



Third Quarter 2009 Management's Discussion and Analysis As of November 10, 2009

This management's discussion and analysis ("MD&A") of financial results and condition of Corridor Resources Inc. ("Corridor" or the "Company") for the three and nine months ended September 30, 2009 should be read in conjunction with Corridor's unaudited financial statements and notes thereto for the three and nine months ended September 30, 2009 and audited financial statements and notes thereto for the year ended December 31, 2008.

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, 2008 (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 has recently discovered crude oil reserves in the Caledonia Field, near Sussex, 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, 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 September 30		Nine months ended September 30	
	2009	2008	2009	2008
Revenues	\$5,901	\$16,253	\$37,600	\$55,619
Net earnings (loss)	\$(3,442)	\$3,874	\$3,492	\$13,771
Net earnings (loss) per share - basic	\$(0.039)	\$0.044	\$0.040	\$0.163
Net earnings (loss) per share - diluted	\$(0.039)	\$0.044	\$0.040	\$0.162
Cash flow from operations ⁽¹⁾	\$1,815	\$11,620	\$22,165	\$38,211
Capital expenditures	\$9,823	\$26,638	\$32,580	\$59,324
Gross proceeds from capital stock issues	\$131	\$-	\$131	\$55,546
Total assets	\$306,790	\$306,811	\$306,790	\$306,811

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 and accretion rate;
- general and administrative expenses;
- capital expenditures;
- exploration and development drilling program;
- cash flow from operations;
- sources of funding,
- 2009 capital program, and
- level of bank debt.

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 2009, which are provided for the purpose of forecasting the financial position of Corridor at the end of the 2009 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 second quarter MD&A dated August 12, 2009 which is available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com.

Q3 2009 Financial Summary

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Revenues	\$5,901	\$16,253	\$37,600	\$55,619
Royalty expense	(82)	(937)	(1,685)	(3,402)
Production expense	(717)	(696)	(2,359)	(3,074)
Transportation expense	(2,040)	(2,624)	(7,661)	(8,435)
	3,062	11,996	25,895	40,708
Other Expenses				
Depletion, depreciation and accretion	6,210	5,747	19,888	17,104
General and administrative	1,028	1,062	3,532	3,323
Stock-based compensation	186	307	643	1,263
Capital tax expense	30	90	90	330
	7,454	7,206	24,153	22,020
Earnings (loss) before the following items	(4,392)	4,790	1,742	18,688
Interest and finance costs	204	23	680	310
Interest and other income	(15)	(799)	(572)	(1,466)
Earnings (loss) before income taxes	(4,581)	5,566	1,634	19,844
Future income tax expense (recovery)	(1,139)	1,692	(1,858)	6,073
Net earnings (loss)	\$(3,442)	\$3,874	\$3,492	\$13,771

Third Quarter Highlights

- During Q3 2009, natural gas production averaged 14.5 mmscfpd net to Corridor (including production from penalty wells) with an average natural gas sales price of \$3.87/mscf, resulting in a net loss of \$3,442 thousand and basic and diluted net loss per share of \$0.039.
- Natural gas revenues for Q3 2009 decreased to \$5,167 thousand from \$15,391 thousand for Q3 2008 due to the decrease in the average natural gas sales price from \$9.94/mscf to \$3.87/mscf and a decrease in production from 16.8 mmscfpd to 14.5 mmscfpd.
- Net earnings for Q3 2009 decreased to a net loss of \$3,442 thousand from net earnings of \$3,874 thousand for Q3 2008 reflecting the decrease in natural gas revenues.
- On September 9, 2009, Corridor reported the initial results of fracturing and flow-testing of the McCully L-38 and P-47 wells located in the northeastern segment of the McCully natural gas field. The wells were fractured with liquid propane followed by flow-back and initial flow test operations. This was the first time that fracturing with propane was conducted in the McCully Field, as completion operations in previous years had mainly used combinations of water and methanol as the frac fluid. Based on the initial results, Corridor estimated the initial production capacity of the McCully P-47 well to be 9 to 10 mmscfpd and the McCully L-38 well to be 12 to 13 mmscfpd at the McCully gathering system line pressure (3,500 kPa or 500 psi). At September 30, 2009, these wells were shut in for a pressure build-up and to run production tubing. Longer term production rates and pressures are being monitored to more accurately project the longer term performance of the wells.
- On October 15, 2009, Corridor reported it was continuing to flow test the recently completed McCully L-38 and P-47 wells. The wells were producing in-line to the gas plant at constrained rates in the range of 5 to 6 mmscfpd each to assess their respective longer term flow performances. However, early pressure response suggests that both wells may decline from these high initial rates at somewhat more rapid rates than normal for most McCully wells.

