Second Quarter 2011
Management's Discussion and Analysis

As of August 12, 2011

This management's discussion and analysis ("MD&A") of financial results and condition of Corridor Resources Inc. ("Corridor" or the "Company") for the three and six months ended June 30, 2011 should be read in conjunction with Corridor's unaudited financial statements and notes thereto for the three and six months ended June 30, 2011 and audited financial statements and notes thereto for the year ended December 31, 2010.

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

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

Introduction

Corridor is an Eastern Canadian junior resource company engaged in the exploration for and development and production of petroleum and natural gas onshore in New Brunswick, Prince Edward Island and Québec and offshore in the Gulf of St. Lawrence. Corridor currently has natural gas reserves and production in the McCully Field near Sussex, New Brunswick and discovered crude oil reserves in the Caledonia Field near Sussex, New Brunswick in 2008. In addition, Corridor has contingent resources and discovered resources of shale gas in Elgin, New Brunswick.

Adoption of International Financial Reporting Standards

On January 1, 2011, International Financial Reporting Standards ("IFRS") became the generally accepted accounting principles in Canada for publicly accountable enterprises, including Corridor. The adoption of IFRS required the restatement of amounts, reported by Corridor under the previous Canadian generally accepted accounting principles ("GAAP"), for the year ended December 31, 2010. As a result, comparative information in this MD&A has been restated to comply with IFRS. The adoption of IFRS had no impact on Corridor's cash flows.

The most significant impacts of the adoption of IFRS on Corridor's financial statements are summarized in the *First Time Adoption of IFRS* section of this MD&A.

Non-IFRS Financial Measures

This MD&A refers to "cash flow from operations" which is a financial measure that is not determined in accordance with IFRS. 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 cash provided by operating activities excluding the change in non-cash operating working capital, as follows.

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2011**	2010	**2011**	2010
Cash provided by operating activities	**$2,488**	$2,197	**$7,505**	$8,915
Less: Decrease (increase) in non-cash operating working capital	**546**	(558)	**1,991**	1,179
Cash flow from operations	**$1,942**	$2,755	**$5,514**	$7,736

Selected Financial Information

thousands of dollars except per share amounts	Three months ended June 30 **2011**	2010	Six months ended June 30 **2011**	2010
Revenues	**$5,547**	$6,575	**$13,571**	$16,223
Net loss	**$(3,643)**	$ (1,739)	**$(5,821)**	$(2,135)
Net loss per share - basic and diluted	**$(0.041)**	$(0.020)	**$(0.066)**	$(0.024)
Cash flow from operations(1)	**$1,942**	$2,755	**$5,514**	$7,736
Capital expenditures	**$873**	$7,681	**$1,578**	$12,332
Total assets	**$296,928**	$307,643	**$296,928**	$307,643

(1) See "Non-IFRS Financial Measures".

Forward Looking Information

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

- revenues;
- production levels;
- resources and development of resources;
- Canadian – U.S. dollar exchange rate;
- natural gas prices;
- gathering, processing and transportation fees;
- royalty rates and expense;
- production expense;
- transportation expense;
- depletion, depreciation and amortization;
- general and administrative expenses;
- share-based compensation expense;
- timing that the Company will be cash taxable;
- capital expenditures;
- exploration and development drilling program;
- cash flow from operations;
- sources of funding;
- renewal of credit facility;
- a joint venture partner in the Old Harry prospect;
- 2011 budget and 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 the characteristics of the Frederick Brook shale and Old Harry prospect, anticipated financial performance, business prospects, strategies, regulatory developments, future natural gas and oil commodity prices, exchange rates, future natural gas production levels, the ability to obtain equipment in a timely manner to carry out development activities, the ability to market natural gas successfully to current and new customers, the impact of increasing competition, the ability to obtain financing on acceptable terms, the ability to add production and reserves through development and exploration activities and the terms of agreements with third parties such as Petrolia Inc. and Repsol Canada Ltd. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

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

Certain of the forward-looking statements in this MD&A may constitute "financial outlooks" as contemplated by National Instrument 51-102 *Disclosure Obligations*, including information related to projected revenues, expenses, capital expenditures and production for 2011, which are provided for the purpose of forecasting the financial position of Corridor at the end of the 2011 financial year. Please be advised that the financial outlook in this MD&A may not be appropriate for purposes other than the one stated above.

