



## 2010 Management's Discussion and Analysis

As of March 30, 2011

This management's discussion and analysis ("MD&A") of financial results and condition of Corridor Resources Inc. ("Corridor" or the "Company") for the year ended December 31, 2010 should be read in conjunction with Corridor's audited financial statements and notes thereto for the year ended December 31, 2010.

All amounts referred to in this MD&A are in Canadian dollars unless otherwise stated.

Additional information about Corridor, including the Company's annual information form for the year ended December 31, 2010 (the "Annual Information Form"), is available on the Internet through the System for Electronic Document Analysis and Retrieval (SEDAR) found at [www.sedar.com](http://www.sedar.com).

### Introduction

Corridor is a junior resource company engaged in the exploration for and development and production of petroleum and natural gas onshore in New Brunswick, Prince Edward Island and Québec and offshore in the Gulf of St. Lawrence. Corridor currently has natural gas reserves and production in the McCully Field near Sussex, New Brunswick and discovered crude oil reserves in the Caledonia Field near Sussex, New Brunswick in 2008. In addition, Corridor has contingent resources and discovered shale gas resources in Elgin, New Brunswick. In December 2009, Corridor entered into a joint venture to appraise and potentially develop its significant shale gas resources in the Elgin area.

### Non-GAAP Financial Measures

This MD&A refers to "cash flow from operations" which is a financial measure that is not determined in accordance with Canadian generally accepted accounting principles ("GAAP"). This measure does not have a standardized meaning and may not be comparable to similar measures presented by other companies. "Cash flow from operations" is used by the Company to analyse operating performance, leverage and liquidity and is included in this MD&A because it is believed to facilitate the understanding of the results of Corridor's operations and financial position. Cash flow from operations represents net earnings adjusted for non-cash items including depletion, depreciation and amortization, future income taxes, stock-based compensation and other non-cash expenditures.

### Selected Financial Information

<i>thousands of dollars except per share amounts</i>	Three months ended December 31		Twelve months ended December 31		
	2010	2009	2010	2009	2008
Revenues	\$7,864	\$11,389	\$29,558	\$48,989	\$81,509
Net earnings (loss)	\$(3,402)	\$(1,825)	\$(8,605)	\$1,667	\$22,151
Net earnings (loss) per share - basic	\$(0.039)	\$(0.021)	\$(0.098)	\$0.019	\$0.260
Net earnings (loss) per share - diluted	\$(0.039)	\$(0.021)	\$(0.098)	\$0.019	\$0.259
Cash flow from operations <sup>(1)</sup>	\$3,595	\$5,664	\$13,707	\$27,829	\$58,404
Capital expenditures	\$1,827	\$5,781	\$21,869	\$38,361	\$79,735
Gross proceeds from capital stock issues	\$35	\$-	\$125	\$131	\$55,546
Total assets	\$289,748	\$300,605	\$289,748	\$300,605	\$321,398

<sup>(1)</sup>See "Non-GAAP Financial Measures".

The decrease in Corridor's revenues, cash flow from operations and net earnings over the last three years is primarily the result of the decrease in the average natural gas sales price from \$11.21/mscf in 2008 to \$7.34/mscf in 2009 to \$5.66/mscf in 2010. In response to the lower natural gas prices, Corridor decreased drilling activities starting in Q2 2009 which resulted in a decrease in Corridor's average daily gas production from 18.8 mmscfpd for the year ended December 31, 2008 to 17.0 mmscfpd for the year ended December 31, 2009 to 13.2 mmscfpd for the year ended December 31, 2010.

## Forward Looking Information

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking information typically contains statements with words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes. In particular, this MD&A contains forward-looking statements pertaining to the following:

- revenues;
- production levels;
- resources and development of resources;
- Canadian – U.S. dollar exchange rate;
- natural gas prices;
- gathering, processing and transportation fees;
- royalty rates and expense;
- production expense;
- transportation expense;
- depletion, depreciation, amortization and accretion rate;
- reserves;
- general and administrative expenses;
- stock-based compensation expense;
- timing that the Company will be cash taxable;
- capital expenditures;
- exploration and development drilling program;
- cash flow from operations;
- sources of funding;
- 2011 capital program;
- level of bank debt, and
- impact of the adoption of International Financial Reporting Standards ("IFRS") on Corridor.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to the Company and its shareholders.

Forward-looking statements are based on the Company's current beliefs as well as assumptions made by, and information currently available to, the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, future natural gas and oil commodity prices, exchange rates, future natural gas production levels, the ability to obtain equipment in a timely manner to carry out development activities, the ability to market natural gas successfully to current and new customers, the impact of increasing competition, the ability to obtain financing on acceptable terms, the ability to add production and reserves through development and exploration activities and the terms of agreements with third parties such as Apache Canada Ltd. ("Apache"), Petrolia Inc. and Repsol Canada Ltd. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. These factors include, but are not limited to: risks associated with oil and gas exploration, financial risks, substantial capital requirements and financing, third party risk, government regulation, environmental, prices, markets and marketing, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, risks may not be insurable, variations in exchange rates, management of growth, expiration of licenses and leases, reserves and resources estimates, seasonality, competition, conflicts of interest, issuance of debt, title to properties, hedging and the implementation of IFRS. Further information regarding these factors may be found under the heading "Risk Factors" in the Annual Information Form. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive.

Certain of the forward-looking statements in this MD&A may constitute "financial outlooks" as contemplated by National Instrument 51-102 *Disclosure Obligations*, including information related to projected revenues, expenses, capital expenditures and production for 2011, which are provided for the purpose of forecasting the financial position of Corridor at the end of the

2011 financial year. Please be advised that the financial outlook in this MD&A may not be appropriate for purposes other than the one stated above.

The forward-looking statements contained in this MD&A are made as of the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

## Outlook Information

The outlook sections in this MD&A contain revisions to the outlook information disclosed in the Third Quarter 2010 MD&A dated November 11, 2010 which is available on the Company's website at [www.corridor.ca](http://www.corridor.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com). The outlook sections are based on Corridor's preliminary 2011 budget. Corridor intends to finalize its 2011 capital program after receiving Apache's proposed plans for potential further activity in respect of the farm-out and option agreement dated December 7, 2009 with Corridor ("the Apache Agreement"). In addition, the 2011 budget has been prepared using GAAP, not IFRS, as Corridor is still finalizing its transition to IFRS. As a result of the implementation of IFRS, actual results will be different from Corridor's expectations as set forth in the outlook sections in the MD&A due to differences between IFRS and GAAP.

## 2010 Summary

- Natural gas revenues for the year ended December 31, 2010 decreased to \$27,283 thousand from \$45,479 thousand for the year ended December 31, 2009 due to a decrease in the average natural gas sales prices to \$5.66/mscf in 2010 from \$7.34/mscf in 2009 and a decrease in Corridor's average daily gas production to 13.2 mmscfd in 2010 from 17.0 mmscfd in 2009.
- Corridor's net earnings decreased to a net loss of \$8,605 thousand for the year ended December 31, 2010 from net earnings of \$1,667 thousand for the year ended December 31, 2009 primarily due to the decrease in natural gas revenues partially offset by the decrease in transportation and depletion expenses resulting from the lower natural gas production.
- During Q2 2010, Corridor completed perforating the L-37 wellbore in the McCully Field. Initial efforts to flow test this well without stimulation resulted in relatively low rates of natural gas production. The McCully L-37 well was designed to be drilled and completed without fracture stimulation while retaining the option to frac part of the pay section if necessary. It was drilled horizontally through the upper part of the Hiram Brook formation, intercepting a number of prospective pay sands. Some of these sands had been encountered in the adjacent P-47 and L-38 vertical wells, where only small amounts of bitumen were encountered. The expectation for the L-37 well was that the sands encountered there would also be relatively free of bitumen and possibly productive based on perforating stimulation alone. This completion approach is significantly less expensive than conducting a multi-stage frac program in the horizontal leg of the well. However, it appears that the L-37 well encountered greater amounts of bitumen in the reservoir sands than expected, resulting in significantly lower rates of gas production than expected. Consequently, Corridor is currently evaluating options to re-complete the well, including conducting a propane frac in the well at the next opportunity when suitable frac equipment is available in the region.
- During Q3 2010, the 2010 oil exploration drilling program on Anticosti Island was completed. As part of this program, three wells were drilled to evaluate the oil potential of the Trenton/Black River and Mingan Group formations in the Jupiter, Chaloupe and Saumon prospects located in the east central part of the island. While results of the three wells drilled on Anticosti Island appeared disappointing, the presence of live oil shows and locally permeable reservoir development combined with the very large number of prospects are positive factors for future oil exploration on the island. A key objective for the Anticosti drilling program was to core part of the oil bearing Macasty shale overlying the Trenton formation in the Chaloupe well. A conventional core of approximately 27 metres was recovered and analysis of the reservoir character and fluid content of the core showed positive indicators that the Macasty shale may be a potential tight oil producing formation. The oil-prospective Macasty shale is present across virtually the entire island, with Corridor holding approximately 900,000 net acres (1.5 million gross acres) in this potential unconventional oil play. Corridor and Petrolia Inc. have commenced activities aimed at attracting a knowledgeable shale oil player to farm-in on this play, and initial interest by several potential players has been strong, due in part to the large area covered by this potential unconventional oil play.

- In Q2 and Q3 2010, Apache completed the drilling and casing of the first two horizontal wells in the Frederick Brook shale play located north of Elgin, New Brunswick pursuant to its farm-out agreement with Corridor. Strong gas shows were encountered in the horizontal section of both the Green Road B-41 well and the Will DeMille G-59 well during drilling. In Q4 2010, five slickwater fracture stimulation procedures were completed in each of the wells. The final frac in the “silty interval” of the Green Road B-41 horizontal well is approximately 630 meters from the silty interval of the Green Road G-41 vertical well drilled by Corridor in 2009. That interval in the vertical G-41 well was fraced with propane in 2009 and produced 42.4 mmscf over 185 hours, peaking at 11.7 mmscfpd with a final rate of 3.0 mmscfpd at ~ 700 psi. In December 2010, after the plugs were drilled out in both horizontal wells, the B-41 well had recovered 1728 cubic meters of frac fluid (~ 10 percent of total) and no gas to date and the G-59 well had recovered 805 cubic meters of frac fluid (~ 4 percent of total) and negligible gas to date. Frac water recovery rates had declined significantly from both wells. Subsequently, Corridor re-tested the Green Road G-41 well to evaluate whether or not the B-41 well operations had impacted this well. The G-41 well produced gas at a constant rate of 4 mmscfpd for five days at a final flowing pressure of 1306 psi demonstrating that the frac of the B-41 well had no adverse effects on the G-41 well. Commencing on January 30, 2011, gas produced from the G-41 well was used as gas lift to assist with the clean-up of the B-41 well. The G-41 well consistently delivered the required rate of 0.5 mmscfpd to the B-41 well from the start-up of gas lift at a wellhead pressure of 2007 psi. On March 16, 2011, after 45 days of gas lift, this gas lift was stopped and, on March 17, 2011, the B-41 well was shut-in after recovering 17% of the frac fluid. The final gas rate from the B-41 well was 40 mscfpd. The Will DeMille G-59 well was shut-in on December 8, 2010 for an extended pressure build-up, with plans to re-test the well in Q2 2011. Corridor and Apache are currently evaluating the performance to date of the Green Road B-41 and the Will DeMille G-59 horizontal wells and are considering options for the next steps. As per the Apache Agreement, the election by Apache to move to the next phase is required to be made on or before June 1, 2011. Upon review of the information and analysis performed to date, Corridor believes that there may be several reasons for the post-frac performance from the two wells drilled and fraced by Apache. The “standard” slickwater fracing technique which was used in these wells did not generate an effective complex fracture network which is required for shale gas production, most likely due to the highly stressed formation. A different well and completion design, as evident from the results of the Green Road G-41 well, should provide more optimal frac and flow characteristics. It is important to recognize that the evaluation of the development potential of the Elgin shale gas resource play is in its early stages.
- During Q3 2010, Corridor completed a geohazard survey at a proposed drilling location on the Newfoundland and Labrador side of the Old Harry structure in the Gulf of St. Lawrence in preparation for the anticipated drilling of an exploration well on this giant prospect within the next two years. On February 22, 2011 Corridor announced that it had submitted to the Canada-Newfoundland and Labrador Offshore Petroleum Board a Project Description for the drilling of an exploration well on the Old Harry structure. This submission commenced the official regulatory process for obtaining the necessary approvals to drill an offshore well on the Newfoundland and Labrador side of the Old Harry structure in the Gulf of St. Lawrence between mid-2012 and early 2014.
- During Q4 2010, Corridor completed the installation of an inlet compressor aimed at increasing the production at the McCully Field in New Brunswick. The installation of the inlet compressor was successfully completed with a final cost of \$4.4 million, which was below budget by \$1.6 million, and which resulted in an initial production uplift of five mmscfpd achieved early in Q4 2010. Start-up issues did require longer than planned shut-downs in late September and early October 2010 with the inlet compressor becoming fully operational in late October 2010.