Results of Operations

Revenues

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Natural gas	\$5,167	\$15,391	\$35,543	\$53,172
Condensate	152	190	372	612
Natural gas and gas liquids revenues	5,319	15,581	35,915	53,784
Gathering, processing & transportation fees	582	672	1,685	1,835
	\$5,901	\$16,253	\$37,600	\$55,619

Natural gas revenues decreased to \$5,167 thousand in Q3 2009 from \$15,391 thousand in Q3 2008 due to the decrease in the average natural gas sales price to \$3.87/mscf from \$9.94/mscf in Q3 2008 and to the reduction in the average daily production in Q3 2009 to 14.5 mmscfpd from 16.8 mmscfpd in Q3 2008. The decrease in natural gas revenues for the nine months ended September 30, 2009 to \$35,543 thousand from \$53,172 thousand for the nine months ended September 30, 2008 is due to the decrease in the average natural gas sales price to \$8.08/mscf from \$10.59/mscf for the nine months ended September 30, 2008 and a reduction in the average daily production for the nine months ended September 30, 2009 to 16.1 mmscfpd from 18.3 mmscfpd for the nine months ended September 30, 2008 (excludes the natural gas production that was not measured by the custody transfer meter and was subsequently recognized in Q4 2008).

The decrease in production for the nine months ended September 30, 2009 is primarily due to the effects of down-hole scaling and mineral deposition within the production wellbores, and the significant volumes of frac fluids (water and methanol) remaining in the reservoirs and wellbores, and also due in part to the technical problems encountered in Q4 2008 with McCully wells N-66 and I-47 which delayed the production from these wells. Corridor is currently undergoing a well work-over program to begin addressing these issues. The decrease in production in Q3 2009 is also due to a four day shut-down of the gas plant for maintenance and certain wells being shut-in for work-over and fracturing operations.

Corridor had a total of 29 producing wells tied-in to the McCully gathering system by the end of September 2009 compared to a total of 21 producing wells by the end of September 2008. However, at September 30, 2009, three wells were shut-in for work-over operations and the P-47 and L-38 wells were shut-in for a pressure build-up and to run production tubing.

Corridor's Q3 2009 revenues of \$5,901 thousand are lower than the amount previously budgeted of \$8,184 thousand due to the lower than budgeted natural gas sales price and budgeted gas production. The average daily gas production in Q3 2009 of 14.5 mmscfpd was lower than the amount previously budgeted of 16.9 mmscfpd primarily due to the delay in getting the P-47 and L-38 wells on production and to the four day shut-down of the gas plant.

Production volumes and pricing

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Total volumes				
Natural gas production (mmscf) ⁽¹⁾	1,336	1,548	4,399	5,155
Condensate production (bbl)	2,156	1,718	6,040	5,961
Daily production averages				
Natural gas production per day (mmscfpd) ⁽¹⁾	14.5	16.8	16.1	18.8
Condensate production per day (bblpd)	23.4	18.7	22.1	21.8
Average prices				
Natural gas selling price (\$/mscf)	\$3.87	\$9.94	\$8.08	\$10.59
Condensate selling price (\$/bbl)	\$70.50	\$110.59	\$61.59	\$102.67

⁽¹⁾ Natural gas production for the nine months ended September 30, 2008 was restated from 5,023 mmscf to 5,155 mmscf and from 18.3 mmscfpd to 18.8 mmscfpd to reflect, 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). Where applicable, the calculation of the \$/mscf analysis in this MD&A is based on these revised production numbers to more accurately reflect the Company's actual operating results.

Outlook

Corridor has decreased its estimate of the average natural gas sales price for 2009 from US\$4.2/mmbtu at Henry Hub to US\$4.0/mmbtu at Henry Hub to reflect the lower natural gas sales prices incurred in Q3 2009. Corridor has maintained its Q4 2009 estimate of the average natural gas sales price of US\$4.7/mmbtu at Henry Hub but has revised its estimate of the exchange rate from \$0.90 U.S. per Canadian dollar to \$0.95 U.S. per Canadian dollar. Corridor has maintained its previously estimated average net production for 2009 of 18 mmscfd as the lower natural gas production in Q3 2009 is expected to be offset by the increase in the estimated average production from 20 mmscfd to 23 mmscfd in Q4 2009. The Q4 2009 increase in the estimated average production is due mainly to the increased estimated production from the McCully P-47 and L-38 wells. However, these positive changes were not sufficient to offset the reduction in natural gas revenues in Q3 2009 and as a result, Corridor has decreased its 2009 budget for revenues from \$54.5 million to \$52.0 million.

Gathering, processing and transportation fees

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Gathering, processing and transportation fees	\$582	\$672	\$1,685	\$1,835

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 \$582 thousand in Q3 2009 from \$672 thousand in Q3 2008 and to \$1,685 thousand for the nine months ended September 30, 2009 from \$1,835 thousand for the nine months ended September 30, 2008 reflects a decrease in PCS' share of production going through the midstream facilities.

Outlook

Corridor maintains its 2009 budget for GPT fees of \$2,300 thousand based on PCS' estimated share of gross production.

Royalty Expense

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Crown royalties	\$82	\$937	\$1,685	\$3,402
Royalty expense per mscf (\$/mscf)	\$0.06	\$0.61	\$0.38	\$0.68
Percentage of natural gas and gas liquids revenues	1.6%	6.0%	4.7%	6.3%

For the three and nine months ended September 30, 2009, 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 and nine months ended September 30, 2009 to \$0.06/mscf and \$0.38/mscf, respectively from \$0.61/mscf and \$0.68/mscf for the three and nine months ended September 30, 2008, respectively is due to the significant decrease in the natural gas revenues during these periods while the deductions allowable in the royalty calculation remained consistent.

Outlook

Corridor maintains its 2009 estimate for the effective royalty rate of approximately 4.5%.