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

Outlook Information

The outlook sections of this MD&A contain revisions to the outlook information disclosed in the First Quarter 2011 MD&A dated June 13, 2011, which is available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com.

Q2 2011 Financial Summary

	Three months ended June 30		**Six months ended June 30**	
thousands of dollars	**2011**	2010	**2011**	2010
Revenues	**$5,547**	$6,575	**$13,571**	$16,223
Royalty expense	**(127)**	(29)	**(456)**	(321)
Revenues, net	**5,420**	6,546	**13,115**	15,902
Expenses				
Depletion, depreciation and amortization	**4,267**	4,746	**8,831**	9,885
Transportation expense	**1,359**	1,727	**3,050**	3,564
Production expense	**1,103**	864	**2,218**	2,094
General and administrative	**964**	1,206	**2,094**	2,332
Share-based compensation	**(119)**	239	**1,211**	496
Write-down of inventory	**1,600**	-	**1,600**	-
Write-off of exploration and evaluation assets	**-**	-	**140**	-
Capital tax expense	**27**	45	**54**	117
	9,201	8,827	**19,198**	18,488
Loss before the following items	**(3,781)**	(2,281)	**(6,083)**	(2,586)
Interest and finance costs	**79**	88	**158**	179
Foreign exchange losses (gains)	**(8)**	(95)	**99**	(38)
Interest and other income	**(38)**	(13)	**(56)**	(30)
Loss before income taxes	**(3,814)**	(2,261)	**(6,284)**	(2,697)
Deferred income tax recovery	**(171)**	(522)	**(463)**	(562)
Net loss and comprehensive loss	**$(3,643)**	$(1,739)	**$(5,821)**	$(2,135)

Second Quarter Summary

- During Q2 2011, natural gas production averaged 11.7 mmscfpd net to Corridor (including production from penalty wells) with an average natural gas sales price of $4.83/mscf, resulting in a net loss of $3,643 thousand and basic and diluted net loss per share of $0.041.

- Natural gas revenues for Q2 2011 decreased to $5,155 thousand from $6,141 thousand for Q2 2010 due to the decrease in natural gas production from 13.6 mmscfpd in Q2 2010 to 11.7 mmscfpd in Q2 2011. The average natural gas sales price decreased to $4.83/mscf in Q2 2011 from $4.95/mscf in Q2 2010. The decrease in production is due to the decreased drilling activities at the McCully Field since 2009 following decreases in natural gas prices. The inlet compressor installed in Q3 2010 is performing as expected and partially mitigating production declines.

- Net loss for Q2 2011 increased to $3,643 thousand from $1,739 thousand for Q2 2010 due to the decrease in revenues as well as the write-down of $1,600 thousand of casing inventory. In addition, during the quarter, the Company's deferred income tax recovery decreased by $850 thousand due to the Province of New Brunswick's corporate income tax rate being increased from 8% to 10% effective July 1, 2012 following the New Brunswick Government's 2010 budget.

- During Q2 2011, Corridor engaged MacQuarie Capital Markets to assist the Company in attracting a joint venture partner for the Old Harry project.

- On July 13, 2011, Corridor reported the results of an independent resource assessment, dated July 12, 2011 and effective June 1, 2011, by qualified reserves evaluator Sproule Associates Limited of Calgary ("Sproule"). Based on data available at the time, Sproule's best estimate of the Total Petroleum Initially-In-Place of the Macasty Shale on Anticosti Island is 33.9 (19.8 net to Corridor) billion barrels of oil equivalent (Bboe) for Corridor's land holdings. The probability that the Total Petroleum Initially-In-Place exceeds 21.4 (12.3 net to Corridor) Bboe is 90% (low estimate) and the probability that the Total Petroleum Initially-In-Place exceeds 53.9 (31.9 net to Corridor) Bboe is 10% (high estimate). Corridor is actively evaluating options regarding further exploration to determine the potential of the resource, including the possibility of farming out some of the Corridor interest to an experienced shale oil developer. The Anticosti exploration program is at an early stage; further work is required to determine the potential for commercially viable resource recovery, prior to considering development. Please refer to "*Resources Information*" in this MD&A for more information.