## Q4 2010 Financial Summary

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2010	2009	2010	2009
Revenues	\$7,864	\$11,389	\$29,558	\$48,989
Royalty expense	(256)	(294)	(606)	(1,979)
Production expense	(1,057)	(1,134)	(3,629)	(3,493)
Transportation expense	(1,798)	(2,848)	(6,840)	(10,509)
	<b>4,753</b>	7,113	<b>18,483</b>	33,008
Other expenses				
Depletion, depreciation, amortization and accretion	6,035	7,873	22,393	27,761
General and administrative	1,353	1,361	4,862	4,893
Stock-based compensation	1,481	177	2,010	820
Capital tax expense	(24)	30	138	120
	<b>8,845</b>	9,441	<b>29,403</b>	33,594
Loss before the following items	(4,092)	(2,328)	(10,920)	(586)
Interest and finance costs	46	42	197	143
Foreign exchange losses	71	60	89	639
Interest and other income	(134)	(18)	(300)	(590)
Loss before income taxes	(4,075)	(2,412)	(10,906)	(778)
Future income tax recovery	(673)	(587)	(2,301)	(2,445)
Net earnings (loss)	<b>\$(3,402)</b>	\$(1,825)	<b>\$(8,605)</b>	\$1,667

## Fourth Quarter Summary

- During Q4 2010, natural gas production averaged 13.3 mmscfpd net to Corridor (including production from penalty wells) with an average natural gas sales price of \$5.74/mscf, resulting in a net loss of \$3,402 thousand and basic and diluted net loss per share of \$0.039.
- Natural gas revenues for Q4 2010 decreased to \$7,024 thousand from \$9,936 thousand for Q4 2009 due to the decrease in natural gas production from 19.5 mmscfpd in Q4 2009 to 13.3 mmscfpd in Q4 2010. This decrease was partially offset by the increase in the average natural gas sales price from \$5.53/mscf in Q4 2009 to \$5.74/mscf in Q4 2010. The decrease in natural gas production is partly as a result of the decreased drilling activities in 2009 and 2010 in response to the lower natural gas prices and partly as a result of the shut-down of the gas plant early in Q4 2010 to finalize the installation of the inlet compressor.
- Net loss for Q4 2010 increased to \$3,402 thousand from \$1,825 thousand for Q4 2009 reflecting mostly the decrease in revenues offset by the decrease in transportation and depletion expenses resulting from the lower natural gas production.

## Results of Operations

### Revenues

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2010	2009	2010	2009
Natural gas	\$7,024	\$9,936	\$27,283	\$45,479
Condensate	94	254	411	626
Natural gas and gas liquids revenues	7,118	10,190	27,694	46,105
Gathering, processing & transportation fees	746	1,199	1,864	2,884
	<b>\$7,864</b>	\$11,389	<b>\$29,558</b>	\$48,989

Natural gas revenues decreased to \$7,024 thousand in Q4 2010 from \$9,936 thousand in Q4 2009 due to the decrease in the average daily natural gas production to 13.3 mmscfpd in Q4 2010 from 19.5 mmscfpd in Q4 2009, which was partially offset by the increase in the average natural gas sales price from \$5.53/mscf in Q4 2009 to \$5.74/mscf in Q4 2010

following a significant increase in natural gas prices in the month of December 2010. The decrease in production is largely due to the decision of the Company to decrease drilling activities in 2009 in response to the lower natural gas prices, which resulted in only three wells being drilled and completed in Q1 2009 and only the L-37 well being drilled in Q2 2010 in the McCully Field. Corridor is currently evaluating the options to re-complete the L-37 well, including conducting a propane frac in the well when suitable frac equipment is available in the region.

The decrease in natural gas revenues for the year ended December 31, 2010 to \$27,283 thousand from \$45,479 thousand for the year ended December 31, 2009 is due to the decrease in the average natural gas sales price to \$5.66/mscf for the year ended December 31, 2010 from \$7.34/mscf for the year ended December 31, 2009 and to a reduction in the average daily production to 13.2 mmscfpd in 2010 from 17.0 mmscfpd in 2009 for the same reasons noted above. Corridor had a total of 30 producing wells tied-in to the McCully gathering system as at December 31, 2010 and 29 producing wells in 2009.

### **Production volumes and pricing**

	<b>Three months ended December 31</b>		<b>Twelve months ended December 31</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
<b>Total volumes</b>				
Natural gas production (mmscf)	<b>1,223</b>	1,797	<b>4,819</b>	6,196
Condensate production (bbl)	<b>1,121</b>	3,383	<b>5,347</b>	9,423
<b>Daily production averages</b>				
Natural gas production per day (mmscfpd)	<b>13.3</b>	19.5	<b>13.2</b>	17.0
Condensate production per day (bblpd)	<b>12.2</b>	36.8	<b>14.6</b>	25.8
<b>Average prices</b>				
Natural gas selling price (\$/mscf)	<b>\$5.74</b>	\$5.53	<b>\$5.66</b>	\$7.34
Condensate selling price (\$/bbl)	<b>\$83.9</b>	\$75.1	<b>\$76.9</b>	\$66.4

Corridor's 2010 revenues of \$29,558 thousand are slightly higher than Corridor's previously estimated 2010 budget for revenues of \$29 million due to the increase in the average natural gas sales price to \$5.66/mscf. Corridor had estimated an average natural gas sales price for Q4 2010 of \$4.96/mscf, based on a natural gas sales price at Henry Hub of US\$3.75/mmbtu and a \$0.98 U.S. per Canadian dollar.

### **Outlook**

Corridor estimates revenues of \$25 million for 2011. The budget for revenues is based on an estimate of the average natural gas sales price of US\$4.50/mmbtu at Henry Hub, an estimate of the exchange rate of \$0.98 U.S. per Canadian dollar and an average net daily gas production for 2011 of 12.0 mmscfpd.

### **Gathering, processing and transportation fees**

<i>thousands of dollars</i>	<b>Three months ended December 31</b>		<b>Twelve months ended December 31</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
Gathering, processing and transportation fees	<b>\$746</b>	\$1,199	<b>\$1,864</b>	\$2,884

Corridor owns the midstream facilities which treat and flow gas from the McCully Field to the Maritimes and Northeast Pipeline ("M&NP"). Third party gas flowing through these facilities, which currently is Potash Corporation of Saskatchewan's ("PCS") share of gas from the McCully Field, is charged a cost of service, the terms of which are generally consistent with recommended practices in the oil and gas industry. The decrease in the gathering, processing and transportation ("GPT") fees to \$746 thousand in Q4 2010 from \$1,199 thousand in Q4 2009 and to \$1,864 thousand for the year ended December 31, 2010 from \$2,884 thousand for the year ended December 31, 2009 reflects a decrease in PCS' share of production going through the midstream facilities due to the decreased overall production from the McCully Field.

### **Outlook**

Corridor's 2011 budget for GPT fees from PCS' share of production is approximately \$500 thousand based on an average estimated gross daily gas production of 16.0 mmscfpd for 2011.

## Royalty Expense

	Three months ended December 31		Twelve months ended December 31	
<i>thousands of dollars</i>	2010	2009	2010	2009
Crown royalties	<b>\$256</b>	\$294	<b>\$606</b>	\$1,979
Royalty expense per mscf (\$/mscf)	<b>\$0.21</b>	\$0.16	<b>\$0.13</b>	\$0.32
Percentage of natural gas and gas liquids revenues	<b>3.6%</b>	2.9%	<b>2.2%</b>	4.3%

For the three and twelve months ended December 31, 2010, Corridor paid a royalty rate of 10% calculated based on the net amount of revenues after deductions for processing and transportation and a recovery of capital costs. The increase in the royalty expense per mscf for Q4 2010 to \$0.21/mscf from \$0.16/mscf for Q4 2009 is due to the significant increase in the natural gas prices in December 2010 which significantly increased the royalty expense for that month. The decrease in the royalty expense per mscf for the year ended December 31, 2010 to \$0.13/mscf from \$0.32/mscf for the year ended December 31, 2009 is due to the significant decrease in the natural gas revenues during the year without a corresponding decrease in the deductions allowable in the royalty calculation.

### Outlook

An effective royalty rate of approximately 3% is budgeted for 2011. Since Q4 2008, the Company has been undergoing an audit by the New Brunswick Department of Finance (“DOF”) for the periods from April 2003 to October 2009 in connection with the Company’s crown royalty payments. The Company has received a proposed Notice of Debt by the DOF, which the Company is in the process of challenging with the help of expert advisors. While the amount assessed is material, the settlement of this claim is not reasonably determinable. As a result, the Company has not made a provision for any of the amount identified in the DOF’s proposed reassessment as the Company believes its position on this matter to be valid.

## Production Expense

	Three months ended December 31		Twelve months ended December 31	
<i>thousands of dollars</i>	2010	2009	2010	2009
Gross production expense	<b>\$1,316</b>	\$1,298	<b>\$4,412</b>	\$4,760
Third party recoveries	<b>(259)</b>	(164)	<b>(783)</b>	(1,267)
Net production expense	<b>\$1,057</b>	\$1,134	<b>\$3,629</b>	\$3,493
Net production expense per mscf (\$/mscf)	<b>\$0.86</b>	\$0.63	<b>\$0.75</b>	\$0.56

Gross production expense of \$1,316 thousand for Q4 2010 is consistent with the gross production expense for Q4 2009. Gross production expense for the year ended December 31, 2010 decreased to \$4,412 thousand from \$4,760 thousand for the year ended December 31, 2009 due to the decrease in methanol and water disposal costs resulting from the lower production of water associated with Corridor’s production of natural gas. The decrease in third party recoveries for the year ended December 31, 2010 compared to the year ended December 31, 2009 reflects the decrease in PCS’s share of production due to the decreased overall production from the McCully Field.

