



2009 Management's Discussion and Analysis

As of March 26, 2010

This management's discussion and analysis ("MD&A") of financial results and condition of Corridor Resources Inc. ("Corridor" or the "Company") for the year ended December 31, 2009 should be read in conjunction with the 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 December 31		Twelve months ended December 31		
	2009	2008	2009	2008	2007
Revenues	\$11,389	\$25,890	\$48,989	\$81,509	\$33,347
Net earnings (loss)	\$(1,825)	\$8,380	\$1,667	\$22,151	\$4,049
Net earnings (loss) per share - basic	\$(0.021)	\$0.096	\$0.019	\$0.260	\$0.051
Net earnings (loss) per share - diluted	\$(0.021)	\$0.096	\$0.019	\$0.259	\$0.050
Cash flow from operations ⁽¹⁾	\$5,664	\$20,193	\$27,829	\$58,404	\$20,482
Capital expenditures	\$5,781	\$20,411	\$38,361	\$79,735	\$113,148
Gross proceeds from capital stock issues	\$-	\$-	\$131	\$55,546	\$67,701
Total assets	\$300,605	\$321,398	\$300,605	\$321,398	\$240,187

⁽¹⁾See "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 MD&A for the quarter ended September 30, 2009 dated November 10, 2009 and in the Company's press release dated February 19, 2010. Both documents are available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com.

Highlights of 2009

- Natural gas revenues for the year ended December 31, 2009 decreased to \$45,479 thousand from \$75,839 thousand for the year ended December 31, 2008 due to a decrease in natural gas sales prices to \$7.34/mscf in 2009 from \$11.21/mscf in 2008 and to a decrease in Corridor's average daily gas production to 17.0 mmscfpd from 18.8 mmscfpd for the year ended December 31, 2008.
- Net earnings for the year ended December 31, 2009 decreased to \$1,667 thousand from \$22,151 thousand for the year ended December 31, 2008 principally due to the decrease in natural gas revenues.
- On May 7, 2009, Corridor announced its intention to make a normal course issuer bid pursuant to which Corridor is permitted to acquire up to 1,000,000 common shares from May 11, 2009 to May 10, 2010. No common shares have been acquired by Corridor under the normal course issuer bid as of the date hereof.
- On June 26, 2009, Corridor reported the results of an independent study of the quantity of shale gas resource contained within the Frederick Brook formation in the Sussex/Elgin sub-basins of Southern New Brunswick. The study addressed only in-place gas volumes since insufficient information was available to estimate the technical or economically recoverable amount of shale gas. The results of this study are assisting Corridor in developing a longer term plan for the appraisal and potential development of this vast resource.
- 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 Field in New Brunswick. 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). On October 15, 2009, Corridor reported it was continuing to flow test the McCully L-38 and P-47 wells and that 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, Corridor cautioned, on November 10, 2009, that early pressure response suggested that both wells could decline from these high initial rates at somewhat more rapid rates than normal for most McCully wells. This faster decline was confirmed in a press release dated February 19, 2010, when Corridor disclosed that both wells were currently producing at a rate of approximately one mmscfpd.
- On December 7, 2009, Corridor announced that it had entered into a farmout and option agreement ("Agreement") with Apache Canada Ltd. ("Apache") to appraise and potentially develop oil and natural gas resources in southern New Brunswick. Under the terms of the Agreement, Apache committed to conduct an appraisal program, over the next 18 months at a cost of not less than \$25 million, to evaluate the commercial potential of natural gas development in the Frederick Brook formation and light oil development at the Caledonia oil discovery. Upon completion of this appraisal program, Apache will have earned a 50% working interest in the spacing units drilled, and will have the option to elect, on or before June 1, 2011, to conduct a further program for expenditures of not less than \$100 million. This second phase of the Agreement will need to be completed by no later than March 31, 2013 for Apache to earn a 50% working interest in approximately 116,000 net acres currently held 100% by Corridor.

Fourth Quarter Highlights

- During Q4 2009, natural gas production averaged 19.5 mmscfd net to Corridor (including production from penalty wells) with an average natural gas sales price of \$5.53/mscf, resulting in a net loss of \$1,825 thousand and basic and diluted net loss per share of \$0.021.
- Natural gas revenues for Q4 2009 decreased to \$9,936 thousand from \$22,667 thousand for Q4 2008 due to the decrease in the average natural gas sales price to \$5.53/mscf from \$13.01/mscf in Q4 2008 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.
- Net earnings for Q4 2009 decreased to a net loss of \$1,825 thousand from net earnings of \$8,380 thousand for Q4 2008, reflecting a decrease in natural gas revenues.

