



First Quarter 2010 Management's Discussion and Analysis

As of May 12, 2010

This management's discussion and analysis ("MD&A") of financial results and condition of Corridor Resources Inc. ("Corridor" or the "Company") for the three months ended March 31, 2010 should be read in conjunction with Corridor's unaudited financial statements and notes thereto for the three months ended March 31, 2010 and audited financial statements and notes thereto for the year ended December 31, 2009.

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, 2009 (the "Annual Information Form"), is available on the Internet through the System for Electronic Document Analysis and Retrieval (SEDAR) found at 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. The Company has natural gas reserves 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, the Company has contingent resources in Elgin, New Brunswick. In June 2007, Corridor completed the construction of a field gathering system, a gas plant and a pipeline lateral ("midstream facilities") connecting the McCully Field to markets through the Maritimes & Northeast Pipeline ("M&NP").

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 March 31	
	2010	2009
Revenues	\$9,648	\$23,812
Net earnings (loss)	\$(695)	\$6,816
Net earnings (loss) per share - basic	\$(0.008)	\$0.078
Net earnings (loss) per share - diluted	\$(0.008)	\$0.078
Cash flow from operations ⁽¹⁾	\$5,328	\$17,133
Capital expenditures	\$4,998	\$19,800
Total assets	\$300,309	\$318,840

¹See "Non-GAAP Financial Measures".

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;
- general and administrative expenses;
- capital expenditures;
- exploration and development drilling program;
- cash flow from operations;
- sources of funding;
- 2010 capital program;
- level of bank debt, and
- impact of 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, and the ability to add production and reserves through development and exploration activities. 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, bank 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, management of growth, expiration of licenses and leases, reserves estimates, seasonality, competition, conflicts of interest, issuance of debt, title to properties, variations in exchange rates, and hedging. 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 2010, which are provided for the purpose of forecasting the financial position of Corridor at the end of the 2010 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 of this MD&A contain revisions to the outlook information disclosed in the 2009 MD&A dated March 26, 2010 which is available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com.

Q1 2010 Financial Summary

<i>thousands of dollars</i>	Three months ended March 31	
	2010	2009
Revenues	\$9,648	\$23,812
Royalty expense	(292)	(1,497)
Production expense	(919)	(990)
Transportation expense	(1,837)	(3,154)
	6,600	18,171
Other Expenses		
Depletion, depreciation, amortization and accretion	6,022	7,155
General and administrative	1,126	1,238
Stock-based compensation	160	292
Capital tax expense	72	30
	7,380	8,715
Earnings (loss) before the following items	(780)	9,456
Interest and finance costs	112	25
Interest and other income	(17)	(255)
Earnings (loss) before income taxes	(875)	9,686
Future income tax expense (recovery)	(180)	2,870
Net earnings (loss)	\$(695)	\$6,816

First Quarter Highlights

- During Q1 2010, natural gas production averaged 14.9 mmscfpd net to Corridor (including production from penalty wells) with an average natural gas sales price of \$6.77/mscf, resulting in a net loss of \$695 thousand and basic and diluted net loss per share of \$0.008.
- Natural gas revenues for Q1 2010 decreased to \$9,097 thousand from \$23,212 thousand for Q1 2009 due to the decrease in the average natural gas sales price from \$14.38/mscf in Q1 2009 to \$6.77/mscf in Q1 2010 resulting largely from forward sale contracts of 10,000 mmbtupd at an average sales price of \$US14.95/mmbtu in effect from November 1, 2008 to March 31, 2009. The decrease in revenues is also due to the decrease in production from 17.9 mmscfpd in Q1 2009 to 14.9 mmscfpd in Q1 2010, partly as a result of the Company's decision to suspend drilling activity early in Q2 2009 in response to the downturn in the economy and lower natural gas prices and partly as a result of the faster production declines from the two new McCully wells drilled and completed in 2009.
- Net earnings for Q1 2010 decreased to a net loss of \$695 thousand from net earnings of \$6,816 thousand for Q1 2009 reflecting the decrease in natural gas revenues.

