



Condensed Consolidated Interim Financial Statements
for the three & nine months ended
September 30, 2011 and 2010
(Unaudited)

Rodinia Oil Corp.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(Canadian Dollars)

(Unaudited)

As at	September 30, 2011	December 31, 2010
		(Note 3)
ASSETS		
Current		
Cash and cash equivalents	9,010,427	44,755,847
Term deposits (Note 4)	10,000,000	6,582,487
Accounts receivable	3,145,796	2,468,420
Prepaid expenses and deposits	231,694	572,597
Financial instruments (Note 10)	-	1,233,414
	22,387,917	55,612,765
Investment in PetroFrontier Corp. (Note 8)	3,319,139	2,743,060
Corporate assets (Note 5)	354,619	224,409
Exploration and evaluation assets (Note 5)	51,168,785	15,192,143
	77,230,460	73,772,377
LIABILITIES		
Current		
Accounts payable and accrued liabilities	4,611,398	1,693,665
Financial instruments (Note 10)	74,033	-
	4,685,431	1,693,665
Asset retirement obligations (Note 6)	1,215,010	-
	5,900,441	1,693,665
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	68,677,619	67,254,951
Warrants (Note 7)	3,221,095	3,328,595
Contributed surplus (Note 7)	9,675,949	5,256,923
Accumulated other comprehensive income (Note 7)	1,544,332	1,817,526
Deficit	(11,788,976)	(5,579,283)
	71,330,019	72,078,712
	77,230,460	73,772,377

See accompanying notes to the condensed consolidated interim financial statements

Going concern (Note 2)

Commitments (Note 12)

Subsequent event (Note 14)

Rodinia Oil Corp.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)

(Canadian Dollars)
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
		(Note 12)		(Note 12)
EXPENSES				
General and administrative	856,956	379,101	2,454,747	1,554,025
Financial instruments (Note 10)	64,216	(1,210,715)	(162,896)	(1,580,327)
Depreciation & accretion	23,609	9,054	91,227	26,866
Share-based compensation (Note 7)	788,765	507,700	4,595,920	2,152,414
Foreign exchange loss	157,203	-	182,486	-
Bad debt recovery	-	-	26,453	(38,972)
Results from operating activities	(1,890,749)	314,860	(7,187,937)	(2,114,006)
Finance income	120,235	59,473	437,077	84,241
Finance costs	(2,627)	(3,043)	(9,659)	(22,296)
Net finance income	117,608	56,430	427,418	61,945
Gain (loss) on equity investment (Note 8)	(25,149)	(51,523)	550,826	(151,262)
NET EARNINGS (LOSS)	(1,798,290)	319,767	(6,209,693)	(2,203,323)
OTHER COMPREHENSIVE EARNINGS (LOSS)				
Gain (loss) on equity investment (Note 8)	(19,038)	(4,032)	25,253	(16,375)
Foreign exchange gain (loss) on translation of foreign operations	(1,008,741)	1,190,936	(298,447)	762,569
COMPREHENSIVE EARNINGS (LOSS)	(2,826,069)	1,506,671	(6,482,887)	(1,457,129)
Deficit, beginning of period	(9,990,686)	(6,597,867)	(5,579,283)	(4,074,777)
Deficit, end of period	(11,788,976)	(6,278,100)	(11,788,976)	(6,278,100)
Net loss per share				
Basic and diluted (Note 7)	(0.02)	0.00	(0.06)	(0.03)

See accompanying notes to the condensed consolidated interim financial statements

Rodinia Oil Corp.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Canadian Dollars)

(Unaudited)

	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance at January 1, 2011	67,254,951	3,328,595	5,256,923	1,817,526	(5,579,283)	72,078,712
Net loss					(6,209,693)	(6,209,693)
Gain on equity investment				25,253		25,253
Foreign exchange loss on translation of foreign operations				(298,447)		(298,447)
Issued on exercise of warrants and stock options	1,422,668	(107,500)	(176,894)			1,138,274
Share-based compensation			4,595,920			4,595,920
Balance at September 30, 2011	68,677,619	3,221,095	9,675,949	1,544,332	(11,788,976)	71,330,019
Balance at January 1, 2010	12,071,933	-	2,576,488	1,385,642	(4,074,777)	11,959,286
Net loss					(2,203,323)	(2,203,323)
Loss on equity investment				(16,375)		(16,375)
Foreign exchange gain on translation of foreign operations				762,569		762,569
Issued on exercise of warrants and stock options	58,286,288	3,574,405	(69,116)			61,791,577
Issued for employee compensation	111,750	6,667				118,417
Issued for GORR	101,517					101,517
Share issue costs	(4,147,057)	(223,477)				(4,370,534)
Share-based compensation			2,059,080			2,059,080
Balance at September 30, 2010	66,424,431	3,357,595	4,566,452	2,131,836	(6,278,100)	70,202,214