Q4 2009 Financial Summary

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Revenues	\$11,389	\$25,890	\$48,989	\$81,509
Royalty expense	(294)	(1,599)	(1,979)	(5,001)
Production expense	(1,134)	(1,100)	(3,493)	(4,174)
Transportation expense	(2,848)	(2,485)	(10,509)	(10,920)
	7,113	20,706	33,008	61,414
Other Expenses				
Depletion, depreciation, amortization and accretion	7,873	7,998	27,761	25,102
General and administrative	1,361	1,520	4,893	4,843
Stock-based compensation	177	302	820	1,565
Capital tax expense	30	40	120	370
	9,441	9,860	33,594	31,880
Earnings (loss) before the following items	(2,328)	10,846	(586)	29,534
Interest and finance costs	102	24	782	334
Interest and other income	(18)	(1,071)	(590)	(2,537)
Earnings (loss) before income taxes	(2,412)	11,893	(778)	31,737
Future income tax expense (recovery)	(587)	3,513	(2,445)	9,586
Net earnings (loss)	\$(1,825)	\$8,380	\$1,667	\$22,151

Results of Operations

Revenues

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Natural gas	\$9,936	\$22,667	\$45,479	\$75,839
By-passed natural gas recovery	-	1,800	-	1,800
Condensate	254	126	626	738
Natural gas and gas liquids revenues	10,190	24,593	46,105	78,377
Gathering, processing & transportation fees	1,199	1,297	2,884	3,132
	\$11,389	\$25,890	\$48,989	\$81,509

Natural gas revenues decreased to \$9,936 thousand in Q4 2009 from \$22,667 thousand in Q4 2008 due to the decrease in the average natural gas sales price to \$5.53/mscf from \$13.01/mscf in Q4 2008 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 was partially offset by the increase in Corridor's average daily gas production in Q4 2009 to 19.5 mmscfd from 18.9 mmscfd in Q4 2008 (this excludes the natural gas production of 191 mscf that was not

measured by the custody transfer meter from October 25, 2007 to June 20, 2008 and was subsequently recognized in Q4 2008).

The decrease in natural gas revenues for the year ended December 31, 2009 to \$45,479 thousand from \$75,839 thousand for the year ended December 31, 2008 is due to the decrease in the average natural gas sales price to \$7.34/mscf from \$11.21/mscf for the year ended December 31, 2008 and a reduction in Corridor's average daily gas production for the year ended December 31, 2009 to 17.0 mmscfpd from 18.8 mmscfpd for the year ended December 31, 2008.

Corridor had a total of 29 producing wells tied-in to the McCully gathering system by the end of December 2009 compared to a total of 26 producing wells by the end of December 2008. However, at December 31, 2009, the F-58 well was shut-in for pressure build-up.

Corridor's Q4 2009 revenues of \$11,389 thousand are lower than the amount previously budgeted of \$14,484 thousand due to the lower than budgeted natural gas sales price and budgeted natural gas production. Corridor's average daily gas production in Q4 2009 of 19.5 mmscfpd was lower than the amount previously budgeted of 23 mmscfpd primarily due to the greater than expected production declines from the McCully L-38 and P-47 wells. Corridor had estimated an average natural gas sales price for Q4 2009 of \$6.54/mscf, based on a natural gas sales price at Henry Hub of US\$4.7/mmbtu and a \$0.95 U.S. per Canadian dollar, but the actual average natural gas sales price for Q4 2009 was \$5.53/mscf.

Production volumes and pricing

	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Total volumes				
Natural gas production (mmscf) ⁽¹⁾	1,797	1,743	6,196	6,897
Condensate production (bbl)	3,383	2,079	9,423	8,040
Daily production averages				
Natural gas production per day (mmscfpd) ⁽¹⁾	19.5	18.9	17.0	18.8
Condensate production per day (bblpd)	36.8	22.6	25.8	22.0
Average prices				
Natural gas selling price (\$/mscf)	\$5.53	\$13.01	\$7.34	\$11.21
Condensate selling price (\$/bbl)	\$75.1	\$60.6	\$66.4	\$91.8

⁽¹⁾ Natural gas production for the year ended December 31, 2008 was restated from 6,765 mmscf to 6,897 mmscf and from 18.5 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 estimates revenues of \$48 million for 2010. The budget for revenues is based on an estimate of the average natural gas sales price of US\$5.50/mmbtu at Henry Hub, an estimate of the exchange rate of \$0.95 U.S. per Canadian dollar and an average daily gas production for 2010 of 17.5 mmscfpd.

Gathering, processing and transportation fees

thousands of dollars	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Gathering, processing and transportation fees	\$1,199	\$1,297	\$2,884	\$3,132

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 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 for Q4 2009 to \$1,199 thousand from \$1,297 thousand in Q4 2008 and to \$2,884 thousand for the year ended December 31, 2009 from \$3,132 thousand for the year ended December 31, 2008 reflects a decrease in PCS' share of production going through the midstream facilities.

The increase in GPT fees to \$2,884 thousand from the amount previously forecasted of \$2,300 thousand reflects a higher than estimated year-end adjustment to actual partly as a result of lower than expected gross natural gas production.

Outlook

Corridor's 2010 budget for GPT fees from PCS' share of production is approximately \$2,200 thousand based on an average estimated gross daily gas production of 22 mmscfpd for 2010.

Royalty Expense

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Crown royalties	\$294	\$1,599	\$1,979	\$5,001
Royalty expense per mscf (\$/mscf)	\$0.16	\$0.83	\$0.32	\$0.72
Percentage of natural gas and gas liquids revenues	2.9%	6.5%	4.3%	6.4%

For the three and twelve months ended December 31, 2009, Corridor paid a royalty rate of 10% based on revenues, net of deductions for processing and transportation and a recovery of capital costs. The decrease in the royalty expense per mscf for the three and twelve months ended December 31, 2009 to \$0.16/mscf and \$0.32/mscf, respectively from \$0.83/mscf and \$0.72/mscf for the three and twelve months ended December 31, 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 generally consistent.

