



2008 Management's Discussion and Analysis

As of March 26, 2009

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, 2008 should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2008.

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

Additional information about Corridor, including the Company's annual information form for the year ended December 31, 2008 (the "Annual Information Form") is available on the Internet through the System for Electronic Document Analysis and Retrieval (SEDAR) found at www.sedar.com.

Introduction

Corridor is a junior resource company engaged in the exploration for and development and production of petroleum and natural gas onshore in New Brunswick, Prince Edward Island and Québec and offshore in the Gulf of St. Lawrence. The Company has natural gas reserves in the McCully Field near Sussex, New Brunswick, and has recently discovered crude oil reserves in the Caledonia Field, near Sussex, New Brunswick. In June 2007, Corridor completed the construction of a field gathering system, a gas plant and a pipeline lateral ("midstream facilities") connecting the McCully Field to markets through the Maritimes & Northeast Pipeline ("M&NP").

Non-GAAP Financial Measures

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

Selected Financial Information

<i>thousands of dollars except per share amounts</i>	Three months ended December 31		Twelve months ended December 31		Four months ended
	2008	2007	2008	2007	December 31
Revenues	\$25,890	\$16,916	\$81,509	\$33,347	\$1,693
Net earnings (loss)	\$8,380	\$4,682	\$22,151	\$4,049	\$(268)
Net earnings (loss) per share -					
basic	\$0.096	\$0.057	\$0.260	\$0.051	\$(0.004)
diluted	\$0.096	\$0.056	\$0.259	\$0.050	\$(0.004)
Cash flow from operations ⁽¹⁾	\$20,193	\$11,793	\$58,404	\$20,482	\$909
Capital expenditures	\$20,411	\$27,728	\$79,735	\$113,148	\$29,939
Gross proceeds from capital					
stock issues	\$-	\$1,199	\$55,546	\$67,701	\$30,896
Total assets	\$321,398	\$240,187	\$321,398	\$240,187	\$151,623

¹See "Non-GAAP Financial Measures".

Forward Looking Information

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

- revenues;
- production levels;
- natural gas prices;
- gathering, processing and transportation fees;
- royalty rates and expense;
- production expense;
- transportation expense;
- depletion, depreciation and accretion rate;
- general and administrative expenses;
- capital expenditures;
- exploration and development drilling program;
- cash flow from operations;
- sources of funding,
- 2009 capital program, and
- level of bank debt.

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

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

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

Certain of the forward-looking statements in this MD&A may constitute "financial outlooks" as contemplated by National Instrument 51-102 *Disclosure Obligations*, including information related to projected revenues, expenses, capital expenditures and production for 2009, which are provided for the purpose of forecasting the financial position of Corridor at the end of the 2009 financial year. Please be advised that the financial outlook in this MD&A may not be appropriate for purposes other than the one stated above.

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

Outlook Information

The outlook sections of this MD&A contain revisions to the outlook information disclosed in the Q3 2008 MD&A dated November 11, 2008 and in the Company's January 14, 2009 press release. Both documents are available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com.

Highlights of 2008

- Natural gas revenues for the year ended December 31, 2008 increased to \$75,839 thousand from \$31,277 thousand for the year ended December 31, 2007 due to an increase in natural gas sales prices in Q3 2008 and Q4 2008 compared to Q3 2007 and Q4 2007 and to an increase in production to 18.5 mmscfpd from 10.2 mmscfpd for the year ended December 31, 2007 reflecting a full year of natural gas production to the M&NP in 2008 compared to only six months in 2007.
- Net earnings for the year ended December 31, 2008 increased to \$22,151 thousand from \$4,049 thousand for the year ended December 31, 2007 due to a full year of natural gas production to the M&NP in 2008 compared to only six months in 2007 and to higher natural gas sales prices in Q3 2008 and Q4 2008 compared to Q3 2007 and Q4 2007.
- On June 20, 2008, Corridor closed a \$55 million bought-deal financing consisting of 3,800,000 common shares and 1,150,000 flow-through shares at a price of \$10.60 per common share and \$13.00 per flow-through share.
- In Q4 2008, Corridor reported that it had made a potentially significant oil discovery at its South Branch G-36 well situated 3 kilometers southeast of the McCully natural gas field in southern New Brunswick. The G-36 oil discovery has been named the Caledonia Field in recognition of the southern bounding basement rocks of the Caledonia highlands. During Q4 2008, a 3-D seismic program was completed in the area surrounding the South Branch G-36 oil-well discovery. The new data will be critically important in mapping the potential extent of the Caledonia Field and in identifying the most favourable locations for drilling follow-up wells to determine the potential size of the oilfield.
- During 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) which was started in Q4 2007.
- During the 2008 year, Corridor entered into a long term agreement to sell to Repsol Energy Canada Ltd. all of its natural gas produced from the McCully Field and surrounding areas in southern New Brunswick. The agreement becomes effective on April 1, 2009 and provides Corridor with year round access to natural gas markets in Maritimes Canada and the US Northeast and allows it to receive corresponding market prices including those in periods of peak demand.

Fourth Quarter Highlights

- During Q4 2008, natural gas production averaged 18.9 mmscfpd net to Corridor (including production from penalty wells) with an average natural gas sales price of \$13.01/mscf, resulting in net earnings of \$8,380 thousand and basic and diluted net earnings per share of \$0.096.
- Natural gas revenues for Q4 2008 increased to \$22,667 thousand from \$15,586 thousand for Q4 2007 due to the increase in the average natural gas sales price to \$13.01/mscf resulting largely from forward sale contracts of 10,000 mmbtupd at an average sales price of \$US14.95/mmbtu in effect between November 1, 2008 and March 31, 2009.
- Net earnings for Q4 2008 increased to \$8,380 thousand from \$4,682 thousand for Q4 2007, reflecting an increase in revenues partially offset by an increase in depletion expense.
- During Q4 2008, Corridor completed drilling the South Branch G-36 and Green Road G-41 exploration wells (2 net wells) and the Mapleton core hole (1 net well) in New Brunswick. Corridor also completed its 2008 fracture stimulation, completion and testing program for several additional McCully wells.