See accompanying notes to the condensed consolidated interim financial statements

Rodinia Oil Corp.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Canadian Dollars)

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Cash provided by (used in)				
OPERATING				
Net earnings (loss)	(1,798,290)	319,767	(6,209,693)	(2,203,323)
Unrealized loss (gain) on financial instruments	579,561	(964,590)	1,307,449	(1,334,202)
Loss (gain) on equity investment	25,149	51,523	(550,826)	151,262
Share-based compensation	788,765	507,700	4,595,920	2,152,414
Depreciation & accretion	23,609	9,054	91,227	26,866
Net finance income	(117,608)	(56,430)	(427,418)	(61,945)
	(498,814)	(132,976)	(1,193,341)	(1,268,928)
Change in non-cash working capital (Note 9)	(1,234,422)	(297,396)	2,332,099	(428,183)
	(1,733,236)	(430,372)	1,138,758	(1,697,111)
FINANCING				
Issuance of Common Shares and warrants	-	-	-	61,526,159
Share issue costs	-	(125,542)	-	(4,370,534)
Issuance of Common Shares from exercise of warrants and stock options	60,000	65,417	1,138,275	265,417
Interest paid	(2,627)	(3,043)	(9,659)	(22,296)
	57,373	(63,168)	1,128,616	57,398,746
INVESTING				
Exploration and evaluation expenditures	(11,135,558)	(214,178)	(35,044,572)	(519,596)
Corporate asset expenditures	(3,660)	(39,299)	(208,069)	(51,476)
Interest received	87,957	59,473	497,850	84,241
	(11,051,261)	(194,004)	(34,754,791)	(486,831)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(86,876)	138,380	159,510	87,054
Increase (decrease) in cash and cash equivalents	(12,814,000)	(549,164)	(32,327,907)	55,301,858
Cash and cash equivalents and term deposits, beginning of the period	31,824,427	56,199,378	51,338,334	348,356
Cash and cash equivalents and term deposits, end of the period	19,010,427	55,650,214	19,010,427	55,650,214

See accompanying notes to the condensed consolidated interim financial statements

1. REPORTING ENTITY

Rodinia Oil Corp. (the “Corporation”) was incorporated in Alberta, Canada on July 21, 2006 under the name Officer Basin Energy Inc. On March 5, 2008, the Corporation filed articles of amendment to change its name to Rodinia Oil Corp. The Corporation’s registered office is 320, 715 – 5th Avenue S.W. Calgary, Alberta, Canada T2P 2X6. The Corporation is engaged in the business of international petroleum exploration in South Australia and Western Australia, through its wholly owned subsidiary, Rodinia Oil (Australia) Pty. Ltd. (“Rodinia Australia”). The condensed interim consolidated financial statements of the Corporation as at and for the three and Nine months ended September 30, 2011 comprise the Corporation and Rodinia Australia and unless otherwise indicated the term “Corporation” refers to both the Corporation and Rodinia Australia.

2. GOING CONCERN

The Corporation is engaged primarily in the pursuit of petroleum and natural gas through exploration in South Australia and Western Australia. Since inception, the efforts of the Corporation have been devoted to the pursuit of petroleum exploration licenses (“PEL”), land access agreements with 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 exploration 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. At September 30, 2011, the Corporation had working capital surplus of \$17,702,486 a deficit of \$11,788,976 and a net loss for the three and nine months ended September 30, 2011 of \$1,798,290 and \$6,209,693 respectively.

As Rodinia is in the early stages of exploration, its ability to finance operations is dependent upon the existence of economically recoverable hydrocarbons and its ability to obtain new sources of financing. The cost to operate in Australia is extremely high and the Australian dollar has appreciated approximately 25% since the planning stages of the original capital program.