### Outlook

Production expense of approximately \$1.00/mscf is budgeted for 2011 based on an average estimated net daily gas production of 12.0 mmscfpd for 2011.

## Transportation Expense

	Three months ended December 31		Twelve months ended December 31	
<i>thousands of dollars</i>	2010	2009	2010	2009
Transportation expense	<b>\$1,798</b>	\$2,848	<b>\$6,840</b>	\$10,509
Transportation expense per mscf (\$/mscf)	<b>\$1.47</b>	\$1.58	<b>\$1.42</b>	\$1.70

Transportation expense decreased to \$1,798 thousand for Q4 2010 from \$2,848 thousand for Q4 2009 and to \$6,840 thousand for the year ended December 31, 2010 from \$10,509 thousand for the year ended December 31, 2009 due to a decrease in natural gas production, two decreases in the cost of U.S. firm tolls effective August 1, 2009 and April 1, 2010, respectively, a stronger Canadian dollar as compared to the U.S. dollar in 2010 compared to 2009 and to an amount owing in Q4 2009 to M&NP US of \$234 thousand for insufficient fuel charged during the period from August 2008 to July 2009.

Corridor currently has a firm transportation agreement, which commenced on April 1, 2008 and will expire on April 1, 2011, for the purchase of 12,170 mmbtupd of transportation on the Canadian side of the M&NP at a cost below the firm tolls. Corridor also had a transportation agreement for any remaining volumes on the Canadian side of the M&NP, which commenced on December 1, 2009 and expired on October 31, 2010, at a cost lower than firm tolls. Subsequent to year end, the Company entered into a firm transportation agreement for the purchase of 12,000 mmbtupd of transportation on the Canadian side of the M&NP from April 1, 2011 to March 31, 2012 and 8,000 mmbtupd from April 1, 2012 to March 31, 2013, at a cost below the firm tolls.

### Outlook

Transportation expense of approximately \$1.35/mscf is budgeted for 2011, based on an exchange rate of \$0.98 U.S. per Canadian dollar and an average estimated net daily gas production of 12.0 mmscfpd for 2011.

### Depletion, Depreciation, Amortization and Accretion

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2010	2009	2010	2009
Depletion, depreciation, amortization and accretion	<b>\$6,035</b>	\$7,873	<b>\$22,393</b>	\$27,761
Depletion, depreciation, amortization and accretion per mscf (\$/mscf)	<b>\$5.49</b>	\$4.78	<b>\$5.20</b>	\$5.05

Depletion expense is calculated using the unit-of-production method which is based on production volumes (excluding penalty wells) in relation to the proved reserve base. In its December 31, 2010 reserves report, GLJ Petroleum Consultants Ltd., (“GLJ”) decreased its estimate of proved natural gas reserves by 7.8 bscf to 62.2 bscf and decreased its estimated future development costs relating to the development of proved reserves to \$63,924 thousand. As a result, the depletion, depreciation, amortization and accretion (“DDAA”) rate increased for the three and twelve months ended December 31, 2010. In its December 31, 2009 reserves report, GLJ had estimated Corridor’s proved natural gas reserves at the McCully Field of 74.3 bscf and future development costs relating to the development of proved reserves of \$86,593 thousand.

The DDAA rate for each of the three and twelve month periods ended December 31, 2010 is higher than the 2010 estimate for the DDAA rate of \$5/mscf due to the decrease in the proved natural gas reserves.

### Outlook

The Company’s outlook for the DDAA rate per mscf for 2011 is approximately \$5.40/mscf based on the Company’s estimated capital expenditures of \$7,000 thousand and an average estimated net daily gas production of 12.0 mmscfpd.

### General and Administrative Expenses

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2010	2009	2010	2009
Gross expenses	<b>\$1,678</b>	\$1,448	<b>\$5,544</b>	\$5,324
Capitalized overhead	<b>(274)</b>	(83)	<b>(630)</b>	(380)
Operator recoveries	<b>(51)</b>	(4)	<b>(52)</b>	(51)
Net expenses	<b>\$1,353</b>	\$1,361	<b>\$4,862</b>	\$4,893

During Q4 2010, gross general and administrative expenses (“G&A”) increased to \$1,678 thousand from \$1,448 thousand during Q4 2009 due to the increased consulting costs necessary for the IFRS implementation and the appointment of the new President, and to a small write-off of obsolete inventory. For the year ended December 31, 2010, gross G&A increased to \$5,544 thousand from \$5,324 thousand for the year ended December 31, 2009 for the same reasons. Capitalized overhead for each of the three and twelve month periods ended December 31, 2010 increased compared to the prior periods due to the increase in joint venture activity relating to the Anticosti drilling program.

### Outlook

Corridor has increased its 2011 budget for G&A to \$5,400 thousand to reflect the expected decrease in the capitalized overhead due to the reduced joint venture capital activity and an increase in salaries. In addition, communications and travel expenses are expected to increase to advance growth initiatives.

## Stock-based Compensation

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2010	2009	2010	2009
Stock-based compensation	<b>\$1,481</b>	\$177	<b>\$2,010</b>	\$820

The increase in stock-based compensation expense to \$1,481 thousand and \$2,010 thousand for the three and twelve months ended December 31, 2010, respectively, from \$177 thousand and \$820 thousand for the three and twelve months ended December 31, 2009, respectively, results from the grant of 2,786 thousand stock options by Corridor late in Q3 2010 and the expensing of 250 thousand of these stock options which vested in Q4 2010.

### Outlook

Corridor's 2011 budget for stock-based compensation is \$3,100 thousand which reflects the granting of 2,786 stock options in Q3 2010.

## Future Income Taxes

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2010	2009	2010	2009
Future income tax recovery	<b>\$(673)</b>	\$(587)	<b>\$(2,301)</b>	\$(2,445)
Effective tax rate	<b>16.5%</b>	24.3%	<b>21.1%</b>	314.3%
Canadian statutory income tax rate	<b>31.0%</b>	33.2%	<b>31.0%</b>	33.2%

The decrease in the effective tax rate for the three and twelve months ended December 31, 2010 compared to the three and twelve months ended December 31, 2009 is mostly due to a future income tax recovery of \$2,640 thousand in Q2 2009 and also to the increase in Q4 2010 of stock-based compensation expense which is a non-deductible expense for income tax purposes. The future income tax recovery recognized in Q2 2009 resulted from the decrease in the Company's future income tax rate from 28.75% to 26% following a decrease in New Brunswick's corporate income tax rates effective July 1, 2009.

As of December 31, 2010, Corridor's income tax pools were approximately as follows:

<i>thousands of dollars</i>	December 31 2010
Canadian exploration expense	<b>\$65,382</b>
Canadian development expense	<b>81,108</b>
Canadian oil and natural gas property expense	<b>2,792</b>
Deferred financing costs	<b>2,194</b>
Undepreciated capital cost	<b>42,084</b>
	<b>\$193,560</b>

### Outlook

Based on planned capital expenditure programs and current natural gas price assumptions, the Company does not expect to be cash taxable in 2011 or 2012.

## Capital Expenditures

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2010	2009	2010	2009
Drilling	<b>\$398</b>	\$1,002	<b>\$12,246</b>	\$16,204
Fracture stimulation programs and work-overs	-	4,253	<b>1,795</b>	17,281
Midstream facilities and tie-ins	<b>(174)</b>	169	<b>4,933</b>	2,516
Land and seismic	<b>1,322</b>	157	<b>2,164</b>	1,369
Capitalized overhead	<b>274</b>	83	<b>630</b>	380
Office and other equipment	<b>7</b>	117	<b>101</b>	611
	<b>\$1,827</b>	\$5,781	<b>\$21,869</b>	\$38,361

The decrease in total capital expenditures in Q4 2010 to \$1,827 thousand from \$5,781 thousand in Q4 2009 is due to the decision not to conduct a fracture stimulation program at the McCully Field in 2010 due to Corridor's reduced drilling activity. In Q4 2009, Corridor conducted a fracture stimulation program for the Green Road G-41 well. The decreased capital expenditures in Q4 2010 was partially offset by the increase in land and seismic expenditures relating to a geohazard survey performed at a proposed drilling location on the Newfoundland and Labrador side of the Old Harry structure in the Gulf of St. Lawrence. There were no such survey expenditures in Q4 2009.

For the year ended December 31, 2010, capital expenditures decreased to \$21,869 thousand from \$38,361 thousand for the year ended December 31, 2009, due mostly to the decision not to conduct a fracture stimulation program at the McCully Field in 2010 while in 2009 Corridor conducted a fracture stimulation program for three McCully wells and the Green Road G-41 well. The decrease in capital expenditures in 2010 is also due to the reduction in drilling costs partially offset by increased midstream facilities expenditures. During the year ended December 31, 2010, Corridor drilled the McCully L-37 well and three wells (two net wells) on Anticosti Island, and during the year ended December 31, 2009, Corridor drilled the McCully C-29, L-38 and P-47 wells (three net wells). Drilling costs decreased in 2010 despite the same number of wells being drilled in 2009 due to the reduction in the number of McCully wells drilled, which are more expensive to drill than the more shallow wells drilled on Anticosti Island. The increase in the midstream facilities costs is due to the installation of an inlet compressor at the McCully Field in Q3 2010. The final costs on the inlet compressor were lower than estimated in Q3 2010 and lower than budgeted.

The decrease in Corridor's total capital expenditures to \$21,869 thousand for 2010 from Corridor's previous estimate of \$22,500 thousand reflects primarily the lower than expected final costs for the installation of the inlet compressor.

## Capital Expenditures Outlook

Corridor's preliminary 2011 capital budget consists of the following:

*thousands of dollars*

<b>A</b>	Fracture stimulation and work-overs aimed at increasing production at the McCully Field	\$3,000
<b>A</b>	Old Harry drilling advancement	1,500
<b>A</b>	Gas plant maintenance and corporate	2,000
<b>A</b>	Seismic program in New Brunswick	500
		<b>\$7,000</b>

Corridor's 2011 capital budget is based on available working capital of \$4,000 thousand at December 31, 2010 and forecasted 2011 cash flow from operations of \$7,800 thousand which is based on an estimate of the natural gas sales price of US\$4.50/mmbtu at Henry Hub for 2011, an exchange rate estimate of \$0.98 U.S. per Canadian dollar, and an estimated average net daily gas production for 2011 of 12.0 mmscfd. In addition, early in 2011, Corridor received \$2,691 thousand on the exercise of 632,000 stock options.

At this time, Corridor has not finalized plans for additional capital expenditures for 2011, including the evaluation of its Frederick Brook shale gas resources in New Brunswick. Corridor intends to finalize its 2011 capital budget after receiving Apache's proposed plans for potential further activity pursuant to the Apache Agreement.

## Balance Sheet Items

Significant changes between the December 31, 2010 balance sheet and the December 31, 2009 balance sheet include:

- \$700 thousand decrease in restricted cash, primarily reflecting the expiry of a letter of credit guarantee in Q1 2010 in connection with a Canadian transportation agreement.
- \$1,683 thousand decrease in receivables, primarily reflecting the decrease in natural gas prices and the collection of an outstanding fuel tax rebate in Q1 2010.
- \$2,441 thousand decrease in accounts payable and accrued liabilities, reflecting the decreased capital activity in Q4 2010.
- \$2,301 thousand decrease in future income taxes, reflecting the increase in the loss before income taxes during the year.