Q4 2008 Financial Summary

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Revenues	\$25,890	\$16,916	\$ 81,509	\$33,347
Royalty expense	(1,599)	(1,016)	(5,001)	(2,039)
Production expense	(1,100)	(699)	(4,174)	(1,353)
Transportation expense	(2,485)	(2,218)	(10,920)	(4,562)
	20,706	12,983	61,414	25,393
Other Expenses				
Depletion, depreciation and accretion	7,998	4,829	25,102	12,283
General and administrative	1,520	1,017	4,843	4,406
Stock-based compensation	302	402	1,565	1,634
Capital tax expense	40	90	370	420
	9,860	6,338	31,880	18,743
Earnings before the following items	10,846	6,645	29,534	6,650
Interest and finance costs	24	543	334	2,149
Interest and other income	(1,071)	(448)	(2,537)	(1,707)
Earnings before income taxes	11,893	6,550	31,737	6,208
Future income tax expense	3,513	1,868	9,586	2,159
Net earnings	\$8,380	\$4,682	\$22,151	\$4,049

Results of Operations

Revenues

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Natural gas	\$22,667	\$15,586	\$75,839	\$31,277
By-passed natural gas recovery	1,800	-	1,800	-
Condensate	126	159	738	255
Natural gas and gas liquids revenues	24,593	\$15,745	78,377	\$31,532
Gathering, processing & transportation fees	1,297	1,171	3,132	1,815
	\$25,890	\$16,916	\$81,509	\$33,347

Natural gas revenues increased to \$22,667 thousand in Q4 2008 from \$15,586 thousand in Q4 2007 due to the increase in the average natural gas sales price to \$13.01/mmbtu from \$8.86/mmbtu in Q4 2007 resulting from forward sale contracts of 10,000 mmbtupd at an average sales price of \$US14.95/mmbtu in effect between November 1, 2008 and March 31, 2009. This increase was partially offset by a reduction in the average daily production in Q4 2008 to 18.9 mmscfd from 19.1 mmscfd (excluding the by-passed natural gas production) in Q4 2007.

For the year ended December 31, 2008, the increase in natural gas revenues to \$75,839 thousand from \$31,277 thousand for the year ended December 31, 2007 is also due to a full year of natural gas production to the M&NP in 2008 compared to only six months in 2007.

During the year, Corridor discovered that, during the period from October 25, 2007 to June 20, 2008, 191 mmscf of its net natural gas production was delivered into the M&NP pipeline transportation system without being measured by M&NP's custody transfer meter. During Q4 2008, Corridor reached an agreement with a customer relating to the sale of this by-passed natural gas production and as a result, Corridor has recognized \$1,800 thousand of natural gas revenues in Q4 2008 and 191 mmscf of additional natural gas production.

Corridor had a total of 26 wells tied-in to the McCully gathering system by the end of December 31, 2008, including five wells tied-in in late Q4 2008. Prior to June 28, 2007, only two wells were producing and connected to a nearby potash mill owned by Corridor's joint venture partner Potash Corporation of Saskatchewan ("PCS").

Corridor's average daily gas production in Q4 2008 of 18.9 mmscfd (excluding the by-passed natural gas production) is lower than the amount previously budgeted of 22.7 mmscfd primarily due to production problems encountered with the McCully N-66 horizontal well as well as later than expected tie-ins for the five additional wells in the McCully Field.

Production volumes and pricing

	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Total volumes				
Natural gas production (mmscf)	1,743	1,759	6,765	3,716
By-passed natural gas production (mmscf)	191	-	191	-
Condensate production (bbl)	2,079	1,680	8,040	3,202
Daily production averages				
Natural gas production per day (mmscfd)	18.9	19.1	18.5	10.2
Condensate production per day (bblpd)	22.6	18.3	22.0	8.8
Average prices				
Natural gas selling price (\$/mmscf)	\$13.01	\$8.86	\$11.21	\$8.42
Condensate selling price (\$/bbl)	\$60.6	\$94.6	\$91.8	\$79.6

During Q4 2008, Corridor recognized \$1,800 thousand of natural gas revenues relating to 191 mmscf of natural gas production which had not been measured by M&NP's custody transfer meter during the period from October 25, 2007 to June 20, 2008. Although this additional natural gas production was recognized in the Company's financial records in Q4 2008, this does not accurately reflect the actual production timing. The following table provides the revised total volumes and daily production averages which includes the by-passed natural gas production in the period in which natural gas production actually occurred. Where applicable, the calculation of the \$/mmscf analysis in this MD&A is based on these revised production numbers to more accurately reflect the Company's operating results.

reflecting the by-passed natural gas production in the period of production

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
By passed natural gas production (mmscf)	-	59	132	59
Revised natural gas production (mmscf)	1,743	1,818	6,897	3,775
Revised natural gas production per day (mmscfd)	18.9	19.8	18.8	10.3

Outlook

Corridor has decreased its 2009 budget for revenues from \$90 million to \$69 million to reflect lower natural gas sales prices and a lower forecasted natural gas production level. Corridor has decreased its estimate of the average natural gas sales price from US\$6/mmbtu at Henry Hub to US\$4.75/mmbtu at Henry Hub and has changed its estimate of the exchange rate from \$0.85 Canadian per US dollar to \$0.825 Canadian per US dollar. This revenue estimate reflects forward sale contracts of 10,000 mmbtupd from November 1, 2008 to March 31, 2009 at an average sales price of \$US14.95/mmbtu. Corridor has also decreased its previously estimated average net production for 2009 from 22 mmscfd to 21 mmscfd primarily reflecting the production problems encountered at the N-66 well in the McCully Field.

Gathering, processing and transportation fees

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Gathering, processing and transportation fees	\$1,297	\$1,171	\$3,132	\$1,815

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 increase in the gathering, processing and transportation ("GPT") fees for the year ended December 31, 2008 to \$3,132 thousand from \$1,815 thousand for the year ended December 31, 2007 is due to a full year of natural gas production to the M&NP in 2008 compared to only six months in 2007. The increase in the GPT fees from Corridor's latest forecast of \$2,500 thousand is due to the actual gross production for 2008 being lower than the estimated average gross production during the year.

Outlook

Corridor's 2009 budget for GPT fees from PCS' share of production is approximately \$2,500 thousand based on an average estimated gross production of 28 mmscfpd for 2009.

Royalty Expense

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Crown royalties	\$1,599	\$1,016	\$5,001	\$2,039
Royalty expense per mscf (\$/mscf)	\$0.92	\$0.56	\$0.73	\$0.54
Percentage of natural gas and gas liquids revenues	6.5%	6.5%	6.4%	6.5%

For the three and twelve months ended December 31, 2008, Corridor paid a royalty rate of 10% based on revenues, net of deductions for processing and transportation and a recovery of capital costs.

Outlook

An effective royalty rate of approximately 5.2% is forecasted for 2009 reflecting the decrease in commodity prices. Corridor believes the structure of the royalty regime could change during 2009 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.