With such a high working interest on an expansive land base, the Corporation has a number of financing options available. To preserve capital and minimize dilution to shareholders, the opportunities to lower working interest through joint ventures and farm-in arrangements are attractive and currently the Corporation has in place a number of confidentiality agreements. Rodinia’s growth model has not changed and it will continue to expand its understanding of the extent and reservoir potential of the Neoproterozoic formations through ongoing seismic acquisition and additional drilling. There can be no assurance that the steps management is taking will be successful.

These factors create significant doubt about the Corporation’s ability to continue as a going concern and therefore the Corporation may be unable to realize its assets and discharge its liabilities in the normal course of operations. These condensed interim consolidated 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. The condensed interim consolidated financial statements do not reflect adjustments in the carrying values of assets and liabilities, revenue or expenses and the classification used on the statement of financial position that would be necessary if the going concern assumption was not appropriate. Such adjustments would be material.

3. BASIS OF PRESENTATION AND ADOPTION OF IFRS

A) Statement of compliance

These condensed interim consolidated financial statements for the three and nine months ended September 30, 2011 and comparable periods are unaudited and have been prepared in accordance with International Accounting Standard (“IAS”)

UNAUDITED NOTES (continued)

34, “Interim Financial Reporting” using the accounting policies consistent with International Financial Reporting Standards (“IFRSs”) and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. Previously, the Corporation prepared its consolidated financial statements in accordance with previous Canadian generally accepted accounting principles (“GAAP”). The accounting policies followed in these interim financial statements are the same as those applied in the Corporation’s interim financial statements for the period ended March 31, 2011. The Corporation has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

The adoption of IFRS resulted in selected changes to the Corporation’s accounting policies as compared to those disclosed in the Corporation’s annual audited Consolidated Financial Statements for the period ended December 31, 2010 issued under Canadian GAAP. A summary of the significant changes to the accounting policies are presented in note 13 along with reconciliations illustrating the impact of the transition to IFRS for the comparable periods as at and for the three and nine months ended September 30, 2010.

These condensed interim consolidated financial statements should be read in conjunction with the Corporation’s Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010, and the Corporation’s interim financial statements for the quarter ended March 31, 2011, prepared in accordance with IFRS.

The consolidated financial statements were authorized for issue by the Audit Committee on November 24, 2011.

B) Use of management estimates, judgments and measurement uncertainty

The timely preparation of the condensed consolidated interim financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the condensed consolidated interim financial statements. Accordingly, actual results could differ from estimated amounts as future confirming events occur. Significant estimates and judgements made by management in the preparation of these condensed consolidated interim financial statements are outline below:

i) Determination of cash-generating units (“CGU”)

Property, plant and equipment are aggregated into CGUs based on their ability to generate a largely independent cash flows and are used for impairment testing. The determination of the Corporation’s CGUs is subject to management’s judgement.

ii) Exploration and evaluation (“E&E”)

The decision to transfer assets from exploration and evaluation to property, plant and equipment is based on the estimated proved and probable reserves used in the determination of an area’s technical feasibility and commercial viability.

iii) Asset retirement obligations

Amounts recorded in asset retirement obligations and the related accretion expense require the use of estimates with respect to the amount and timing of asset retirements, site remediation, discount rate, inflation rate and related cash flows. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

iv) Share-based compensation

Compensation costs accrued for share-based compensation plan is subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of the Corporation’s shares and expected term of the issued stock option.

v) Financial instruments

The fair value of the foreign exchange contracts are determined by calculating the mark-to market value of the contracts which is based on significant assumptions such as the forecasted Australian / Canadian foreign exchange rate.

vi) Income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Corporation and its subsidiaries operate are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

4. TERM DEPOSITS

	September 30, 2011	December 31, 2010
Term Deposits (\$)	\$10,000,000	6,582,487
Effective interest rate (%) on term deposits	1.38	1.25
Average number of days to maturity for term deposits	57	160

5. PROPERTY, PLANT AND EQUIPMENT

	Exploration & Evaluation Assets	Corporate Assets
Cost:	(\$)	(\$)
At December 31, 2010	15,192,143	364,988
Additions	35,976,642	208,069
At September 30, 2011	51,168,785	573,057
Accumulated depreciation:		
At December 31, 2010	-	(140,579)
Depreciation	-	(77,859)
At September 30, 2011	-	(218,438)
Net Book Value:		
At September 30, 2011	51,168,785	354,619
At December 31, 2010	15,192,143	224,409

No amounts relating to general and administrative expenses or share-based compensation were capitalized in 2011 or 2010.

