



RODINIAMINERALS

(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2009 AND 2008

(Expressed in Canadian Dollars)



McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

The Shareholders of
Rodinia Minerals Inc.
(A Development Stage Company)

We have audited the consolidated balance sheet of Rodinia Minerals Inc. as at December 31, 2009 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

The consolidated financial statements as at December 31, 2008 and for the year then ended, prior to adjustment for the restatement of prior years as described in Note 4, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 9, 2009. We have audited the adjustments to the 2008 financial statements and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

MCGOVERN, HURLEY, CUNNINGHAM, LLP

**Chartered Accountants
Licensed Public Accountants**

Toronto, Canada
March 31, 2010

RODINIA MINERALS INC.

(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS**AS AT DECEMBER 31, 2009 AND 2008**(Expressed in Canadian Dollars)

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,695,680	\$ 1,674,779
Marketable securities (Note 8)	93,103	77,586
Receivables	27,529	13,692
Notes receivable (Note 5)	75,000	75,000
Prepaid expenses and deposits	38,653	9,000
	1,929,965	1,850,057
PROPERTY AND EQUIPMENT (Note 6)	18,708	25,036
MINERAL PROPERTIES (Notes 4 and 7)	6,283,076	7,605,825
ADVANCE ROYALTY PAYMENTS (Note 7(d))	-	140,058
DEPOSITS	7,289	150,002
RECLAMATION BONDS	28,272	98,393
	\$ 8,267,310	\$ 9,869,371
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 7(b))	\$ 354,220	\$ 111,483
LONG TERM LIABILITIES		
Mineral properties acquisition obligation (Note 7(b))	485,000	-
	839,220	111,483
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 9)	29,905,084	23,825,364
SHARES TO BE ISSUED (Note 7(g)(ii)(3))	80,000	-
CONTRIBUTED SURPLUS (Note 10)	2,341,128	2,279,543
WARRANTS (Notes 4 and 9(d) and (e))	3,019,348	1,324,063
DEFICIT (Note 4)	(27,917,470)	(17,671,082)
	7,428,090	9,757,888
	\$ 8,267,310	\$ 9,869,371

COMMITMENTS AND CONTINGENCIES (Notes 1, 7 and 18)
SUBSEQUENT EVENTS (Note 19)

See accompanying notes to the consolidated financial statements

Approved on Behalf of the Board of Directors:

"David Stein" (sgd)
David Stein, Director

"Stan Bharti" (sgd)
Stan Bharti, Director

RODINIA MINERALS INC.

(A Development Stage Company)

**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEARS ENDED DECEMBER 31, 2009 AND 2008**(Expressed in Canadian Dollars)

	2009	2008
REVENUES	\$ -	\$ -
EXPENSES		
Accounting and legal	198,865	111,212
Amortization	7,531	7,764
Management and consulting fees (Note 15(a)(b))	721,528	248,674
Office and rent	72,117	57,109
General exploration expenses	266,265	74,960
Stock-based compensation (Note 11)	963,819	97,044
Regulatory	41,360	16,228
Warrant extension expense (Note 4)	-	179,000
Travel and promotion	229,794	80,751
	2,501,279	872,742
LOSS FOR THE YEAR BEFORE OTHER ITEMS	(2,501,279)	(872,742)
OTHER ITEMS		
Interest income	15,856	42,749
Unrealized gain (loss) on marketable securities	15,517	(77,586)
Write-down of investment (Note 8)	-	(353,508)
Write-down of mineral properties (Note 7)	(8,038,732)	-
Write-down of advance royalty payments and reclamation bonds (Notes 7(d) and (h))	(300,926)	-
Foreign exchange gain (loss)	(20,824)	117,352
Net loss before income taxes	(10,830,388)	(1,143,735)
Future income tax recovery (Note 12(c))	584,000	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(10,246,388)	(1,143,735)
DEFICIT, BEGINNING OF YEAR (Note 4)	(17,671,082)	(16,527,347)
DEFICIT, END OF YEAR (Note 4)	\$ (27,917,470)	\$ (17,671,082)
LOSS PER SHARE (Note 13)		
Basic and diluted	\$ (0.33)	\$ (0.05)

See accompanying notes to the consolidated financial statements

RODINIA MINERALS INC.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS**YEARS ENDED DECEMBER 31, 2009 AND 2008**

(Expressed in Canadian Dollars)

	2009	2008
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	\$ (10,246,388)	\$ (1,143,735)
Items not involving cash and cash equivalents:		
Amortization	7,531	7,764
Stock-based compensation	963,819	97,044
Unrealized (gain) loss on marketable securities	(15,517)	77,586
Write-down of mineral properties	8,038,732	-
Write-down of advance royalty payments and reclamation bonds (Notes 7(d)(h))	300,926	-
Future tax recovery (Note 12(c))	(584,000)	-
Write-down of deposits	13,242	-
Warrant extension expense	-	179,000
Write-down of investment	-	353,508
	(1,521,655)	(428,833)
Changes in non-cash working capital balances:		
Receivables	(13,837)	36,908
Notes receivable	-	(75,000)
Prepaid expenses and deposits	(29,653)	6,800
Advanced royalty payments	(62,475)	(50,561)
Accounts payable and accrued liabilities	33,053	4,137
	(1,594,567)	(506,549)
FINANCING ACTIVITIES		
Proceeds from private placement, warrant and option exercises	3,185,000	-
Share issue costs paid in cash	(179,229)	-
	3,005,771	-
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,203)	(4,024)
Mineral property expenditures capitalized during the year	(1,419,329)	(1,125,785)
Refund (payment) of mineral property deposits (Note 4)	58,500	(129,471)
Reclamation bonds	(28,271)	(43,080)
	(1,390,303)	(1,302,360)
CHANGE IN CASH AND CASH EQUIVALENTS	20,901	(1,808,909)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,674,779	3,483,688
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,695,680	\$ 1,674,779
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Demand deposits	\$ 1,445,680	\$ 924,779
Guaranteed investment certificates	250,000	750,000
	\$ 1,695,680	\$ 1,674,779

SUPPLEMENTAL CASH FLOW INFORMATION (Note 14)

See accompanying notes to the consolidated financial statements

RODINIA MINERALS INC.