## Cash Flow Summary

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2010	2009	2010	2009
Cash provided by operating activities	<b>\$2,882</b>	\$3,570	<b>\$14,175</b>	\$34,837
Cash provided by (used in) financing activities	<b>255</b>	(46)	<b>312</b>	85
Cash used in investing activities	<b>(7,965)</b>	(9,390)	<b>(22,106)</b>	(60,751)
Decrease in cash and cash equivalents	<b>\$(4,828)</b>	\$(5,866)	<b>\$(7,619)</b>	\$(25,829)

The decrease in cash provided by operating activities for the three and twelve months ended December 31, 2010 compared to the three and twelve months ended December 31, 2009 is primarily the result of the decrease in natural gas revenues resulting from the reduction in natural gas prices and natural gas production as well as the decrease in the amounts receivable collected during these periods.

Cash used in investing activities has decreased for the three and twelve months ended December 31, 2010 compared to the three and twelve months ended December 31, 2009 due to the decrease in capital spending. Cash used in investing activities for the twelve months ended December 31, 2010 has also decreased compared to the twelve months ended December 31, 2009 due to the decrease in the payment of outstanding accounts payable related to capital spending for the previous periods.

In 2010, an amount of \$2,124 thousand was reclassified between the cash provided by operating activities and the cash provided by investing activities for the year ended December 31, 2009 due to the incorrect classification of an amount receivable between operating and investing non-cash working capital.

## Outstanding Share Information

As of March 30, 2011, the outstanding share information was as follows:

Common shares outstanding	<b>88,447,466</b>
Stock options to purchase common shares	<b>4,356,668</b>
Total common shares outstanding after exercise of all stock options	<b>92,804,134</b>
<i>thousands of dollars</i>	
Total proceeds due on exercise of all stock options	<b>\$21,985</b>

## Summary of Quarterly Information

<i>thousand of dollars, except per share amounts and average natural gas price</i>	2010				2009			
	Three months ended				Three months ended			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Natural gas revenues	<b>\$7,024</b>	\$5,021	\$6,141	\$9,097	<b>\$9,936</b>	\$5,167	\$7,164	\$23,212
Net earnings (loss)	<b>\$(3,402)</b>	\$(2,281)	\$(2,227)	\$(695)	<b>\$(1,825)</b>	\$(3,442)	\$118	\$6,816
Net earnings (loss) per share basic and diluted	<b>\$(0.039)</b>	\$(0.026)	\$(0.025)	\$(0.008)	<b>\$(0.021)</b>	\$(0.039)	\$0.001	\$0.078
Natural gas production (mmscf)	<b>1,223</b>	1,012	1,240	1,344	<b>1,797</b>	1,336	1,450	1,614
Average natural gas price (\$/mmscf)	<b>\$5.74</b>	\$4.96	\$4.95	\$6.77	<b>\$5.53</b>	\$3.87	\$4.94	\$14.38
Capital expenditures	<b>\$1,827</b>	\$7,273	\$7,771	\$4,998	<b>\$5,781</b>	\$9,823	\$2,957	\$19,800

## Related Party Transactions

A director of Corridor is a partner in a law firm that provides legal services which amounted to \$115 thousand for the three and twelve months ended December 31, 2010 (three and twelve months ended December 31, 2009 - \$44 thousand and \$141 thousand). The amounts paid are recorded at the amount agreed to between the parties and approximate fair value.

## Liquidity and Capital Resources

Corridor's liquidity depends upon cash flow from operations, supplemented as necessary by equity and debt financings and the existing credit facility.

At December 31, 2010, Corridor had access to a \$20 million revolving credit facility with a Canadian chartered bank. The credit facility currently provides that any principal amount outstanding from time to time under the credit facility will bear interest at the lender's prime rate plus 1.25% per annum, with interest payable monthly. This credit facility can be increased at any time up to the current approved borrowing base of \$26 million, subject to the bank reconfirming this borrowing base. The credit facility will mature, subject to mutual agreement to extend, on July 30, 2011 and is subject to customary terms and conditions for borrowings of this nature and secured by the Company's property, plant and equipment. The Company is in compliance with all material terms of the agreements governing the credit facility.

The credit currently available to the Company is in part determined by the Company's borrowing base which is largely dependant on the Company's reserves. If, at any time during the term of the credit facility, the lender has reason to believe that the borrowing base has materially declined below the initial \$20 million credit facility, the lender can recalculate the Company's borrowing base and could, as a result, decrease the credit currently available to the Company. As of December 31, 2010, no amounts were drawn on this credit facility and \$20 million remained available thereunder.

At this time, Corridor does not intend to access its credit facility in 2011, consistent with the Company's preliminary 2011 capital budget. The 2011 budget assumes that no additional funds will be utilized from other sources such as equity financings, corporate debt or asset sales. However, Corridor may revise such intention once it finalizes the 2011 capital program which will be completed only after receiving Apache's proposed plans for potential further activity pursuant to the Apache Agreement.

The Company has sufficient financial resources to undertake all of its planned exploration and development programs for 2011. However, Corridor does not presently have sufficient financial resources to undertake by itself a comprehensive exploration and development of the Company's properties beyond 2011. Future exploration and development of the Company's properties will depend, therefore, on the Company's cash flow from operations and its ability to obtain additional financing through joint ventures, debt financings, equity financings or other means. Failure to obtain any financing necessary for Corridor's capital expenditure plans may result in a delay in development or production on Corridor's properties.

On December 7, 2009, Corridor entered into a farm-out agreement with Apache to appraise and potentially develop oil and natural gas resources in southern New Brunswick. Under the terms of this agreement, Apache has committed to conduct an appraisal program consisting of any combination of seismic, drilling, fracturing, testing and completing or abandoning one or more horizontal or vertical oil, gas and/or shale gas wells. Apache has until June 1, 2011 to spend a committed \$25 million to undertake operations pursuant to the agreement prior to electing whether or not to spend a further \$100 million to earn 50% of Corridor's 100% interest in approximately 116,000 acres in the Elgin/Sussex area. Thereafter, the Company would be a 50% paying participant in all further activities on the farm-out lands. During the year, Apache completed the drilling and casing of the first two horizontal wells in the Frederick Brook shale play located north of Elgin, New Brunswick and completed the hydraulic fracture stimulation program for both wells. The preliminary responses of these wells were unexpected considering the strong gas flows from Corridor's nearby G-41 vertical well, and the strong gas shows encountered while drilling the two horizontal wells. Apache is reviewing the frac operations and flowback data and is conducting extensive analysis and further testing in order to determine why the wells have responded in this manner, and to develop proposed plans for potential further activity in order to advance the Elgin shale gas program. This farm-out agreement has a mechanism that provides for the Company to potentially continue to develop its properties beyond 2010 without incurring significant capital expenditures.

Corridor's short-term investments consist of bank deposits with 30 days or less to maturity. Corridor has no investments in asset-backed securities.

## Contractual Obligations

As of December 31, 2010, Corridor had the following contractual obligations:

<i>thousands of dollars</i>	<b>Total</b>	2011	2012	2013	2014	Thereafter
Accounts payable and accrued liabilities	<b>\$3,195</b>	\$3,195	\$-	\$-	\$-	\$-
Obligations under capital lease	<b>155</b>	141	14	-	-	-
Drilling commitments (net of deposit)	<b>750</b>	-	-	-	-	750
Transportation commitments	<b>848</b>	848	-	-	-	-
Operating leases	<b>1,658</b>	457	436	395	118	252
Asset retirement obligations	<b>10,261</b>	-	420	-	-	9,841
	<b>\$16,867</b>	\$4,641	\$870	\$395	\$118	\$10,843

Given the Company's available liquid resources and the Company's 2011 budget, management expects to have sufficient available funds to meet the current and foreseeable financial contractual obligations.

## Disclosure and Internal Controls and Procedures

The President and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109").

As of the year ended December 31, 2010, an evaluation of the effectiveness of Corridor's disclosure controls and procedures, as defined by NI 52-109, was performed. Based on that evaluation, each of the President and Chief Financial Officer of Corridor has concluded that the disclosure controls and procedures are effective and provide reasonable assurance that material information was made known to them and recorded, processed, summarized and reported within the time periods required particularly during the period in which the annual filings are being prepared.

The President and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting to a standard which provides reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedure may deteriorate.

The certifying officers evaluated the effectiveness of Corridor's internal controls over financial reporting and concluded that the Company's internal controls over financial reporting are effective as at December 31, 2010. In making its assessment, management used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework in *Internal Control – Integrated Framework*.

During the year ended December 31, 2010, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to affect, the Company's internal control over financial reporting.

## Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and net earnings (loss). The most significant of these estimates relate to the determination of proved reserves, depletion expense, impairment test calculation, asset retirement obligations and future income taxes.

### Reserves

All of Corridor's reserves are evaluated and reported on by independent petroleum consultants in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). GLJ evaluated and reported on

Corridor's natural gas reserves in the McCully Field and crude oil reserves in the Caledonia Field in New Brunswick as at December 31, 2010.

Reserve estimates have a material impact on the depletion expense, impairment test calculation and asset retirement obligations, all of which could possibly have a material impact on net earnings. Please refer to "Reserves Estimates" under "Business Conditions and Risks" for more information.

## **Depletion**

Capitalized costs, estimated future development costs to develop proved reserves and asset retirement costs are depleted based on the proportion of estimated proved petroleum and natural gas reserves produced during the year compared to total proved reserves, as determined by GLJ. Changes in proved reserve estimates could materially impact depletion expense.

## **Impairment**

Impairment assessments are based on fair value assessments. Impairment exists if the sum of the undiscounted future net cash flows from proved reserves at future commodity prices plus the cost of unproved properties is less than the carrying value. If an impairment is identified a write-down to fair value is required. The fair value is calculated based on future net cash flows from proved plus probable reserves, discounted at a risk-free interest rate using future commodity prices, plus the cost of unproved properties.

There is significant uncertainty regarding future commodity prices and reserves. Impairment could result in a material loss for a particular period, however future depletion expense would be reduced as a result.

## **Asset retirement obligations**

The Company recognizes asset retirement obligations if a reasonable estimate of fair value can be determined. The fair value is based on the estimated future expenditures required to settle the obligations. The estimated future cash flows are discounted at the risk-free interest rate adjusted to reflect the market's evaluation of the Company's credit standing and adjusted for inflation. Determining asset retirement obligations requires estimating the production life of the wells and the cost of the restoration activities based on present-day methods and technologies. Actual payments to settle the obligations could differ materially from these estimated amounts.

## **Future income taxes**

The Company calculates future income taxes based on rates substantively enacted at each reporting period and expected to be in effect when temporary differences reverse. Any changes in the estimated timing of these reversals could impact the future income tax rate and could materially impact the Company's future income tax expense. In addition, all income tax filings are subject to audit and potential reassessment by the Canada Revenue Agency ("CRA"). As a result, the actual income tax liability could differ from the amount estimated by management and the impact on the Company's future income tax expense could be material.