6. ASSET RETIREMENT OBLIGATIONS

The total future asset retirement obligations were estimated by management based on the expected costs to abandon and restore the well sites and the facilities and the estimated timing of costs to be incurred in future periods. The Corporation has estimated that the total undiscounted amount of cash flows required to settle its retirement obligations at September 30, 2011 was \$1,327,129 which will be incurred between 2011 and 2021. The Corporation used a risk free rate of 4.7% -

UNAUDITED NOTES (continued)

5.2% to calculate the present value of the asset retirement obligations and an inflation rate of 3.6% was used to inflate the costs.

Changes to the asset retirement obligations were as follows:

	September 30, 2011
	(\$)
Balance, beginning of period	-
Liabilities incurred	1,118,716
Revision to estimates	82,926
Accretion expense	13,368
Balance, end of period	1,215,010

7. SHAREHOLDERS' EQUITY

A) 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

B) Common shares, issued and outstanding

Issued	Period ended September 30, 2011		Year Ended December 31, 2010	
	Number of shares	Amount (\$)	Number of shares	Amount (\$)
Class A Common Shares				
Balance, beginning of year	105,994,540	67,254,951	41,040,693	12,071,933
Private placement	-	-	5,556,545	3,611,754
Issued for employee Compensation	-	-	216,945	111,750
Exercise of stock options	847,400	659,293	1,700,000	989,361
Exercise of Warrants	562,500	763,375	145,001	195,751
GORR acquisition	-	-	135,356	101,517
IPO	-	-	57,200,000	54,340,000
Share issue costs	-	-		(4,167,115)
Balance, end of period	107,404,440	68,677,619	105,994,540	67,254,951
Warrants				
Balance, beginning of year	32,854,111	3,328,595	-	-
Private placement	-	-	2,778,278	555,655
Issued for employee Compensation	-	-	33,334	6,667
IPO	-	-	30,187,500	3,018,750
Exercise of warrants	(562,500)	(107,500)	(145,001)	(29,000)
Share issue costs	-	-	-	(223,477)
Balance, end of period	32,291,611	3,221,095	32,854,111	3,328,595

C) 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 typically have a term of five years to expiry and 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 September 30, 2011:

	September 30, 2011		December 31, 2010	
	Number of options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance, beginning of year	8,231,666	\$0.87	4,825,000	\$0.55
Exercised	(847,400)	\$0.57	(1,700,000)	\$0.40
Expired	(513,334)	\$0.81	(58,334)	\$0.91
Granted	2,125,000	\$3.06	5,165,000	\$1.02
Balance, end of period	8,995,932	\$1.42	8,231,666	\$0.87

The following table summarizes stock options outstanding and exercisable under the plan at September 30, 2011:

Options outstanding				Options exercisable		
Exercise price	Number outstanding at period end	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at period end	Weighted average exercise price	
\$0.40	600,000	2.2	\$0.40	600,000	\$0.40	
\$0.75	1,650,000	1.8	\$0.75	1,516,666	\$0.75	
\$1.00	4,384,266	3.7	\$1.00	2,894,260	\$1.00	
\$1.75	250,000	4.2	\$1.75	83,333	\$1.75	
\$2.25	75,000	4.5	\$2.25	25,000	\$2.25	
\$2.28	100,000	4.4	\$2.28	33,333	\$2.28	
\$2.85	100,000	4.3	\$2.85	33,333	\$2.85	
\$3.15	1,836,666	4.3	\$3.15	613,329	\$3.15	
	8,995,932	3.1	\$1.42	5,799,254	\$1.13	

D) Share-based compensation plan

The Corporation accounts for its share-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.

UNAUDITED NOTES (continued)

The following table summarizes the changes in contributed surplus:

	September 30, 2011	December 31, 2010
	(\$)	(\$)
Balance, beginning of year	5,256,923	2,576,488
Share-based compensation expense	4,595,920	2,986,045
Exercise of stock options	(176,894)	(305,610)
Balance, end of period	9,675,949	5,256,923

The fair value of the options granted during the quarter ended September 30, 2011 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	Period ended September 30, 2011
Risk free interest rate (%)	2.25
Expected life (years)	5.0
Expected volatility (%)	118
Expected dividends	-
Weighted average fair value of options granted	2.48

E) Warrants

As at September 30, 2011, the Corporation had 32,291,611 warrants outstanding with exercise prices ranging from \$1.15 - \$1.33 and expiry dates ranging from March 19, 2012 – June 11, 2012.