Outlook

An effective royalty rate of approximately 5% is forecasted for 2010. Corridor believes the structure of the royalty regime could change during 2010 if new regulations are implemented by the New Brunswick government. 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 December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Gross production expense	\$1,298	\$1,498	\$4,760	\$5,786
Third party recoveries	(164)	(398)	(1,267)	(1,612)
Net production expense	\$1,134	\$1,100	\$3,493	\$4,174
Net production expense per mscf (\$/mscf)	\$0.63	\$0.63	\$0.56	\$0.61

Gross production expense for Q4 2009 decreased to \$1,298 thousand from \$1,498 thousand for Q4 2008 due to the decrease in methanol and water disposal costs and repairs and maintenance. The decrease in gross production expense for the year ended December 31, 2009 to \$4,760 thousand from \$5,786 thousand for the year ended December 31, 2008 is also 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 also reflects the decrease in PCS' share of production.

The increase in the production expense for 2009 to \$0.56/mscf from the amount previously forecasted for 2009 of \$0.53/mscf is due to the decrease in the average daily gas production for 2009 to 17 mmscfpd from the amount previously forecasted of 18 mmscfpd.

Outlook

Production expense of approximately \$0.98/mscf is forecasted for 2010, based on an average estimated daily gas production of 17.5 mmscfpd for 2010. The increase in the estimated production expense per mscf in 2010 to \$0.98/mscf compared to \$0.56/mscf for 2009 is due to increase in work-over operations which is expected to be expensed in 2010.

Transportation Expense

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Transportation expense	\$2,848	\$2,485	\$10,509	\$10,920
Transportation expense per mscf (\$/mscf)	\$1.58	\$1.43	\$1.70	\$1.58

The increase in transportation expense for Q4 2009 to \$2,848 thousand from \$2,485 thousand in Q4 2008 reflects mostly a refund owing of \$767 thousand recognized in Q4 2008 for excess fuel charged by M&NP US during the period from August 2007 to July 2008. Transportation expense decreased to \$10,509 thousand for the year ended December 31, 2009 from \$10,920 thousand for the year ended December 31, 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 in effect between May 1, 2009 and November 30, 2009. These positive changes to transportation expense were lessened by a stronger U.S. dollar in 2009 compared to 2008 and by the refund of \$767 thousand recognized in Q4 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.

Transportation expense of \$1.70/mscf for 2009 is higher than the previous forecast of \$1.64/mscf for 2009 due mostly to an amount owing to M&NP US in Q4 2009 of \$234 thousand for insufficient fuel charged during the period from August 2008 to July 2009.

Outlook

Transportation expense of approximately \$1.42/mscf is budgeted for 2010, based on an exchange rate of \$0.95 U.S. per Canadian dollar and an average estimated daily gas production of 17.5 mmscfpd for 2010. The decrease in the estimated transportation expense in 2010 is due mostly to the full year impact of the 2009 decreases in firm transportation tolls.

Depletion, Depreciation, Amortization and Accretion

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Depletion, depreciation, amortization and accretion	\$7,873	\$7,998	\$27,761	\$25,102
Depletion, depreciation, amortization and accretion per mscf (\$/mscf)	\$4.78	\$4.71	\$5.05	\$4.28

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 expense ("DDAA") increased for the year ended December 31, 2009 as Corridor's estimated future development costs relating to the development of proved reserves had increased to \$104 million for the first three quarters of 2009 from \$71 million for the first three quarters of 2008. The DDAA expense decreased in Q4 2009 due to the decrease in capital spending in Q4 2009 compared to Q4 2008.

Outlook

The Company's outlook for the DDAA rate per mscf for 2010 is approximately \$5/mscf based on the Company's estimated capital expenditures of \$26,800 thousand and an average estimated daily gas production of 17.5 mmscfpd.

General and Administrative Expenses

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Gross expenses	\$1,448	\$1,699	\$5,324	\$5,586
Capitalized overhead	(83)	(134)	(380)	(541)
Operator recoveries	(4)	(45)	(51)	(202)
Net expenses	\$1,361	\$1,520	\$4,893	\$4,843

Gross general and administration expenses (“G&A”) decreased to \$1,448 thousand in Q4 2009 from \$1,699 thousand during Q4 2008 and to \$5,324 thousand for the year ended December 31, 2009 from \$5,586 thousand for the year ended December 31, 2008 due primarily to a decrease in the use of consultants. Capitalized overhead and operator recoveries for the three and twelve months ended December 31, 2009 has decreased compared to the prior periods due to the decrease in joint venture activity.

Outlook

Corridor’s budget for G&A for 2010 is approximately \$5 million, consistent with the G&A level for 2009.

Interest and Other Income

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Interest and other income	\$18	\$1,071	\$590	\$2,537

The decrease in interest and other income to \$18 thousand and \$590 thousand for the three and twelve months ended December 31, 2009, respectively, from \$1,071 thousand and \$2,537 thousand for the three and twelve months ended December 31, 2008, respectively, reflects mostly the decrease in foreign exchanges gains during these periods.