(A Development Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2009 AND 2008**

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Rodinia Minerals Inc. (the "Company") is incorporated under the laws of British Columbia. The Company's principal business activities include the acquisition and exploration of lithium properties domiciled in North and South America. The Company is in the development stage, as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline ("AcG") 11, and has not yet determined whether any of these properties contain any reserves that are economically recoverable.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of interests in mineral properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company's mining assets that are located outside of North America are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, expropriation and currency exchange fluctuations and restrictions.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

As at December 31, 2009, the Company had working capital of \$1,575,745 and has accumulated losses since inception of \$27,917,470. The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations, however, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and the basis of application is consistent with that of the previous year except as disclosed in Note 3.

(a) Basis of Presentation

These financial statements have been prepared in conformity with Canadian generally accepted accounting principles on a consolidated basis consistently applied, except as disclosed, and include the accounts of the Company and its wholly-owned United States subsidiary, Donnybrook Platinum Resources Inc. All significant inter-company balances and transactions have been eliminated upon consolidation. Certain figures presented for comparative purposes have been reclassified to conform to the presentation adopted for the current year.

RODINIA MINERALS INC.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2009 AND 2008**

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reported period. Significant areas requiring the use of estimates relate to the recoverability or valuation of receivables, notes receivable and mineral properties, the useful lives of property and equipment, the utilization and valuation of future income tax assets, the valuation of asset retirement obligations, stock-based compensation and warrants. Actual results may ultimately differ from these estimates.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash in accounts and securities that on acquisition have a term to maturity of three months or less, or may be redeemed on demand. These investments are highly liquid marketable securities and deposits, which are designated as held-for-trading and are recorded at their fair values. Fair values are determined by reference to quoted market prices at the balance sheet date. Unrealized gains and losses on held-for-trading investments are recognized in income. Investment transactions are recognized on the trade date with transaction costs included in the underlying balance.

(d) Marketable Securities

Marketable securities consist of common shares of a publicly-traded company listed on the TMX Venture Exchange. Marketable securities are classified as held-for-trading and are recorded at their fair values using quoted market prices at the balance sheet date. Unrealized gains or losses on held-for-trading investments are recognized in the statement of operations. Investment transactions are recognized on the trade date. Transaction costs incurred to acquire marketable securities are recognized in the statement of operations when incurred.

(e) Trade Receivables and Payables

Trade receivables and payables are non-interest bearing and are stated at carrying values, which approximate fair values due to the short terms to maturity. Where necessary, trade receivables are net of allowances for uncollectable amounts.

(f) Notes Receivable

Notes receivable are classified as loans and receivables and are initially recorded at their fair values. Notes receivable are subsequently measured at amortized cost using the effective interest method.

(g) Derivative Instruments

Derivative instruments, including embedded derivatives, when held are designated as held for trading and recorded on the balance sheet at fair value. Unrealized gains and losses on derivatives are recorded in operations. Fair values for derivative instruments held for trading are determined using valuation techniques. These valuations use assumptions based on market conditions existing at the balance sheet date. Derivatives embedded in non-derivative contracts are recognized separately unless closely related to the host contract. As at December 31, 2009 and 2008, the Company did not hold any derivative instruments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2009 AND 2008**

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(h) Mineral Properties**

Mineral property acquisition, exploration and development costs are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Mineral property acquisition costs include cash consideration, the fair market value of common shares issued for mineral property interests based on the trading price of the shares and the estimated fair value of warrants issued for mineral property interests. The carrying value is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts and then recorded in operations. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company are recorded in the accounts at the time of payment. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned.

Once commercial production has commenced, the net costs of the applicable property will be charged to operations using the unit-of-production method based on reserves. On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration work that is warranted in the future.

Impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

- (i) the Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
- (ii) exploration results are not promising and no more work is being planned in the foreseeable future; or
- (iii) the remaining lease terms are insufficient to conduct necessary studies or exploration work.

Once impairment has been determined then a portion of the carrying value will be written-down to net realizable value. Amounts shown for mineral properties reflect costs incurred to date, less write-down, and are not intended to reflect present or future values.

(i) Property and Equipment

Property and equipment is initially recorded at cost. Amortization is subsequently provided using the declining balance basis or straight line method at the following annual rates:

Furniture and fixtures	30%
Office equipment	20%
Leasehold improvements	5 years

(j) Impairment of Long Term Assets

The recoverability of long term assets, which includes property and equipment and mineral property costs, is assessed when an event occurs indicating impairment. Recoverability is based on factors such as future asset utilization and the future undiscounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset will not be recoverable. At that time the carrying amount is written down to fair value.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(k) Asset Retirement Obligations**

Future obligations to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site are initially recognized and recorded as a liability at fair value, based on the present value of estimated future cash flows, taking into account the Company's current credit adjusted risk-free discount rate and an estimated inflation factor. The liability is adjusted for changes in the expected amounts and timing of cash flows required to discharge the liability and accreted to full value over time through periodic charges to operations. For operating properties, the amount of the asset retirement liability initially recognized and any subsequent adjustments are capitalized as part of the asset's carrying value and amortized over the asset's estimated useful life. Asset retirement obligations are only recorded when the timing or amount of remediation costs can be reasonably estimated. Management is not aware of any significant asset retirement obligations of the Company at December 31, 2009 and 2008.

(l) Translation of Foreign Currencies and Foreign Subsidiaries

The functional and reporting currency of the Company is the Canadian dollar. Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary balance sheet items expressed in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in operations.

The Company's integrated foreign subsidiaries are financially or operationally dependent on the Company. The Company uses the temporal method to translate the accounts of its integrated operations into Canadian dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in operations.

(m) Stock-Based Compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

(n) Income Taxes

The Company follows the asset and liability method for determining income taxes. Under this method, future income tax assets and liabilities are recognized for temporary differences between the carrying amounts for financial statement purposes and the tax basis for certain assets and liabilities. Future income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be settled. The tax effects of changes in these temporary differences are recognized in operations in the period in which they occur. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2009 AND 2008**

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Loss per Share

Basic earnings per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of "in the money" stock options and warrants. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. The outstanding share options and warrants to purchase common shares as described in Note 9 were not included in the computation of the diluted loss per share because the effect would be anti-dilutive.

(p) Financial Instruments

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet or until losses are determined to be other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting is applied, in which case changes in fair value are recognized in other comprehensive income.