Production Expense

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Gross production expense	\$1,498	\$1,028	\$5,786	\$1,913
Third party recoveries	(398)	(329)	(1,612)	(560)
Net production expense	\$1,100	\$699	\$4,174	\$1,353
Net production expense per mscf (\$/mscf)	\$0.63	\$0.38	\$0.61	\$0.36

Gross production expense for Q4 2008 increased to \$1,498 thousand from \$1,028 thousand for Q4 2007 due to the increase in utilities expense as a result of the start-up of the gas plant compressor late in Q4 2007, and due to the increase in repairs and maintenance. The increase in gross production expense for the year ended December 31, 2008 to \$5,786 thousand from \$1,913 thousand for the year ended December 31, 2007 also reflects a full year of natural gas production to the M&NP in 2008 compared to only six months in 2007.

Outlook

Production expense of approximately \$0.72/mscf is forecasted for 2009, based on an average estimated net production of 21 mmscfpd for 2009.

Transportation Expense

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Transportation expense	\$2,485	\$2,218	\$10,920	\$4,562
Transportation expense per mscf (\$/mscf)	\$1.43	\$1.22	\$1.58	\$1.21

The Company's transportation expense increased to \$2,485 thousand and \$10,920 thousand for the three and twelve months ended December 31, 2008, respectively, from \$2,218 thousand and \$4,562 thousand for the three and twelve months ended December 31, 2007, respectively, due to an increase in the cost of the Canadian interruptible tolls effective March 1, 2008, as well as the expiry on April 1, 2008 of a one year firm transportation commitment for 8,933 mmbtupd at a cost of 40% of firm tolls on M&NP. This increase was partially offset by a reduction in transportation expense in Q4 2008 of \$767 thousand as a result of a refund owing by M&NP US for excess fuel charged during the period from August 2007 to July 2008.

Corridor currently has a firm transportation agreement expiring 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 per mscf for the year ended December 31, 2008 is lower than the latest forecast of \$1.70/mscf because of the refund owing by M&NP US of \$767 thousand and because of the additional natural gas production from the recovery of the by-passed gas.

Outlook

Transportation expense of approximately \$1.85/mscf is budgeted for 2009, based on an exchange rate of \$0.825 Canadian per US dollar and an average estimated net production of 21 mmscfpd for 2009.

Depletion, Depreciation and Accretion

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Depletion, depreciation and accretion	\$7,998	\$4,829	\$25,102	\$12,283
Depletion, depreciation and accretion per mscf (\$/mscf)	\$4.71	\$3.41	\$4.28	\$4.05

Depletion expense is calculated using the unit-of-production method which is based on production volumes (excluding penalty wells) in relation to the proved reserve base. The depletion, depreciation and accretion rate increased for the three and twelve months ended December 31, 2008 as the increase in Corridor's proved natural gas reserves recognized in Q4 2008 was much lower than the increase in proved natural gas reserves recognized in Q4 2007. Corridor's proved natural gas reserves increased by 3.4 bscf to 77.5 bscf as at December 31, 2008 compared to an increase of 41.7 bscf to 79.9 bscf as at December 31, 2007.

Outlook

The Company's outlook for the depletion, depreciation and accretion rate per mscf for 2009 is approximately \$3.6/mscf based on the Company's estimated capital expenditures of \$47,500 thousand and an average estimated net production of 21 mmscfpd.

General and Administrative Expenses

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Gross expenses	\$1,699	\$1,196	\$5,586	\$4,885
Capitalized overhead	(134)	(128)	(541)	(388)
Operator recoveries	(45)	(51)	(202)	(91)
Net expenses	\$1,520	\$1,017	\$4,843	\$4,406

During Q4 2008, gross general and administration expenses ("G&A") increased to \$1,699 thousand from \$1,196 thousand during Q4 2007 due to the increased reliance on consultants necessary to help with the Company's exploration activities and to a new employee share purchase plan in 2008 which increased employee benefits expense in Q4 2008. In addition, gross G&A increased to \$5,586 thousand for the year ended December 31, 2008 from \$4,885 thousand for the year ended December 31, 2007 because of the increase in the number of employees and the payment of director fees for the first time in 2008. However, this increase was reduced by the reclassification of expenses from G&A to production expense after the start-up of production to M&NP in June 2007.

Outlook

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

Interest and Finance Costs

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Interest and finance costs	\$24	\$543	\$334	\$2,149

The decrease in interest and finance costs to \$24 thousand and \$334 thousand for the three and twelve months ended December 31, 2008, respectively, from \$543 thousand and \$2,149 thousand for the three and twelve months ended December 31, 2007, respectively, reflects the decrease in the debt level in 2008 and the decrease in the amortization of debt issue costs which expired in 2007.

Future Income Taxes

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Future income tax expense	\$3,513	\$1,868	\$9,586	\$2,159
Effective tax rate	29.5%	28.5%	30.2%	34.8%
Canadian statutory income tax rate	33.3%	35.8%	33.3%	35.8%

The change in the Company's effective tax rate for the three and twelve months ended December 31, 2008 compared with the three and twelve months ended December 31, 2007 is due to an adjustment in Q4 2007 to decrease Corridor's future income tax rate to reflect decreases in substantively enacted tax rates in the years 2009 to 2012.

As of December 31, 2008, Corridor's income tax pools were approximately as follows:

<i>thousands of dollars</i>	December 31 2008
Canadian exploration expense	\$30,570
Canadian development expense	89,882
Canadian oil and natural gas property expense	2,083
Deferred financing costs	6,779
Undepreciated capital cost	44,828
	\$174,142

On June 20, 2008, Corridor issued 1,150,000 flow-through common shares, which resulted in an obligation to spend \$14,950 thousand on qualifying expenditures prior to December 31, 2009. The Canadian exploration income tax pool was reduced by \$14,950 thousand to reflect the renunciation of these expenditures effective December 31, 2008.

Outlook

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

Capital Expenditures

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Drilling	\$7,289	\$9,143	\$44,591	\$46,992
Fracture stimulation programs	10,124	14,996	25,144	23,191
Midstream facilities and tie-ins	(374)	2,557	5,155	40,549
Land and seismic	2,818	706	3,463	1,317
Capitalized overhead	134	128	541	388
Office and other equipment	420	198	841	711
	\$20,411	\$27,728	\$79,735	\$113,148

The decrease in capital expenditures to \$20,411 thousand for Q4 2008 from \$27,728 thousand for Q4 2007 reflects the suspension of drilling activities at one of Corridor's two contracted drilling rigs in Q4 2008 and less activity on the frac program in December, 2008. For the year ended December 31, 2008, capital expenditures decreased to \$79,735 thousand from \$113,148 thousand for the year ended December 31, 2007, primarily due to expenditures associated with the McCully Field midstream facilities as the construction of the facilities was completed in June 2007.