## **Changes in Accounting Policies**

On January 1, 2011, IFRS will become the generally accepted accounting principles in Canada for publicly accountable enterprises, including Corridor. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by Corridor for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010.

Corridor commenced its IFRS transition project in 2008 with the help of external advisors. Corridor's implementation project consists of the following phases:

- Diagnostic assessment phase: This phase involved a high level review of the major differences between current GAAP and IFRS. Each potential impact was ranked as having a high, moderate or low impact on the Company's financial reporting and served as the basis for the more detailed analysis in the later phases. This phase is complete.
- Impact analysis and evaluation phase: Activities in this phase include a more in-depth analysis of the differences between current GAAP and IFRS, the selection of accounting policies by management and the subsequent approval of these accounting policies by the Audit Committee. This phase also involves the quantification of the impact of the changes in accounting policies on the Company's opening IFRS balance sheet as well as the development of skeleton interim and annual IFRS financial statements and note disclosures. This phase is substantially completed.

- **Implementation phase:** This part of the project includes the implementation and testing of all changes approved in the impact analysis and evaluation phase. The outcome of this phase will be the fully quantified IFRS financial statements and note disclosures for all of the necessary interim and annual periods and comparative periods. This phase will also involve changes to information systems, business processes and the training and education of staff. This phase is underway.

Corridor continues to make significant progress on its transition to IFRS. Corridor has completed the diagnostic assessment phase and is in the final stage of completing the impact analysis and evaluation phase of its IFRS transition project. The implementation phase will continue into 2011 and will conclude with the issuance of the Q1 2011 financial statements. Corridor has substantially completed its January 1, 2010 IFRS opening balance sheet (“opening balance sheet”) based on draft IFRS accounting policies, however, the opening balance sheet is subject to further internal review and audit by the Company’s external auditors. Management has not yet finalized the quantification of the impact of IFRS on Corridor’s 2010 quarterly and annual financial statements. The Company will also be monitoring the International Accounting Standards Board’s (“IASB”) active projects to incorporate any potential changes into the opening balance sheet and 2010 quarterly and annual financial statements.

The impact on internal controls over financial reporting and disclosure controls and procedures is currently being assessed but management does not expect any material impacts. Management anticipates only minor updates to information systems to accommodate changes in IFRS.

### **First time adoption**

The general principle on the adoption of IFRS is that accounting standards should be applied retrospectively. However, IFRS 1 *First Time Adoption of IFRS and Additional Exemptions for First-time Adopters (Amendments to IFRS 1)* (“IFRS 1”) provides entities adopting IFRS for the first time with a number of optional exemptions and certain exceptions to the full retrospective adoption. Management has elected the following IFRS 1 exemptions in its opening balance sheet:

- *Share-based compensation*  
The Company will not apply IFRS 2 *Share-based Payments* to any equity instruments that were granted on or before November 7, 2002, or to equity instruments granted after November 7, 2002 that vested before January 1, 2010.
- *Business Combinations*  
The Company elected to apply IFRS 3 *Business Combinations* prospectively from January 1, 2010.
- *Asset Retirement Obligations*  
The Company elected to apply IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* prospectively from January 1, 2010 for asset retirement obligations.

The Company did not elect to take the exemption permitted under IFRS 1 for entities using the full cost method of accounting and instead, retrospectively applied IFRS to its petroleum and natural gas properties.

### **Impact of IFRS on Corridor’s opening balance sheet**

Based on management’s evaluation to date and existing IFRS accounting standards and interpretations, management has identified the following key differences between Corridor’s existing accounting policies under GAAP and draft IFRS accounting policies and, has identified the following estimated adjustments required to restate the Company’s January 1, 2010 balances to IFRS:

#### *Property, Plant & Equipment (“PP&E”)*

Under GAAP, Corridor follows the full cost method of accounting for its petroleum and natural gas properties whereby all costs directly associated with the exploration for and the development of natural gas reserves are capitalized. Upon transition to IFRS, Corridor will adopt new accounting policies to account for certain of these expenditures.

According to IFRS 6, *Exploration for and Evaluation of Mineral Resources*, pre-exploration costs are those expenditures incurred prior to obtaining the legal right to explore and must be expensed in the period incurred under IFRS. Corridor has not identified any differences at transition.

After the legal right to explore is acquired, costs incurred to determine the technical feasibility and commercial viability of an exploration project will be capitalized as exploration and evaluation (“E&E”) assets under IFRS 6. While costs capitalized are

generally the same under IFRS, Corridor has identified approximately \$4 million of its PP&E at January 1, 2010 which does not meet the definition of an asset under IFRS 6 and this amount will be recorded as a reduction to PP&E and opening retained earnings at January 1, 2010. In addition, under IFRS Corridor will no longer amortize E&E assets. As a result of this difference in accounting, the Company expects to increase PP&E and opening retained earnings by approximately \$11 million at January 1, 2010. Corridor has identified approximately \$56 million of the restated PP&E balance that will be classified as E&E assets at January 1, 2010.

Development and production costs include those expenditures for which technical feasibility and commercial viability have been determined. Under IFRS, Corridor will continue to capitalize these costs in PP&E on the balance sheet. However, under IFRS these costs will be depleted over a smaller area instead of a country cost centre. Currently, Corridor only has one area for depletion purposes so there will be no impact on Corridor's opening balance sheet.

#### *Calculation of depletion expense for PP&E*

Under GAAP, the Company calculates depletion expense using the unit-of-production method based on estimated proved natural gas reserves. Under IFRS, Corridor has the option to calculate depletion expense using a reserve base of proved reserves or proved plus probable reserves. Corridor intends to continue calculating depletion expense using proved natural gas reserves.

#### *Impairment*

Under GAAP, impairment is identified if the undiscounted future net cash flows from proved reserves for assets in a country cost centre are less than the carrying value. The impairment loss is then measured based on the future net cash flows from proved plus probable reserves discounted at a risk-free interest rate. Under IFRS, impairment is recognized when the recoverable amount for a cash-generating unit ("CGU"), calculated as the higher of fair value less costs to sell and value-in-use, is less than the carrying value. A CGU is the smallest group of assets that generate independent and identifiable cash inflows. Corridor has not identified any asset impairment in the opening balance sheet.

Under IFRS, impairment losses are reversed when there is a subsequent increase in the recoverable amount of the impaired asset. The impairment reversal is limited to the net book value that would have existed had the impairment loss not been recorded.

#### *Asset Retirement Obligations ("ARO")*

Under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, the expected cash outflows for future abandonment of assets are estimated and discounted using a risk-free rate. Under IFRS, a credit-adjusted risk free rate is required. Under IFRS, the ARO liability and the related assets will require the use of current discount rates at each balance sheet date. As a result of this difference in accounting, the Company expects that the ARO liability will increase by approximately \$2 million with a corresponding decrease in opening retained earnings at January 1, 2010.

In accordance with IFRS 1, the Company recalculated its opening future asset abandonment costs by discounting the ARO liability to the date in which the liability first arose using best estimates of the historical risk-free discount rates. As a result, PP&E and opening retained earnings are expected to increase by \$1 million at January 1, 2010.

#### *Share based compensation*

Under GAAP, the fair value of the stock-based options with graded vesting is calculated as one grant and recognized as stock-based compensation expense on a straight line basis over the vesting period, with forfeitures of options being recognized as they occur. Under IFRS 2 *Share-based Payments*, each installment of a stock option grant is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of each respective installment with forfeiture estimates being estimated and revised each period. As a result of this difference in accounting, the Company expects that the contributed surplus will increase by approximately \$0.4 million with a corresponding decrease in opening retained earnings at January 1, 2010.

#### *Deferred income taxes*

Corridor expects the future income tax liability will be impacted by the tax effects of the IFRS adjustments mentioned above. Corridor expects to recognize an increase in the future income tax liability with a corresponding decrease in opening retained earnings of approximately \$2 million.

#### **Future impacts**

The Company is now in the process of finalizing the adjustments required to restate the 2010 quarterly and annual financial statements. To date, management expects the significant changes to the previously reported 2010 financial results will be a

decrease in depletion expense as the Company will no longer amortize E&E assets and an increase in share based compensation expense due to the change in the calculation of fair value for stock options with graded vesting.

## **Business Conditions and Risks**

The following business conditions and risk factors should not be construed as exhaustive. There are numerous factors both known and unknown, that could cause actual results or events to differ materially from forecast results. Additional risk factors are included in the Annual Information Form and include government regulation, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, management of growth, expiration of licenses and leases, seasonality, competition, conflicts of interest, issuance of debt, title to properties, variations in exchange rates, and hedging.

### **Risks Associated with Oil and Gas Exploration**

There can be no assurance that commercial quantities of hydrocarbons will be recovered by Corridor in the future. Natural gas and oil exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by the Company will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. In addition, hazards such as unusual or unexpected formations, pressures or other conditions are involved in drilling and operating wells.

The Company currently has a number of specific identified exploration and development prospects. Management will continue to evaluate prospects on an ongoing basis in a manner consistent with industry standards and their past practices. The long term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation.

### **Substantial Capital Requirements and Financial Risks**

The Company anticipates making substantial capital expenditures for the exploration, development and production of oil and natural gas reserves in the future. The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. If the Company's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

For more information please refer to "Liquidity and Capital Resources".

### **Third Party Risk**

In the normal course of business, Corridor has entered into contractual arrangements with third parties which subject Corridor to the risk that such parties may default on their obligations. Corridor sells all of its production to one large credit-worthy purchaser under normal industry payment terms. Corridor's receivables from joint venture partners are also subject to normal credit risks in the natural gas industry. Management believes credit risk on these amounts is low.

### **Environmental**

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

## **Prices, Markets and Marketing**

The marketability and price of oil and natural gas will be affected by numerous factors beyond the Company's control. New technologies and drilling techniques are allowing recovery of gas and oil trapped in shale. If such resources are developed, it may have a substantial impact on the price of gas and oil on the energy market generally. The ability to market natural gas may depend upon the Company's ability to acquire space on pipelines that deliver natural gas to commercial markets. The Company may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities, and related to operational problems with such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

The Company's revenues, profitability and future growth and the carrying value of its properties are substantially dependent on prevailing prices of oil and gas. The Company's ability to borrow and to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Company.

## **Risks May Not be Insurable**

The Company's operations are subject to the risks normally incident to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, blow-outs and fires, all of which could result in personal injuries, loss of life and damage to property of Corridor and others. In accordance with customary industry practice, Corridor is not fully insured against all of these risks, nor are all such risks insurable. Environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The Company expects it will be able to fully comply with all regulatory requirements in this regard.

## **Reserves Estimates**

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves, including many factors beyond the Company's control. The reserve and associated cash flow information of the Company represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

In accordance with applicable securities laws, GLJ has used forecast price and cost estimates in calculating reserve. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the effect of inflation on costs.

Actual production and revenues derived therefrom will vary from the estimates contained in the GLJ reserves report with an effective date of December 31, 2010 setting forth certain information relating to certain natural gas reserves of Corridor's properties, specifically the McCully Field, and the estimated present value associated with such reserves and such variations could be material. The reserves and estimated cash flows to be derived therefrom contained in the GLJ reserves report will be reduced to the extent that such activities do not achieve the level of success assumed in such report.



## Management's Report

The accompanying financial statements are the responsibility of management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts based on management's best estimates and judgments.