(q) Recent Accounting Pronouncements

Recent accounting pronouncements that have been announced but are not yet effective are as follows:

(i) Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests," which replace Section 1600 "Consolidated Financial Statements."

Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The adoption of these standards are not expected to have a material effect on the Company's consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2009 AND 2008**

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Recent Accounting Pronouncements (continued)

(ii) International Financial Reporting Standards

In January 2006, the Canadian Accounting Standards Board ("AcSB") announced its decision to replace Canadian GAAP with IFRS. On February 13, 2008, the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that the Company will be required to prepare IFRS financial statements for the interim periods and fiscal year ends beginning in 2011. The Company is creating an implementation team, which will consist of internal resources and external consultants. A changeover plan is being established to convert to the new standards within the allotted timeline. The Company continues to evaluate the impact this will have on the Company's consolidated financial statements.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

(a) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets," which replaces Section 3062, "Goodwill and Other Intangible Assets." This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets and is effective for the Company commencing January 1, 2009. This standard is effective for years beginning on or after January 1, 2009. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

(b) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company is continually evaluating its counterparties and their credit risks. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

(c) Mining Exploration Costs

On March 27, 2009 the Emerging Issues Committee ("EIC") issued EIC-174. In this EIC the Committee reached a consensus that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The EIC should be applied to financial statements issued after March 27, 2009. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

RODINIA MINERALS INC.

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3. ADOPTION OF NEW ACCOUNTING STANDARDS

(d) Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 - Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value in Canadian GAAP and expand disclosures about fair value measurements.

To make the disclosures, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The adoption of this new standard resulted in additional disclosures in the notes to the consolidated financial statements.

4. RESTATEMENT OF PRIOR YEARS

- i. Management determined that it would be appropriate to value warrant extensions made in 2008 and 2007 that were not previously recorded. As a result, there was an increase in opening deficit and warrants of \$533,600 as of December 31, 2007, an increase to warrant extension expense of \$179,000 for the year ended December 31, 2008 and a net increase in warrants of \$712,600 as of December 31, 2008.
- ii. The value of warrants was previously accounted for in contributed surplus. Adjustments have been made to account for warrants as a separate component of shareholders' equity.
- iii. Management determined that the value of warrants issued as a component of a private placement during the year ended December 31, 2005 was not recorded on the grant date. When these warrants were exercised during the year ended December 31, 2007 they were attributed a value which was transferred to share capital. As a result, an entry was made to decrease share capital by \$902,967 and increase warrants by \$902,967 as of December 31, 2008 to correct this error.
- iv. On the statement of cash flows for the year ended December 31, 2008, \$129,000 has been reclassified to investing activities from operating activities.

	2008 - As reported	Adjustments	2008 - Restated
Total assets	9,869,371	-	9,869,371
Total liabilities	111,483	-	111,483
Share capital (iii)	24,728,331	(902,967)	23,825,364
Contributed surplus (ii)	1,988,039	291,504	2,279,543
Warrants (i)(ii)(iii)	-	1,324,063	1,324,063
Deficit	(16,958,482)	(712,600)	(17,671,082)
Shareholders' equity	9,757,888	-	9,757,888
Total liabilities and shareholders' equity	9,869,371	-	9,869,371
Net loss	(964,735)	(179,000)	(1,143,735)
Opening deficit (i)(ii)	(15,993,747)	(533,600)	(16,527,347)
Closing deficit	(16,958,482)	(712,600)	(17,671,082)

The net impact on total expenses from prior year restatements has resulted in an increase in basic and diluted loss per share of \$0.01/share for the year ended December 31, 2008.

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5. NOTES RECEIVABLE

Notes receivable with a total principal amount of \$75,000 are non-interest bearing and are due on demand. The amounts are secured by shares of a publicly-traded company with a market value of \$163,531 at December 31, 2009. The notes were repaid subsequent to December 31, 2009.

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Furniture and fixtures	\$ 16,345	\$ 13,260	\$ 3,085	\$ 4,407
Office equipment	20,896	10,326	10,570	12,010
Leasehold improvements	14,364	9,311	5,053	8,619
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	\$ 51,605	\$ 32,897	\$ 18,708	\$ 25,036

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2009 AND 2008**

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7. MINERAL PROPERTIES

	Clayton Valley Nevada	Salinas Grandes Argentina	Strider Lithium Manitoba	Workman Creek Arizona	Mormon Lake Arizona	Red Bluff Arizona	White Canyon Utah	Lucky Boy Arizona	Total
2009	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of period	–	–	–	4,882,490	377,989	498,857	1,669,224	177,265	7,605,825
Cost incurred during the period:									
Acquisition costs	234,951	795,977	4,456,000	–	–	191,787	–	–	5,678,715
Advances	89,675	–	–	–	–	–	–	–	89,675
Claims	213,629	–	–	77,713	–	7,597	71,839	1,928	372,706
Consulting	79,788	–	–	–	–	–	–	–	79,788
Drilling	84,825	–	–	–	–	–	–	–	84,825
Equipment and supplies	20,166	–	–	(697)	–	–	–	–	19,469
Field work, labour and supplies	10,905	–	–	2,203	–	–	115	–	13,223
Field administration	41,449	–	–	–	361	–	–	–	41,810
Geophysics	18,777	–	–	–	–	–	–	–	18,777
Legal	46,091	–	–	2,614	–	–	–	–	48,705
Radon surveys	–	–	–	62,447	–	–	–	–	62,447
Reports and Maps	7,320	–	–	15,000	–	–	–	–	22,320
Seismic survey	99,220	–	–	–	–	–	–	–	99,220
Site visits	40,769	–	–	–	–	–	–	–	40,769
Staking	43,534	–	–	–	–	–	–	–	43,534
Write off mineral property	–	–	–	(5,041,770)	(378,350)	(698,241)	(1,741,178)	(179,193)	(8,038,732)
	1,031,099	795,977	4,456,000	(4,882,490)	(377,989)	(498,857)	(1,669,224)	(177,265)	(1,322,749)
Balance, end of period	1,031,099	795,977	4,456,000	–	–	–	–	–	6,283,076