- During the quarter, Corridor completed the annual shut-down originally scheduled for the fall at the McCully Field. The shut-down was a success with modifications to the compressor to reduce energy costs. In addition, any lost production experienced during the shut-down was replaced after the start-up with flush production. As a result, the average natural gas production for the quarter remained on budget.

- Subsequent to Q2 2011, the Board of Directors of Corridor conditionally approved further work on the Frederick Brook shale in the Elgin area of New Brunswick, including the drilling of one appraisal well. The Company has sufficient funds to complete this work without access to external sources. Corridor also engaged MacQuarie Capital Markets to assist the Company in connection with a potential joint venture in order to further advance the development of the Frederick Brook shale in New Brunswick.

Results of Operations

Revenues

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2011**	2010	**2011**	2010
Natural gas	**$5,155**	$6,141	**$12,861**	$15,238
Condensate	**115**	110	**209**	234
Natural gas and gas liquids revenues	**$5,270**	$6,251	**$13,070**	$15,472
Oil recovered during testing	**54**	-	**54**	-
Gathering, processing & transportation fees	**223**	324	**447**	751
	$5,547	$6,575	**$13,571**	$16,223

Natural gas revenues decreased to $5,155 thousand in Q2 2011 from $6,141 thousand in Q2 2010 due to the decrease in the average daily natural gas production to 11.7 mmscfpd in Q2 2011 from 13.6 mmscfpd in Q2 2010. The average natural gas sales price also decreased to $4.83/mscf in Q2 2011 from $4.95/mscf in Q2 2010.

The natural gas revenues decreased for the six months ended June 30, 2011 to $12,861 thousand from $15,238 thousand for the six months ended June 30, 2010 due to a reduction in the average daily production to 12.2 mmscfpd for the six months ended June 30, 2011 from 14.3 mmscfpd for the six months ended June 30, 2010. In addition, the average natural

gas sales price decreased to $5.82/mmscf from $5.90/mscf for the six months ended June 30, 2010. The decrease in production is due to the decreased drilling activities at the McCully Field since 2009 following decreases in natural gas prices.

Production volumes and pricing

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Total volumes				
Natural gas production (mmscf)	**1,067**	1,240	**2,208**	2,584
Condensate production (bbl)	**1,058**	1,477	**2,009**	3,135
Daily production averages				
Natural gas production per day (mmscfpd)	**11.7**	13.6	**12.2**	14.3
Condensate production per day (bblpd)	**11.6**	16.2	**11.1**	17.3
Average prices				
Natural gas selling price ($/mscf)	**$4.83**	$4.95	**$5.82**	$5.90
Condensate selling price ($/bbl)	**$108.70**	$74.70	**$104.03**	$74.64

Natural gas revenues and production for Q2 2011 were consistent with the budget for the quarter.

Outlook

Corridor maintains its forecast for revenues of approximately $25 million for 2011. The budget for revenues is based on an estimate of the average natural gas sales price of $5.20/mscf for the remainder of the year (US$4.50/mmbtu at Henry Hub and an estimate of the exchange rate of $0.98 U.S. per Canadian dollar) and an average net daily gas production for 2011 of approximately 12.0 mmscfpd.

Gathering, processing and transportation fees

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2011**	2010	**2011**	2010
Gathering, processing and transportation fees	**$223**	$324	**$447**	$751

Corridor owns the midstream facilities which treat and flow gas from the McCully Field to the Maritimes and Northeast Pipeline ("M&NP"). Third party gas flowing through these facilities, which currently is Potash Corporation of Saskatchewan's ("PCS") share of gas from the McCully Field, is charged a cost of service, the terms of which are generally consistent with recommended practices in the oil and gas industry. The decrease in the gathering, processing and transportation ("GPT") fees to $223 thousand in Q2 2011 from $324 thousand in Q2 2010 and to $447 thousand for the six months ended June 30, 2011 from $751 thousand for the six months ended June 30, 2010 reflects the decreased production from the McCully Field and the decrease in PCS' share of production going through Corridor's midstream facilities due to PCS utilizing more of its share of natural gas production at its potash mill.