In Q4 2008, Corridor completed drilling the South Branch G-36 and Green Road G-41 exploration wells (2 net wells) and the Mapleton core hole (1 net well) in New Brunswick. In Q4 2007, Corridor continued drilling the J-76 and New

Harmony #1 wells, drilled the D-67 well (2.5 net wells) and began drilling the E-67 well (0.5 net well). The decrease in drilling costs for the three and twelve months ended December 31, 2008 to \$7,289 thousand and \$44,591 thousand respectively, from \$9,143 thousand and \$46,992 thousand for the three and twelve months ended December 31, 2007 respectively, reflects the slow-down of one of its two drilling rigs.

Corridor drilled 9 gross wells (7.5 net wells), 1 core hole and completed drilling 1 additional gross well (0.5 net well) which was started in Q4 2007. During the prior year, Corridor drilled 10 gross wells (9 net wells) and commenced drilling 1 gross well (0.5 net well). The decrease in the number of net wells drilled also reflects the drilling of longer reach and horizontal wells in 2008 requiring increased drilling days.

Land and seismic expenditures increased to \$2,818 thousand and \$3,463 thousand for the three and twelve months ended December 31, 2008 respectively, from \$706 thousand and \$1,317 thousand, for the three and twelve months ended December 31, 2007 respectively, due to the 3-D seismic program completed in the area surrounding the South Branch G-36 oil well discovery.

The decrease in midstream facilities and tie-in costs in Q4 2008 is due to the reclassification of certain costs to jointly held wells.

The decrease in Corridor's total capital expenditures to \$79.7 million for 2008 from Corridor's previous estimate of \$88.6 million reflects the following material changes:

- Lower than expected tie-in costs, for a net reduction of \$1.5 million;
- Deferral of the fracking of the G-41 exploration well in the Frederick Brook shale, for a net reduction of \$2.2 million;
- Deferral of the core holes at Sally's Brook and Salt Springs in New Brunswick, for a net reduction of \$1.2 million;
- Lower than expected gas plant maintenance, for a net reduction of \$1.5 million; and
- Reclassification of tie-in costs to jointly held wells, for a net reduction of \$1.0 million.

Capital Expenditures Outlook

Corridor has reduced its 2009 capital budget from \$59.9 million net to Corridor's working interest to \$47.5 million to reflect a \$16.1 million decrease in the Company's 2009 estimated cash flow from operations. The net decrease in the capital expenditure program reflects the following material changes:

- Defer the drilling of one McCully development well, for a net reduction of \$5 million;
- Defer the drilling and fracking of the exploration well, located approximately 4 kilometers southeast of the South Branch G-36 oil discovery well, and designed to evaluate the oil and/or natural gas potential of sands in the Hiram Brook formation and the shale gas potential of the Frederick Brook formation, for a net reduction of \$4.5 million;
- Defer the joint venture program on Anticosti Island, for a net reduction of \$2.3 million; and
- Reduce the number of core holes at Sally's Brook and Salt Springs, for a net reduction of \$0.6 million.

Corridor's 2009 capital expenditure program is designed to increase natural gas production and revenues from the McCully Field while limiting expenditures to the cash flow from operations. Corridor's 2009 capital budget is based on forecasted cash flow from operations of \$41.5 million.

Balance Sheet Items

Significant changes between the December 31, 2008 balance sheet and the December 31, 2007 balance sheet include:

- \$19,934 thousand increase in cash and cash equivalents, primarily reflecting the net proceeds of approximately \$52 million from the June 2008 common share issue net of the repayment of the outstanding bank loan.
- \$8,559 thousand increase in receivables primarily reflecting the increase in natural gas revenues in December 2008.
- \$54,188 thousand increase in property, plant and equipment reflecting the capital expenditure spending.
- \$5,063 thousand decrease in advances from joint venture partners reflecting the timing of receipt of cash advances relating to joint venture projects.

- \$14,433 thousand increase in future income taxes reflecting the increased earnings before taxes and the tax impact from the renunciation in January 2008 of \$20 million in exploration expenditures, net of the tax impact on the share issue costs.
- \$47,744 thousand increase in capital stock reflecting the June 2008 common share issue.

Cash Flow Highlights

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Cash provided by operating activities	\$15,990	\$8,718	\$52,783	\$15,380
Cash provided by (used in) financing activities	16	(36,458)	52,390	63,997
Cash used in investing activities	(21,192)	(20,236)	(85,239)	(101,967)
Increase (decrease) in cash and cash equivalents	\$(5,186)	\$(47,976)	\$19,934	\$(22,590)

The increase in cash provided by operating activities for the three and twelve months ended December 31, 2008 compared to the three and twelve months ended December 31, 2007 reflects the increase in natural gas revenues reduced by the increase in royalty, production and transportation expenses.

The increase in cash provided by financing activities in Q4 2008 reflects the repayment of the outstanding bank loan of \$37,650 thousand in Q4 2007. The decrease in the cash provided by financing activities for the year ended December 31, 2008 is due to the lower net proceeds received from the June 2008 common share issue than the net proceeds received from the June 2007 equity financing.

The decrease in the cash used in investing activities for the year ended December 31, 2008 reflects a decrease in capital expenditures as the construction of the midstream facilities was completed in June 2007.

Outstanding Share Information

As of March 26, 2009, the outstanding share information was as follows:

Common shares outstanding	87,629,634
Stock options to purchase common shares	1,603,500
Total common shares outstanding after exercise of all stock options	89,233,134
<i>thousands of dollars</i>	
Total proceeds due on exercise of all stock options	\$8,561

Liquidity and Capital Resources

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

During 2008, Corridor renewed its \$40 million revolving short term credit facility with a Canadian chartered bank. The principal amount outstanding from time to time under the loan now bears interest at the lender's prime rate plus 0.25% per annum, with interest payable monthly. The credit facility will now mature, subject to mutual agreement to extend, on June 28, 2009. The loan is subject to customary terms and conditions for borrowings of this nature and is 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, 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, 2008, no amounts were drawn on this credit facility and \$40 million remained available.

Corridor does not intend to access this credit facility in 2009 consistent with the Company's 2009 capital budget. The 2009 budget assumes that no additional funds will be utilized from other sources such as equity financings, corporate debt or asset sales and was designed to increase natural gas production and revenues from the McCully Field and evaluate the oil and shale gas potential of the surrounding basin. Changes in commodity prices and exchange rates will impact Corridor's cash flow from operations. Corridor will continue to monitor economic conditions and commodity prices and may adjust its 2009 capital program accordingly.