Production Expense

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Gross production expense	\$1,028	\$1,132	\$3,462	\$4,288
Third party recoveries	(311)	(436)	(1,103)	(1,214)
Net production expense	\$717	\$696	\$2,359	\$3,074
Net production expense per mscf (\$/mscf)	\$0.54	\$0.45	\$0.54	\$0.60

Gross production expense for Q3 2009 decreased to \$1,028 thousand from \$1,132 thousand for Q3 2008 and to \$3,462 thousand for the nine months ended September 30, 2009 from \$4,288 thousand for the nine months ended September 30, 2008 due to the decrease in methanol and water disposal costs. The decrease in methanol costs is due to a lower water production and the ability to recover and reuse methanol from produced water following the installation of a methanol regenerator in Q3 2008. The methanol regenerator has also significantly reduced the volume of water for disposal and the related disposal costs. The decrease in third party recoveries in 2009 reflects the decrease in PCS's share of production.

Outlook

Corridor has decreased its 2009 estimate for production expense from \$0.59/mscf to \$0.53/mscf for 2009 to reflect lower than budgeted expenses for maintenance of the gas plant during the Q3 2009 shut down. The revised estimate is based on the average estimated net production of 18 mmscfpd for 2009.

Transportation Expense

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Transportation expense	\$2,040	\$2,624	\$7,661	\$8,435
Transportation expense per mscf (\$/mscf)	\$1.53	\$1.70	\$1.74	\$1.68

Transportation expense for Q3 2009 decreased to \$2,040 thousand from \$2,624 thousand for Q3 2008 and to \$7,661 thousand for the nine months ended September 30, 2009 from \$8,435 thousand for the nine months ended September 30, 2008 due to the following changes: a decrease in natural gas production, a \$0.05/mmbtu 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 firm transportation agreement for variable monthly volumes at a cost of 75% of the Canadian firm tolls effective May 1, 2009. These positive changes to transportation expense were lessened by a stronger U.S. dollar in 2009 compared to 2008.

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, which commenced on May 1, 2009 and will expire on November 30, 2009, which allows Corridor, on a monthly basis, to commit to a volume of firm transportation on the Canadian side of the M&NP at a cost of 75% of the firm tolls.

Transportation expense per mscf for Q3 2009 is consistent with the previous forecast for the quarter but lower than the previous forecast of \$1.64/mscf for 2009 as transportation expense per mscf will increase significantly in Q4 2009 when the variable monthly firm transportation agreement expires on November 30, 2009.

Outlook

Corridor has maintained its estimate of transportation expense of \$1.64/mscf for 2009 based on the average estimated net production of 18 mmscfpd for 2009.

Depletion, Depreciation and Accretion

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Depletion, depreciation and accretion	\$6,210	\$5,747	\$19,888	\$17,104
Depletion, depreciation and accretion per mscf (\$/mscf)	\$5.28	\$4.36	\$5.16	\$4.10

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 and accretion rate increased for the three and nine months ended September 30, 2009 as Corridor's estimated future development costs relating to the development of proved reserves has increased to \$104 million in 2009 from \$71 million in 2008 and the proved reserve base did not increase as significantly in 2008 as in the prior year. Corridor's proved natural gas reserves increased by 3.4 bscf to 77.5 bscf as at December 31, 2008 compared to an increase of 41.7 bscf to 79.9 bscf as at December 31, 2007.

Outlook

The Company has maintained its 2009 estimate for the depletion, depreciation and accretion rate per mscf of approximately \$5.0/mscf, based on the average estimated net production of 18 mmscfd for 2009 and estimated capital expenditures of \$40 million.

General and Administrative Expenses

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Gross expenses	\$1,124	\$1,257	\$3,876	\$3,887
Capitalized overhead	(87)	(135)	(297)	(406)
Operator recoveries	(9)	(60)	(47)	(158)
Net expenses	\$1,028	\$1,062	\$3,532	\$3,323

During Q3 2009, gross general and administration expenses (“G&A”) decreased to \$1,124 thousand from \$1,257 thousand during Q3 2008 due to a decrease in the use of consultants in Q3 2009. During the nine months ended September 30, 2009, gross G&A of \$3,876 thousand was consistent with gross G&A of \$3,887 thousand during the nine months ended September 30, 2008 as the increase in the number of employees was offset by the decrease in the use of consultants. Capitalized overhead and operator recoveries for the three and nine months ended September 30, 2009 has decreased compared to prior period due to the decrease in joint venture activity.

Outlook

Corridor’s budget for G&A for 2009 is expected to be approximately \$5.0 million, consistent with the G&A level for 2008.

Interest and Finance Costs

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Interest and finance costs	\$204	\$23	\$680	\$310

The increase in interest and finance costs to \$204 thousand and \$680 thousand for the three and nine months ended September 30, 2009 from \$23 thousand and \$310 thousand for the three and nine months ended September 30, 2008 respectively, reflects an increase in foreign exchange losses due to a weakening of the U.S. dollar.