Future Income Taxes

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Future income tax expense (recovery)	\$(587)	\$3,513	\$(2,445)	\$9,586
Effective tax rate	(24.3)%	29.5%	(314.3)%	30.2%
Canadian statutory income tax rate	33.2%	33.3%	33.2%	33.3%

The decrease in the effective tax rate for the three and twelve months ended December 31, 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.

As of December 31, 2009, Corridor’s income tax pools were approximately as follows:

<i>thousands of dollars</i>	December 31 2009
Canadian exploration expense	\$56,204
Canadian development expense	76,913
Canadian oil and natural gas property expense	2,373
Deferred financing costs	4,263
Undepreciated capital cost	45,697
	\$185,450

The Company also has investment tax credits available in the amount of \$1,227 thousand.

Outlook

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

Capital Expenditures

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Drilling	\$1,002	\$7,289	\$16,204	\$44,591
Fracture stimulation programs	4,253	10,124	17,281	25,144
Midstream facilities and tie-ins	169	(374)	2,516	5,155
Land, seismic and studies	157	2,818	1,369	3,463
Capitalized overhead	83	134	380	541
Office and other equipment	117	420	611	841
	\$5,781	\$20,411	\$38,361	\$79,735

The decrease in capital expenditures in Q4 2009 to \$5,781 thousand from \$20,411 thousand in Q4 2008 reflects the suspension of drilling activities early in Q2 2009 due to lower natural gas prices and is consistent with the Company's 2009 budget. In Q4 2009, drilling costs include the demobilization of one of the two drilling rigs back to Alberta.

For the year ended December 31, 2009, capital expenditures decreased to \$38,361 thousand from \$79,735 thousand for the year ended December 31, 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 year ended December 31, 2009, Corridor completed drilling the McCully C-29, L-38 and P-47 wells (3 net wells) and for the year ended December 31, 2008, Corridor drilled 9 gross wells (7.5 net wells), 1 core hole and completed drilling 1 additional gross well (0.5 net well).

The decrease in Corridor's total capital expenditures to \$38,361 thousand for 2009 from Corridor's previous estimate of \$40,000 thousand reflects primarily lower than expected gas plant maintenance and corporate assets of \$1,500 thousand.

Capital Expenditures Outlook

Corridor's 2010 capital budget consists of the following:

<i>thousands of dollars</i>	
A Drill, case and tie-in two new McCully development wells	\$14,500
A Inlet compressor	6,000
A Anticosti joint venture program	4,400
A Sally's Brook core hole	600
A Old Harry site survey	800
A Gas plant maintenance and other	2,300
	\$28,600

Corridor's 2010 capital budget is based on forecasted cash flow from operations of \$25,500 thousand which is based on an estimate of the natural gas sales price of US\$5.50/mmbtu at Henry Hub for 2010, an exchange rate estimate of \$0.95 U.S. per Canadian dollar, and an estimated average daily gas production for 2010 of 17.5 mmscfpd.

Balance Sheet Items

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

- \$25,829 thousand decrease in cash and cash equivalents, primarily reflecting the payment of the December 31, 2008 accounts payable and accrued liabilities.
- \$1,000 thousand increase in restricted cash, reflecting a letter of credit guarantee by Corridor in connection with a Canadian transportation agreement.
- \$10,394 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.

- \$12,918 thousand increase in property, plant and equipment, reflecting the capital expenditure spending.
- \$18,314 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 Q4 2009.
- \$2,627 thousand decrease in advances from joint venture partners due to the decrease in joint venture activity.
- \$1,861 thousand increase in future income taxes, reflecting primarily the tax impact from the renunciation in January 2009 of \$14,950 thousand in exploration expenditures which 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.
- \$4,032 thousand decrease in capital stock, reflecting primarily the tax impact from the renunciation in January 2009 of \$14,950 thousand in exploration expenditures.

Cash Flow Highlights

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Cash provided by operating activities	\$3,570	\$15,990	\$32,713	\$52,783
Cash provided by (used in) financing activities	(46)	16	85	52,390
Cash used in investing activities	(9,390)	(21,192)	(58,627)	(85,239)
Increase (decrease) in cash and cash equivalents	\$(5,866)	\$(5,186)	\$(25,829)	\$19,934

The decrease in cash provided by operating activities for Q4 2009 compared to Q4 2008 is primarily the result of the decrease in natural gas revenues resulting from the reduction in natural gas prices. The decrease in the cash provided by operating activities for the year ended December 31, 2009 compared to the year ended December 31, 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 twelve months ended December 31, 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 twelve months ended December 31, 2009 compared to the three and twelve months ended December 31, 2008 due to the decrease in capital spending following the suspension of drilling activities early in Q2 2009.

Outstanding Share Information

As of March 26, 2010, the outstanding share information was as follows:

Common shares outstanding	87,767,134
Stock options to purchase common shares	2,277,000
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	\$10,403

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 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. As of December 31, 2009, 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 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.

