

Pacific Rodera Energy Inc

Balance Sheets

Unaudited

Assets	March 31, 2010	December 31, 2009
Current Assets		
Cash and cash equivalents	\$ 18,675,282	\$ 17,099,687
Short-term investments (Note 4)	1,187,471	3,039,221
Accounts receivable	55,071	40,319
Prepaid expenses	60,208	104,393
	19,978,032	20,283,620
Cash deposits (Note 5)	389,868	389,823
Furniture and fixtures (Note 7)	44,358	47,354
Petroleum and natural gas properties (Note 6)	7,214,032	7,206,305
	\$ 27,626,290	\$ 27,927,102
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,220,733	\$ 1,106,952
	1,220,733	1,106,952
Shareholders' equity		
Share capital (Note 9)	49,818,039	49,818,039
Contributed surplus (Note 9)	14,015,782	13,959,295
Deficit	(37,428,264)	(36,957,184)
	26,405,557	26,820,150
	\$ 27,626,290	\$ 27,927,102

See accompanying notes to the financial statements

Commitments [Notes 5 and 11]

Approved by the Board

[signed] "Michael Greenwood"

Michael G. Greenwood

Director

[signed] "Mark Hornett"

Mark Hornett

Director

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Statements of Operations, Comprehensive Loss and Deficit

Unaudited

	<i>Three months ended March 31, 2010</i>	<i>Three months ended March 31, 2009</i>
Expenses		
<i>General and administration</i>	\$ 455,396	\$ 386,096
<i>Depreciation</i>	2,996	3,760
<i>Stock based compensation</i>	56,487	41,860
	514,879	431,716
<i>Interest income</i>	43,799	93,700
<i>Loss before income taxes</i>	(471,080)	(338,016)
<i>Future income tax recovery (Note 8)</i>	-	46,965
<i>Net loss and comprehensive loss</i>	(471,080)	(291,051)
<i>Deficit, beginning of period</i>	(36,957,184)	(30,672,961)
<i>Deficit, end of period</i>	\$ (37,424,264)	\$ (30,964,012)
<i>Loss per share – basic and diluted</i>	\$ (0.00)	\$ (0.00)
<i>Weighted average shares outstanding</i>	109,789,946	109,789,946

See accompanying notes to the financial statements

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Statements of Cash Flows

Unaudited

	<i>Three months ended March 31, 2010</i>	<i>Three months ended March 31, 2009</i>
Cash provided by (used in):		
Operating activities		
Net loss	\$ (471,080)	\$ (291,051)
Items not involving cash		
Depreciation	2,996	3,760
Stock based compensation	56,487	41,860
Future income tax recovery	-	(46,965)
	(411,597)	(292,396)
Change in non cash working capital related to operations	148,254	4,478
	(263,343)	(287,918)
Investing activities		
Exploration and development expenditures	(7,727)	(20,443)
Short term investments	1,851,750	422,941
Cash deposits	(45)	612,376
Equipment	-	(3,296)
Change in non cash working capital related to investing activities	(5,040)	1,964
	1,838,938	1,013,542
Increase in cash	1,575,595	725,624
Cash and cash equivalents, beginning of period	17,099,687	19,593,564
Cash and cash equivalents, end of period	\$ 18,675,282	\$ 20,319,188
Interest paid during the period	\$ -	\$ -
Taxes paid during the period	\$ -	\$ -

See accompanying notes to the financial statements

Pacific Roder Energy Inc

NOTES TO FINANCIAL STATEMENTS

Unaudited

(Tabular amounts in thousands except per share amounts)

Note 1: Basis of Presentation

Pacific Roder Energy Inc. ("the Company") was formed in the Province of British Columbia, Canada, by the amalgamation on March 1, 1999, of two predecessor companies. The Company changed its name from Pacific Roder Ventures Inc. to Pacific Roder Energy Inc. on June 21, 2004 and trades on the TSX Venture Exchange under the symbol PRD.

The financial statements are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, they have been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Note 2: Significant Accounting Policies

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 period. Actual results could differ from these estimates. These unaudited interim financial statements follow the same accounting policies as the financial statements for the year ended December 31, 2009. These financial statements should be read in conjunction with, the audited financial statements for the fiscal year ended December 31, 2009

Note 3: Changes in and Future Accounting Policies

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of International Financial Reporting Standards (IFRS) will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises. These include listed companies and other profit-oriented enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company is currently evaluating the impact of adopting IFRS.

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Note 4: Investments

Short-term investments – The short term investments consist of GICs with maturity dates greater than 90 days and are yielding between 3% and 3.5% (2009 between 1.15% and 3.5%).