Outlook

Corridor has increased its 2011 budget for GPT fees from PCS' share of production from $500 thousand to $650 thousand based on an average estimated gross daily gas production of approximately 16.0 mmscfpd for 2011.

Royalty Expense

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2011**	2010	**2011**	2010
Crown royalties	**$127**	$29	**$456**	$321
Royalty expense per mscf ($/mscf)	**$0.12**	$0.02	**$0.21**	$0.12
Percentage of natural gas and gas liquids revenues	**2.4%**	0.5%	**3.5%**	2.1%

Corridor paid a royalty rate of 10% calculated based on the net amount of revenues after deductions for processing and transportation and a recovery of capital costs. The increase in the royalty expense per mscf for the three and six months ended June 30, 2011 to $0.12/mscf and $0.21/mscf from $0.02/mscf and $0.12/mscf for the three and six months ended June 30, 2010, respectively, is due to a decrease in the expenses allowable in the royalty calculation.

Outlook

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

Transportation Expense

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2011**	2010	**2011**	2010
Transportation expense	**$1,359**	$1,727	**$3,050**	$3,564
Transportation expense per mscf ($/mscf)	**$1.27**	$1.39	**$1.38**	$1.38

Transportation expense decreased to $1,359 thousand for Q2 2011 from $1,727 thousand for Q2 2010 and to $3,050 thousand for the six months ended June 30, 2011 from $3,564 thousand for the six months ended June 30, 2010 due to the decrease in natural gas production and a stronger Canadian dollar as compared to the U.S. dollar. However, for the six months ended June 30, 2011, this decrease in transportation expense was partially offset by the increase in the cost of Canadian transportation in Q1 2011 as Corridor had no transportation agreement in place during this period. As a result, transportation expense per mscf of $1.38/mscf for the six months ended June 30, 2011 is consistent when compared to the same prior period. Starting in Q2 2011, Corridor had a transportation agreement to purchase 12,000 mmbtu per day of transportation on the Canadian side of the M&NP from April 1, 2011 to April 1, 2012 and 8,000 mmbtu per day from April 1, 2012 to March 31, 2013, at a cost lower than firm tolls.

Transportation expense per mscf of $1.38/mscf is consistent with the forecast for Q2 2011.

Outlook

Corridor has reduced its transportation expense estimate for 2011 from $1.35/mscf to $1.32/mscf. This estimate is based on an exchange rate of $0.98 U.S. per Canadian dollar and an average estimated net daily gas production of 12.0 mmscfpd for 2011.

Production Expense

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2011**	2010	**2011**	2010
Gross production expense	**$1,240**	$1,016	**$2,494**	$2,446
Third party recoveries	**(137)**	(152)	**(276)**	(352)
Net production expense	**$1,103**	$864	**$2,218**	$2,094
Net production expense per mscf ($/mscf)	**$1.03**	$0.70	**$1.00**	$0.81

Gross production expense for Q2 2011 increased to $1,240 thousand from $1,016 thousand for Q2 2010 due to the increase in repairs and maintenance expenses as Corridor's annual shut-down normally done in the third quarter was done in the second quarter this year. Utilities expense also increased due to the addition of an inlet compressor in Q3 2010. For the six months ended June 30, 2011, these increased production expenses were offset by a decrease in work-over activities compared to the six months ended June 30, 2010. The decrease in third party recoveries for the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010 reflects the decrease in PCS' share of production going through Corridor's midstream facilities.

Outlook

Corridor maintains its production expense estimate of approximately $1.00/mscf for 2011 based on an average estimated net daily gas production of 12.0 mmscfpd for 2011.

Depletion, Depreciation and Amortization

thousands of dollars	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Depletion, depreciation and amortization	**$4,267**	$4,746	**$8,831**	$9,885
Depletion, depreciation and amortization per mscf ($/mscf)	**$4.49**	$4.31	**$4.49**	$4.28

Depletion expense is calculated using the unit-of-production method which is based on production volumes (excluding penalty wells) in relation to the proved reserve base. The decrease in depletion, depreciation and amortization ("DD&A") expense for the three and six months ended June 30, 2011 reflects the decrease in natural gas production which was partially offset by the decrease in Corridor's gross proved natural gas reserves as estimated by GLJ Petroleum Consultants Ltd. ("GLJ"). GLJ decreased proved natural gas reserves by 7.8 bscf to 62.2 bscf in its December 31, 2010 reserves report. This decrease in the proved natural gas reserves was partially offset by a decrease in GLJ's estimated future development costs relating to the development of proved reserves to $63,924 thousand from $86,593 thousand in 2009.