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

Contractual Obligations

As of December 31, 2009, Corridor had the following contractual obligations:

<i>thousands of dollars</i>	Total	2010	2011	2012	2013	Thereafter
Accounts payable and accrued liabilities	\$5,636	\$5,636	\$-	\$-	\$-	\$-
Obligations under capital lease	300	145	155	-	-	-
Drilling commitments (net of deposit)	650	-	-	-	-	650
Transportation commitments	3,730	2,984	746	-	-	-
Operating leases	2,005	425	413	391	388	388
Asset retirement obligations	10,273	-	-	-	-	10,273
	\$22,594	\$9,190	\$1,314	\$391	\$388	\$11,311

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.

Related Party Transactions

A director of Corridor is a partner in a law firm that provides legal services which amounted to \$44 thousand and \$141 thousand for the three and twelve months ended December 31, 2009 (\$80 thousand and \$255 thousand for the three and twelve months ended December 31, 2008). The amounts paid are recorded at the exchange amount agreed to between the parties and approximate fair value.

Summary of Quarterly Information

thousand of dollars, except per share amounts and average natural gas price	2009				2008			
	Three months ended				Three months ended			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Natural gas revenues	\$9,936	\$5,167	\$7,164	\$23,212	\$22,667	\$15,391	\$18,466	\$19,316
Net earnings (loss)	\$(1,825)	\$(3,442)	\$118	\$6,816	\$8,380	\$3,874	\$3,816	\$6,081
Net earnings (loss) per share – basic	\$(0.021)	\$(0.039)	\$0.001	\$0.078	\$0.096	\$0.044	\$0.046	\$0.074
per share – diluted	\$(0.021)	\$(0.039)	\$0.001	\$0.078	\$0.096	\$0.044	\$0.045	\$0.073
Natural gas production as disclosed (mmscf)	1,797	1,336	1,450	1,614	1,934	1,548	1,683	1,792
Revised natural gas production (mmscf) ⁽¹⁾	1,797	1,336	1,450	1,614	1,743	1,548	1,737	1,870
Average natural gas price (\$/mmscf)	\$5.53	\$3.87	\$4.94	\$14.38	\$13.01	\$9.94	\$10.97	\$10.78
Capital expenditures	\$5,781	\$9,823	\$2,957	\$19,800	\$20,411	\$26,638	\$14,704	\$17,982

(1) The revised natural gas production reflects, in the period in which natural gas production actually occurred, the 191 mmscf of natural gas production recognized in Q4 2009 and 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.

Disclosure and Internal Controls and Procedures

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

As of the year ended December 31, 2009, an evaluation of the effectiveness of Corridor's disclosure controls and procedures as defined by NI-52-109 was performed. Based on that evaluation, each of the President and Chief Financial Officer of Corridor has concluded that the disclosure controls and procedures provide reasonable assurance that material information was made known to them and recorded, processed, summarized and reported within the time periods required particularly during the period in which the annual filings are being prepared.

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

The certifying officers evaluated the effectiveness of the system of internal control over financial reporting and concluded that the Company's system of internal control over financial reporting was effective as at December 31, 2009. In making its assessment, management used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework in *Internal Control – Integrated Framework*.

During the year ended December 31, 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.

Critical Accounting Estimates

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

Reserves

All of Corridor's reserves are evaluated and reported on by independent petroleum consultants in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* (“NI-51-101”). GLJ Petroleum Consultants Ltd. (“GLJ”) evaluated and reported on Corridor’s natural gas reserves in the McCully Field and crude oil reserves in the Caledonia Field in New Brunswick as at December 31, 2009.

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

Depletion

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

Impairment

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

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

Asset retirement obligation

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

Future income taxes

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

Changes in Accounting Policies

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 retrospectively had no material impact on Corridor’s 2008 comparative 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.

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.

International Financial Reporting Standards

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, 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 worlds 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. 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.

Reserves Estimates

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

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

Management's Report

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

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

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

March 26, 2010

Signed "Norman W. Miller"
Norman W. Miller
President and Chief Executive Officer

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

Auditors' report

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To the Shareholders of
Corridor Resources Inc.

We have audited the balance sheets of Corridor Resources Inc. as at December 31, 2009 and December 31, 2008 and the statements of earnings, comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
March 11, 2010

Chartered Accountants

Statements of Earnings, Comprehensive Income and Retained Earnings

(thousands of dollars, except per share amounts)

For the year ended December 31

	2009	2008
Revenues	\$ 48,989	\$ 81,509
Royalty expense	(1,979)	(5,001)
Production expense	(3,493)	(4,174)
Transportation expense	(10,509)	(10,920)
	33,008	61,414
Other Expenses		
Depletion, depreciation, amortization and accretion	27,761	25,102
General and administrative (note 8)	4,893	4,843
Stock-based compensation (note 10c)	820	1,565
Capital tax expense	120	370
	33,594	31,880
Earnings (loss) before the following items	(586)	29,534
Interest and finance costs (note 4)	782	334
Interest and other income (note 5)	(590)	(2,537)
Earnings (loss) before income taxes	(778)	31,737
Future income tax expense (recovery) (note 6)	(2,445)	9,586
Net earnings, being comprehensive income	1,667	22,151
Retained earnings (deficit), beginning of year	20,822	(1,329)
Retained earnings, end of year	\$ 22,489	\$ 20,822
Net earnings per share (note 7)		
Basic	\$ 0.019	\$ 0.260
Diluted	\$ 0.019	\$ 0.259

See accompanying notes to the financial statements.