Future Income Taxes

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Future income tax expense (recovery)	\$(1,139)	\$1,692	\$(1,858)	\$6,073
Effective tax rate	(24.9)%	30.3%	(113.7)%	30.6%
Canadian statutory income tax rate	33.2%	33.3%	33.2%	33.3%

The decrease in the effective tax rate for the nine months ended September 30, 2009 is due to the decrease in the substantially enacted tax rates in New Brunswick. New Brunswick’s corporate income tax rate was reduced from 13% to 12% effective July 1, 2009, with further proposed annual reductions leading up to a rate of 8% effective July 1, 2012, following the Province’s 2009 budget. As a result, the Company’s future income tax rate was reduced during Q2 2009 from 28.75% to 26% and the Company recorded a future income tax recovery of \$2,640 thousand. The impact of the decrease in the New Brunswick corporate income tax rate was lessened by a change in the Company’s estimate of the future allocation of taxable income from New Brunswick to Nova Scotia.

Outlook

Based on planned capital expenditure programs and current commodity price assumptions, the Company does not expect to be cash taxable in 2009 or 2010.

Capital Expenditures

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Drilling	\$(973)	\$12,702	\$15,193	\$37,302
Fracture stimulation programs and work-overs	9,763	10,828	13,041	15,020
Midstream facilities and tie-ins	591	2,182	2,345	5,529
Land and seismic	193	522	1,210	645
Capitalized overhead	87	135	297	406
Office and other equipment	162	269	494	422
	\$9,823	\$26,638	\$32,580	\$59,324

The decrease in capital expenditures in Q3 2009 to \$9,823 thousand from \$26,638 thousand in Q3 2008 reflects the suspension of drilling activities early in Q2 2009 consistent with the Company's 2009 budget. The decrease in drilling costs in Q3 2009 also reflects a provincial fuel tax rebate claimed during the period.

For the nine months ended September 30 2009, capital expenditures decreased to \$32,580 thousand from \$59,324 thousand for the nine months ended September 30, 2008 due to the decrease in drilling, completion and tie-in costs resulting from the suspension of drilling activities and the decrease in the number of wells drilled. For the nine months ended September 30 2009, Corridor completed drilling the McCully C-29, L-38 and P-47 wells (3 net wells) and for the nine months ended September 30, 2008, Corridor completed drilling the E-67 well, drilled the K-48, J-47, C-48 and C-57 wells and began drilling the I-47 and P-67 wells (5.5 net wells).

Capital Expenditures Outlook

Corridor maintains its 2009 capital budget of \$40.0 million net to Corridor's working interest. Additional costs to be incurred for fracturing operations at the G-41 shale gas exploration well will be offset by the provincial fuel tax rebate claimed during the period and the delay of the core hole drilling at Sally's Brook.

Corridor's 2009 capital expenditure program was designed to increase natural gas production and revenues from the McCully Field while limiting expenditures to the cash flow from operations. Corridor's 2009 capital budget is based on forecasted cash flow from operations of \$30.5 million which is based on an estimate of the natural gas sales price of US\$4.7/mmbtu at Henry Hub for Q4 2009, an exchange rate estimate of \$0.95 U.S. per Canadian dollar, and an estimated average net production for 2009 of 18 mmscfpd.

Balance Sheet Items

Significant changes between the September 30, 2009 balance sheet and the December 31, 2008 balance sheet include:

- \$19,963 thousand decrease in cash and cash equivalents, primarily reflecting capital expenditure spending.
- \$1,000 thousand increase in restricted cash, reflecting a letter of credit guarantee by Corridor in connection with Corridor's recent Canadian transportation agreement.
- \$12,582 thousand decrease in receivables, primarily reflecting the decrease in natural gas prices and the collection of the by-passed natural gas production revenues in Q1 2009.
- \$16,618 thousand increase in property, plant and equipment, reflecting the capital expenditure spending.
- \$15,281 thousand decrease in accounts payable and accrued liabilities, reflecting mostly the payment of the 2008 frac program accounts payable and a decrease in capital spending in Q3 2009.
- \$2,440 thousand increase in future income taxes and \$4,049 thousand decrease in capital stock, reflecting primarily the tax impact from the renunciation in January 2009 of \$14,950 thousand in exploration expenditures. The increase in future income taxes was partially offset by the future income tax recovery of \$2,640 thousand resulting from a decrease in the substantively enacted income tax rates in New Brunswick.

Cash Flow Highlights

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Cash provided by operating activities	\$777	\$11,081	\$29,143	\$36,793
Cash provided by financing activities	131	162	131	52,374
Cash used in investing activities	(5,680)	(12,706)	(49,237)	(64,047)
Increase (decrease) in cash and cash equivalents	\$(4,772)	\$(1,463)	\$(19,963)	\$25,120

The decrease in cash provided by operating activities for Q3 2009 compared to Q3 2008 is primarily the result of the decrease in natural gas revenues resulting from the reduction in natural gas prices and production. The decrease in the cash provided by operating activities for the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008 is due to the decrease in natural gas revenues which was partially offset by the increase in the accounts receivable collected during the period.

The decrease in cash provided by financing activities for the three and nine months ended September 30, 2009 is due to Corridor not completing any financing activities during these periods, as compared to the June 2008 share issue, which resulted in net proceeds of approximately \$52 million in Q2 2008.

Cash used in investing activities has decreased for the three and nine months ended September 30, 2009 compared to the three and nine months ended September 30, 2008 due to the decrease in capital spending.