The Company has sufficient financial resources to undertake all of its planned exploration and development programs for 2009. However, Corridor does not presently have sufficient financial resources to undertake by itself a comprehensive exploration and development of the Company's properties beyond 2009. Future exploration and development of the Company's properties will depend, therefore, on the Company's cash flow from operations and its ability to obtain additional financing through joint ventures, debt financing, equity financing or other means. Failure to obtain any financing necessary for Corridor's capital expenditure plans may result in a delay in development or production on Corridor's properties.

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

Contractual Obligations

As of December 31, 2008, Corridor had the following contractual obligations:

<i>(thousands of dollars)</i>	Total	2009	2010	2011	2012	Thereafter
Accounts payable and accrued liabilities	\$23,950	\$23,950	\$-	\$-	\$-	\$-
Transportation commitments	8,806	4,789	3,213	804	-	-
Drilling commitments (net of deposit)	9,824	9,824	-	-	-	-
Operating leases	2,724	579	535	514	380	716
Asset retirement obligations	8,774	-	-	-	-	8,774
	\$54,078	\$39,142	\$3,748	\$1,318	\$380	\$9,490

Given the Company's available liquid resources and the Company's 2009 budget, management expects to have sufficient available funds to meet the current and foreseeable financial contractual obligations.

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, 2008, 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 Canadian 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, 2008. 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, 2008, 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.

Related Party Transactions

A director of Corridor is a partner in a law firm that provides legal services which amounted to \$80 thousand and \$255 thousand for the three and twelve months ended December 31, 2008 (\$59 and \$281 thousand for the three and twelve months ended December 31, 2007). 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	2008				2007			
	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	\$22,667	\$15,391	\$18,466	\$19,316	\$15,586	\$12,884	\$1,527	\$1,280
Net earnings (loss)	\$8,380	\$3,874	\$3,816	\$6,081	\$4,682	\$1,092	\$(900)	\$(825)
Net earnings (loss)								
per share – basic	\$0.096	\$0.044	\$0.046	\$0.074	\$0.057	\$0.013	\$(0.011)	\$(0.011)
per share – diluted	\$0.096	\$0.044	\$0.045	\$0.073	\$0.056	\$0.013	\$(0.011)	\$(0.011)
Natural gas production as disclosed (mmscf)	1,934	1,548	1,683	1,792	1,759	1,764	110	83
Revised natural gas production (mmscf) ⁽¹⁾	1,743	1,548	1,737	1,870	1,818	1,764	110	83
Average natural gas price (\$/mcsf)	\$13.01	\$9.94	\$10.97	\$10.78	\$8.86	\$7.30	\$13.88	\$15.41
Capital expenditures	\$20,411	\$26,638	\$14,704	\$17,982	\$27,728	\$26,394	\$25,050	\$33,976

(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 2008 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.

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, 2008.

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 expenditures 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 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, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3862 "*Financial Instruments – Disclosures*" and Section 3863 "*Financial Instruments – Presentation*", which replaced Section 3861 "*Financial Instruments – Disclosure and Presentation*". These new standards required enhanced disclosure to assist users of the financial statements in evaluating the significance of financial instruments on the Company's financial position and performance and include qualitative and quantitative information about the exposure to risks arising from financial instruments.

Effective January 1, 2008, the Company adopted the CICA Section 1535 "*Capital Disclosures*" which required disclosure of objectives, policies and processes for managing capital. In addition, disclosures include whether companies have complied with externally imposed capital requirements.

Future accounting policy changes

In February 2008, the CICA issued Section 3064 "*Goodwill and Intangible Assets*" which will replace Section 3062 "*Goodwill and Intangible Assets*". This new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Intangible assets associated with the exploration and development of oil and gas assets are specifically excluded under the new standard. The Company is currently evaluating the impact of Section 3064 on its financial statements but does not expect a material impact.

In January 2009, the CICA issued 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 the company's credit risk as well as the credit risk of the counterparty. The Company is currently evaluating the impact of EIC 173 on its financial statements but does not expect a material impact.

International Financial Reporting Standards

In April 2008, the CICA issued an omnibus exposure draft which proposes that generally accepted accounting principles for publicly accountable enterprises be replaced by International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011 with comparative information for the previous fiscal year.

Corridor commenced the IFRS transition project in 2008 and has engaged an external advisor to assist the Company. Corridor has just completed the diagnostic assessment phase which involved a high level review of the major differences between current Canadian GAAP and IFRS. Currently, the Company has determined that the accounting differences in property, plant and equipment have the highest potential to impact the Company’s financial reporting. Conversion to IFRS may have a significant impact on how the Company accounts for costs pertaining to oil and gas activities and how impairment tests are performed. IFRS conversion will also result in other impacts which may be significant. At this time, the impact on the Company’s financial position and results of operations is not reasonably determinable.

In September 2008, the International Accounting Standards Board, (“IASB”) issued an exposure draft which proposes an exemption for companies using the full cost method of accounting. If the exposure draft is adopted the exemption could significantly reduce property, plant and equipment adjustments resulting from the retroactive adoption of IFRS.

Business Conditions and Risks

The following business conditions and risk factors should not be construed as exhaustive. There are numerous factors both known and unknown, that could cause actual results or events to differ materially from forecast results. Additional risk factors are included in the Annual Information Form and include substantial capital requirements, bank financing, government regulation, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, management of growth, expiration of licenses and leases, 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 2008, 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.

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 our 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 and has not made any provision for an allowance for bad debts.

Environmental

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

Prices, Markets and Marketing

The marketability and price of oil and natural gas will be affected by numerous factors beyond the Company's control. The ability to market natural gas may depend upon the Company's ability to acquire space on pipelines that deliver natural gas to commercial markets. The Company may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities, and related to operational problems with such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

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

Risks May Not be Insurable

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

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.

Contingencies

The Company was audited by the CRA for the taxation years from August 31, 2001 to December 31, 2006 in connection with the renunciation under flow-through share agreements of \$27,784 thousand of exploration expenditures during this period. The Company has received a proposed reassessment from the CRA which the Company is in the process of challenging with the help of expert advisors. The Company has not made a provision for any of the tax, interest or penalties identified in the CRA's proposed reassessment as the Company believes these amounts to be calculated incorrectly. The Company does not expect the exposure, if any, to be material.