Balance Sheets

(thousands of dollars)

As at December 31

2009

2008

Assets

Current assets

Cash and cash equivalents	\$ 8,484	\$ 34,313
Restricted cash (note 15b)	1,350	350
Receivables	6,503	16,897
Receivables from joint venture partners	121	94
Capital taxes receivable	85	53
Prepays and security deposits	120	169
	16,663	51,876
Property, plant and equipment (note 8)	281,060	268,142
Investment tax credits receivable	1,227	-
Intangible assets, net of accumulated amortization of \$38	425	-
Restricted cash and security deposits (note 15b & c)	1,230	1,380
	\$ 300,605	\$ 321,398

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 5,636	\$ 23,950
Advances from joint venture partners	-	2,627
Obligations under capital lease	145	-
	5,781	26,577
Obligations under capital lease	155	-
Future income taxes (note 6)	23,151	21,290
Asset retirement obligations (note 9)	1,500	1,850
	30,587	49,717

Shareholders' Equity

Capital stock (note 10)	242,381	246,413
Contributed surplus (note 10d)	5,148	4,446
Retained earnings	22,489	20,822
	270,018	271,681
	\$ 300,605	\$ 321,398

See accompanying notes to the financial statements.

Commitments (note 15)

Contingency (note 16)

On behalf of the Board

Signed "Norman W. Miller" Director

Signed "Robert D. Penner" Director

Statements of Cash Flows

(thousands of dollars)

For the year ended December 31

2009

2008

Operating Activities

Net earnings	\$ 1,667	\$ 22,151
Depletion, depreciation, amortization and accretion	27,761	25,102
Stock-based compensation	820	1,565
Future income tax expense (recovery)	(2,445)	9,586
Amortization of debt issue costs	26	-
	27,829	58,404
Increase (decrease) in non-cash operating working capital (note 11)	4,884	(5,621)
Cash provided by operating activities	32,713	52,783

Financing Activities

Proceeds from capital stock issues	131	55,546
Share issue costs	-	(3,156)
Other financing activities	(46)	-
Cash provided by financing activities	85	52,390

Investing Activities

Property, plant and equipment expenditures	(38,361)	(79,735)
Decrease (increase) in restricted cash and security deposits	(850)	1,450
Decrease in non-cash investing working capital (note 11)	(19,253)	(6,892)
Other investing activities	(163)	(62)
Cash used in investing activities	(58,627)	(85,239)
Increase (decrease) in cash and cash equivalents	(25,829)	19,934
Cash and cash equivalents, beginning of year	34,313	14,379
Cash and cash equivalents, end of year	\$ 8,484	\$ 34,313

Cash and cash equivalents consists of:

Cash	\$ 1,714	\$ 10,043
Short-term investments	6,770	24,270
Cash and cash equivalents, end of year	\$ 8,484	\$ 34,313

See accompanying notes to the financial statements.

Notes to the Financial Statements

December 31, 2009

1 Basis of presentation

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

2 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 retrospectively had no impact on Corridor’s 2008 comparative financial statements. Intangible assets purchased during the year 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.

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 section requires disclosure about the inputs to fair value measurements and their classification within the following fair value hierarchy:

- Level 1 - quoted prices in active markets;
- Level 2 – internal models using observable market information as inputs; and
- Level 3 - internal models without observable market information as inputs.

The disclosure requirements of the new standard are disclosed in note 3li) and note 13.

3 Significant accounting policies

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

a) Revenue recognition

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

b) Stock-based compensation

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

c) Future income taxes

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

Notes to the Financial Statements

December 31, 2009

3 Significant accounting policies (continued)

d) Earnings per share

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

e) Property, plant and equipment

i) Capitalized costs

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

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

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

ii) Depletion

Depletion of petroleum and natural gas properties and depreciation of production facilities is calculated using the unit-of-production method based on estimated proved petroleum and natural gas reserves before royalties, as determined by qualified independent engineers. Estimated future costs to be incurred in developing the proved reserves are included in the costs subject to depletion. The costs of significant undeveloped properties are excluded from costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties or impairment has occurred.

iii) Impairment test

At each reporting period, Corridor performs an impairment test to determine the recoverability of the carrying value of petroleum and natural gas properties and production facilities. The cost of petroleum and natural gas properties and production facilities is not recoverable if the carrying value exceeds the sum of future undiscounted cash flows expected from the production of proved reserves plus the cost of unproved properties. If the carrying value is assessed as not recoverable, an impairment loss is recognized for the amount by which the carrying value exceeds the fair value. The fair value is determined based on future net cash flows from proved plus probable reserves discounted at a risk-free rate using an estimate of future commodity prices, and includes the cost of unproved properties that have been subject to a separate impairment test and contain no probable reserves.