Management of the Company has established and maintains a system of internal control that provides reasonable assurance as to the integrity of the financial statements and the safeguarding of the Company's assets.

The Board of Directors, through its Audit Committee, oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The financial statements have been approved by the Board of Directors on recommendation from the Audit Committee. The external auditors have full and free access to the Audit Committee.

March 30, 2011

Signed "Phillip R. Knoll"  
Phillip R. Knoll  
President and Chief Executive Officer

Signed "Lisette F. Hachey"  
Lisette F. Hachey  
Chief Financial Officer

March 30, 2011

## **Independent Auditor's Report**

### **To the Shareholders of Corridor Resources Inc.**

We have audited the accompanying financial statements of Corridor Resources Inc., which comprise the balance sheet as at December 31, 2010 and the statements of earnings, comprehensive income and retained earnings, and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

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

**Other matter**

The financial statements of Corridor Resources Inc. for the year ended December 31, 2009 were audited by another auditor who expressed an unmodified opinion on those statements on March 11, 2010.

(signed) "*PricewaterhouseCoopers LLP*"

**Chartered Accountants**

# Statements of Earnings, Comprehensive Income and Retained Earnings

(thousands of dollars, except per share amounts)

For the year ended December 31	2010	2009
Revenues	\$ 29,558	\$ 48,989
Royalty expense	(606)	(1,979)
Production expense	(3,629)	(3,493)
Transportation expense	(6,840)	(10,509)
	<b>18,483</b>	33,008
Other Expenses		
Depletion, depreciation, amortization and accretion	22,393	27,761
General and administrative (note 7)	4,862	4,893
Stock-based compensation (note 9c)	2,010	820
Capital tax expense	138	120
	<b>29,403</b>	33,594
Loss before the following items	(10,920)	(586)
Interest and finance costs (note 3)	197	143
Foreign exchange losses	89	639
Interest and other income (note 4)	(300)	(590)
Loss before income taxes	(10,906)	(778)
Future income tax recovery (note 5)	(2,301)	(2,445)
Net earnings (loss), being comprehensive income (loss)	(8,605)	1,667
Retained earnings, beginning of year	22,489	20,822
Retained earnings, end of year	<b>\$ 13,884</b>	\$ 22,489
Net earnings (loss) per share (note 6)		
Basic	<b>\$ (0.098)</b>	\$ 0.019
Diluted	<b>\$ (0.098)</b>	\$ 0.019

See accompanying notes to the financial statements.

# Balance Sheets

(thousands of dollars)

As at December 31	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 865	\$ 8,484
Restricted cash (note 14b)	650	1,350
Receivables (note 12a iv)	4,820	6,503
Receivables from joint venture partners (note 12a iv)	748	121
Capital taxes receivable	173	85
Prepays and security deposits	82	120
	<b>7,338</b>	16,663
Property, plant and equipment (notes 7 & 10)	<b>279,172</b>	281,060
Investment tax credits (note 5)	1,715	1,227
Intangible assets	393	425
Restricted cash and security deposits (note 14b & c)	1,130	1,230
	<b>\$ 289,748</b>	\$ 300,605
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,195	\$ 5,636
Obligations under capital lease	141	145
	<b>3,336</b>	5,781
Obligations under capital lease	14	155
Future income taxes (note 5)	20,850	23,151
Asset retirement obligations (note 8)	2,000	1,500
	<b>26,200</b>	30,587
Shareholders' Equity		
Capital stock (note 9)	242,583	242,381
Contributed surplus (note 9d)	7,081	5,148
Retained earnings	13,884	22,489
	<b>263,548</b>	270,018
	<b>\$ 289,748</b>	\$ 300,605

See accompanying notes to the financial statements.

Commitments (note 14)  
Contingency (note 15)  
Subsequent events (note 17)

On behalf of the Board

Signed "Phillip R. Knoll" Director

Signed "Robert D. Penner" Director

# Statements of Cash Flows

(thousands of dollars)

For the year ended December 31	2010	2009
<b>Operating Activities</b>		
Net earnings (loss)	\$ (8,605)	\$ 1,667
Depletion, depreciation, amortization and accretion	22,393	27,761
Stock-based compensation	2,010	820
Future income tax recovery	(2,301)	(2,445)
Other operating activities	210	26
	<b>13,707</b>	27,829
Decrease in non-cash operating working capital (note 11)	468	7,008
<b>Cash provided by operating activities</b>	<b>14,175</b>	34,837
<b>Financing Activities</b>		
Proceeds from capital stock issues	125	131
Other financing activities	187	(46)
<b>Cash provided by financing activities</b>	<b>312</b>	85
<b>Investing Activities</b>		
Property, plant and equipment expenditures	(21,869)	(38,361)
Decrease (increase) in restricted cash and security deposits	800	(850)
Increase in non-cash investing working capital (note 11)	(743)	(21,377)
Other investing activities	(294)	(163)
<b>Cash used in investing activities</b>	<b>(22,106)</b>	(60,751)
Decrease in cash and cash equivalents	(7,619)	(25,829)
Cash and cash equivalents, beginning of year	8,484	34,313
<b>Cash and cash equivalents, end of year</b>	<b>\$ 865</b>	\$ 8,484
<b>Cash and cash equivalents consists of:</b>		
Cash	\$ 845	\$ 1,714
Short-term investments	20	6,770
<b>Cash and cash equivalents, end of year</b>	<b>\$ 865</b>	\$ 8,484

See accompanying notes to the financial statements.

# Notes to the Financial Statements

## Years ended December 31, 2010 and 2009

### 1 Basis of presentation

Corridor Resources Inc. (“Corridor” or the “Company”) is a junior natural resource company engaged in the exploration for and development and production of petroleum and natural gas in Eastern Canada.

### 2 Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The most significant accounting policies are summarized below:

#### a) Revenue recognition

Revenue associated with the production and sale of natural gas is recognized when the title passes to the customer and delivery has taken place. Revenue reported represents only the Company’s share of the joint venture activities. Other revenue is recognized in the period that the service is provided to the customer.

#### b) Stock-based compensation

The Company records stock-based compensation expense for stock options granted to directors, officers, employees and consultants using the fair value method. The fair value of stock options granted is determined using the Black-Scholes option pricing model. Stock-based compensation is expensed over the vesting period with a corresponding increase to contributed surplus. When the stock options are exercised the consideration received and the amount previously recognized in contributed surplus is recorded as an increase to capital stock. Corridor has not incorporated an estimated forfeiture rate for options that will not vest but will account for actual forfeitures as they occur.

#### c) Future income taxes

Income taxes are recorded using the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are recognized for temporary differences between the income tax basis and accounting basis of assets and liabilities and are measured using the substantively enacted tax rates for the period in which the temporary differences are expected to be settled. Changes in income tax rates that are substantively enacted are reflected in the accumulated future income tax balances in the period the change occurs.

#### d) Earnings (loss) per share

Earnings (loss) per share amounts are calculated based on the weighted-average number of common shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method which gives effect to the potential dilution that would occur if the stock options were exercised. The treasury stock method assumes that the proceeds received upon exercise of all outstanding stock options, with an exercise price below the average market price, would be used to repurchase the Company’s common shares at the average market price during the year.

#### e) Property, plant and equipment

##### i) Capitalized costs

The Company follows the full cost method of accounting for its petroleum and natural gas properties. Under this method, all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized. Capitalized costs include lease acquisition costs, geological and geophysical expenses, the portion of general and administrative expenses directly related to exploration and development activities, production facilities, future asset retirement costs and costs of drilling both productive and non-productive wells.

Proceeds from the sale of properties are normally deducted from capitalized costs, without any gain or loss being realized, unless such sale would significantly alter the rate of depletion.

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs necessary to maintain properties in operating condition are expensed as incurred.

# Notes to the Financial Statements

## Years ended December 31, 2010 and 2009

### 2 Significant accounting policies (continued)

#### ii) Depletion

Depletion of petroleum and natural gas properties and depreciation of production facilities is calculated using the unit-of-production method based on estimated proved petroleum and natural gas reserves before royalties, as determined by qualified independent engineers. Estimated future costs to be incurred in developing the proved reserves are included in the costs subject to depletion.

#### iii) Impairment test

At each reporting period, Corridor performs an impairment test to determine the recoverability of the carrying value of petroleum and natural gas properties and production facilities. The cost of petroleum and natural gas properties and production facilities is not recoverable if the carrying value exceeds the sum of future undiscounted cash flows expected from the production of proved reserves plus the cost of unproved properties. If the carrying value is assessed as not recoverable, an impairment loss is recognized for the amount by which the carrying value exceeds the fair value. The fair value is determined based on future net cash flows from proved plus probable reserves discounted at a risk-free rate using an estimate of future commodity prices.

#### iv) Asset retirement obligations

The Company records a liability for the fair value of legal obligations associated with the retirement of long-lived tangible assets, such as well sites, pipelines, and production facilities, in the period in which they are incurred. The fair value of the obligations is estimated by discounting the expected future expenditures required to settle these obligations using a credit adjusted risk-free interest rate.

When an asset retirement obligation is initially recorded an equivalent amount is capitalized to the property, plant and equipment and depleted along with the related asset using the unit-of-production method. Changes in the estimated liability resulting from revisions to the estimated timing or amount of undiscounted cash flows are recognized as an increase or decrease in the asset retirement obligation and the related asset retirement cost.

Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion expense in the Statements of Earnings, Comprehensive Income and Retained Earnings. Actual expenditures incurred are charged against the accumulated asset retirement obligation in the period incurred.

#### v) Inventory

Physical inventory used in exploration and development activities is included in property, plant and equipment and is valued at cost.

#### vi) Joint operations

Certain of Corridor's exploration and development activities are conducted jointly with others and accordingly these financial statements reflect only the Company's proportionate share in those activities.

#### vii) Depreciation

Depreciation of office furniture and other equipment is calculated on the declining balance method at annual rates ranging between 10% and 50%.

#### f) Investment tax credits

Investment tax credits are accrued when the Company has made the qualifying expenditures and there is reasonable assurance that the credits will be realized. Investment tax credits are deducted from the related qualifying assets with depletion being calculated on the net amount.

#### g) Flow-through common shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares where the exploration expenditure deductions normally available for income tax purposes are renounced to investors in accordance with the flow-through share agreements. When the resource expenditure deductions are renounced, and the required tax forms are filed, capital stock is reduced and the future income tax liability increased by the estimated tax benefits transferred to investors.

# Notes to the Financial Statements

## Years ended December 31, 2010 and 2009

### 2 Significant accounting policies (continued)

#### h) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimated amounts as future confirming events occur.

Amounts recorded for depletion and accretion and amounts used in the impairment test calculation are based on estimates of proved natural gas reserves, production rates, natural gas prices and future costs to develop those reserves. By their nature, these estimates of reserves, costs and related future cash flows are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

The calculation of asset retirement obligations includes estimates of the ultimate settlement amounts, inflation factors, credit adjusted discount rates and timing of settlement. The impact of future revisions to these assumptions on the financial statements of future periods could be material.

The calculation of stock-based compensation expense includes estimates of risk-free interest rates, expected volatility of the Company's share price and expected life of the outstanding options. By their nature, these estimates are subject to measurement uncertainty and could materially impact the financial statements.

The calculation of future income taxes requires estimates of the expected timing of reversal of temporary differences. Any changes in the estimated timing of these reversals could impact the future income tax rate and could materially impact the Company's future income tax expense.