The DD&A rate per mscf for Q2 2011 is consistent with the previous 2011 estimate of $4.50/mscf.

Outlook
The Company maintains its 2011 estimate for the DD&A rate per mscf of approximately $4.50/mscf.

General and Administrative Expenses

thousands of dollars	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Gross expenses	**$1,109**	$1,296	**$2,381**	$2,510
Capitalized overhead	**(144)**	(89)	**(285)**	(177)
Operator recoveries	**(1)**	(1)	**(2)**	(1)
Net expenses	**$964**	$1,206	**$2,094**	$2,332

Gross general and administrative expenses ("G&A") decreased to $1,109 thousand in Q2 2011 from $1,296 thousand during Q2 2010 and to $2,381 thousand for the six months ended June 30, 2011 from $2,510 thousand for the six months ended June 30, 2010 due to a decrease in the use of consultants. Capitalized overhead increased for the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010 due to the increase in internal activity relating to the Old Harry capital program.

Outlook
Corridor has reduced its 2011 budget for G&A from $5,400 thousand to $5,000 thousand to reflect the lower expenditures incurred to date.

Share-based Compensation

thousands of dollars	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Share-based compensation	**$(119)**	$239	**$1,211**	$496

The increase in share-based compensation expense to $1,211 thousand for the six months ended June 30, 2011 from $496 thousand for the six months ended June 30, 2010 results from the grant of 2,786 thousand stock options by Corridor late in Q3 2010. However, on May 6, 2011, the directors surrendered 1,200 thousand of these stock options which resulted in a reversal, in Q2 2011, of approximately $1,200 thousand of previously expensed share-based compensation. As a result, share based compensation for Q2 2011 was a recovery of $119 thousand compared to an expense of $239 thousand for Q2 2010.

Outlook
Corridor maintains its 2011 estimate of share-based compensation of $2,300 thousand.

Deferred Income Taxes

thousands of dollars	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Deferred income tax recovery	**$(171)**	$(522)	**$(463)**	$(562)
Effective tax rate	**4.5%**	23.1%	**7.4%**	20.8%
Canadian statutory income tax rate	**28.5%**	31.0%	**28.5%**	31.0%

The decrease in the effective tax rate for the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010 is due to $850 thousand of deferred income tax expense being recognized in Q2 2011 following an increase in the Company's deferred income tax rate from 26% to 27% resulting from an increase in New Brunswick's corporate income tax rates effective July 1, 2012. The effective tax rates were also impacted by share-based compensation expense which is a non-deductible expense for income tax purposes.

Outlook

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

Write-off of assets

In Q1 2011, Corridor wrote-off $140 thousand of exploration and evaluation expenditures relating to costs incurred on a potential natural gas storage project located in Salt Springs, New Brunswick. As these licenses expired on March 7, 2011, and were not renewed by New Brunswick's Department of Natural Resources, previously capitalized costs were written-off.

In Q2 2011, the Company determined to sell excess casing inventory. As a result, the Company wrote-down $1,600 thousand to reflect the decrease in the net realizable value.

Capital Expenditures

thousands of dollars	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Development activities	**$160**	$3,008	**$249**	$7,082
Exploration activities	**544**	1,593	**935**	1,762
Midstream facilities and tie-ins	**24**	2,985	**104**	3,233
Capitalized overhead	**144**	89	**285**	177
Office and other equipment	**1**	6	**5**	78
	$873	$7,681	**$1,578**	$12,332

The decrease in total capital expenditures for the three and six months ended June 30, 2011 to $873 thousand and $1,578 thousand from $7,681 thousand and $12,332 thousand for the three and six months ended June 30, 2010, respectively, is due to the decrease in development and exploration activities and costs related to midstream facilities in these periods. During 2010, the Company drilled the McCully L-37 well and commenced a drilling program on Anticosti Island. The Company also incurred costs in Q2 2010 relating to the installation of an inlet compressor. There were no drilling activities in Q2 2011. Corridor has not drilled any wells in the McCully Field since the L-37 well.

