEL 81 in June 2007 with a five year term to complete the minimum work commitments. The following table summarizes these commitments and their status as at December 31, 2010:

Year	Start	End	Minimum Work Requirements	December 31, 2010
1	June 25, 2007	June 24, 2008	Acquire 250 km 2D seismic, reprocess existing data, geological and geophysical studies	Completed
2	June 25, 2008	June 24, 2009	Acquire 250 km 2D seismic 12 month suspension an variation of license – October 29, 2009	Completed
3	June 25, 2010	June 24, 2011	Geological and geophysical studies	Completed
4	June 25, 2011	June 24, 2012	Drill one well and acquire 250 km 2D seismic	Outstanding
5	June 25, 2012	June 24, 2013	Drill one or two wells	Outstanding

As at December 31, 2010, the Corporation had completed all of its minimum work requirements associated with PEL 81 with the exception of drilling one well in year four and one or two wells in year five. The Corporation anticipates fulfilling the remainder of its minimum work requirements associated with PEL 81 during 2011.

NOTES (continued)

PEL 253 Minimum Work Plan Commitment

The Corporation was granted PEL 253 in June 2007 with a five year term to complete the minimum work commitments. The following table summarizes these commitments and their status as at December 31, 2010:

Year	Start	End	Minimum Work Requirements	Status
1	June 25, 2007	June 24, 2008	Acquire 100 km 2D seismic, geological and geophysical studies	Completed
2	June 25, 2008	June 24, 2009	Acquire 100 km 2D seismic, geological and geophysical studies	Completed
3	June 25, 2010	June 24, 2011	12 month suspension an variation of license – October 29, 2009 Geological and geophysical studies	Completed
4	June 25, 2011	June 24, 2012	Drill one well and geological and geophysical studies	Outstanding
5	June 25, 2012	June 24, 2013	Acquire 200 km 2D seismic	Outstanding

As at December 31, 2010, the Corporation had completed all of its minimum work requirements associated with PEL 253 with the exception of drilling one well in year four. The Corporation anticipates fulfilling the remainder of its minimum work requirements associated with PEL 253 during 2011.

Drilling Rig

On October 22, 2010, the Corporation executed an agreement with Ensign Australia Pty. Limited (“Ensign”) to engage Ensign’s Rig 16 to carry out its initial drilling program. Rodinia’s contract with Ensign includes four firm wells with the option to extend the contract to drill four additional wells (eight total) with Rig 16 as part of this program.

Operating leases

The Corporation maintains operating leases relating to the Corporation's corporate offices in both Canada and Australia.

The following table summarizes all of the Corporation's commitments over the following five years as at December 31, 2010:

	Total	2011	2012	2013	2014	2015
Drilling commitments	32,260,422	28,193,580	4,066,842	-	-	-
Operating leases	365,468	156,572	104,448	104,448	-	-
	32,625,890	28,350,152	4,171,290	104,448	-	-

10. RELATED PARTY TRANSACTIONS

The Corporation had agreed to an employee compensation arrangement with the Corporation’s President and Chief Executive Officer and one of its directors whereby a portion of their annual compensation was paid in common shares of the Corporation (see Note 4). This compensation arrangement ceased at the end of March 31, 2010.

On February 26, 2009, the Corporation divested its interest in the Texalta farmout agreement to Australia Energy Corp. (“AEC”), a privately held Canadian controlled corporation. Pursuant to the terms of the sale agreement, Rodinia received 2,000,000 common shares of AEC, which as at December 31, 2010, represented approximately 4.2% of the outstanding common shares of AEC. AEC amalgamated with Pendulum Capital Corporation (“Pendulum”) on December 31 2010, and the amalgamated company changed its name to PetroFrontier Corp. (“PetroFrontier”). PetroFrontier and the Corporation share five common directors and three common executives. In accordance with the terms of an Administrative Services Agreement (“ASA”), Rodinia provides certain administrative services and office accommodations to PetroFrontier on a cost recovery basis. ASA recoveries are recorded to general & administrative services in the Corporation’s financial statements.

The Corporation currently subleases several offices to a related party. The sublease rate is a proportionate share of the Corporation's lease cost.

11. SUBSEQUENT EVENTS

On January 1, 2011, the Corporation issued 1,850,000 stock options to directors, officers and consultants at an exercise price of \$3.15 per share. The options expire in five years and vest 1/3 on the date of grant and 1/3 on each of the first and second anniversaries of the date of grant.

NOTES (continued)

Directors

Robert J. Iverach^{(1) (2) (3)}
Chairman of the Board of Directors
Calgary, Alberta

Paul J. Bennett⁽²⁾
President and Chief Executive Officer
Calgary, Alberta

Peter A. Philipchuk⁽³⁾
Businessman
Calgary, Alberta

Martin P. McGoldrick^{(1) (3)}
Businessman
Calgary, Alberta

Kent Jespersen^{(1) (2)}
Businessman
Calgary, Alberta

Dr. James W. Buckee⁽³⁾
Businessman
Wiltshire, UK

Officers

Paul J. Bennett
President and
Chief Executive Officer

Shane J. Kozak
Vice President Finance and
Chief Financial Officer

Matthew P. Philipchuk⁽³⁾
Executive Vice-President

Corporate Head Office

320, 715 – 5th Avenue S.W.
Calgary, Alberta
T2P 2X6
Telephone: (403) 718-0366
Facsimile: (403) 718-3888
Website: www.rodiniaoil.com

Bankers

HSBC
Corporate Banking
Canada Trust Tower
407, 8th Avenue S.W.
Calgary, Alberta
T2P 1E5

Trustee and Transfer Agent

Valiant Trust Company of Canada
Calgary, Alberta

Solicitor

Burstall Winger LLP
Suite 1600 - Dome Tower
333 – 7th Ave SW
Calgary, Alberta
T2P 2Z1

Auditor

KPMG LLP
2700, 205 – 5th Avenue S.W.
Calgary, Alberta
T2P 4B9

⁽¹⁾ Member of Audit Committee

⁽²⁾ Member of the Corporate Governance and
Compensation Committee

⁽³⁾ Member of Reserve Committee