Results of Operations

Revenues

<i>thousands of dollars</i>	Three months ended March 31	
	2010	2009
Natural gas	\$9,097	\$23,212
Condensate	124	102
Natural gas and gas liquids revenues	\$9,221	\$23,314
Gathering, processing & transportation fees	427	498
	\$9,648	\$23,812

Natural gas revenues decreased to \$9,097 thousand in Q1 2010 from \$23,212 thousand in Q1 2009 due to the decrease in the average natural gas sales price to \$6.77/mscf from \$14.38/mscf in Q1 2009 resulting largely from forward sale contracts of 10,000 mmbtupd at an average sales price of \$US14.95/mmbtu in effect from November 1, 2008 to March 31, 2009. The decrease in natural gas revenues is also due to the reduction in the average daily production in Q1 2010 to 14.9 mmscfpd from 17.9 mmscfpd in Q1 2009. The decrease in production is largely due to the Company suspending drilling activities early in Q2 2009 in response to the downturn in the economy resulting in only three wells being drilled and completed in 2009. Corridor had a total of 29 producing wells tied-in to the McCully gathering system by the end of March 2010 compared to a total of 26 producing wells by the end of March 2009.

Corridor's Q1 2010 revenues of \$9,648 thousand are lower than the amount previously budgeted of \$10,348 thousand due to the lower than budgeted gas production and budgeted natural gas sales price. The average daily gas production in Q1 2010 of 14.9 mmscfpd was slightly lower than the amount previously budgeted of 15.1 mmscfpd due primarily to an almost four day shutdown of the gas plant following a compressor failure. In addition, Corridor had estimated an average natural gas sales price for Q1 2010 of \$7.08/mscf, based on a natural gas sales price at Henry Hub of US\$5.5/mmbtu and a \$0.95 U.S. per Canadian dollar, but the actual average natural gas sales price for Q1 2010 was slightly lower at \$6.77/mscf due to lower natural gas prices at Henry Hub and a stronger than expected Canadian dollar during the period.

Production volumes and pricing

	Three months ended March 31	
	2010	2009
Total volumes		
Natural gas production (mmscf)	1,344	1,614
Condensate production (bbl)	1,658	2,077
Daily production averages		
Natural gas production per day (mmscfpd)	14.9	17.9
Condensate production per day (bblpd)	18.4	23.1
Average prices		
Natural gas selling price (\$/mscf)	\$6.77	\$14.38
Condensate selling price (\$/bbl)	\$74.59	\$49.10

Outlook

Corridor has decreased its estimate of the average natural gas sales price for the remainder of 2010 from US\$5.5/mmbtu at Henry Hub to US\$4.6/mmbtu at Henry Hub. Corridor has also revised its estimate of the exchange rate from \$0.95 U.S. per Canadian dollar to \$0.98 U.S. per Canadian dollar for the remainder of 2010 but has maintained its 2010 estimate of the average daily net production of 17.5 mmscfpd. As a result, Corridor's 2010 budget for revenues will decrease from \$48 million to \$42 million.

Gathering, processing and transportation fees

<i>thousands of dollars</i>	Three months ended March 31	
	2010	2009
Gathering, processing and transportation fees	\$427	\$498

Corridor owns the midstream facilities which treat and flow gas from the McCully Field to the 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 \$427 thousand in Q1 2010 from \$498 thousand in Q1 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 maintains its 2010 budget for GPT fees of \$2,200 thousand based on PCS’ estimated share of gross production.

Royalty Expense

<i>thousands of dollars</i>	Three months ended March 31	
	2010	2009
Crown royalties	\$292	\$1,497
Royalty expense per mscf (\$/mscf)	\$0.22	\$0.93
Percentage of natural gas and gas liquids revenues	3.2%	6.4%

For the three months ended March 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 decrease in the royalty expense per mscf for the three months ended March 31, 2010 to \$0.22/mscf from \$0.93/mscf for the three months ended March 31, 2009 is due to the significant decrease in the natural gas revenues during the period while the deductions allowable in the royalty calculation remained consistent.

Outlook

Corridor has decreased its 2010 estimate for the effective royalty rate from 5% to approximately 4% to reflect the forecasted decrease in natural gas revenues. Corridor recognizes that the structure of the royalty regime could change during 2010 if new regulations are implemented by the New Brunswick government but Corridor has not yet incorporated the impact of this potential change as these new regulations are not expected to have a material long-term financial impact on the Company. Since Q4 2008, the Company has been undergoing an audit by the New Brunswick Department of Finance for the periods from April 2003 to September 2009 in connection with the Company’s crown royalty payments. The Company has not made a provision for any liability which may arise out of this audit as the outcome is not determinable at this time.