Note 5: Northwest Territories Licenses and Other Deposits

As at March 31, 2010 the Company has refundable deposits of \$389,868 (December 31, 2009 - \$389,823) of which \$49,275 (December 31, 2009 – \$43,230) is a deposit with the Energy Resources Conservation Board, \$12,468 (December 31, 2009 – \$12,468) is a deposit on new office space and the balance relates to work commitments on the Northwest Territories license. Under the terms of the license the Company has a deposit of \$328,125 (December 31, 2009 - 328,125) to cover the work commitments made by the Company on the license. To the extent eligible expenditures are incurred the deposit will be released on the basis of 25% of the expenditures. If they are not incurred within the period allowed, the Company would forfeit its proportionate share of any remaining deposit relating to the unexpended work commitment. This forfeiture would completely satisfy all obligations on the license. During 2009 the expiry periods were extended by one year. With this extension the Company, along with partners, is required to drill a well on the license before the expiry of period 1 (now May 9, 2011) and, before the end of period 2 (now May 9, 2015), apply for a significant discovery license. The funds relating to the work deposit must be expended in period 1. As long as a well is drilling before the end of period 1, period 1 is extended until the well has been completed. Period 1 can also be extended by posting a drilling deposit and paying annual lease rentals.

Northwest Territories Deposits

License	Work Deposit	Commitment	Expiry Date Period 1	Expiry Date Period 2
EL 441	\$ 328,125	\$1,312,500	May 9, 2011	May 9, 2015

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Note 6: Petroleum and Natural Gas Properties (P&NG)

	December 31, 2009	Additions	Impairment	March 31, 2010
Petroleum and natural gas properties	\$ 7,206,305	7,727	-	\$ 7,214,032
Accumulated depletion	-	-	-	-
Net carrying value P&NG properties	\$ 7,206,305	7,727	-	\$ 7,214,032

	December 31, 2008	Additions	Impairment	December 31 2009
Petroleum and natural gas properties	\$ 11,479,939	62,272	(4,335,906)	\$ 7,206,305
Accumulated depletion	-	-	-	-
Net carrying value P&NG properties	\$ 11,479,939	62,272	(4,335,906)	\$ 7,206,305

During the three months ended March 31, 2010 the Company incurred land retention costs related to the Trochu property in Alberta.

Note 7: Furniture and Fixtures

	March 31, 2010	December 31, 2009
Furniture and fixtures - cost	\$ 124,054	\$ 124,054
Accumulated depreciation	79,696	76,700
Furniture and fixtures - net	\$ 44,358	\$ 47,354

Note 8: Income Taxes

- a) Summary of temporary differences giving rise to future income tax liability:

	March 31, 2010	March 31, 2009
Future tax assets		
Tax balances in excess of carrying values of P&NG assets	\$ 489,824	\$ 489,075
Share issue costs and other	118,729	136,538
Loss carry forward	1,101,667	983,518
	<u>1,220,396</u>	<u>1,120,056</u>
Future income tax assets	<u>1,710,220</u>	<u>1,609,131</u>
Valuation allowance	<u>(1,710,220)</u>	<u>(1,609,131)</u>
	\$ -	\$ -

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- b) Reconciliation of income taxes calculated at the Canadian statutory rate of 28% with actual income taxes:

	Three months ended March 31, 2010	Three months ended March 31, 2009
Loss before income taxes	\$ (471,080)	\$ (338,016)
Combined federal and provincial income tax rate	28%	29.94%
Computed income tax recovery	\$ (131,902)	\$ (101,202)
Decrease in recovery resulting from:		
Stock based compensation	15,816	12,533
Other non-deductible expenses	2,867	-
Other adjustments	89	28,860
Tax adjustment from rate change	12,041	-
Change in valuation allowance	101,089	12,844
Future income tax recovery	\$ -	\$ (46,965)

The Company currently has tax pools of \$9,217,687 and non capital losses of \$4,406,667.

Expiration dates of the non capital losses:

2013	\$ 419,119
2014	215,070
2025	261,077
2027	62,499
2028	1,004,402
2029	1,971,906
<u>2030</u>	<u>472,594</u>
<u>Total</u>	<u>\$ 4,406,667</u>

Note 9: Share Capital

- a) Authorized:

Unlimited number of common shares with no nominal or par value

Unlimited number of preferred shares with no nominal or par value

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b) Voting common shares issued:

	Number	Amount
Balance December 31, 2008	109,789,946	\$ 49,865,004
Tax benefits renounced to subscribers		(46,965)
Balance December 31, 2009 and March 31, 2010	109,789,946	\$ 49,818,039
Purchase warrants issued:		
Balance, December 31, 2008	26,159,444	8,623,448
Expired	(26,159,444)	-
Transfer to contributed surplus		(8,623,448)
Balance December 31, 2009 and March 31, 2010	-	-
Share capital, December 31, 2009 and March 31, 2010		\$ 49,818,039