#### i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments with maturities of less than 90 days at acquisition.

#### j) Restricted cash

Restricted cash include short-term investments that have been pledged as security under the Company's letters of credit.

#### k) Deferred financing costs

Financing costs related to the issuance of debt are deferred and amortized using the effective interest method over the expected life of the debt. Deferred financing costs are netted against the related financial liability.

#### l) Foreign currency translation

Monetary assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date, with any resulting gain or loss recorded in the Statements of Earnings, Comprehensive Income and Retained Earnings.

#### m) Financial instruments

All financial instruments, including derivatives and embedded derivatives in certain contracts, must initially be recognized on the balance sheet at fair value which is based on the following hierarchy:

Level 1 - quoted prices in active markets;

Level 2 - internal models using observable market information as inputs; and

Level 3 - internal models without observable market information as inputs.

Subsequent measurement of the financial instruments is based on their classification. Non-financial derivatives must be recorded at fair value on the balance sheet unless they are exempt from derivative treatment based upon expected purchase, sale or usage requirements. The Company has classified each financial instrument into the following categories:

# Notes to the Financial Statements

## Years ended December 31, 2010 and 2009

### 2 Significant accounting policies (continued)

#### i) Held for trading

The carrying values of cash and cash equivalents and restricted cash are marked-to-market through net earnings at each reporting period end. The carrying values approximate their fair values because of their short term to maturity. Unrealized gains and losses on held for trading financial instruments are recognized in net earnings (loss). Fair value of cash and cash equivalents and restricted cash is based upon quoted market prices which is level 1 in the fair value hierarchy.

#### ii) Loans and receivables

The carrying values of receivables and receivables from joint venture partners approximate their fair values because of their short term to maturity. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method which generally corresponds to cost.

#### iii) Other financial liabilities

The carrying values of accounts payable and accrued liabilities and obligations under capital lease approximate their fair values because of their short term to maturity or because the interest rate approximates market rates at the end of the year. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method which generally corresponds to cost.

#### n) Embedded foreign currency derivatives

From time to time, the Company may enter into contracts to sell natural gas at a future date at fixed prices denominated in U.S. dollars. The purpose of these contracts is to mitigate the commodity price risk on the Company's expected future natural gas production. While such contracts do not meet the definition of a financial instrument, they include an embedded foreign currency derivative which could be separated from the contract and recognized at fair value in the Balance Sheet. The Company has determined that such embedded foreign currency derivatives should not be accounted for separately from the contract as the sale of natural gas at prices denominated in U.S. dollars is common in the Company's economic environment.

#### o) Future accounting changes - International Financial Reporting Standards ("IFRS")

In October 2009, the Accounting Standards Board issued a third and final IFRS Omnibus Exposure Draft confirming that publicly accountable enterprises will be required to apply IFRS for all financial periods beginning January 1, 2011. The transition to IFRS at January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by Corridor for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010. The Company is in the process of evaluating the impact of the transition to IFRS.

### 3 Interest and finance costs

Interest and finance costs consist of the following:

*(thousands of dollars)*

	2010	2009
Interest expense	\$ 138	\$ 117
Amortization of debt issue costs	59	26
	<b>\$ 197</b>	<b>\$ 143</b>

# Notes to the Financial Statements

## Years ended December 31, 2010 and 2009

### 4 Interest and other income

Interest and other income consist of the following:

*(thousands of dollars)*

	2010	2009
Interest income	\$ 71	\$ 590
Other income	229	-
	<b>\$ 300</b>	<b>\$ 590</b>

### 5 Income taxes

The provision for income taxes differs from the amount which would be obtained by applying the Canadian statutory income tax rates to the loss before income taxes as follows:

*(thousands of dollars)*

	2010	2009
Loss before income taxes	\$ (10,906)	\$ (778)
Blended Canadian statutory income tax rate	31%	33%
Expected income tax recovery	\$ (3,381)	\$ (258)
Increase (decrease) resulting from:		
Non-deductible stock-based compensation	623	272
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	457	(5)
Effect of provincial tax rate change	-	(3,346)
Effect of change in estimate in provincial tax allocation	-	892
	<b>\$ (2,301)</b>	<b>\$ (2,445)</b>

In 2009, the Company decreased its future income tax rate from 28.75% to 26% following the New Brunswick Government's 2009 budget which reduced the provincial corporate income tax rate from 13% to 12% effective July 1, 2009, with further proposed annual reductions leading up to an income tax rate of 8% on July 1, 2012. As a result, the Company's future income tax expense decreased by \$3,346 thousand. The Company also reassessed its estimate of the future allocation of taxable income between New Brunswick and Nova Scotia, which resulted in an increase in future income tax expense of \$892 thousand.

The Company has \$1,715 thousand of outstanding investment tax credits which expire between 2028 and 2030.

The future income tax liability consists of the following temporary differences:

*(thousands of dollars)*

	2010	2009
Future income tax liability		
Property, plant and equipment	\$ 21,959	\$ 24,659
Future income tax asset		
Share issue costs	(570)	(1,102)
Asset retirement obligations	(539)	(406)
	<b>(1,109)</b>	<b>(1,508)</b>
	<b>\$ 20,850</b>	<b>\$ 23,151</b>

# Notes to the Financial Statements

## Years ended December 31, 2010 and 2009

### 6 Earnings (loss) per share

The calculation of net earnings (loss) per share is based on the following weighted average number of common shares:

(thousands of shares)

	2010	2009
Weighted average number of common shares - basic	87,781	87,693
Effect of stock options	536	92
Weighted average number of common shares - diluted	88,317	87,785

For the year ended December 31, 2010, stock options of 775 thousand (December 31, 2009 – 1,456 thousand) were excluded from the dilution calculation since the average market price for the year was lower than the exercise price.

### 7 Property, plant and equipment

(thousands of dollars)

<b>December 31, 2010</b>	<b>Cost</b>	<b>Accumulated depletion and depreciation</b>	<b>Net book value</b>
Petroleum and natural gas properties	\$ 283,826	\$ 72,740	\$ 211,086
Production facilities	77,576	17,498	60,078
Inventory	5,285	-	5,285
Future asset retirement costs	1,480	334	1,146
Office furniture and other equipment	2,665	1,088	1,577
	<b>\$ 370,832</b>	<b>\$ 91,660</b>	<b>\$ 279,172</b>

(thousands of dollars)

December 31, 2009	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 266,984	\$ 54,559	\$ 212,425
Production facilities	73,139	13,758	59,381
Inventory	6,690	-	6,690
Future asset retirement costs	1,089	287	802
Office furniture and other equipment	2,598	836	1,762
	<b>\$ 350,500</b>	<b>\$ 69,440</b>	<b>\$ 281,060</b>

For the year ended December 31, 2010, Corridor capitalized to petroleum and natural gas properties general and administrative costs of \$630 thousand (December 31, 2009 - \$380 thousand). The calculation of depletion includes estimated future development costs relating to the development of proved reserves of \$63,924 thousand for the year ended December 31, 2010 (December 31, 2009 - \$86,593 thousand).

The Company utilized the following benchmark prices in the impairment test calculation:

	2011	2012	2013	2014	2015	2016	2017
(\$/mcf)	\$4.23	\$4.93	\$5.57	\$6.11	\$6.64	\$7.02	\$7.25

The benchmark prices are escalated by 2% annually thereafter. The benchmark prices are based on natural gas prices at Henry Hub and adjusted for transportation costs and an exchange rate of US\$0.98/\$CDN for each year.

# Notes to the Financial Statements

## Years ended December 31, 2010 and 2009

### 8 Asset retirement obligations

The change in asset retirement obligations is due to the following:

*(thousands of dollars)*

	2010	2009
Balance, beginning of year	\$ 1,500	\$ 1,850
Liabilities incurred	294	90
Change in estimate	130	(596)
Liabilities settled	(40)	-
Accretion expense	116	156
Balance, end of year	<b>\$ 2,000</b>	\$ 1,500

The total undiscounted amount of estimated cash flows required to settle these obligations is \$10,261 thousand (December 31, 2009 - \$10,273 thousand). Management estimates the settlement of these obligations by 2035. A credit adjusted risk-free rate of 8% (2009 - 8%) and an inflation rate of 2% (2009 - 2%) was used to calculate the estimated fair value of the asset retirement obligations.

### 9 Capital stock

a) **Authorized** – Unlimited common shares without nominal or par value.

b) **Issued and outstanding**

*(thousands of dollars and thousands of shares)*

	December 31, 2010		December 31, 2009	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of year	87,767	\$ 242,381	87,629	\$ 246,413
Exercise of stock options for cash and amount recognized from contributed surplus	48	125	138	131
Tax impact of flow-through renunciation	-	77	-	118
Share issue costs net of tax benefit	-	-	-	(4,298)
Balance, end of year	<b>87,815</b>	<b>\$ 242,583</b>	87,767	\$ 242,381

In 2009, Corridor announced its intention to make a normal course issuer bid pursuant to which the Company was permitted to acquire up to 1 million common shares from May 11, 2009 to May 10, 2010. However, no common shares were acquired by Corridor under this normal course issuer bid.

In 2009, Corridor recognized the tax impact of the renunciation of \$14,950 thousand on qualifying exploration expenditures in accordance with a flow-through share agreement dated June 20, 2008. As a result, capital stock was reduced by \$4,298 thousand.

c) **Stock options**

The Company has a stock option plan under which options to purchase common shares of the Company may be granted to directors, officers, employees and consultants of the Company. The stock option plan is limited to 8,262,513 common shares with no more than 5% of the issued and outstanding common shares being issued to any one officer, director or employee. The exercise price of each option is based on the market price for the common share on the close of the day prior to the date the option was granted. Options granted under the plan generally vest over a three year period and expire five years after the grant date. Participants of the stock option plan can elect to surrender any vested option in exchange for a cash payment based on the difference between the market value of the common share and the exercise price of the option. The Board of Directors has the sole discretion to consent or deny this election.

# Notes to the Financial Statements

## Years ended December 31, 2010 and 2009

### 9 Capital stock (continued)

The following table summarizes the changes in the outstanding stock options:

	December 31, 2010		December 31, 2009	
	Number of options (000's)	Weighted average exercise price	Number of options (000's)	Weighted average exercise price
Balance, beginning of year	2,299	\$ 4.58	1,604	\$ 5.34
Exercised	(48)	\$ 2.58	(138)	\$ 0.95
Forfeited	(48)	\$ 4.87	(6)	\$ 9.48
Granted	2,786	\$ 5.21	839	\$ 2.57
Balance, end of year	4,989	\$ 4.95	2,299	\$ 4.58
Options exercisable, end of year	1,859	\$ 5.16	1,338	\$ 5.43

The fair value of options granted is estimated using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2010	December 31, 2009
Weighted average fair value of options granted	\$ 2.77	\$ 1.62
Risk-free interest rate	2.5%	2.5%
Expected life (years)	3.0	3.0
Expected volatility	80%	90%

For the year ended December 31, 2010, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$2,010 thousand (December 31, 2009 - \$820 thousand).