F) Per common share amounts

The basic weighted average number of Common Shares outstanding for the three and nine months ended September 30 2011 were 107,290,310 and 106,769,761, respectively (105,891,424 and 71,831,440 for the same period in the prior year). The Corporation has recorded a loss for the three and nine months ended September 30, 2011 and 2010 and as such 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.

G) Accumulated other comprehensive income

	September 30, 2011	December 31, 2010
	(\$)	(\$)
Balance, beginning of year	1,817,526	1,385,642
Gain (loss) on equity investment	25,253	43,592
Foreign exchange gain (loss) on translation of foreign operations	(298,447)	388,292
Balance, end of period	1,544,332	1,817,526

H) 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.

UNAUDITED NOTES (continued)

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. As of September 30, 2011, the Corporation considers its capital structure to include shareholders' equity of \$71,330,019 (December 31, 2010 - \$72,078,712) and working capital of \$17,702,486 (December 31, 2010 - \$53,919,100).

As the Corporation is in the exploration 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 the remainder of 2011 in addition to working capital requirements. Management believes that these funds will allow the Corporation to operate into 2012.

8. INVESTMENT IN PETROFRONTIER CORP.

	September 30, 2011	December 31, 2010
	(\$)	(\$)
Balance, beginning of period	2,743,060	1,301,452
Loss on equity investment	(220,465)	(375,067)
Other comprehensive gain	25,252	43,592
Dilution gain	771,292	1,773,083
Balance, end of period	3,319,139	2,743,060

The fair value of this investment as at September 30, 2011 was \$2.42 per PetroFrontier common share or \$4,840,000. The following is a summary of selected financial data of PetroFrontier Corp.:

	As at and for the three months ended September 30, 2011	As at and for the nine months ended September 30, 2011	As at and for the year ended December 31, 2010
Net loss	2,041,095	6,647,250	4,370,065
Positive/(negative) cash flow from operations	(926,003)	(3,193,367)	44,967
Working capital	34,941,213	34,941,213	55,001,333
Total assets	134,200,160	134,200,160	67,981,817
Total liabilities	22,422,113	22,422,113	2,764,508
Share capital	111,778,047	111,778,047	65,217,309

Note: selected financial data as at and for the year ended December 31, 2010 has not been restated for IFRS.

The Corporation and PetroFrontier Corp. share common directors and executive management and therefore the Corporation holds significant influence over the operations of PetroFrontier Corp.

9. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(\$)	(\$)	(\$)	(\$)
Accounts receivable	1,607,352	(104,807)	(738,149)	(376,184)
Prepaid expenses and deposits	(16,539)	6,431	340,902	(6,986)
Accounts payables and accrued liabilities	(2,971,877)	(233,729)	2,917,733	(103,048)
Other	146,642	34,709	(188,387)	58,035
Change in non-cash working capital	(1,234,422)	(297,396)	2,332,099	(428,183)

10. FINANCIAL INSTRUMENTS**Fair value of financial instruments**

The Corporation's financial instruments recognized in the statement of financial position consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and foreign exchange forward contracts. The fair value of these financial instruments, except for foreign exchange forward contracts, approximates their carrying amounts due to their short terms to maturity.

As the foreign exchange forward contracts are designated as held-for-trading they are carried at fair value.

The Corporation 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 cash and cash equivalents accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity.

Forward foreign currency exchange rate contracts

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 statement of financial position as an asset or liability based on reporting date fair values. As at September 30, 2011, the Corporation had a total of 17 forward foreign currency exchange rate contracts with the following terms:

AUD bought (\$)	CAD sold (\$)	Average Rate (%)	Date of Maturity	Mark to Market Fair Value
17,000,000	17,183,100	101.06	October 18, 2011 – March 16, 2012	(74,033)

Credit risk

As the Corporation is currently in the exploration phase, accounts receivable is limited to amounts largely pertaining to joint venture receivables and income tax credits on goods and services taxes in Australia and in Canada which are subject to normal credit risks. Joint venture receivables are typically collected within one to three months of the joint venture bill being issued to the partner. The Corporation attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to the expenditure being incurred. However, the receivables are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venture partners as disagreements may arise that increase the potential for non-collection.