	Clayton Valley Nevada	Salinas Grandes Argentina	Strider Lithium Manitoba	Workman Creek Arizona	Mormon Lake Arizona	Red Bluff Arizona	White Canyon Utah	Lucky Boy Arizona	Total
2008	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of period	–	–	–	4,478,118	325,067	375,898	1,221,735	13,472	6,414,290
Cost incurred during the period:									
Acquisition costs	–	–	–	38,750	–	87,868	15,000	128,413	270,031
Claims	–	–	–	75,188	44,296	6,389	62,242	1,863	189,978
Consulting	–	–	–	57,356	2,954	6,800	31,228	–	98,338
Drilling & radon surveys	–	–	–	116,008	–	–	218,302	33,122	367,432
Equipment and supplies	–	–	–	11,069	–	–	17,059	–	28,128
Feasibility study	–	–	–	21,895	–	–	–	–	21,895
Field work, labour and supplies	–	–	–	24,345	–	137	23,845	46	48,373
Field administration	–	–	–	14,730	1,618	–	46,866	–	63,214
Legal	–	–	–	12,807	4,054	9,675	488	349	27,373
Reports and maps	–	–	–	32,224	–	–	7,946	–	40,170
Road construction	–	–	–	–	–	–	24,513	–	24,513
Waterline	–	–	–	–	–	12,090	–	–	12,090
	–	–	–	404,372	52,922	122,959	447,489	163,793	1,191,535
Balance, end of period	–	–	–	4,882,490	377,989	498,857	1,669,224	177,265	7,605,825

(a) Clayton Valley, Nevada, United States

On February 10, 2009, the Company entered into a formal agreement with GeoXplor Corp. (“GeoXplor”) under which the Company was granted the option to purchase a 100% interest in respect of certain unpatented mining claims located in Clayton Valley, Nevada (“Clayton Valley mineral property”), subject to a 3% royalty in respect of lithium carbonate production and all other ores or minerals mined or extracted from the property (the “Royalty”).

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7. MINERAL PROPERTIES (continued)

(a) Clayton Valley, Nevada, United States (continued)

To exercise the option the Company must pay to GeoXplor:

- (i) An aggregate of US\$322,000 (approximately \$338,000) as follows:
- US\$25,000 upon the execution of the agreement (paid on February 10, 2009);
 - US\$72,000 on the date of TSX Venture Exchange approval (approved March 16, 2009; paid on April 14, 2009);
 - US\$25,000 on or before March 26, 2010 (paid subsequent to year end on March 24, 2010);
 - US\$25,000 on or before March 26, 2011;
 - US\$50,000 on or before March 26, 2012;
 - US\$125,000 on or before March 26, 2013;
- (ii) An aggregate of 2,500,000 common shares of the Company as follows:
- 500,000 common shares upon approval from the TSX Venture Exchange (issued on March 23, 2009 valued at \$45,000);
 - 500,000 common shares on or before March 26, 2010 (issued subsequent to year end on March 26, 2010 valued at \$260,000);
 - 500,000 common shares on or before March 26, 2011;
 - 500,000 common shares on or before March 26, 2012;
 - 500,000 common shares on or before March 26, 2013.
- (iii) Expending an aggregate of US\$2,000,000 (approximately \$2,100,000) on exploration and development on the property before March 26, 2013, subject to minimum cumulative expenditures as follows:
- US\$300,000 on or before March 26, 2010 (incurred \$796,148);
 - US\$700,000 on or before March 26, 2011 (subsequent to December 31, 2009, incurred a cumulative balance of \$1,447,233);
 - US\$1,300,000 on or before March 26, 2012;
 - US\$2,000,000 on or before March 26, 2013.

The Royalty may be purchased at any time by the Company, in whole or in part, for US\$1,000,000 (approximately \$1,050,000) for each 1%.

The Company will pay GeoXplor US\$2,000,000 (approximately \$2,100,000) in cash or, at the election of GeoXplor, common shares of the Company having a fair value of US\$2,000,000, determined on the basis of the closing market price per share of the Company's common shares on the last trading day preceding GeoXplor's election if, at any time, the Company, its assignee or third party joint venture (i) delivers a positive feasibility study in respect of the property, or (ii) sells, options, assigns, disposes or otherwise alienates all or a portion of its interest in the property;

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7. MINERAL PROPERTIES (continued)

(b) Salinas Grandes, Jujuy Province, Argentina

On December 1, 2009, the Company entered into a definitive agreement to acquire 100% of the rights and interests in the Salar de Salinas Grandes property located in the Province of Jujuy, Argentina. The sellers retain the right to operate the borate salts and solids on the property.

The Company must pay an aggregate of US\$900,000 (approximately \$945,000) as follows:

- US\$150,000 upon the execution of the definitive agreement (paid);
- US\$75,000 on or before June 1, 2010;
- US\$75,000 on or before December 1, 2010;
- US\$600,000 on or before December 1, 2011.

The discounted present value of the outstanding payments at December 31, 2009 has been accrued by the Company as at December 31, 2009. The current portion of \$145,000 has been included in accounts payable and accrued liabilities and the long-term portion of \$485,000 is recorded as long-term liability as mineral properties acquisition obligation. An approximate 15% discount rate was applied.

(c) Strider Lithium Property, Manitoba, Canada

On May 14, 2009 the Company entered into a letter agreement (the "Assignment Agreement"), with Forbes & Manhattan, Inc. ("Forbes & Manhattan") for the assignment of an option agreement ("Strider Option") dated March 19, 2009 between Forbes & Manhattan and Strider Resources Ltd. ("Strider") to earn a 100% interest, subject to a 2% net smelter return royalty, in the Strider Lithium Project in Manitoba (the "Project"). One director of Forbes & Manhattan is also a director of the Company.

In consideration for the assignment, the Company has issued to Forbes & Manhattan and certain individuals providing consulting services to Forbes & Manhattan (the "Assignors") 5 million units consisting of 5 million common shares of the Company and 5 million share purchase warrants exercisable at \$0.40 per share for 24 months. Two of the assignors are also directors of the Company. The common shares were valued at \$2,300,000 and the warrants were valued at \$1,430,000, with a related \$584,000 future income tax effect being recorded. The fair value of the warrants was estimated using the Black-Scholes model and the following assumptions: expected life of 2 years, expected dividend yield of 0%, risk-free interest of 1.25 % and expected stock price volatility of 116%.