The Company has been audited by the New Brunswick Department of Finance for the periods from April 2003 to June 2007 in connection with the Company's crown royalty payments during this period. The Company has not made a provision for any liability which may arise out of this audit as the outcome is not determinable at this time. The Company does not expect the exposure to be material, although this cannot be predicted with certainty.

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

Statements of Earnings, Comprehensive Income and Retained Earnings

(thousands of dollars, except per share amounts)

For the year ended December 31	2008	2007
Revenues	\$ 81,509	\$ 33,347
Royalty expense	(5,001)	(2,039)
Production expense	(4,174)	(1,353)
Transportation expense	(10,920)	(4,562)
	61,414	25,393
Other Expenses		
Depletion, depreciation and accretion	25,102	12,283
General and administrative (note 8)	4,843	4,406
Stock-based compensation (note 10c)	1,565	1,634
Capital tax expense	370	420
	31,880	18,743
Earnings before the following items	29,534	6,650
Interest and finance costs (note 4)	334	2,149
Interest and other income (note 5)	(2,537)	(1,707)
Earnings before income taxes	31,737	6,208
Future income tax expense (note 6)	9,586	2,159
Net earnings, being comprehensive income	22,151	4,049
Deficit, beginning of year	(1,329)	(5,378)
Retained earnings (deficit), end of year	\$ 20,822	\$ (1,329)
Net earnings per share (note 7)		
Basic	\$ 0.260	\$ 0.051
Diluted	\$ 0.259	\$ 0.050

See accompanying notes to the financial statements.

Balance Sheets

(thousands of dollars)

As at December 31

2008

2007

Assets

Current assets

Cash and cash equivalents	\$ 34,313	\$ 14,379
Restricted cash (note 15b)	350	1,800
Receivables	16,897	8,338
Receivables from joint venture partners	94	4
Capital taxes receivable	53	-
Prepays and security deposits	169	332

51,876 24,853

Property, plant and equipment (note 8)

268,142 213,954

Restricted cash and security deposits (note 15b & c)

1,380 1,380

\$ 321,398 \$ 240,187

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 23,950	\$ 23,678
Advances from joint venture partners	2,627	7,690
Capital taxes payable	-	96

26,577 31,464

Future income taxes (note 6)

21,290 6,857

Asset retirement obligations (note 9)

1,850 1,443

49,717 39,764

Shareholders' Equity

Capital stock (note 10)	246,413	198,669
Contributed surplus (note 10d)	4,446	3,083
Retained earnings (deficit)	20,822	(1,329)

271,681 200,423

\$ 321,398 \$ 240,187

See accompanying notes to the financial statements.

Commitments (note 15)

Contingencies (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

2008

2007

Operating Activities

Net earnings	\$ 22,151	\$ 4,049
Depletion, depreciation and accretion	25,102	12,283
Stock-based compensation	1,565	1,634
Future income tax expense	9,586	2,159
Amortization of debt issue costs	-	357
	58,404	20,482
Decrease in non-cash operating working capital (<i>note 11</i>)	(5,621)	(5,102)
Cash provided by operating activities	52,783	15,380

Financing Activities

Proceeds from capital stock issues	55,546	67,701
Share issue costs	(3,156)	(3,617)
Other financing activities	-	(87)
Cash provided by financing activities	52,390	63,997

Investing Activities

Property, plant and equipment expenditures	(79,735)	(113,148)
Decrease (increase) in restricted cash and security deposits	1,450	(3,180)
Increase (decrease) in non-cash investing working capital (<i>note 11</i>)	(6,892)	14,361
Other investing activities	(62)	-
Cash used in investing activities	(85,239)	(101,967)
Increase (decrease) in cash and cash equivalents	19,934	(22,590)
Cash and cash equivalents, beginning of year	14,379	36,969
Cash and cash equivalents, end of year	\$ 34,313	\$ 14,379

Cash and cash equivalents consists of:

Cash	\$ 10,043	\$ 6,559
Short-term investments	24,270	7,820
Cash and cash equivalents, end of year	\$ 34,313	\$ 14,379

See accompanying notes to the financial statements.

Notes to the Financial Statements

December 31, 2008

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, 2008, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Section 3862 “*Financial Instruments – Disclosures*” and Section 3863 “*Financial Instruments – Presentation*”, which replaced Section 3861 “*Financial Instruments – Disclosure and Presentation*”. These new standards required enhanced disclosure to assist users of the financial statements in evaluating the significance of financial instruments on the Company’s financial position and performance, and include qualitative and quantitative information about the exposure to risks arising from financial instruments.

Effective January 1, 2008, the Company adopted CICA Section 1535 “*Capital Disclosures*” which required disclosure of objectives, policies and processes for managing capital. In addition, disclosures include whether companies have complied with externally imposed capital requirements.

The disclosure requirements of the new standards are disclosed in 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. 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 liability method of accounting. Future income tax assets and liabilities are recognized for temporary differences between the income tax and accounting basis of assets and liabilities and 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.

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 amounts are calculated 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. The diluted earnings per share are calculated giving effect to the potential dilution that would occur if the stock options were exercised.

Notes to the Financial Statements

December 31, 2008

3 Significant accounting policies (continued)

e) Property, plant and equipment

i) Capitalized costs

The Company follows the full cost method of accounting for its petroleum and natural gas operations. 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 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 and 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 present 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 estimated asset retirement obligations is recognized using discounted values of the estimated future expenditures required to settle these obligations.

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 obligation in the period incurred.

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.

Notes to the Financial Statements

December 31, 2008

3 Significant accounting policies (continued)

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. As a result, the related resource expenditure deductions normally available for income tax purposes are renounced to investors in accordance with the flow-through share agreements. Accordingly, 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, depreciation 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.

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:

Notes to the Financial Statements

December 31, 2008

3 Significant accounting policies (continued)

i) Held for trading

The carrying values of cash and cash equivalents and restricted cash are marked-to-market through net earnings at each reporting period end. The carrying values approximate their fair values because of their short term to maturity. Unrealized gains and losses on held for trading financial instruments are recognized in net earnings.

ii) Loans and receivables

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

iii) Other financial liabilities

The carrying values of accounts payable and accrued liabilities and advances from joint venture partners 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

The Company frequently enters 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.

n) Future accounting policy changes

In February 2008, the CICA issued Section 3064 "*Goodwill and Intangible Assets*" which will replace Section 3062 "*Goodwill and Intangible Assets*". This new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Intangible assets associated with the exploration and development of oil and gas assets are specifically excluded under the new standard. The Company is currently evaluating the impact of Section 3064 on its financial statements but does not expect a material impact.