Currency risks

The Corporation is exposed to exchange rate fluctuations in relation to amounts due to services it must purchase in foreign currencies including the Australian and United States dollars. As at September 30, 2011, the Corporation's cash and cash equivalents included approximately \$5,425,485 denominated in Australian dollars. A decrease or increase of one percent to the Australia / Canada foreign exchange rate would have decreased or increased the comprehensive loss by \$54,245 for the nine months ended September 30, 2011. Management continually monitors the Corporation's currency risk and believes this exposure is not material to its overall operations.

Interest rate risk

At September 30, 2011, the Corporation had no outstanding bank debt and is not exposed to interest rate risk at this time.

Liquidity risk

Liquidity risk relates to the risk the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The financial liabilities on the statement of financial position 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. The Corporation expects to satisfy obligations under accounts payable in less than one year (see Note 2).

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 September 30, 2011, there is no direct exposure to fluctuations in interest rates. As the Corporation is in the exploration 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.

11. RELATED PARTY TRANSACTIONS

In accordance with the terms of an Administrative Services Agreement ("ASA"), the Corporation provides certain administrative services and office accommodations to PetroFrontier Corp. ("PetroFrontier") on a cost recovery basis. PetroFrontier and the Corporation share five common directors and three common executives. ASA recoveries are recorded to general and administrative expenses in the Corporation's financial statements. For the nine months ended September 30, 2011, the Corporation charged \$256,932 of ASA recoveries. Included in accounts receivable as at September 30, 2011, is a \$58,611 receivable due from PetroFrontier.

12. 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 September 30, 2011:

Year	Start	End	Minimum Work Requirements	Status
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	Completed
			12 month suspension and variation of license – October 29, 2009	
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 September 30, 2011, 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. As part of the Corporation's 2011 seismic acquisition program the commitment to acquire 250 km of 2D seismic in year 4 has been satisfied, but have not yet been filed with the appropriate government agency. The Corporation anticipates fulfilling the remainder of its minimum work requirements associated with PEL 81 during 2011 and 2012.

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 September 30, 2011:

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
			12 month suspension and variation of license – October 29, 2009	
3	June 25, 2010	June 24, 2011	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 September 30, 2011, the Corporation had completed all of its minimum work requirements associated with PEL 253. As part of the Corporation's 2011 seismic acquisition and drilling programs the commitments to drill one well in year 4 and acquire 200 km of 2D seismic in year 5 were satisfied but have not yet been filed with the appropriate government agency.

Drilling Rig

On October 22, 2010, the Corporation executed an agreement with Ensign to engage Ensign's Rig 16 to carry out its initial drilling program. The Corporation'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. The Corporation is currently negotiating with Ensign to possibly release Rig 16 and bring in a smaller rig in 2012.

The following table summarizes the remainder of the Corporation's commitments over the following five years as at September 30, 2011:

	Total	2011	2012	2013	2014	2015
	(\$)	(\$)	(\$)	(\$)		
Operating leases	525,058	229,596	191,014	104,448	-	-
	525,058	229,596	191,014	104,448	-	-

13. RECONCILIATIONS OF GAAP TO IFRS

This note explains the principle adjustments made by the Corporation in restating its GAAP consolidated statement of financial position as at September 30, 2010, and its GAAP consolidated statement of loss and comprehensive loss for the three and nine months ended September 30, 2010. The following are the significant accounting policies that the Corporation adopted under IFRS that resulted in transition adjustments and the IFRS 1 exemptions taken by the Corporation at January 1, 2010:

Fair Value or revaluation as deemed cost – exemption not applied: the Corporation elected to restate the property, plant and equipment balance to the historical cost basis that would have existed if IFRS policies had been in place since inception.

Share-based payment transactions – exemption applied: the Corporation has elected to use the option under IFRS 1 to revalue only those options that were unvested at January 1, 2010. All unvested options have been revalued under IFRS 2, Share-Based Payment.

Cash flow statement – the transition from Canadian GAAP to IFRS has had no material effect upon the reported cash flows generated by the Corporation.