Production Expense

<i>thousands of dollars</i>	Three months ended March 31	
	2010	2009
Gross production expense	\$1,119	\$1,357
Third party recoveries	(200)	(367)
Net production expense	\$919	\$990
Net production expense per mscf (\$/mscf)	\$0.68	\$0.61

Gross production expense for Q1 2010 decreased to \$1,119 thousand from \$1,357 thousand for Q1 2009 due to the decrease in methanol and water disposal costs in Q1 2010 as the Company’s methanol regenerator was not functioning in Q1 2009. The methanol regenerator recovers and reuses methanol from produced water and significantly reduces the volume of water for disposal thereby reducing methanol costs and related disposal costs. The decrease in third party recoveries in Q1 2010 reflects the decrease in PCS’s share of production.

Production expense per mscf for Q1 2010 of \$0.68/mscf is lower than the 2010 budget of \$0.98/mscf but consistent with the forecast for the current quarter, as higher production expenses are expected later in the year.

Outlook

Corridor maintains its 2010 estimate for production expense of \$0.98/mscf which is based on the average estimated net production of 17.5 mmscfpd and expected work-over operations of approximately \$2,700 thousand which may be incurred in 2010.

Transportation Expense

<i>thousands of dollars</i>	Three months ended March 31	
	2010	2009
Transportation expense	\$1,837	\$3,154
Transportation expense per mscf (\$/mscf)	\$1.37	\$1.95

Transportation expense for Q1 2010 decreased to \$1,837 thousand from \$3,154 thousand for Q1 2009 due to the following changes: a decrease in natural gas production, a decrease in the cost of Canadian firm tolls effective April 1, 2009, a decrease in the cost of U.S. firm tolls effective August 1, 2009 and a stronger Canadian dollar in Q1 2010 compared to Q1 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 of 90% of firm tolls. Corridor also has a transportation agreement for any remaining volumes, which commenced on December 1, 2009 and will expire on October 31, 2010, at a cost lower than firm tolls.

Transportation expense per mscf for Q1 2010 of \$1.37/mscf is lower than the 2010 budget of \$1.42/mscf due primarily to the stronger Canadian dollar during the period.

Outlook

Corridor has decreased its 2010 estimate of transportation expense from \$1.42/mscf to \$1.38/mscf primarily to reflect the change in the estimated exchange rate from \$0.95 U.S. per Canadian dollar to \$0.98 U.S. per Canadian dollar. The estimate is also based on the average estimated net production of 17.5 mmscfpd for 2010.

Depletion, Depreciation, Amortization and Accretion

<i>thousands of dollars</i>	Three months ended March 31	
	2010	2009
Depletion, depreciation, amortization and accretion	\$6,022	\$7,155
Depletion, depreciation, amortization and accretion per mscf (\$/mscf)	\$4.99	\$5.08

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. The depletion, depreciation, amortization and accretion (“DDAA”) rate in Q1 2010 is consistent with Q1 2009 and consistent with the estimate for the DDAA rate for 2010 of \$5/mscf.

Outlook

The Company has maintained its 2010 estimate of the DDAA rate per mscf of approximately \$5/mscf based on an average estimated daily gas production of 17.5 mmscfpd.

General and Administrative Expenses

<i>thousands of dollars</i>	Three months ended March 31	
	2010	2009
Gross expenses	\$1,214	\$1,378
Capitalized overhead	(88)	(112)
Operator recoveries	-	(28)
Net expenses	\$1,126	\$1,238

During Q1 2010, gross general and administrative expenses (“G&A”) decreased to \$1,214 thousand from \$1,378 thousand during Q1 2009 due to a decrease in the use of consultants and the overall decrease in activity level in Q1 2010. Capitalized overhead and operator recoveries for the three months ended March 31, 2010 have decreased compared to the prior period due to the decrease in joint venture activity.

Outlook

Corridor maintains its 2010 budget for G&A of approximately \$5.0 million which is consistent with the G&A level for 2009.

Future Income Taxes

<i>thousands of dollars</i>	Three months ended March 31	
	2010	2009
Future income tax expense (recovery)	\$(180)	\$2,870
Effective tax rate	(20.6)%	29.6%
Canadian statutory income tax rate	31.0%	33.2%

The decrease in the effective tax rate for the three months ended March 31, 2010 is due to the decrease in the substantially enacted tax rates in New Brunswick. Following the Province's 2009 budget, New Brunswick's corporate income tax rate was reduced from 13% to 12% effective July 1, 2009 and 11% effective July 1, 2010, with further proposed annual reductions leading up to a rate of 8% effective July 1, 2012. As a result, the Company's future income tax rate was reduced during Q2 2009 from 28.75% to 26%.