Summary of Quarterly Information

<i>thousand of dollars, except per share amounts and average natural gas price</i>	2009			2008			2007	
	Three months ended			Three months ended			Three months ended	
	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Natural gas revenues	\$5,167	\$7,164	\$23,212	\$22,667	\$15,391	\$18,466	\$19,316	\$15,586
Net earnings (loss)	\$(3,442)	\$118	\$6,816	\$8,380	\$3,874	\$3,816	\$6,081	\$4,682
Net earnings (loss) per share – basic	\$(0.039)	\$0.001	\$0.078	\$0.096	\$0.044	\$0.046	\$0.074	\$0.057
per share – diluted	\$(0.039)	\$0.001	\$0.078	\$0.096	\$0.044	\$0.045	\$0.073	\$0.056
Natural gas production as disclosed (mmscf)	1,336	1,450	1,614	1,934	1,548	1,683	1,792	1,759
Revised natural gas production (mmscf) ⁽¹⁾	1,336	1,450	1,614	1,743	1,548	1,737	1,870	1,818
Average natural gas price (\$/mmscf)	\$3.87	\$4.94	\$14.38	\$13.01	\$9.94	\$10.97	\$10.78	\$8.86
Capital expenditures	\$9,823	\$2,957	\$19,800	\$20,411	\$26,638	\$14,704	\$17,982	\$27,728

(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 October 31, 2009, the outstanding share information was as follows:

Common shares outstanding	87,767,134
Stock options to purchase common shares	2,299,000
Total common shares outstanding after exercise of all stock options	90,066,134
<i>thousands of dollars</i>	
Total proceeds due on exercise of all stock options	\$10,529

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 Q3 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 loan 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.

Corridor does not intend to access its credit facility in 2009, consistent with the Company's revised 2009 capital budget. The 2009 budget assumes that no additional funds will be utilized from other sources such as equity financings, corporate debt or asset sales, and was designed to increase natural gas production and revenues from the McCully Field.

The Company has sufficient financial resources to undertake all of its planned exploration and development programs for 2009. However, Corridor does not presently have sufficient financial resources to undertake by itself a comprehensive exploration and development of the Company's properties beyond 2009. 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.

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 which amounted to \$nil and \$97 thousand for the three and nine months ended September 30, 2009 (three and nine months ended September 30, 2008 - \$nil and \$175 thousand). The amounts paid are recorded at the amount agreed to between the parties and approximate fair value.

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 nine months ended September 30, 2009, 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

Effective January 1, 2009, the Company adopted CICA Section 3064 "*Goodwill and Intangible Assets*" which replaced Section 3062 "*Goodwill and Intangible Assets*". This new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, however, intangible assets associated with the exploration and development of oil and gas assets are specifically excluded under the new standard. The adoption of this revised standard had no material impact on Corridor's financial statements.

Effective January 1, 2009, the Company adopted CICA Emerging Issue Committee Abstract (“EIC”) 173 “*Credit Risk and the Fair Value of Financial Assets and Liabilities*”. EIC 173 recommends that the determination of fair value of financial assets and liabilities take into account a company’s credit risk as well as the credit risk of the counterparty. The adoption of EIC 173 had no impact on Corridor’s financial statements.

International Financial Reporting Standards

In April 2008, the Accounting Standards Board (“AcSB”) issued an omnibus exposure draft which proposes that generally accepted accounting principles 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 the IFRS transition project in 2008 and has engaged an external advisor to assist the Company. Corridor has completed the diagnostic assessment phase which involved a high level review of the major differences between current Canadian GAAP and IFRS. Currently, the Company has determined that the accounting differences in property, plant and equipment have the highest potential to impact the Company’s financial reporting. Conversion to IFRS may have a significant impact on how the Company accounts for costs pertaining to oil and gas activities and how, and at which level, impairment tests are performed. IFRS conversion will also result in other impacts which may be significant.

Corridor is currently working on the second phase of the IFRS conversion which consists of the development of detailed IFRS conversion work plans and the selection of accounting policies. At this time, the impact on the Company’s financial position and results of operations is not reasonably determinable.

In July 2009, the International Accounting Standards Board issued *Additional Exemptions for First-time Adopters (Amendments to IFRS-1)* which gives the option to companies using the full cost method of accounting to carry forward the amount determined under Canadian GAAP as the deemed cost under IFRS. This exemption will significantly reduce property, plant and equipment adjustments which would have resulted from the retroactive adoption of IFRS.

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

In 2007 and into 2008, the U.S. credit markets began to experience serious disruption due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, subprime and non-prime mortgages) and a decline in credit quality of mortgage backed securities. These problems led to a slow-down in residential housing market transactions, declining housing prices, delinquencies in non-mortgage consumer credit and a general decline in consumer confidence. These conditions continued and worsened in 2009, causing a loss of confidence in the broader U.S. and

global credit and financial markets; resulting in the collapse of and 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 caused the broader credit markets to further deteriorate and stock markets to decline substantially. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings.

More recently, many of the world's stock indices are beginning to show signs of recovery, nonetheless, as a result of the weakened global economic situation, 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. 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.

Contingencies

Since Q4 2008, the Company has been undergoing an audit by the New Brunswick Department of Finance for the periods from April 2003 to June 2007 in connection with the Company's crown royalty payments during this period. 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.