On May 6, 2008 the Company completed a private placement of 388,888 units at a price of \$0.45 per unit for gross proceeds of \$175,000. Each unit consisted of one common share of the Company to be issued on a flow-through basis and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to subscribe for one additional common share at a price of \$0.70 per common share. The warrants all expired on March 2, 2009.

c) Contributed Surplus

	Contributed Surplus
Balance December 31, 2008	\$ 5,090,610
Stock Based compensation	245,237
Expiry of warrants	8,623,448
Balance December 31, 2009	13,959,295
Stock Based compensation	56,487
Balance March 31, 2010	\$ 14,015,782

d) Stock options:

The Company has a stock option plan for its directors, officers, employees and key consultants. The exercise price for stock options granted is no less than the quoted market price on the grant date. Options have vesting periods that range from the date of grant up to three years. An option's maximum term is five years.

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	Number of options	Weighted average exercise price
Balance December 31, 2008	5,591,200	\$ 0.45
Granted	2,875,000	0.20
Expired	(81,200)	0.24
Forfeited	(875,000)	0.34
Balance December 31, 2009	7,510,000	0.35
Forfeited	(350,000)	0.20
Balance March 31, 2010	7,160,000	\$ 0.36

The following table summarizes information about the stock options outstanding at March 31, 2010:

Options Outstanding				Options Exercisable		
Exercise Price	Number of options	Weighted Average of Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	
\$ 0.20	2,150,000	4.06	\$ 0.20	-	\$ 0.20	
0.39	3,200,000	1.67	0.39	3,200,000	0.39	
0.50	1,800,000	2.44	0.50	1,200,000	0.50	
0.61	10,000	2.57	0.61	6,667	0.61	
\$ 0.20-0.61	7,160,000	2.58	\$ 0.36	4,406,667	\$ 0.42	

A Black-Scholes option pricing model, with the following weighted average assumptions, was used to estimate the fair value of options on the date of the grant, for the inclusion as stock based compensation expense:

Risk free interest rate	0.25 - 3.8
Expected lives (years)	5
Expected volatility (%)	75% - 119%
Dividends per share	0.00

Additional capital disclosure

The Company continues to optimize its capital structure with a view to ensuring a strong financial position to support its growth strategies. The capital structure of the Company is as follows:

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	March 31, 2010	Change %	December 31, 2009
Total shareholders' equity	\$ 26,405,557	(1.5)	\$ 26,820,150
Total shareholders' equity as a % of total capital	100%		100%
Short and long term debt	-	-	-
Total debt as a % of total capital	0%		0%
Total capital	<u>\$ 26,405,557</u>		<u>\$ 26,820,150</u>

The Company intends to use its capital to finance future exploitation opportunities as well as fund future acquisition opportunities in the international oil and gas arena. The Company is not subject to any statutory requirements or any other externally imposed capital requirements. Commitments exist to issue common shares in connection the established stock option plan with such share issuances to occur from treasury.

Note 10: Related Party Transactions

There were no related party transactions during the three months ended March 31, 2010.

Note 11: Commitments

The Company has a commitment of \$328,125 for its share of refundable work deposits on a prospect in the Northwest Territories (see note 5). The Government of Canada holds cash deposits as security for this liability. The Company has a lease for office space through to January 30, 2013. The company is committed to payments of \$41,055 per annum plus operating expenses and property taxes.

The Chairman and Chief Executive Officer has the right to maintain his percentage ownership in future share issues at the same terms and conditions of the relevant issue.

Note 12: Financial Instruments

Fair Value of Financial Instruments - The Company's financial instruments recognized on the balance sheet consist of cash and cash equivalents, accounts receivable, short term investments, cash deposits, and accounts payable ("financial instruments"). The fair value of these instruments approximates their carrying amounts due to their short terms to maturity. All of the companies' cash and cash equivalents and short term investments are transacted in active markets. Pacific Roder's cash and cash equivalents, cash deposits and short term investments have been assessed on the fair value hierarchy described above. The cash and cash equivalents, cash deposits and short term investments are classified as Level 1.

Interest Rate Risk - The Company has exposure to interest rate risk as it relates to its investments. Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because

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of changes in market interest rates. The Company incurs interest rate risk on its cash balances and short term investments. The Company does not hedge its exposure to interest rate risk.

If interest rates throughout the year had been 100 basis points lower (higher) then net loss would have been approximately \$212,303 higher (\$212,303 lower).

Liquidity Risk - The recent volatility experienced in the global capital markets may increase the cost of issuance of long-term capital by the Company. The Company currently has access to sufficient capital to meet current spending forecasts. As Pacific Roder signs agreements and starts operations the Company may have to source for additional capital.

Note 13: Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's financial statement presentation.