Outlook

Based on planned capital expenditure programs and current commodity price assumptions, the Company does not expect to be cash taxable in 2010 or 2011.

Capital Expenditures

<i>thousands of dollars</i>	Three months ended March 31	
	2010	2009
Drilling	\$3,795	\$15,217
Fracture stimulation programs and work-overs	424	3,577
Midstream facilities and tie-ins	254	570
Land and seismic	329	230
Capitalized overhead	88	112
Office and other equipment	108	94
	\$4,998	\$19,800

The decrease in capital expenditures in Q1 2010 to \$4,998 thousand from \$19,800 thousand in Q1 2009 reflects the suspension of drilling activities starting in Q2 2009. Corridor resumed drilling activities during Q1 2010 with one drilling rig instead of two. In Q1 2010, Corridor began drilling the L-37 well while in Q1 2009 Corridor completed drilling the McCully C-29, L-38 and P-47 wells (3 net wells).

Capital Expenditures Outlook

Corridor is maintaining its 2010 capital budget at \$28,600 thousand net to Corridor's working interest notwithstanding the anticipated \$5,500 thousand decrease in the Company's 2010 estimated cash flow from operations. Depending on a number of factors, including natural gas prices and the results of the L-37 well, Corridor may decrease its 2010 capital budget at a later date by deferring the second McCully well planned for Q4 2010.

Corridor has no planned expenditures for 2010 for the evaluation of its Frederick Brook shale gas resources as it awaits the results of operations conducted by Apache Canada Ltd. ("Apache") pursuant to the farm-out agreement with Apache.

Balance Sheet Items

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

- \$5,313 thousand increase in cash and cash equivalents, primarily reflecting natural gas revenues received during the quarter net of transportation expense.
- \$1,000 thousand decrease in restricted cash, reflecting the expiry of a letter of credit guarantee by Corridor.
- \$3,755 thousand decrease in receivables, primarily reflecting the decrease in natural gas prices and the collection of the outstanding fuel tax rebate in Q1 2010.
- \$1,147 thousand decrease in property, plant and equipment, reflecting a DDAA expense in excess of capital expenditures as a result of the lower capital spending in Q1 2010.

Cash Flow Highlights

<i>thousands of dollars</i>	Three months ended March 31	
	2010	2009
Cash provided by operating activities	\$6,965	\$20,111
Cash used in investing activities	(1,652)	(32,413)
Increase (decrease) in cash and cash equivalents	\$5,313	\$(12,302)

The decrease in cash provided by operating activities for Q1 2010 compared to Q1 2009 is primarily the result of the decrease in natural gas revenues resulting from the reduction in natural gas prices.

Cash used in investing activities has decreased for Q1 2010 compared to Q1 2009 due to the significant decrease in capital spending.

Summary of Quarterly Information

<i>thousand of dollars, except per share amounts and average natural gas price</i>	2010	2009				2008		
	Three months ended	Three months ended				Three months ended		
	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30
Natural gas revenues	\$9,097	\$9,936	\$5,167	\$7,164	\$23,212	\$22,667	\$15,391	\$18,466
Net earnings (loss)	\$(695)	\$(1,825)	\$(3,442)	\$118	\$6,816	\$8,380	\$3,874	\$3,816
Net earnings (loss) per share – basic	\$(0.008)	\$(0.021)	\$(0.039)	\$0.001	\$0.078	\$0.096	\$0.044	\$0.046
per share – diluted	\$(0.008)	\$(0.021)	\$(0.039)	\$0.001	\$0.078	\$0.096	\$0.044	\$0.045
Natural gas production as disclosed (mmscf)	1,344	1,797	1,336	1,450	1,614	1,934	1,548	1,683
Revised natural gas production (mmscf) ⁽¹⁾	1,344	1,797	1,336	1,450	1,614	1,743	1,548	1,737
Average natural gas price (\$/mmscf)	\$6.77	\$5.53	\$3.87	\$4.94	\$14.38	\$13.01	\$9.94	\$10.97
Capital expenditures	\$4,998	\$5,781	\$9,823	\$2,957	\$19,800	\$20,411	\$26,638	\$14,704

(1) The revised natural gas production reflects, in the period in which natural gas production actually occurred, 191 mmscf of natural gas production recognized in Q4 2008 relating to natural gas production not measured by M&NP's custody transfer meter during the period from October 25, 2007 to June 20, 2008 (this amount is referred to as the by-passed natural gas production).