In January 2009, the CICA issued 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 the Company's credit risk as well as the credit risk of the counterparty. The Company is currently evaluating the impact of EIC 173 on its financial statements but does not expect a material impact.

In April 2008, the CICA issued an omnibus exposure draft which proposes that generally accepted accounting principles for publicly accountable enterprises be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with comparative information for the previous fiscal year. The Company is currently assessing the financial reporting impact of the transition to IFRS.

4 Interest and finance costs

Interest and finance costs consist of the following:

(thousands of dollars)

	2008	2007
Interest expense	\$ 334	\$ 1,390
Foreign exchange losses	-	402
Amortization of debt issue costs	-	357
	\$ 334	\$ 2,149

Notes to the Financial Statements

December 31, 2008

5 Interest and other income

Interest and other income consist of the following:

(thousands of dollars)

	2008	2007
Interest income	\$ 801	\$ 1,665
Foreign exchange gains	1,628	-
Other income	108	42
	\$ 2,537	\$ 1,707

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 before income taxes as follows:

(thousands of dollars)

	2008	2007
Earnings before income taxes	\$ 31,737	\$ 6,208
Canadian statutory income tax rate	33%	36%
Expected income tax expense	\$ 10,553	\$ 2,227
Increase (decrease) resulting from:		
Non-deductible stock-based compensation	520	586
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	(1,499)	(671)
Other	12	17
	\$ 9,586	\$ 2,159

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

(thousands of dollars)

	2008	2007
Future income tax liability		
Property, plant and equipment	\$ 23,788	\$ 9,110
Future income tax asset		
Share issue costs	(1,949)	(1,838)
Asset retirement obligations	(549)	(415)
	(2,498)	(2,253)
	\$ 21,290	\$ 6,857

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)

	2008	2007
Weighted average number of common shares - basic	85,284	79,738
Effect of stock options	301	1,176
Weighted average number of common shares - diluted	85,585	80,914

For the year ended December 31, 2008, stock options of 339 thousand (December 31, 2007 – 10 thousand) were excluded from the dilution calculation since the average market price for the period was lower than the exercise price.

Notes to the Financial Statements

December 31, 2008

8 Property, plant and equipment

(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

(thousands of dollars)

December 31, 2007	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 158,019	\$ 12,185	\$ 145,834
Production facilities	69,054	4,318	64,736
Inventory	1,382	-	1,382
Future asset retirement costs	1,286	124	1,162
Office furniture and other equipment	1,145	305	840
	\$ 230,886	\$ 16,932	\$ 213,954

For the year ended December 31, 2008, Corridor capitalized to petroleum and natural gas properties general and administrative costs of \$541 thousand (December 31, 2007 - \$388 thousand). The calculation of depletion includes estimated future development costs relating to the development of proved reserves of \$104 million for the year ended December 31, 2008 (December 31, 2007 - \$71 million).

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

	2009	2010	2011	2012	2013
Henry Hub Reference Gas Price(\$/mcf)	\$8.16	\$8.54	\$8.90	\$9.27	\$9.53

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\$0.825/\$CDN for 2009, US\$0.85/\$CDN for 2010, US\$0.875/\$CDN for 2011, US\$0.925/\$CDN for 2012 and US\$0.950/\$CDN thereafter.

9 Asset retirement obligations

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

(thousands of dollars)

	2008	2007
Balance, beginning of year	\$ 1,443	\$ 810
Liabilities incurred	337	558
Change in estimate	49	-
Liabilities settled	(111)	-
Accretion expense	132	75
Balance, end of year	\$ 1,850	\$ 1,443

The total undiscounted amount of estimated cash flows required to settle these obligations is \$8,774 thousand (December 31, 2007 - \$6,983 thousand). Management estimates the settlement of these obligations by 2029. A credit adjusted risk-free rate of 8% (2007 - 8%) and an inflation rate of 2% (2007 - 2%) was used to calculate the estimated fair value of the asset retirement obligations.

Notes to the Financial Statements

December 31, 2008

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, 2008		December 31, 2007	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of year	82,612	\$ 198,669	76,051	\$ 135,083
Issue of common shares for cash	3,800	40,280	4,071	46,002
Issue of flow-through shares for cash	1,150	14,950	1,400	20,020
Exercise of stock options for cash and amount recognized from contributed surplus	67	316	1,090	1,679
Tax impact of flow-through renunciation	-	202	-	316
Share issue costs net of tax benefit	-	(5,756)	-	(1,920)
	-	(2,248)	-	(2,511)
Balance, end of year	87,629	\$ 246,413	82,612	\$ 198,669

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.

On June 1, 2007, Corridor issued flow-through shares which resulted in an obligation to incur \$20,020 thousand on qualifying expenditures prior to December 31, 2008. The related exploration expenditures were renounced in January, 2008. At December 31, 2008, there was no remaining obligation to incur (December 31, 2007 - \$4,377 thousand).

c) **Stock options**

The Company has a stock option plan under which options to purchase common shares of the Company may be granted to directors, officers, employees and consultants of the Company. The stock option plan is limited to 8,262,513 common shares with no more than 5% 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 disapprove of this election.

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

	December 31, 2008		December 31, 2007	
	Number of options (000's)	Weighted average exercise price	Number of options (000's)	Weighted average exercise price
Balance, beginning of year	1,370	\$ 4.54	2,550	\$ 3.28
Exercised	(67)	\$ 4.71	(1,090)	\$ 1.54
Forfeited	(44)	\$ 5.83	(100)	\$ 5.50
Granted	345	\$ 8.38	10	\$ 9.70
Balance, end of year	1,604	\$ 5.34	1,370	\$ 4.54
Options exercisable, end of year	1,038	\$ 4.64	770	\$ 4.19

Notes to the Financial Statements

December 31, 2008

10 Capital stock (continued)

The range of exercise prices of stock options outstanding and exercisable as at December 31, 2008 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	
\$ 0.95 - \$ 1.99	138	0.6	\$0.95	138	\$0.95	
\$ 2.00 - \$ 4.99	619	2.2	\$4.40	454	\$4.41	
\$ 5.00 - \$ 5.99	508	2.5	\$5.46	384	\$5.46	
\$ 6.00 - \$ 6.99	109	4.3	\$6.80	2	\$6.80	
\$ 7.00 - \$10.99	230	4.4	\$9.54	60	\$9.54	
	1,604	2.6	\$5.34	1,038	\$4.64	