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2010

	Notes	GAAP	IFRS Adjustments	IFRS
ASSETS				
Current				
Cash and cash equivalents		55,650,214	-	55,650,214
Accounts receivable		412,471	-	412,471
Prepaid expenses and deposits		47,924	-	47,924
Financial instruments		1,334,202	-	1,334,202
		57,444,811	-	57,444,811
Investment in PetroFrontier Corp.		1,133,815	-	1,133,815
Corporate assets		192,032	-	192,032
Exploration and evaluation assets	13B	11,937,714	(300,085)	11,637,629
		70,708,372	(300,085)	70,408,287
LIABILITIES				
Current				
Accounts payable and accrued liabilities		206,073	-	206,073
SHAREHOLDERS' EQUITY				
Share capital		66,424,431	-	66,424,431
Warrants		3,357,595	-	3,357,595
Contributed surplus	13A	4,416,294	150,158	4,566,452
Accumulated other comprehensive income		2,131,836	-	2,131,836
Deficit	13A	(5,827,857)	(450,243)	(6,278,100)
		70,502,299	(300,085)	70,202,214
		70,708,372	(300,085)	70,408,287

RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010

	Notes	GAAP	IFRS Adjustments	IFRS
OTHER INCOME				
Financial instruments		1,210,715	-	1,210,715
		1,210,715	-	1,210,715
EXPENSES				
General and administrative		379,101	-	379,101
Share-based compensation	13A	424,453	83,247	507,700
Depreciation		9,054	-	9,054
		(812,608)	(83,247)	(895,855)
Results from operating activities		398,107	(83,247)	314,860
Finance income		59,473	-	59,473
Finance costs		(3,043)	-	(3,043)
Net finance costs		56,430		56,430
Loss on equity investment		(51,523)	-	(51,523)
NET EARNINGS		403,014	(83,247)	319,767
OTHER COMPREHENSIVE LOSS				
Loss on equity investment		(4,032)	-	(4,032)
Foreign exchange loss on translation of foreign operations		1,190,936	-	1,190,936
COMPREHENSIVE LOSS		1,589,918	(83,247)	1,506,671

RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	Notes	GAAP	IFRS Adjustments	IFRS
OTHER INCOME				
Financial instruments		1,580,327	-	1,580,327
		1,580,327	-	1,580,327
EXPENSES				
General and administrative		1,554,025	-	1,554,025
Share-based compensation	13A	2,039,171	113,243	2,152,414
Depreciation		26,866	-	26,866
Bad debt recovery		(38,972)		(38,972)
		(3,581,090)	(113,243)	(3,694,333)
Results from operating activities		(2,000,763)	(113,243)	(2,114,006)
Finance income		84,241	-	84,241
Finance costs		(22,296)	-	(22,296)
Net finance costs		61,945	-	61,945
Loss on equity investment		(151,262)	-	(151,262)
NET LOSS		(2,090,080)	(113,243)	(2,203,323)
OTHER COMPREHENSIVE LOSS				
Loss on equity investment		(16,375)	-	(16,375)
Foreign exchange loss on translation of foreign operations		762,569	-	762,569
COMPREHENSIVE LOSS		(1,343,886)	(113,243)	(1,457,129)

Notes to the reconciliations

A. Share-based payments

Under Canadian GAAP, the Corporation recognized an expense related to share-based payments on a straight-line basis over the vesting period of the options. Under IFRS, the expense is calculated using graded vesting. The net result is an increase to contributed surplus and an increase to deficit.

B. Oil and gas properties

Under Canadian GAAP, the Corporation followed 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 were capitalized. Under IFRS, costs incurred prior to receiving the legal rights to explore an area are expensed when incurred. The net result is a decrease to exploration and evaluation assets and an increase to deficit.

14. Subsequent Event

In October 2011, the Corporation announced that its Board of Directors adopted a Shareholder Rights Plan (the “Rights Plan”). This Rights Plan was adopted to ensure the fair treatment of shareholders in connection with any take-over offer for the Corporation, and to provide the Board of Directors and shareholders with additional time to fully consider an unsolicited take-over bid. The Rights Plan will also provide an opportunity, if appropriate, to pursue alternatives in order to maximize shareholder value. The Rights Plan was approved by the TSX Venture Exchange and by the shareholders of the Corporation at the Corporation’s annual general and special shareholders’ meeting held on November 10, 2011. The Rights Plan has a term of three years.