Outstanding Share Information

As of April 30, 2010, the outstanding share information was as follows:

Common shares outstanding	87,768,467
Stock options to purchase common shares	2,275,667
Total common shares outstanding after exercise of all stock options	90,044,134
<i>thousands of dollars</i>	
Total proceeds due on exercise of all stock options	\$10,400

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.

During 2009, Corridor replaced its \$40 million revolving credit facility with a Canadian chartered bank with a \$20 million revolving credit facility with another Canadian chartered bank. This new credit facility can be increased at any time up to the current approved borrowing base of \$44 million, subject to the bank reconfirming this borrowing base. The interest rate on the new credit facility is currently based on the bank's prime rate plus 1.25% per annum, with interest payable monthly. The credit facility will mature, subject to mutual agreement to extend, on July 31, 2010 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 loan.

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 March 31, 2010, no amounts were drawn on this credit facility and \$20 million remained available.

Corridor does not intend to access its credit facility in 2010, consistent with the Company's 2010 capital budget. The 2010 budget assumes that no additional funds will be utilized from other sources such as equity financings, corporate debt or asset sales.

The Company believes it has sufficient financial resources to undertake all of its planned exploration and development programs for 2010. However, Corridor does not presently have sufficient financial resources to undertake by itself a comprehensive exploration and development of the Company's properties beyond 2010. 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 financing, equity financing 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. At this time, Apache has indicated to Corridor that it plans to commence drilling operations in June 2010 at the Green Road location north of Elgin, New Brunswick. This farm-out agreement potentially provides a mechanism for the Company to continue to develop its properties beyond 2010.

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

Related Party Transactions

A director of Corridor is a partner in a law firm that provides legal services. There were no related party transactions in Q1 2010 or Q1 2009.

Disclosure and Internal Controls and Procedures

The President and Chief Financial Officer are responsible for establishing and maintaining 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 Canadian GAAP. During the three months ended March 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.

Changes in Accounting Policies

In April 2008, the Accounting Standards Board ("AcSB") issued an omnibus exposure draft which proposes that GAAP for publicly accountable enterprises be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011 with comparative information for the previous fiscal year. In March 2009, the AcSB issued a second omnibus exposure draft which confirms the IFRS transition date.

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.
- 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.
- 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.

Corridor's IFRS accounting policies are expected to be finalized in Q3 2010 with the quantification of IFRS impacts being determined utilizing previously captured data. The Company will be monitoring the International Accounting Standards Board's ("IASB") active projects and all changes to IFRS prior to January 1, 2011 will be incorporated as required.

First Time Adoption

In July 2009, the IASB issued *Additional Exemptions for First-time Adopters (Amendments to IFRS 1)* which provides entities adopting IFRS for the first time with a number of optional exemptions and certain exceptions to the full retrospective adoption of IFRS. Management has determined the most significant exemptions applicable to Corridor, as of the date hereof, to be the following:

Deemed Cost of Property Plant & Equipment ("PP&E")

IFRS 1 provides the option to companies using the full cost method of accounting for their petroleum and natural gas properties the option to carry forward the net book value determined under GAAP at December 31, 2009 as the deemed cost under IFRS in the January 1, 2010 opening financial statements. This exemption will significantly reduce the amount of necessary PP&E adjustments which would have resulted from the retroactive adoption of IFRS. IFRS balances determined on this basis will be required to be tested for impairment at the date of transition, and the Company's petroleum and natural gas assets will need to be allocated between exploration and evaluation phase assets and development and production phase assets based on one of two acceptable allocation methods offered in the exemption. The Company intends to utilize this exemption.

Asset Retirement Obligations (“ARO”)

In accordance with the IFRS 1 *Deemed cost of PP&E exemption*, the Company will re-measure its opening ARO liability at January 1, 2010 in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. Any resulting difference between the GAAP balance at that date and the amount calculated under IFRS will be recognized directly in retained earnings. Under GAAP, the ARO liability fair value is based on the estimated future expenditures expected to be incurred and existing ARO liabilities are not re-measured using current discount rates. Under IFRS, the ARO liability and asset will be measured as the best estimate of the expenditure to be incurred and will require the use of current discount rates at each balance sheet date.

Share based compensation

IFRS 1 allows an exemption on the adoption of IFRS 2 *Share-based payments* for options granted prior to November 7, 2002, or for options that were granted after November 7, 2002 but that vested before January 1, 2010. This exemption will result in no adjustment in the accounting for these options at the transition date. The Company intends to utilize this exemption.