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

	December 31, 2008	December 31, 2007
Weighted average fair value of options granted	\$ 3.66	\$ 6.19
Risk-free interest rate	4%	4%
Expected life (years)	3.0	3.0
Expected volatility	60%	100%

For the year ended December 31, 2008, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$1,565 thousand (December 31, 2007 - \$1,634 thousand).

d) Contributed surplus

(thousands of dollars)

	December 31, 2008	December 31, 2007
Balance, beginning of year	\$ 3,083	\$ 1,765
Stock-based compensation expense	1,565	1,634
Stock options exercised	(202)	(316)
Balance, end of year	\$ 4,446	\$ 3,083

11 Supplemental cash flow information

(thousands of dollars)

	2008	2007
Increase (decrease) in non-cash operating working capital:		
Receivables	\$ (6,232)	\$ (5,564)
Prepays and security deposits	163	(41)
Accounts payable and accrued liabilities	597	408
Capital taxes payable	(149)	95
	\$ (5,621)	\$ (5,102)
Increase (decrease) in non-cash investing working capital:		
Receivables	\$ 37	\$ 187
Inventory	(1,451)	(1,345)
Advances from joint venture partners	(5,153)	6,812
Accounts payable and accrued liabilities	(325)	8,707
	\$ (6,892)	\$ 14,361
Interest and taxes paid:		
Interest paid	\$ 325	\$ 1,382
Capital and other taxes paid	\$ 521	\$ 358

Notes to the Financial Statements

December 31, 2008

12 Credit facility

During the year, Corridor renewed its \$40 million revolving short term credit facility with a Canadian chartered bank. The interest rate on the loan is now based on the bank's prime rate plus 0.25% and the credit facility expires, subject to mutual agreement to extend, on June 28, 2009. Outstanding bank loans will be secured by a \$50 million demand debenture on the Company's property, plant and equipment. At December 31, 2008, there is 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. When appropriate, Corridor will enter into forward sale commitments, in limited quantities and at fixed prices, with the Board of Directors' approval. The Company does not use derivative financial instruments for speculative purposes. For the year ended December 31, 2008, a one dollar decrease in natural gas prices would have resulted in a decrease of \$1.7 million in the Company's net earnings.

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, 2008	December 31, 2007
Cash	\$ 24	\$ 6,394
Accounts receivable	7,745	6,288
Financial instruments in U.S. dollars	\$ 7,769	\$ 12,682

For the year ended December 31, 2008, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of \$3.9 million in the Company's net earnings.

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 commercial paper products. 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, 2008, the Company was holding cash and equivalents of \$34,313 thousand and had \$40 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 borrowing base has materially declined, the lender can recalculate the Company's borrowing base and could as a result, decrease the credit currently available to the Company. Corridor does not intend to access this credit facility in 2009 consistent with the Company's 2009 budget.

Notes to the Financial Statements

December 31, 2008

13 Risk management (continued)

The contractual maturities of financial liabilities as of December 31, 2008 are as follows:

<i>(thousands of dollars)</i>	Total	2009	2010	2011	2012	Thereafter
Accounts payable and accrued liabilities	\$23,950	\$23,950	\$-	\$-	\$-	\$-
Transportation commitments	8,806	4,789	3,213	804	-	-
Drilling commitments (net of deposit)	9,824	9,824	-	-	-	-
Operating leases	2,724	579	535	514	380	716
Asset retirement obligations	8,774	-	-	-	-	8,774
	\$54,078	\$39,142	\$3,748	\$1,318	\$380	\$9,490

Given the Company's available liquid resources and the Company's 2009 budget, management expects to have sufficient available funds to meet the current and foreseeable financial contractual obligations.

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, bank loan 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 or by issuing new equity. 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, 2008, legal expenses of \$135 thousand are included in general and administrative expenses (December 31, 2007 – \$157 thousand) and share issue costs of \$120 thousand are included in capital stock as at December 31, 2008 (December 31, 2007 – \$124 thousand). At December 31, 2008, \$82 thousand was included in accounts payable and accrued liabilities (December 31, 2007 - \$73 thousand). The amounts paid are recorded at the amount agreed to between the parties and approximate fair value.

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 \$7,230 thousand.

The Company has commitments to sell 5,000 mmbtu per day of natural gas at \$US15.49 per mmbtu and 5,000 mmbtu per day of natural gas at \$US14.40 per mmbtu from November 1, 2008 to March 31, 2009. These forward sale commitments of 10,000 mmbtus include the purchase of firm transportation on the Canadian and U.S. portions of the Maritimes and Northeast Pipeline. The remaining cost of this transportation commitment is approximately \$1,576 thousand.

During the year, Corridor entered into a long term agreement to sell 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.

Notes to the Financial Statements

December 31, 2008

15 Commitments (continued)

b) Letters of credit

At December 31, 2008, 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 June 27, 2009	\$ 350
Letter of credit expiring August 1, 2013	380
	\$ 730

The Company has pledged \$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 commitments to utilize two drilling rigs; one expiring March 9, 2009 and one expiring after the drilling of two wells in 2009. The remaining cost of these commitments over the term of the contracts is approximately \$4,824 thousand. The Company has paid a deposit of \$1,000 thousand which will be refunded when the drilling rigs are returned. This deposit is recorded in restricted cash and security deposits.

The Company has committed to the purchase of approximately \$6,000 thousand in drilling materials in 2009.

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
2009	\$ 579
2010	535
2011	514
2012	380
Thereafter	716
	\$ 2,724

16 Contingencies

The Company was audited by the Canada Revenue Agency ("CRA") for the taxation years from August 31, 2001 to December 31, 2006 in connection with the renunciation under flow-through share agreements of \$27,784 thousand of exploration expenditures during this period. The Company has received a proposed reassessment from the CRA which the Company is in the process of challenging with the help of expert advisors. The Company has not made a provision for any of the tax, interest or penalties identified in the CRA's proposed reassessment as the Company believes these amounts to be calculated incorrectly. The Company does not expect the exposure, if any, to be material.

The Company has been audited by the New Brunswick Department of Finance for the periods from April 2003 to June 2007 in connection with the Company's crown royalty payments during this period. The Company has not made a provision for any liability which may arise out of this audit as the outcome is not determinable at this time. The Company does not expect the exposure to be material, although this cannot be predicted with certainty.

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

Corporate Information

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Stock Exchange

TSX – CDH

Directors and Officers

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

Bankers

Bank of Nova Scotia, Halifax, Nova Scotia

Royal 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, 2009 – 87,629,634

Notice of Annual Meeting

The Annual Meeting of Corridor Resources Inc.
will be held on Thursday, May 14, 2009, 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