The range of exercise prices of stock options outstanding and exercisable as at December 31, 2010 is as follows:

Exercise prices	Outstanding options			Exercisable options	
	Number of options outstanding (000's)	Weighted average remaining term (years)	Weighted average exercise price	Number of options exercisable (000's)	Weighted average exercise price
\$ 1.00 - \$ 2.99	763	3.5	\$ 2.57	223	\$ 2.56
\$ 3.00 - \$ 4.99	623	0.2	\$ 4.42	612	\$ 4.41
\$ 5.00 - \$ 5.99	3,286	4.1	\$ 5.25	758	\$ 5.38
\$ 6.00 - \$ 6.99	109	2.3	\$ 6.80	107	\$ 6.80
\$ 7.00 - \$10.99	208	2.4	\$ 9.54	159	\$ 9.54
	4,989	3.4	\$ 4.95	1,859	\$ 5.16

#### d) Contributed surplus

(thousands of dollars)

	December 31 2010	December 31 2009
Balance, beginning of year	\$ 5,148	\$ 4,446
Stock-based compensation expense	2,010	820
Stock options exercised	(77)	(118)
Balance, end of year	\$ 7,081	\$ 5,148

# Notes to the Financial Statements

## Years ended December 31, 2010 and 2009

### 10 Credit facility

Corridor has a \$20 million revolving short term credit facility with a Canadian chartered bank. The interest rate on the loan is currently based on the bank's prime rate plus 1.25% and the credit facility expires, subject to mutual agreement to extend, on July 30, 2011. Outstanding amounts drawn on the credit facility are secured by a \$75 million demand debenture on the Company's property, plant and equipment. At December 31, 2010, there was no amount drawn on the credit facility.

### 11 Supplemental cash flow information

*(thousands of dollars)*

	2010	2009
Change in non-cash operating working capital:		
Receivables	\$ 414	\$ 7,481
Prepays and security deposits	38	49
Accounts payable and accrued liabilities	104	(490)
Capital taxes receivable	(88)	(32)
	<b>\$ 468</b>	<b>\$ 7,008</b>
Change in non-cash investing working capital:		
Receivables	\$ 1,269	\$ 2,913
Inventory	1,405	(3,857)
Accounts payable and accrued liabilities	(2,790)	(17,779)
Receivables from joint venture partners	(627)	(2,654)
	<b>\$ (743)</b>	<b>\$ (21,377)</b>
Interest and taxes paid:		
Interest received	\$ 69	\$ 1,072
Interest paid	\$ 105	\$ 109
Capital and other taxes paid	\$ 93	\$ 152

### 12 Risk management

a) The Company is exposed to the following risks:

#### i) Commodity price risk

The Company is exposed to risks from fluctuations in the natural gas sales prices. During the year, the Company did not have any derivative financial instruments in place to manage this risk. With the Board of Directors' approval, Corridor will enter into forward sale commitments, in limited quantities and at fixed prices, when appropriate. The Company does not use derivative financial instruments for speculative purposes.

#### ii) Foreign currency risk

The Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar. Natural gas prices, condensate prices and transportation expenses are based upon reference prices denominated in U.S. dollars, while the Company's remaining expenses are denominated in Canadian dollars. The Company does not have any derivative financial instruments in place to manage this risk.

The Company had the following financial instruments denominated in U.S. dollars at the balance sheet dates.

*(thousands of U.S. dollars)*

	December 31, 2010	December 31, 2009
Cash	\$ 2	\$ 27
Receivables	3,190	3,281
Financial instruments in U.S. dollars	<b>\$ 3,192</b>	<b>\$ 3,308</b>

# Notes to the Financial Statements

## Years ended December 31, 2010 and 2009

### 12 Risk management (continued)

At December 31, 2010, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in an increase of approximately \$117 thousand in the Company's net loss (December 31, 2009 – decrease of \$128 thousand in net earnings) due to a decrease in the financial instruments denominated in U.S. dollars. Conversely, a 5% increase in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of approximately \$117 thousand in the Company's net loss (December 31, 2009 – increase of \$128 thousand in net earnings).

#### iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2010, the Company was holding cash and cash equivalents of \$865 thousand and had \$20 million available from its revolving credit facility. The credit currently available to the Company is in part determined by the Company's borrowing base which is largely dependant on the Company's petroleum and natural gas reserves. If, at any time during the term of the credit facility, the lender has reason to believe that the current approved borrowing base of \$26 million has declined below the credit facility limit of \$20 million, the lender can recalculate the Company's borrowing base and could, as a result, decrease the credit currently available to the Company.

The contractual maturities of financial liabilities as of December 31, 2010 are as follows:

<i>(thousands of dollars)</i>	<b>Total</b>	2011	2012	2013	2014	Thereafter
Accounts payable and accrued liabilities	<b>\$ 3,195</b>	\$ 3,195	\$ -	\$ -	\$ -	\$ -
Obligations under capital lease	<b>155</b>	141	14	-	-	-
Drilling commitments (net of deposit)	<b>750</b>	-	-	-	-	750
Transportation commitments	<b>848</b>	848	-	-	-	-
Operating leases	<b>1,658</b>	457	436	395	118	252
Asset retirement obligations	<b>10,261</b>	-	420	-	-	9,841
	<b>\$ 16,867</b>	\$ 4,641	\$ 870	\$ 395	\$ 118	\$ 10,843

Given the Company's available liquid resources and the Company's 2011 budget, management expects to have sufficient available funds to meet the current and foreseeable financial contractual obligations.

#### iv) Credit risk

Corridor sells all of its production to one large credit-worthy purchaser under normal industry payment terms. Corridor's receivables from joint venture partners are also subject to normal credit risks in the natural gas industry. Management believes credit risk on these amounts is low and has not made any provision for an allowance for bad debts.

The cash equivalents consist mainly of guaranteed investment certificates held with reputable financial institutions. None of the cash equivalents are in asset-backed commercial paper products. Management believes the risk of loss is low.

#### b) Management of capital

Management's objective when managing capital is to provide an adequate return to its shareholders and to safeguard the Company's ability to obtain financing and have access to capital. In the management of capital, the Company includes shareholders' equity, its credit facility as well as cash and cash equivalents.

To facilitate the management of its capital structure the Company prepares annual expenditure and operating budgets that are updated as necessary depending on success factors, industry conditions and operating cash flow. These annual and updated budgets are approved by the Board of Directors. Corridor has the ability to adjust its capital structure by making modifications to its capital expenditure program. To maximize ongoing development and exploration activities, the Company will not pay out dividends during the year.

# Notes to the Financial Statements

## Years ended December 31, 2010 and 2009

### 13 Related parties

A director of Corridor is a partner in a law firm that provides legal services to the Company. For the year ended December 31, 2010, \$115 thousand of legal expenses (December 31, 2009 – \$141 thousand) are included in general and administrative expenses. At December 31, 2010, \$240 thousand was included in accounts payable and accrued liabilities (December 31, 2009 - \$73 thousand). The amounts paid are recorded at the amount agreed to between the parties which management believes is representative of fair value.

### 14 Commitments

#### a) Transportation and gas sales

The Company has a commitment to purchase 12,170 mmbtu per day of transportation on the Canadian side of the Maritimes and Northeast Pipeline from April 1, 2008 to April 1, 2011. The remaining cost of this commitment to the expiry of the contract is approximately \$848 thousand.

The Company has a long term agreement to sell, at market rates, all of its natural gas produced from the McCully Field and surrounding areas in southern New Brunswick to Repsol Energy Canada Ltd. for resale to natural gas markets in Maritimes Canada and the Northeast United States.

#### b) Letters of credit

At December 31, 2010, the Company had the following irrevocable standby letters of credit issued by a Canadian chartered bank:

<i>(thousands of dollars)</i>	<u>Amount</u>
Letter of credit expiring June 27, 2011	\$ 350
Letters of credit expiring June 3, 2011	300
Letter of credit expiring August 1, 2013	380
	<u>\$ 1,030</u>

The Company has pledged \$1,030 thousand of short term investments as security. These investments are recorded as restricted cash and restricted cash and security deposits based on their expiry date.

#### c) Drilling

The Company has a commitment to demobilize a drilling rig for an estimated cost of \$1,500 thousand. The Company has paid a deposit of \$750 thousand which will be refunded when the drilling rig returns to Alberta. This deposit is recorded in restricted cash and security deposits.

#### d) Operating leases

The Company has entered into operating lease agreements for office space, land and other equipment. Future minimum annual lease payments under the leases are as follows:

<i>(thousands of dollars)</i>	<u>Amount</u>
2011	\$ 457
2012	436
2013	395
2014	118
2015	105
Thereafter	147
	<u>\$ 1,658</u>

# **Notes to the Financial Statements**

## **Years ended December 31, 2010 and 2009**

### **15 Contingency**

Since Q4 2008, the Company has been undergoing an audit by the New Brunswick Department of Finance (“DOF”) for the periods from April 2003 to October 2009 in connection with the Company’s crown royalty payments. The Company has received a proposed Notice of Debt by the DOF, which the Company is in the process of challenging with the help of expert advisors. While the amount assessed is material, the settlement of this claim is not reasonably determinable. As a result, the Company has not made a provision for any of the amount identified in the DOF’s proposed reassessment as the Company believes its position on this matter to be valid.

### **16 Comparative amounts**

Certain of the comparative amounts have been reclassified to conform to the financial statement presentation adopted for December 31, 2010.

### **17 Subsequent events**

Subsequent to year end, the Company entered into an agreement to purchase 12,000 mmbtu per day of transportation on the Canadian side of the Maritimes and Northeast Pipeline from April 1, 2011 to March 31, 2012 and 8,000 mmbtu per day from April 1, 2012 to March 31, 2013.

Subsequent to year end, the Company received \$2,691 thousand on the exercise of 632 thousand stock options.

# Corporate Information

## Head Office

Suite 301, Cornwallis House  
5475 Spring Garden Road  
Halifax, Nova Scotia B3J 3T2  
Canada

### Contact:

Telephone (902) 429-4511  
Fax (902) 429-0209  
E-mail [pknoll@corridor.ca](mailto:pknoll@corridor.ca)  
Website [www.corridor.ca](http://www.corridor.ca)

## Stock Exchange

TSX – CDH

## Registrar and Transfer Agent

Computershare Trust Company of Canada  
Calgary, Alberta and Toronto, Ontario

## Directors and Officers

J. Douglas Foster	Chairman and Director
Phillip R. Knoll	President and Director
Norman W. Miller	Director
John H. (Jack) Bray	Director
Robert D. Penner	Director
Achille E. Desmarais	Director
W.C. (Mike) Seth	Director
Lisette F. Hachey	Chief Financial Officer and Secretary

## Bankers

Bank of Nova Scotia, Halifax, Nova Scotia  
Canadian Imperial Bank of Commerce  
Calgary, Alberta

## Auditors

PricewaterhouseCoopers LLP  
Halifax, Nova Scotia

## Solicitors

Bennett Jones LLP  
Calgary, Alberta

## Independent Engineering Firm

GLJ Petroleum Consultants Ltd.  
Calgary, Alberta

## Share Capital

Shares Authorized – Unlimited number of common shares  
Common shares issued as of March 30, 2011 – 88,447,466

## Notice of Annual and Special Meeting

The Annual and Special Meeting of Corridor Resources Inc.  
will be held on Tuesday, June 14, 2011, at 3:00 p.m.  
at the offices of Bennett Jones LLP, 4500 Bankers Hall East,  
855-2nd St. S.W., Calgary, Alberta, T2P 4K7