iv) Asset retirement obligations

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

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

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

Notes to the Financial Statements

December 31, 2009

3 Significant accounting policies (continued)

v) Inventory

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

vi) Joint operations

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

f) Depreciation

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

g) Flow-through common shares

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

h) Measurement uncertainty

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

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

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

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

i) Cash and cash equivalents

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

j) Deferred financing costs

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

k) Foreign currency translation

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

Notes to the Financial Statements

December 31, 2009

3 Significant accounting policies (continued)

l) Financial instruments

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

i) Held for trading

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

ii) Loans and receivables

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

iii) Other financial liabilities

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

m) Embedded foreign currency derivatives

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

4 Interest and finance costs

Interest and finance costs consist of the following:

(thousands of dollars)

	2009	2008
Interest expense	\$ 117	\$ 334
Foreign exchange losses	639	-
Amortization of debt issue costs	26	-
	\$ 782	\$ 334

Notes to the Financial Statements

December 31, 2009

5 Interest and other income

Interest and other income consist of the following:

(thousands of dollars)

	2009	2008
Interest income	\$ 590	\$ 801
Foreign exchange gains	-	1,628
Other income	-	108
	\$ 590	\$ 2,537

6 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)

	2009	2008
Earnings (loss) before income taxes	\$ (778)	\$ 31,737
Canadian statutory income tax rate	33%	33%
Expected income tax expense (recovery)	\$ (258)	\$ 10,553
Increase (decrease) resulting from:		
Non-deductible stock-based compensation	272	520
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	(5)	(1,499)
Effect of provincial tax rate change	(3,346)	-
Effect of change in estimate in provincial tax allocation	892	-
Other	-	12
	\$ (2,445)	\$ 9,586

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 \$3,346 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 reassessed its estimate of the future allocation of taxable income between New Brunswick and Nova Scotia, which resulted in an increase in future income tax expense of \$892 thousand.

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

(thousands of dollars)

	2009	2008
Future income tax liability		
Property, plant and equipment	\$ 24,659	\$ 23,788
Future income tax asset		
Share issue costs	(1,102)	(1,949)
Asset retirement obligations	(406)	(549)
	(1,508)	(2,498)
	\$ 23,151	\$ 21,290

Notes to the Financial Statements

December 31, 2009

7 Earnings per share

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

(thousands of shares)

	2009	2008
Weighted average number of common shares - basic	87,693	85,284
Effect of stock options	92	301
Weighted average number of common shares - diluted	87,785	85,585

For the year ended December 31, 2009, stock options of 1,456 thousand (December 31, 2008 – 339 thousand) were excluded from the dilution calculation since the average market price for the period was lower than the exercise price.

8 Property, plant and equipment

(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

(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 year ended December 31, 2009, Corridor capitalized to petroleum and natural gas properties general and administrative costs of \$380 thousand (December 31, 2008 - \$541 thousand). The calculation of depletion includes estimated future development costs relating to the development of proved reserves of \$87 million for the year ended December 31, 2009 (December 31, 2008 - \$104 million).

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
(\$/mcf)	\$6.47	\$7.35	\$7.46	\$7.52	\$7.73	\$7.89	\$8.16	\$8.71	\$9.29	\$9.47	\$9.66	\$9.84

The benchmark prices are escalated by 2% annually thereafter. The benchmark prices are based on natural gas prices at Henry Hub and adjusted for transportation costs and an exchange rate of US\$0.95/\$CDN for each year.

Notes to the Financial Statements

December 31, 2009

9 Asset retirement obligations

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

(thousands of dollars)

	2009	2008
Balance, beginning of year	\$ 1,850	\$ 1,443
Liabilities incurred	90	337
Change in estimate	(596)	49
Liabilities settled	-	(111)
Accretion expense	156	132
Balance, end of year	\$ 1,500	\$ 1,850

The total undiscounted amount of estimated cash flows required to settle these obligations is \$10,273 thousand (December 31, 2008 - \$8,774 thousand). Management estimates the settlement of these obligations by 2035. A credit adjusted risk-free rate of 8% (2008 - 8%) and an inflation rate of 2% (2008 - 2%) was used to calculate the estimated fair value of the asset retirement obligations.

10 Capital stock

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

b) **Issued and outstanding**

(thousands of dollars and thousands of shares)

	December 31, 2009		December 31, 2008	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of year	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	-	17	-	(2,248)
Balance, end of year	87,767	\$ 242,381	87,629	\$ 246,413

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 and the related exploration expenditures were renounced in January 2009.

During the year, the Company announced its intention to make a normal course issuer bid pursuant to which the Company is permitted to acquire up to 1 million common shares from May 11, 2009 to May 10, 2010. As of December 31, 2009, no common shares have been acquired by Corridor.

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.