The Company will also assume the remaining obligations under the Strider Option Agreement whereby the Company will:

- (i) make cash payments of \$50,000 and issue 200,000 shares on execution of a definitive agreement (cash paid and shares issued valued at \$92,000);
- (ii) make cash payments of \$75,000, issue 200,000 shares and incur \$100,000 of exploration expenditures on or before June 6, 2010;
- (iii) make cash payments of \$100,000, issue 200,000 shares and incur an additional \$500,000 of exploration expenditures on or before June 6, 2011;
- (iv) make cash payments of \$125,000, issue 200,000 shares and incur an additional \$1,000,000 of exploration expenditures on or before June 6, 2012;
- (v) make cash payments of \$150,000, issue 200,000 shares and incur an additional \$1,400,000 of exploration expenditures on or before June 6, 2013.

Strider will retain a 2% NSR on the property of which 1% can be purchased at any time for \$1,000,000.

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7. MINERAL PROPERTIES

(d) Workman Creek, Arizona, United States

On October 26, 2004, as amended March 19, 2008, the Company entered into a Letter of Intent ("LOI") with Cooper Minerals, Inc. ("Cooper") with the intention to enter into a formal option agreement which will provide for the acquisition by the Company of a 100% interest in the Workman Creek Uranium Deposit Project ("Workman Creek") located in Arizona, United States, subject to a 3% net smelter royalty ("NSR").

To acquire the interest, an aggregate of US\$2,000,000 in expenditures in connection with maintaining, exploring, developing or equipping any one or more of the mineral claims for commercial production was to be incurred. The Company did not make the required exploration expenditures.

Under the LOI, the Company had the responsibility to assume all of Cooper's obligations under its underlying agreement with a third party regarding the mineral claims, including the obligation to make advance royalty payments of US\$75,000 in 2010 and 2011 and US\$100,000 per year thereafter. During the year ended December 31, 2009, the Company paid US\$75,000 (2008 – US\$50,000) in advance royalty payments.

On April 23, 2008, the Company entered into an agreement with Hawk Uranium Inc. ("Hawk") of Toronto, Ontario to acquire an undivided 100% right, title and interest in certain claims in Gila County, Arizona, which are contiguous to the Company's Workman Creek project. In consideration for the claims, the Company issued 125,000 common shares of the Company to Hawk valued at \$38,750 on the measurement date.

Pursuant to a strategic shift in focus of the Company's exploration program further exploration at this property will not be pursued. As such, the carrying value of this property as well as \$222,422 in advance royalty payments and reclamation bonds has been written off during 2009.

(e) Mormon Lake, Arizona, United States

The Company holds a 40% interest in certain mining claims in Arizona. Due to a strategic shift in focus of the Company's exploration program further exploration at this property will not be pursued. As such, the carrying value of this property has been written off during 2009.

(f) Lucky Boy, Arizona, United States

On March 17, 2005, Golden Patriot, Corp. ("Golden Patriot") granted the Company the option (the "Lucky Boy Option") to acquire up to an undivided 40% interest in Golden Patriot's interest in the Lucky Boy mineral property in Arizona. As at December 31, 2008, the Company holds a 24% interest in the property.

Pursuant to an agreement dated January 29, 2008, the Company will earn an additional 10% interest in Lucky Boy for each US\$100,000 in expenditures that the Company incurs on the property on or before March 7, 2010, to a maximum of a 40% interest. The interests in the Lucky Boy mineral property are subject to a 3% royalty.

Pursuant to a strategic shift in focus of the Company's exploration program further exploration at this property will not be pursued. As such, the carrying value of this property has been written off during 2009.

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7. MINERAL PROPERTIES (continued)

(g) Red Bluff, Arizona, United States

On April 18, 2007, the Company entered into a mineral lease agreement (the "Agreement") with Ethel Schell Larsen's Red Bluff Mine, LLC ("Red Bluff") to explore, develop and mine certain claims located in Gila County, Arizona. The Agreement also gives the Company the option to purchase, at commercially prevailing rates, water associated with water rights owned by Red Bluff. Red Bluff will receive a 3% Yellowcake royalty in respect of uranium mined from the claims and a 3% net smelter return royalty in respect of all other ores mined from the claims.

On signing the agreement, the Company granted to Red Bluff 1,000,000 non-transferable share purchase warrants to purchase common shares expiring April 17, 2012 at \$1.00 per share (the "Warrants") vesting as follows:

- 250,000 common shares on or before April 18, 2009;
- 250,000 common shares on or before April 18, 2010;
- 500,000 common shares on or before April 18, 2011;

To keep the Agreement in good standing, the Company must pay to Red Bluff:

- (i) US\$600,000 in rental payments at various intervals to April 18, 2012.
- (ii) An aggregate of 1,200,000 common shares of the Company (the "Shares"), of which the following have been issued:
 - (1) 200,000 common shares were issued upon approval from the TSX on August 2, 2007 valued at \$138,000;
 - (2) During 2008, 200,000 common shares were issued and valued at \$12,000;
 - (3) Subsequent to December 31, 2009 200,000 common shares were issued at fair value of \$80,000. At December 31, 2009, these common shares were recorded as shares to be issued.
- (iii) Expending an aggregate of US\$1,000,000 on exploration and development of the claims in stages on or before April 19, 2012. The Company has failed to make these minimum expenditures by the required dates.

After the fifth anniversary of the execution of the agreement, the Company will pay annual advance royalty payments to Red Bluff of US\$150,000 for each of years 6 through 15 and US\$200,000 for each of years 16 and 17.

On March 9, 2010, the Company gave notice to Red Bluff it was terminating the Agreement. Due to the termination of the agreement, the Company has written off the carrying value of this property during 2009. Upon termination, the expiry date of the Warrants was modified to the date that is 60 days from the notice of termination.

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7. MINERAL PROPERTIES (continued)

(h) White Canyon, Utah, United States

On September 7, 2007, the Company entered into a letter of agreement with GeoXplor Corp. ("GeoXplor") in respect of certain mining claims in the White Canyon District of S.E. Utah, United States. By paying GeoXplor an aggregate US\$200,000, the Company acquired a 50% interest in the claims, subject to a 3% Yellowcake royalty in respect of uranium mined from the claims, and a 3% net smelter return royalty in respect of all other ores mined from the claims, (together, the "Royalty")

The agreement gives the Company the option (the "Option") to acquire GeoXplor's remaining 50% interest, subject to the Royalty (the "GeoXplor Interest"), by:

- (i) paying to GeoXplor an aggregate US\$100,000 (paid)
- (ii) issuing to GeoXplor an aggregate 4,000,000 common shares of the Company and incurring expenditures of not less than US\$3,000,000 before certain dates through August 9, 2011. During 2008, the Company issued 250,000 common shares valued at \$15,000.