The Company filed a claim for Scientific Research and Experimental Development ("SRED") income tax credits related to the fiscal year ended August 31, 2006. The claim is subject to audit and there is a risk that the CRA could conclude that some or all of the expenditures were not incurred on SRED activities and, therefore, could reduce or disallow the claim. Due to this uncertainty, the Company has not recognized the related SRED income tax credits.

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

(thousands of dollars, except per share amounts)

For the	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Revenues	\$ 5,901	\$ 16,253	\$ 37,600	\$ 55,619
Royalty expense	(82)	(937)	(1,685)	(3,402)
Production expense	(717)	(696)	(2,359)	(3,074)
Transportation expense	(2,040)	(2,624)	(7,661)	(8,435)
	3,062	11,996	25,895	40,708
Other Expenses				
Depletion, depreciation and accretion	6,210	5,747	19,888	17,104
General and administrative (note 6)	1,028	1,062	3,532	3,323
Stock-based compensation (note 8c)	186	307	643	1,263
Capital tax expense	30	90	90	330
	7,454	7,206	24,153	22,020
Earnings (loss) before the following items	(4,392)	4,790	1,742	18,688
Interest and finance costs (note 3)	204	23	680	310
Interest and other income	(15)	(799)	(572)	(1,466)
Earnings (loss) before income taxes	(4,581)	5,566	1,634	19,844
Future income tax expense (recovery) (note 4)	(1,139)	1,692	(1,858)	6,073
Net earnings (loss), being comprehensive income	(3,442)	3,874	3,492	13,771
Retained earnings (deficit), beginning of period	27,756	8,568	20,822	(1,329)
Retained earnings, end of period	\$ 24,314	\$ 12,442	\$ 24,314	\$ 12,442
Net earnings (loss) per share (note 5)				
Basic	\$ (0.039)	\$ 0.044	\$ 0.040	\$ 0.163
Diluted	\$ (0.039)	\$ 0.044	\$ 0.040	\$ 0.162

See accompanying notes to the interim unaudited financial statements.

Balance Sheets

(thousands of dollars)

As at	September 30 2009 <i>(unaudited)</i>	December 31 2008 <i>(audited)</i>
Assets		
Current assets		
Cash and cash equivalents	\$ 14,350	\$ 34,313
Restricted cash	1,350	350
Receivables	4,315	16,897
Receivables from joint venture partners	-	94
Capital taxes receivable	87	53
Prepays and security deposits	317	169
	20,419	51,876
Property, plant and equipment <i>(note 6)</i>	284,760	268,142
Intangible assets	381	-
Restricted cash and security deposits	1,230	1,380
	\$ 306,790	\$ 321,398
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 8,669	\$ 23,950
Obligations under capital lease	144	-
Advances from joint venture partners	345	2,627
	9,158	26,577
Obligations under capital lease	192	-
Future income taxes	23,730	21,290
Asset retirement obligations	2,061	1,850
	35,141	49,717
Shareholders' Equity		
Capital stock <i>(note 8)</i>	242,364	246,413
Contributed surplus <i>(note 8d)</i>	4,971	4,446
Retained earnings	24,314	20,822
	271,649	271,681
	\$ 306,790	\$ 321,398

See accompanying notes to the interim unaudited financial statements.

Contingencies *(note 12)*

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 September 30		Nine months ended September 30	
	2009	2008	2009	2008
Operating Activities				
Net earnings (loss)	\$ (3,442)	\$ 3,874	\$ 3,492	\$ 13,771
Depletion, depreciation and accretion	6,210	5,747	19,888	17,104
Stock-based compensation	186	307	643	1,263
Future income tax expense (recovery)	(1,139)	1,692	(1,858)	6,073
	1,815	11,620	22,165	38,211
Increase (decrease) in non-cash operating working capital (note 9)	(1,038)	(539)	6,978	(1,418)
Cash provided by operating activities	777	11,081	29,143	36,793
Financing Activities				
Proceeds from capital stock issues	131	-	131	55,546
Share issue costs	-	162	-	(3,172)
Cash provided by financing activities	131	162	131	52,374
Investing Activities				
Property, plant and equipment expenditures	(9,823)	(26,638)	(32,580)	(59,324)
Decrease (increase) in restricted cash and security deposits	150	-	(850)	1,450
Increase (decrease) in non-cash investing working capital (note 9)	3,993	13,932	(15,807)	(6,173)
Cash used in investing activities	(5,680)	(12,706)	(49,237)	(64,047)
Increase (decrease) in cash and cash equivalents	(4,772)	(1,463)	(19,963)	25,120
Cash and cash equivalents, beginning of period	19,122	40,962	34,313	14,379
Cash and cash equivalents, end of period	\$ 14,350	\$ 39,499	\$ 14,350	\$ 39,499
Cash and cash equivalents consists of:				
Cash	\$ 2,580	\$ 2,557	\$ 2,580	\$ 2,557
Short-term investments	11,770	36,942	11,770	36,942
Cash and cash equivalents, end of period	\$ 14,350	\$ 39,499	\$ 14,350	\$ 39,499

See accompanying notes to the interim unaudited financial statements.

Notes to the Interim Unaudited Financial Statements

September 30, 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.

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, 2008, with the exception of the accounting policy changes disclosed in note 2. 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, 2008.