Key Differences

The transition from GAAP to IFRS is a significant undertaking that may materially affect the Company’s reported financial position and results of operations. At this time, Corridor has identified the following key differences between Corridor’s existing accounting policies under GAAP and IFRS:

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 be required to 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. Currently, Corridor capitalizes and depletes pre-exploration costs, however, these costs have been insignificant for Corridor in the past.

IFRS 6 defines exploration and evaluation (“E&E”) costs as those expenditures for which technical feasibility and commercial viability have not yet been determined. Upon transition to IFRS, Corridor will need to reclassify all E&E expenditures that are currently included in PP&E on the Balance Sheet as E&E assets. Under IFRS, Corridor will have the option to initially capitalize these costs as E&E assets on the Balance Sheet or expense them in the period incurred. Corridor has not concluded at this time the preferred accounting policy for E&E assets.

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, the depletion basis for these costs will likely contract from a country cost centre to a smaller unit-of-measure. Corridor has not finalized the inputs to be utilized in the unit-of-production depletion calculation.

Calculation of depletion expense for PP&E assets

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 has not concluded at this time the preferred method for calculating depletion.

Impairment

Under IFRS, the level at which impairment tests are performed and the impairment testing methodology will differ from GAAP. Impairment of PP&E will be calculated at a more granular level than what is currently required under GAAP. Under IFRS, impairment losses will be reversed when there is a subsequent increase in the recoverable amount and will be written back up to the net book value that would have existed had the impairment not been recorded.

At this time, the impact of reporting under IFRS on the Company’s financial position and results of operations is not reasonably determinable.

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 substantial capital requirements, bank financing, 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, reserves estimates, 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.

Financial Risks

Operations are affected by local, national, and worldwide economic conditions and the condition of the oil and gas industry. Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to financial markets and commodity prices. These conditions have continued through 2009 and are expected to continue into 2010, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions.

Notwithstanding various actions by the U.S. and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions continue. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward. Corridor, along with all other oil and gas entities, may have restricted access to capital, bank debt and equity, and is likely to face increased borrowing costs. Although Corridor's business and asset base have not changed, the lending capacity of all financial institutions has diminished and risk premiums have increased. As future capital expenditures will be financed out of funds generated from operations, borrowings and possible future equity sales, Corridor's ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the energy industry and Corridor's securities in particular.

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 trapped in shale. If such resources are developed, it may have a substantial impact on the price of gas and 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.

Statements of Earnings, Comprehensive Income and Retained Earnings (Unaudited)

(thousands of dollars, except per share amounts)

For the	Three months ended March 31	
	2010	2009
Revenues	\$ 9,648	\$ 23,812
Royalty expense	(292)	(1,497)
Production expense	(919)	(990)
Transportation expense	(1,837)	(3,154)
	6,600	18,171
Other Expenses		
Depletion, depreciation, amortization and accretion	6,022	7,155
General and administrative (note 4)	1,126	1,238
Stock-based compensation (note 6c)	160	292
Capital tax expense	72	30
	7,380	8,715
Earnings (loss) before the following items	(780)	9,456
Interest and finance costs	112	25
Interest and other income	(17)	(255)
Earnings (loss) before income taxes	(875)	9,686
Future income tax expense (recovery) (note 2)	(180)	2,870
Net earnings (loss), being comprehensive income	(695)	6,816
Retained earnings, beginning of period	22,489	20,822
Retained earnings, end of period	\$ 21,794	\$ 27,638
Net earnings (loss) per share (note 3)		
Basic	\$ (0.008)	\$ 0.078
Diluted	\$ (0.008)	\$ 0.078

See accompanying notes to the interim unaudited financial statements.

Balance Sheets (Unaudited)

(thousands of dollars)

As at	March 31 2010	December 31 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 13,797	\$ 8,484
Restricted cash	350	1,350
Receivables	2,748	6,503
Receivables from joint venture partners	91	121
Capital taxes receivable	41	85
Prepays and security deposits	496	120
	17,523	16,663
Property, plant and equipment (notes 4 & 5)	279,913	281,060
Investment tax credits	1,227	1,227
Intangible assets	416	425
Restricted cash and security deposits	1,230	1,230
	\$ 300,309	\$ 300,605
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,959	\$ 5,636
Obligations under capital lease	146	145
Advances from joint venture partners	67	-
	6,172	5,781
Obligations under capital lease	118	155
Future income taxes	22,971	23,151
Asset retirement obligations	1,565	1,500
	30,826	30,587
Shareholders' Equity		
Capital stock (note 6)	242,381	242,381
Contributed surplus (note 6d)	5,308	5,148
Retained earnings	21,794	22,489
	269,483	270,018
	\$ 300,309	\$ 300,605

See accompanying notes to the interim unaudited financial statements.