The Company has not met its obligations and intends to abandon the agreement. As such, the property as well as \$78,504 in reclamation bonds has been written off in 2009.

8. MARKETABLE SECURITIES

As at December 31, 2009 and 2008, the Company's investments consisted of 517,241 shares of New Global Ventures International Inc. ("NGV"), a company listed on the TSXV. These shares are valued at their listed trading price on December 31, 2009. Subsequent to December 31, 2009, the shares were sold for \$92,853. During 2008, the Company received the NGV shares upon the conversion of certain advances made by the Company during 2006. The Company recorded a writedown of investment of \$353,508 in 2008 as a result of this conversion.

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9. SHARE CAPITAL

- (a) Authorized Share Capital
Unlimited common shares without par value
- (b) Issued and Outstanding Share Capital

	Number of Shares	Amount
Balance, December 31, 2007 (Note 4)	23,367,412	\$ 23,759,614
Issued during 2008:		
For property – Workman Creek (Note 7(d))	125,000	38,750
For property – Red Bluff (Note 7(g))	200,000	12,000
For property – White Canyon (Note 7(h))	250,000	15,000
Balance, December 31, 2008	23,942,412	\$ 23,825,364
Issued during 2009		
For cash:		
Private placement	9,000,000	2,700,000
Exercise of stock options	1,650,000	165,000
Exercise of warrants	1,000,000	320,000
Share issue costs:		
Finders fee (cash)		(155,700)
Agents' and legal fees		(10,029)
Filing fees		(13,500)
Transfers:		
Exercise of stock options		902,234
Exercise of warrants		591,968
Warrants from private placement		(764,872)
Agent unit options granted per private placement		(92,381)
For property – Clayton Valley (Note 7(a))	500,000	45,000
For property – Strider Lithium Property (Note 7(c))	5,200,000	2,392,000
Balance, December 31, 2009	41,292,412	\$ 29,905,084

On June 26, 2009 the Company closed a private placement for gross proceeds of \$2,700,000 through the issuance of 9,000,000 units consisting of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of \$0.40 per share until June 26, 2011. The fair value of the warrants was estimated at \$764,872 using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 116%; risk-free interest rate of 2.25% and an expected average life of two years. In connection with this private placement, the Company paid a cash commission to Delano Capital Corp. ("Delano"), Canaccord Capital Corporation and Bolder Investment Partners, Ltd. totalling \$155,700 and has issued 519,000 compensation options that will entitle Delano to acquire that same number of Units of the Company at a price of \$0.30 until June 25, 2011. The fair value of the compensation options was estimated at \$92,381 on the date of grant using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 116%; risk free interest rate of 2.25% and an expected life of one year.

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9. SHARE CAPITAL (continued)

(c) Stock Options

The Company has a plan to grant stock options to directors, officers, employees and consultants of the Company. Under the plan, the board of directors has the discretion to issue the equivalent of up to 10% of the issued and outstanding shares of the Company from time to time. Stock options are generally exercisable for a term of up to five years from the date of grant. Vesting terms are determined by the directors at the time of grant.

Stock option activity during 2008 and 2009 is presented below:

	Number of Shares	Weighted Average Exercise Price
Outstanding, December 31, 2007	2,222,500	\$ 0.72
Granted	247,500	0.27
Expired	(135,000)	0.25
Outstanding, December 31, 2008	2,335,000	0.11
Granted	2,750,005	0.45
Exercised	(1,650,000)	0.10
Outstanding, December 31, 2009	3,435,005	\$ 0.38

On October 6, 2009, the Company granted 2,500,005 options to various officers, directors and consultants of the Company. The options are exercisable at \$0.45 and expire on October 5, 2014. These options vest immediately subject to a four month regulatory hold period.

On November 24, 2009, the Company granted 250,000 options to consultants of the Company. The options are exercisable at \$0.43 and expire on November 23, 2014. These options vest immediately subject to a four month regulatory hold period.

On September 13, 2008, the Company granted 135,000 options to officers of the Company. The options are exercisable at \$0.25 and expire on September 13, 2013. These options vest immediately.

On June 6, 2008, the Company granted 112,500 options to consultants of the Company. The options are exercisable at \$0.30 and expire on June 6, 2013. These options vest immediately.

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9. SHARE CAPITAL (continued)

(c) Stock Options

The following table summarizes stock options outstanding and exercisable at December 31, 2009:

Date Of Expiry	No. of Options Exercisable	No. of Options Outstanding	Exercise Price	Grant Date Fair Value Options Granted (\$)
June 10, 2010	60,000	60,000	0.10	42,697
June 10, 2010	135,000	135,000	0.25	25,653
December 13, 2013	490,000	490,000	0.10	246,401
October 5, 2014	2,500,005	2,500,005	0.45	880,000
November 24, 2014	250,000	250,000	0.43	84,000
	3,435,005	3,435,005		

(d) Warrants

Warrant activity during 2008 and 2009 is presented below:

	Number of Shares	Purchase Price Per Share	Grant Date Fair Value Warrants Granted
Outstanding, December 31, 2007	4,255,000	\$ 0.74 – 1.26	\$ 1,630,192
Expired	(800,000)	1.10	(485,129)
Value attributed to warrant extensions (Note 4(i))	-		179,000
Outstanding, December 31, 2008	3,455,000	0.32 – 1.00	1,324,063
Granted	14,000,000	0.40	2,194,872
Exercised	(1,000,000)	0.32	(591,968)
Outstanding, December 31, 2009	16,455,000	\$ 0.40 – 1.00	\$ 2,926,967

The following table summarizes warrants outstanding and exercisable at December 31, 2009:

Date of Expiry	No. of Warrants Exercisable	No. of Warrants Outstanding	Exercise Price	Grant Date Fair Value Warrants Granted (\$)
June 25, 2011	9,000,000	9,000,000	0.40	764,872
October 14, 2011	5,000,000	5,000,000	0.40	1,430,000
July 18, 2011	1,455,000	1,455,000	0.74	732,095
April 17, 2012	250,000	1,000,000	1.00	-
	15,705,000	16,455,000		2,926,967