Notes to the Financial Statements

December 31, 2009

10 Capital stock (continued)

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

	December 31, 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 year	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 year	2,299	\$ 4.58	1,604	\$ 5.34
Options exercisable, end of year	1,338	\$ 5.43	1,038	\$ 4.64

The range of exercise prices of stock options outstanding and exercisable as at December 31, 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	4.5	\$ 2.57	1	\$ 2.03	
\$ 3.00 - \$ 4.99	615	1.1	\$ 4.41	610	\$ 4.41	
\$ 5.00 - \$ 5.99	508	1.5	\$ 5.46	508	\$ 5.46	
\$ 6.00 - \$ 6.99	109	3.3	\$ 6.80	104	\$ 6.80	
\$ 7.00 - \$10.99	224	3.4	\$ 9.54	115	\$ 9.54	
	2,299	2.8	\$ 4.58	1,338	\$ 5.43	

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

	December 31, 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 year ended December 31, 2009, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$820 thousand (December 31, 2008 - \$1,565 thousand).

d) Contributed surplus

(thousands of dollars)

	December 31, 2009	December 31, 2008
Balance, beginning of year	\$ 4,446	\$ 3,083
Stock-based compensation expense	820	1,565
Stock options exercised	(118)	(202)
Balance, end of year	\$ 5,148	\$ 4,446

Notes to the Financial Statements

December 31, 2009

11 Supplemental cash flow information

(thousands of dollars)

	2009	2008
Increase (decrease) in non-cash operating working capital:		
Receivables	\$ 5,357	\$ (6,232)
Prepays and security deposits	49	163
Accounts payable and accrued liabilities	(490)	597
Capital taxes receivable	(32)	(149)
	\$ 4,884	\$ (5,621)
Increase (decrease) in non-cash investing working capital:		
Receivables	\$ 5,037	\$ 37
Inventory	(3,857)	(1,451)
Advances from joint venture partners	(2,654)	(5,153)
Accounts payable and accrued liabilities	(17,779)	(325)
	\$ (19,253)	\$ (6,892)
Interest and taxes paid:		
Interest paid	\$ 109	\$ 325
Capital and other taxes paid	\$ 152	\$ 521

12 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 December 31, 2009, there was no outstanding bank loan.

13 Risk management

The Company is exposed to the following risks:

i) Commodity price risk

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

ii) Foreign currency risk

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

(thousands of U.S. dollars)

	December 31, 2009	December 31, 2008
Cash	\$ 27	\$ 24
Accounts receivable	3,281	7,745
Financial instruments in U.S. dollars	\$ 3,308	\$ 7,769

For the year ended December 31, 2009, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of approximately \$100 thousand (December 31, 2008 – \$300 thousand) in the Company's net earnings due to a decrease in the financial instruments denominated in U.S. dollars. Conversely, a 5% increase in the U.S. dollar relative to the Canadian dollar would have resulted in an increase of approximately \$100 thousand (December 31, 2008 – \$300 thousand) in the Company's net earnings.

Notes to the Financial Statements

December 31, 2009

13 Risk management (continued)

iii) 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 securities. Management believes the risk of loss is low.

iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2009, the Company was holding cash and cash equivalents of \$8,484 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.

The contractual maturities of financial liabilities as of December 31, 2009 are as follows:

<i>(thousands of dollars)</i>	Total	2010	2011	2012	2013	Thereafter
Accounts payable and accrued liabilities	\$ 5,636	\$ 5,636	\$ -	\$ -	\$ -	\$ -
Obligations under capital lease	300	145	155	-	-	-
Drilling commitments (net of deposit)	650	-	-	-	-	650
Transportation commitments	3,730	2,984	746	-	-	-
Operating leases	2,005	425	413	391	388	388
Asset retirement obligations	10,273	-	-	-	-	10,273
	\$ 22,594	\$ 9,190	\$ 1,314	\$ 391	\$ 388	\$ 11,311

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.

c) 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.

14 Related parties

A director of Corridor is a partner in a law firm that provides legal services to the Company. For the year ended December 31, 2009, legal expenses of \$141 thousand are included in general and administrative expenses (December 31, 2008 - \$135 thousand) and share issue costs of \$nil are included in capital stock (December 31, 2008 - \$120 thousand). At December 31, 2009, \$73 thousand 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.

Notes to the Financial Statements

December 31, 2009

15 Commitments

a) Transportation and gas sales

The Company has a commitment to purchase 12,170 mmbtu per day of transportation on the Canadian side of the Maritimes and Northeast Pipeline from April 1, 2008 to April 1, 2011. The remaining cost of this commitment to the expiry of the contract is approximately \$3,730 thousand.

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

b) Letters of credit

At December 31, 2009, the Company had the following irrevocable standby letters of credit issued by a Canadian chartered bank:

<i>(thousands of dollars)</i>	Amount
Letter of credit expiring January 5, 2010	\$ 1,000
Letter of credit expiring June 27, 2010	350
Letter of credit expiring August 1, 2013	380
	\$ 1,730

The Company has pledged \$1,730 thousand of short term investments as security. These investments are recorded as restricted cash and restricted cash and security deposits based on their expiry date.

c) Drilling

The Company has a commitment to demobilize a drilling rig for an estimated cost of \$1,500 thousand. The Company has paid a deposit of \$850 thousand which will be refunded when the drilling rig is returned. This deposit is recorded in restricted cash and security deposits.

d) Operating leases

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

<i>(thousands of dollars)</i>	Amount
2010	\$ 425
2011	413
2012	391
2013	388
2014	125
Thereafter	263
	\$ 2,005

16 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 Canada,
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 March 26, 2010 – 87,767,134

Notice of Annual Meeting

The Annual Meeting of Corridor Resources Inc.
will be held on Thursday, May 13, 2010, at 3:00 p.m.
at the offices of Bennett Jones LLP, 4500 Bankers Hall East,
855-2nd St. S.W., Calgary, Alberta, T2P 4K7