Contingency (note 10)

On behalf of the Board

Signed "Norman W. Miller" Director

Signed "Robert D. Penner" Director

Statements of Cash Flows (Unaudited)

(thousands of dollars)

For the	Three months ended March 31	
	2010	2009
Operating Activities		
Net earnings (loss)	\$ (695)	\$ 6,816
Depletion, depreciation, amortization and accretion	6,022	7,155
Stock-based compensation	160	292
Future income tax expense (recovery)	(180)	2,870
Amortization of debt issue costs	21	-
	\$ 5,328	17,133
Increase in non-cash operating working capital (note 7)	1,637	2,978
Cash provided by operating activities	6,965	20,111
Investing Activities		
Property, plant and equipment expenditures	(4,998)	(19,800)
Decrease in restricted cash	1,000	-
Increase (decrease) in non-cash investing working capital (note 7)	2,346	(12,613)
Cash used in investing activities	(1,652)	(32,413)
Increase (decrease) in cash and cash equivalents	5,313	(12,302)
Cash and cash equivalents, beginning of period	8,484	34,313
Cash and cash equivalents, end of period	\$ 13,797	\$ 22,011
Cash and cash equivalents consists of:		
Cash	\$ 8,027	\$ 6,241
Short-term investments	5,770	15,770
Cash and cash equivalents, end of period	\$ 13,797	\$ 22,011

See accompanying notes to the interim unaudited financial statements.

Notes to the Interim Unaudited Financial Statements

March 31, 2010

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.

These interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and follow the same accounting policies as the audited financial statements for the year ended December 31, 2009. These interim financial statements do not contain all the disclosure required for annual financial statements and therefore should be read in conjunction with the audited financial statements as at and for the year ended December 31, 2009.

2 Future 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 earnings (loss) before income taxes as follows:

(thousands of dollars)

	Three months ended March 31	
	2010	2009
Earnings (loss) before income taxes	\$ (875)	\$ 9,686
Blended Canadian statutory income tax rate	31%	33%
Expected income tax expense (recovery)	\$ (271)	\$ 3,216
Increase (decrease) resulting from:		
Non-deductible stock-based compensation	50	97
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	36	(444)
Other	5	1
	\$ (180)	\$ 2,870

3 Earnings per share

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

(thousands of shares)

	Three months ended March 31	
	2010	2009
Weighted average number of common shares - basic	87,767	87,629
Effect of stock options	337	69
Weighted average number of common shares - diluted	88,104	87,698

For the three months ended March 31, 2010, stock options of 1,446 thousand (March 31, 2009 – 1,491 thousand) were excluded from the dilution calculation since the average market price for the period was lower than the exercise price.

Notes to the Interim Unaudited Financial Statements

March 31, 2010

4 Property, plant and equipment

(thousands of dollars)

March 31, 2010	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 271,626	\$ 59,474	\$ 212,152
Production facilities	73,386	14,746	58,640
Inventory	6,529	-	6,529
Future asset retirement costs	1,124	301	823
Office furniture and other equipment	2,668	899	1,769
	\$ 355,333	\$ 75,420	\$ 279,913

(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
	\$ 350,500	\$ 69,440	\$ 281,060

For the three months ended March 31, 2010, Corridor capitalized to petroleum and natural gas properties general and administrative costs of \$88 thousand (March 31, 2009 - \$112 thousand). The calculation of depletion includes estimated future development costs relating to the development of proved reserves of \$87 million for the three months ended March 31, 2010 (March 31, 2009 - \$104 million).

5 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 31, 2010. Outstanding amounts drawn on the credit facility are secured by a \$75 million demand debenture on the Company's property, plant and equipment. At March 31, 2010, there was no amount drawn on the credit facility.

6 Capital stock

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

b) **Issued and outstanding**

(thousands of dollars and thousands of shares)

	March 31, 2010		December 31, 2009	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	87,767	\$ 242,381	87,629	\$ 246,413
Exercise of stock options for cash and amount recognized from contributed surplus	-	-	138	131
Tax impact of flow-through renunciation	-	-	-	(4,298)
Share issue costs net of tax benefit	-	-	-	17
Balance, end of period	87,767	\$ 242,381	87,767	\$ 242,381

Notes to the Interim Unaudited Financial Statements

March 31, 2010

6 Capital stock (continued)

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% 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.