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9. SHARE CAPITAL (continued)

(e) Agent Unit Options

Agent unit option activity during 2008 and 2009 is presented below:

	No. of Agent Units	Exercise Price per Unit	Grant Date Fair Value Warrants Granted
Outstanding, December 31, 2008 and 2007	-	\$ -	\$ -
Granted	519,000	0.30	92,381
Outstanding, December 31, 2009	519,000	\$ 0.30	\$ 92,381

The following table summarizes agent unit options outstanding and exercisable at December 31, 2009:

Date Of Expiry	No. of Warrants Exercisable	No. of Warrants Outstanding	Exercise Price	Grant Date Fair Value Options Granted(\$)
June 25, 2011	519,000	519,000	0.30	92,381

10. CONTRIBUTED SURPLUS

	2009	2008
Balance, beginning of year	\$ 2,279,543	\$ 1,697,370
Stock-based compensation (Note 11)	963,819	97,044
Transferred to contributed surplus on expiry of warrants	-	485,129
Transferred to share capital upon exercise of stock options	(902,234)	-
Balance, end of year	\$ 2,341,128	\$ 2,279,543

11. STOCK-BASED COMPENSATION

During the year ended December 31, 2009, the Company granted 2,750,005 (2008 – 247,500) stock options to directors and consultants of the Company. The weighted average grant date fair value of each stock option granted was \$0.35 (2008 – \$0.21), calculated using the Black-Scholes option-pricing model on the date of grant using the following assumptions:

	2009	2008
Expected option lives	5 years	5 years
Expected dividend yield	0%	0%
Risk-free interest rate	2.5%	3.1%
Expected stock price volatility	106%	101%

During the year ended December 31, 2009, the Company recognized \$963,819 (2008 – \$97,044) of compensation cost in stock-based compensation expense. During 2008, the Company modified 2,200,000 outstanding stock options by changing the expiry date to December 11, 2013 and by changing the exercise price to \$0.10. The 2008 stock-based expense included \$45,677 related to the modification of the 2,200,000 options.

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12. INCOME TAXES

In assessing the realization of the Company's future income tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax assets considered realizable could change materially in the near term based on future taxable income during the carry-forward period.

(a) The significant components of the Company's future income tax assets are as follows:

	2009	2008 (as restated)
Future income tax assets:		
Non-capital tax losses carried forward	\$ 688,000	\$ 532,000
Capital losses carried forward	123,000	133,000
Share issue costs	42,000	25,000
Property and equipment	8,000	5,000
Mineral properties	2,790,000	194,000
Total gross future income tax assets	3,651,000	889,000
Valuation allowance	(3,651,000)	(889,000)
Net future income tax assets	\$ —	\$ —

(b) As at December 31, 2009, the Company has non-capital losses carried forward for income tax purposes available to reduce taxable income in future years of \$2,937,000 expiring as follows:

2010	\$ 81,000
2014	168,000
2015	410,000
2026	509,000
2027	384,000
2028	482,000
2029	903,000
	<u>\$ 2,937,000</u>

(c) The Company is subject to federal and provincial taxes at an approximate rate of 33% (2008 – 31%). The reconciliation of the provision for income taxes at the statutory rate compared to the Company's income taxes as reported is as follows:

	2009	2008
Expected income tax recovery	\$ (3,574,000)	\$ (299,000)
Permanent differences	—	132,000
Difference in tax rates	46,000	—
Change in tax rates	55,000	377,000
Share issue costs	(59,000)	—
Stock-based compensation	318,000	—
Expiry of non-capital losses	24,000	—
Change in estimates	—	(68,000)
Other	101,000	—
Change in valuation allowance	2,505,000	(142,000)
Income tax (recovery)	\$ (584,000)	\$ —

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13. LOSS PER SHARE

The weighted average number of shares outstanding used in the computation of basic and diluted loss per share was 31,406,802 (2008 – 23,461,000). Outstanding stock options and warrants have not been considered in the computation of diluted loss per share, as the result is anti-dilutive.

14. SUPPLEMENTAL CASH FLOW INFORMATION

	2009	2008
Cash paid for:		
Interest	\$ –	\$ –
Income taxes	–	–
Non-cash financing and investing activities:		
Marketable securities received for settlement of investment	–	77,586
Notes receivable received for settlement of deposit	–	75,000
Clayton Valley exploration expense accrual	19,974	–
Salinas Grandes property payment accrual	118,428	–
Write off Uranium mineral properties capitalized costs	8,038,732	–
Write off advance royalty payments	300,926	–
Shares issued for Clayton Valley property	45,000	–
Shares issued for Strider Lithium property	2,392,000	–
Shares to be issued for Red Bluff mineral property	80,000	–
Agent unit options issued	92,381	–
Warrants issued for Strider Lithium property	1,430,000	–
Accrual for payments required for the Salinas Grandes property	630,000	–
Shares issued for Workman Creek mineral property	–	38,750
Shares issued for Red Bluff mineral property	–	12,000
Shares issued for White Canyon mineral property	–	15,000

15. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended December 31, 2009 the Company entered into the following transactions with related parties:

- The Company was charged \$143,178 (2008 – \$48,000) that was paid to corporations controlled by directors of the Company. The amounts paid have been included in management and consulting fees and travel and promotion in the statement of operations.
- The Company shares its premises with other corporations that have common directors and officers, and the Company reimburses the related corporations for their proportional share of the expenses. The Company has advanced \$7,171 (2008 - \$0) to such corporations to cover shared expenses and has included these amounts in prepaid expenses. The advance is unsecured, non-interest bearing, with no fixed terms of repayment.

The above transactions were in the normal course of operations and were recorded at their exchange amounts, which is the consideration agreed upon by the related parties.

- Pursuant to the private placement financing closing on June 25, 2009, directors of the Company and corporations controlled by directors of the Company subscribed for 2,247,003 common shares for gross proceeds to the Company of \$674,101. Also related to this transaction, the Company paid a cash commission to a corporation that a director is an officer, of \$134,190 and issued 519,000 compensation options to acquire that same number of units of the Company at a price of \$0.30 per share until June 25, 2011. The same corporation also purchased 100,000 units at \$0.30 per share from the June 25, 2009 private placement.

- See Note 7(c).