2 Changes in accounting policies

Effective January 1, 2009, the Company adopted CICA Section 3064 “*Goodwill and Intangible Assets*” which replaced Section 3062 “*Goodwill and Intangible Assets*”. This new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, however, intangible assets associated with the exploration and development of oil and gas assets are specifically excluded under the new standard. The adoption of this revised standard had no material impact on Corridor’s financial statements as of January 1, 2009 but resulted in an increase of \$381 thousand in intangible assets during the period. Intangible assets will be amortized over a 10 year period using the straight-line method.

Effective January 1, 2009, the Company adopted CICA Emerging Issue Committee Abstract (“EIC”) 173 “*Credit Risk and the Fair Value of Financial Assets and Liabilities*”. EIC 173 recommends that the determination of fair value of financial assets and liabilities take into account a company’s credit risk as well as the credit risk of the counterparty. The adoption of EIC 173 had no material impact on Corridor’s financial statements.

Future accounting policy changes

In April 2008, the Accounting Standards Board (“AcSB”) issued an omnibus exposure draft which proposes that generally accepted accounting principles 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. The Company is currently assessing the financial reporting impact of IFRS.

In May 2009, the CICA amended Section 3862 “*Financial Instruments - Disclosures*” to include enhanced disclosure requirements related to the fair value measurement and liquidity risk associated with financial instruments. The amended accounting standard will be effective for Corridor on December 31, 2009.

3 Interest and finance costs

Interest and finance costs consist of the following:

(thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Interest expenses	\$ 15	\$ 23	\$ 83	\$ 310
Foreign exchange losses	189	-	597	-
	\$ 204	\$ 23	\$ 680	\$ 310

Notes to the Interim Unaudited Financial Statements

September 30, 2009

4 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 September 30		Nine months ended September 30	
	2009	2008	2009	2008
Earnings (loss) before income taxes	\$ (4,581)	\$ 5,566	\$ 1,634	\$ 19,844
Canadian statutory income tax rate	33%	33%	33%	33%
Expected income tax expense (recovery)	\$ (1,521)	\$ 1,851	\$ 542	\$ 6,598
Increase (decrease) resulting from:				
Non-deductible stock-based compensation	61	103	213	420
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	319	(264)	22	(950)
Effect of provincial tax rate change	-	-	(3,600)	-
Effect of change in estimate in provincial tax allocation	-	-	960	-
Other	2	2	5	5
	\$ (1,139)	\$ 1,692	\$ (1,858)	\$ 6,073

During the second quarter ended June 30, 2009, the Company reduced its future income tax rate from 28.75% to 26% following the New Brunswick Government's 2009 budget, which resulted in a decrease in future income tax expense of \$3,600 thousand. New Brunswick's corporate income tax rate was reduced from 13% to 12% effective July 1, 2009, with further proposed annual reductions leading up to a rate of 8% effective July 1, 2012. The Company also decreased its estimate of the future allocation of taxable income from New Brunswick to Nova Scotia, which resulted in an increase in future income tax expense of \$960 thousand.

5 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 September 30		Nine months ended September 30	
	2009	2008	2009	2008
Weighted average number of common shares - basic	87,742	87,629	87,667	84,497
Effect of stock options	121	251	61	464
Weighted average number of common shares - diluted	87,863	87,880	87,728	84,961

For the three and nine months ended September 30, 2009, stock options of 1,456 thousand and 2,295 thousand, respectively (three and nine months ended September 30, 2008 – 232 thousand and 366 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

September 30, 2009

6 Property, plant and equipment

(thousands of dollars)

September 30, 2009	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 261,498	\$ 48,133	\$ 213,365
Production facilities	74,189	12,443	61,746
Inventory	6,593	-	6,593
Future asset retirement costs	1,685	268	1,417
Office furniture and other equipment	2,408	769	1,639
	\$ 346,373	\$ 61,613	\$ 284,760

(thousands of dollars)

December 31, 2008	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 231,758	\$ 31,868	\$ 199,890
Production facilities	71,843	9,257	62,586
Inventory	2,833	-	2,833
Future asset retirement costs	1,596	192	1,404
Office furniture and other equipment	1,987	558	1,429
	\$ 310,017	\$ 41,875	\$ 268,142

For the three and nine months ended September 30, 2009, Corridor capitalized to petroleum and natural gas properties general and administrative costs of \$87 thousand and \$297 thousand (three and nine months ended September 30, 2008 - \$135 thousand and \$406 thousand). The calculation of depletion includes estimated future development costs relating to the development of proved reserves of \$104 million for the three and nine months ended September 30, 2009 (three and nine months ended September 30, 2008 - \$71 million).

7 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 bank loans will be secured by a \$75 million demand debenture on the Company's property, plant and equipment. At September 30, 2009, there was no outstanding bank loan.

8 Capital stock

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

b) **Issued and outstanding**

(thousands of dollars and thousands of shares)

	September 30, 2009		December 31, 2008	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	87,629	\$ 246,413	82,612	\$ 198,669
Issue of common shares for cash	-	-	3,800	40,280
Issue of flow-through shares for cash	-	-	1,150	14,950
Exercise of stock options for cash and amount recognized from contributed surplus	138	131	67	316
Tax impact of flow-through renunciation	-	(4,298)	-	(5,756)
Share issue costs net of tax benefit	-	-	-	(2,248)
Balance, end of period	87,767	\$ 242,364	87,629	\$ 246,413

Notes to the Interim Unaudited Financial Statements

September 30, 2009

8 Capital stock (continued)

On June 20, 2008, Corridor issued flow-through shares which resulted in an obligation to incur \$14,950 thousand on qualifying expenditures prior to December 31, 2009. At December 31, 2008, there was no remaining obligation. The related exploration expenditures were renounced in January 2009.