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

	March 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 period	2,299	\$ 4.58	1,604	\$ 5.34
Exercised	-	\$ -	(138)	\$ 0.95
Forfeited	(22)	\$ 5.71	(6)	\$ 9.48
Granted	-	\$ -	839	\$ 2.57
Balance, end of period	2,277	\$ 4.57	2,299	\$ 4.58
Options exercisable, end of period	1,342	\$ 5.40	1,338	\$ 5.43

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

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

For the three months ended March 31, 2010, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$160 thousand (March 31, 2009 - \$292 thousand).

The range of exercise prices of stock options outstanding and exercisable as at March 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	831	4.3	\$ 2.57	10	\$ 2.75
\$ 3.00 - \$ 4.99	615	0.9	\$ 4.41	610	\$ 4.41
\$ 5.00 - \$ 5.99	508	1.3	\$ 5.46	508	\$ 5.46
\$ 6.00 - \$ 6.99	109	3.0	\$ 6.80	104	\$ 6.80
\$ 7.00 - \$10.99	214	3.1	\$ 9.54	110	\$ 9.54
	2,277	2.5	\$ 4.57	1,342	\$ 5.40

Notes to the Interim Unaudited Financial Statements

March 31, 2010

6 Capital stock (continued)

d) Contributed surplus

(thousands of dollars)

	March 31 2010	December 31 2009
Balance, beginning of period	\$ 5,148	\$ 4,446
Stock-based compensation expense	160	820
Stock options exercised	-	(118)
Balance, end of period	\$ 5,308	\$ 5,148

7 Supplemental cash flow information

(thousands of dollars)

	Three months ended March 31	
	2010	2009
Increase (decrease) in non-cash operating working capital:		
Receivables	\$ 2,582	\$ 3,697
Prepays and security deposits	(376)	(423)
Accounts payable and accrued liabilities	(613)	(217)
Capital taxes receivable	44	(79)
	\$ 1,637	\$ 2,978
Increase (decrease) in non-cash investing working capital:		
Receivables	\$ 1,173	\$ 676
Inventory	161	(930)
Accounts payable and accrued liabilities	915	(2,467)
Advances from joint venture partners	97	(9,892)
	\$ 2,346	\$ (12,613)
Interest and taxes paid:		
Interest paid	\$ 25	\$ 22
Capital and other taxes paid	\$ 28	\$ 109

8 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 period, 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.

Notes to the Interim Unaudited Financial Statements

March 31, 2010

8 Risk management (continued)

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

(thousands of U.S. dollars)

	March 31, 2010	December 31, 2009
Cash	\$ 2,642	\$ 27
Receivables	1,733	3,281
Financial instruments in U.S. dollars	\$ 4,375	\$ 3,308

At March 31, 2010, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in an increase of approximately \$200 thousand (March 31, 2009 – \$300 thousand) in the Company's net loss 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 \$200 thousand (March 31, 2009 – \$300 thousand) in the Company's net loss.

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 March 31, 2010, the Company was holding cash and cash equivalents of \$13,797 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 \$44 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. Corridor does not intend to access this credit facility in 2010 consistent with the Company's 2010 budget.

Given the Company's available liquid resources and the Company's 2010 budget, management expects to have sufficient available funds to meet the current and foreseeable financial contractual obligations, as disclosed in the Company's December 31, 2009 audited financial statements.

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 Interim Unaudited Financial Statements

March 31, 2010

9 Related parties

A director of Corridor is a partner in a law firm that provides legal services to the Company. For the three months ended March 31, 2010 and March 31, 2009, no legal expenses are included in general and administrative expenses. At March 31, 2010, no amount 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 and approximate fair value.

10 Contingency

Since Q4 2008, the Company has been undergoing an audit by the New Brunswick Department of Finance for the periods from April 2003 to September 2009 in connection with the Company's crown royalty payments. The Company has not made a provision for any liability which may arise out of this audit as the outcome is not determinable at this time. While not yet determinable, the Company does not expect the exposure to be material.

Corporate Information

Head Office

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

Telephone (902) 429-4511
Fax (902) 429-0209
E-mail nmiller@corridor.ca
Website www.corridor.ca

Stock Exchange

TSX – CDH

Directors and Officers

J. Douglas Foster	Chairman and Director
Norman W. Miller	President and 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

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta
Toronto, Ontario

Independent Engineering Firm

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

Share Capital

Shares Authorized – Unlimited number of common shares
Common shares issued as of April 30, 2010 – 87,768,467