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16. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of common shares, warrants and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development, and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes in the Company's approach to capital management during 2008 and 2009. The Company is not subject to externally imposed capital requirements.

17. FINANCIAL INSTRUMENTS

There have been no changes in the risks, objectives, policies and procedures from the previous period.

The Company's risk exposures and the impact of the Company's financial instruments are summarized below:

Fair Value of Financial Instruments and Hierarchy

The Company has various financial instruments including cash and cash equivalents, marketable securities, receivables, notes receivable, reclamation deposits, accounts payable and accrued liabilities and mineral properties acquisition obligations. The carrying values of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity. The carrying values of marketable securities, notes receivable, reclamation bond and mineral properties acquisition obligations approximate their fair values.

At December 31, 2009, the Company's financial instruments that are carried at fair value, consisting of cash and cash equivalents, marketable securities and reclamation bonds, have been classified as Level 1 within the fair value hierarchy.

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's primary counterparty related to its cash and cash equivalents and marketable securities carry an investment grade rating as assessed by external rating agencies. The Company maintains all of its cash and cash equivalents and marketable securities with a major financial institution domiciled in Canada. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

Notes receivable are secured by shares of a publicly-traded company with a market value of \$163,531 at December 31, 2009 (see Note 5). Reclamation bonds have been deposited with an agency of the United States government. The Company's maximum exposure to credit risk at the balance sheet date is the carrying value of cash and cash equivalents, marketable securities, receivables and reclamation bond.

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17. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances and marketable securities. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

As at December 31, 2009, the Company had current assets of \$1,929,965 to settle current liabilities of \$354,220.

Market Risk

(a) Interest Rate Risk

The Company's cash equivalents are subject to interest rate cash flow risk as they carry variable rates of interest. The Company's interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase.

Based on cash and cash equivalent balances on hand at December 31, 2009, a 1% charge in interest rates could result in a corresponding charge in net loss of approximately \$17,000.

(b) Foreign Currency Risk

As the Company operates on an international basis, foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign currency risk arises primarily with respect to the United States dollar. Fluctuations in the exchange rates between this currency and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at December 31, 2009, the Company had cash equivalents of US\$119,742 denominated in United States dollars. A strengthening (weakening) of the Canadian dollar against the United States dollar of 10% would result in an insignificant effect on net loss.

(c) Price Risk

The Company will be exposed to price risk with respect to commodity prices, specifically lithium. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices of these commodities. Prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for lithium, the level of interest rates, the rate of inflation, investment decisions by large holders of lithium and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors may in turn be influenced by changes in international investment patterns and monetary systems and political developments.

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18. COMMITMENTS AND CONTINGENCIES

The Company has entered into operating lease commitments for premises and office equipment as follows:

2010	\$	130,491
2011		44,900

The Company sub-leases its office premises to various third parties on a month-to-month basis. The Company has various other commitments described in Note 7.

The Company is party to certain management contracts. These contracts require that additional payments of up to \$1,447,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Minimum commitments remaining under these contracts were approximately \$495,000, all due within one year.

The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

19. SUBSEQUENT EVENTS

(a) On January 18, 2010, the Company entered into an agreement with Borax Argentina SA ("Borax"), a subsidiary of Rio Tinto Minerals, to acquire three separate lithium-brine projects in Salta, Argentina: the Salar de Diablillos ("Diablillos"); the Salar de Centenario ("Centenario"); and the Salar de Ratones ("Ratones"), as follows:

- (i) The Company has the option to acquire a 100% interest in the brines located on the Diablillos Property. Pursuant to the terms of the Diablillos Option Agreement, Borax will grant the Company a three year exploration license to explore the brines and a subsequent forty year mining license to acquire all recovered metals and minerals from such brines. The mining license will commence upon the earlier of: (i) the expiry of the exploration license; or (ii) at the discretion of the Company and may be renewed for an additional 40 year term in accordance with Argentine mining law. In consideration, the Company shall pay Borax an aggregate of US\$1,944,000 as follows: (i) US\$500,000 on or before January 25, 2010; (ii) US\$500,000 on or before July 15, 2010; and (iii) US\$944,000 on or before November 30, 2010.

In addition, Borax shall retain a 1.5% net smelter return royalty with respect to the Diablillos Property the "NSR"). The Company has the option to purchase the NSR for USD\$1,500,000 at any time during the term of the Diablillos Option Agreement.

- (ii) The Company has the option to acquire a 100% interest in the Centenario Project by paying Borax an aggregate of USD\$774,711 as follows: (i) US\$154,711 on or before January 25, 2010; (ii) US\$170,000 on or before July 15, 2010; and (iii) US\$450,000 on or before November 30, 2010. In addition, Borax shall retain a 1% net smelter return royalty with respect to the Centenario Property (the "NSR"). The Company has the option to purchase the NSR for US\$1,000,000 at any time during the term of the Centenario Option Agreement.
- (iii) The Company has the option to acquire a 100% interest in the Ratones Property by making payments to Borax in aggregate of US\$180,000 as follows: (i) US\$100,000 on or before January 25, 2010; and (ii) US\$80,000 on or before July 15, 2010.

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19. SUBSEQUENT EVENTS (continued)

- (b) On January 25, 2010, the Company issued 200,000 common shares of the Company to Ethel Schell Red Bluff Mine LLC these were recorded as shares to be issued at December 31, 2009. See note 7(g)(ii)(3).
- (c) On January 27, 2010, the Company entered into an agreement with a private party in Argentina to acquire 100% of the rights and interest to additional claims in the Salar de Diablillos not already owned by the Company. To acquire a 100% interest in the property, the Company is required to pay the private party an aggregate of US\$441,500 as follows: (i) US\$150,000 on closing; and (ii) US\$291,500 nine months after the first payment.
- (d) In connection with the appointment of a new director, the Company has granted 200,000 stock options of the Company. The options shall be exercisable at \$0.64 per share and shall expire on February 3, 2015. The options vest immediately, subject to a statutory four month hold period.
- (e) On February 23, 2010, the Company issued to a consultant of the Company 50,000 stock options. The options shall be exercisable at \$0.45 per share and shall expire on February 23, 2015. The options vest immediately, subject to a statutory four month hold period.
- (f) Subsequent to December 31, 2009, 460,000 stock options priced at \$0.10 and 986,000 warrants priced at \$0.40 were exercised for common shares of the Company.