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:

	September 30, 2009		December 31, 2008	
	Number of options (000's)	Weighted average exercise price	Number of options (000's)	Weighted average exercise price
Balance, beginning of period	1,604	\$ 5.34	1,370	\$ 4.54
Exercised	(138)	\$ 0.95	(67)	\$ 4.71
Forfeited	(6)	\$ 9.48	(44)	\$ 5.83
Granted	839	\$ 2.57	345	\$ 8.38
Balance, end of period	2,299	\$ 4.58	1,604	\$ 5.34
Options exercisable, end of period	1,328	\$ 5.43	1,038	\$ 4.64

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

	September 30, 2009	December 31, 2008
Weighted average fair value of options granted	\$ 1.62	\$ 3.66
Risk-free interest rate	2.5%	4%
Expected life (years)	3.0	3.0
Expected volatility	90%	60%

For the three and nine months ended September 30, 2009, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$186 thousand and \$643 thousand (three and nine months ended September 30, 2008 - \$307 thousand and \$1,263 thousand).

The range of exercise prices of stock options outstanding and exercisable as at September 30, 2009 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	843	4.8	\$ 2.57	-	\$ -
\$ 3.00 - \$ 4.99	615	1.4	\$ 4.41	610	\$ 4.41
\$ 5.00 - \$ 5.99	508	1.8	\$ 5.46	502	\$ 5.46
\$ 6.00 - \$ 6.99	109	3.5	\$ 6.80	104	\$ 6.80
\$ 7.00 - \$10.99	224	3.6	\$ 9.54	112	\$ 9.54
	2,299	3.0	\$ 4.58	1,328	\$ 5.43

Notes to the Interim Unaudited Financial Statements

September 30, 2009

8 Capital stock (continued)

d) Contributed surplus

(thousands of dollars)

	September 30 2009	December 31 2008
Balance, beginning of period	\$ 4,446	\$ 3,083
Stock-based compensation expense	643	1,565
Stock options exercised	(118)	(202)
Balance, end of period	\$ 4,971	\$ 4,446

9 Supplemental cash flow information

(thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Increase (decrease) in non-cash operating working capital:				
Receivables	\$ (801)	\$ 147	\$ 8,084	\$ (299)
Prepays and security deposits	148	162	(148)	55
Accounts payable and accrued liabilities	(387)	(827)	(924)	(1,093)
Capital taxes	2	(21)	(34)	(81)
	\$ (1,038)	\$ (539)	\$ 6,978	\$ (1,418)
Increase (decrease) in non-cash investing working capital:				
Receivables	\$ 258	\$ (1,789)	\$ 4,498	\$ 46
Inventory	(1,100)	685	(3,760)	(219)
Accounts payable and accrued liabilities	5,860	12,829	(14,357)	(1,968)
Advances from joint venture partners	(1,025)	2,207	(2,188)	(4,032)
	\$ 3,993	\$ 13,932	\$ (15,807)	\$ (6,173)
Interest and taxes paid:				
Interest paid	\$ 13	\$ 22	\$ 76	\$ 310
Capital and other taxes paid	\$ 28	\$ 111	\$ 123	\$ 410

10 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

September 30, 2009

10 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)

	September 30, 2009	December 31, 2008
Cash	\$ 1,885	\$ 24
Receivables	1,129	7,745
Financial instruments in U.S. dollars	\$ 3,014	\$ 7,769

At September 30, 2009, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of approximately \$100 thousand in the Company's net earnings due to a decrease in the financial instruments denominated in U.S. dollars.

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 September 30, 2009, the Company was holding cash and cash equivalents of \$14,350 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 2009 consistent with the Company's revised 2009 budget.

Given the Company's available liquid resources and the Company's 2009 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, 2008 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

September 30, 2009

11 Related parties

A director of Corridor is a partner in a law firm that provides legal services to the Company. For the three and nine months ended September 30, 2009, legal expenses of \$nil and \$97 thousand are included in general and administrative expenses (three and nine months ended September 30, 2008 - \$nil and \$90 thousand) and no share issue costs are included in capital stock as at September 30, 2009 (December 31, 2008 – \$120 thousand). At September 30, 2009, no amount was included in accounts payable and accrued liabilities (December 31, 2008 - \$82 thousand). The amounts paid are recorded at the amount agreed to between the parties and approximate fair value.

12 Contingencies

Since Q4 2008, the Company has been undergoing an audit by the New Brunswick Department of Finance for the periods from April 2003 to June 2007 in connection with the Company's crown royalty payments during this period. 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.

The Company filed a claim for Scientific Research and Experimental Development ("SRED") income tax credits related to the fiscal year ended August 31, 2006. The claim is subject to audit and there is a risk that the CRA could conclude that some or all of the expenditures were not incurred on SRED activities and, therefore, could reduce or disallow the claim. Due to this uncertainty, the Company has not recognized the related SRED income tax credits.

Corporate Information

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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

Grant Thornton 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 October 31, 2009 – 87,767,134