Capital Expenditures Outlook

Corridor's 2011 capital budget is based on available working capital of $4,000 thousand at December 31, 2010 and forecasted 2011 cash flow from operations of approximately $8,000 thousand which is based on an estimate of the natural gas sales price of US$4.50/mmbtu at Henry Hub for the remainder of 2011, an exchange rate estimate of $0.98 U.S. per Canadian dollar, and an estimated average net daily gas production for 2011 of 12.0 mmscfpd. In addition, in 2011, Corridor received $2,739 thousand on the exercise of 649 thousand stock options.

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

thousands of dollars	
Fracture stimulation and work-overs aimed at increasing production at the McCully Field	**$3,000**
Old Harry drilling advancement	**1,500**
Gas plant maintenance and corporate	**2,000**
Sally's Brook core hole drilling	**1,000**
Seismic program in New Brunswick	**500**
	$8,000

Subsequent to Q2 2011, the Board of Directors of Corridor conditionally approved further work on the Frederick Brook shale in the Elgin area of New Brunswick, including the drilling of one appraisal well. The Company has sufficient funds to complete this work without access to external sources. Corridor's 2011 capital budget has not yet been revised to include this proposed expenditure. This proposed expenditure would not require any reduction to the current capital budget.

Balance Sheet Items

Significant changes between the June 30, 2011 balance sheet and the December 31, 2010 balance sheet include:

- $8,305 thousand increase in cash and cash equivalents, primarily reflecting decreased capital expenditures.
- $3,825 thousand decrease in receivables, primarily reflecting the decrease in natural gas prices in June 2011 compared to December 2010.
- $11,855 thousand decrease in property, plant and equipment, reflecting depletion and depreciation expenses as well as decreased capital expenditures.
- $1,852 thousand decrease in accounts payable and accrued liabilities, reflecting decreased capital expenditures.
- $4,907 thousand increase in capital stock, reflecting the exercise of 649 thousand stock options.

Related Party Transactions

A director of Corridor is a partner in a law firm that provides legal services. There were no related party transactions for the three and six months ended June 30, 2011 and 2010.

Cash Flow Summary

	Three months ended June 30		**Six months ended June 30**	
thousands of dollars	**2011**	2010	**2011**	2010
Cash provided by operating activities	**$2,488**	$2,197	**$7,505**	$8,915
Cash provided by financing activities	**43**	28	**2,742**	28
Cash used in investing activities	**(1,170)**	(7,175)	**(1,942)**	(8,580)
Increase (decrease) in cash and cash equivalents	**$1,361**	$(4,950)	**$8,305**	$363

The decrease in cash provided by operating activities for the six months ended June 30, 2011 compared to the six months ended June 30, 2010 is primarily the result of the decrease in natural gas revenues resulting from the decreased natural gas production. In Q2 2011, cash provided by operating activities increased compared to Q2 2010 despite decreased natural gas revenues as the accounts receivable collected during Q2 2011 were higher than Q2 2010.

The increase in cash provided by financing activities for the six months ended June 30, 2011 reflects the exercise of 649 thousand stock options during this period.

Cash used in investing activities has decreased for the three and six months ended June 30, 2011 as a result of the decrease in capital spending.

Outstanding Share Information

As of August 12, 2011, the outstanding share information was as follows:

Common shares outstanding	**88,464,133**
Stock options to purchase common shares	**2,608,501**
Total common shares outstanding after exercise of all stock options	**91,072,634**
thousands of dollars	
Total proceeds due on exercise of all stock options	**$12,863**

Summary of Quarterly Information

	2011		**2010 (1)**				**2009 (2)**	
thousand of dollars, except per share amounts and average natural gas price	Three months ended		Three months ended				Three months ended	
	Jun. 30	Mar. 31	Dec. 31	Sep. 30	**Jun. 30**	Mar. 31	Dec. 31	Sep. 30
Natural gas revenues	**$5,155**	$7,706	$7,024	$5,021	**$6,141**	$9,097	$9,936	$5,167
Net earnings (loss)	**$(3,643)**	$(2,178)	$(3,038)	$(1,739)	**$(1,739)**	$(396)	$(1,825)	$(3,442)
Net earnings (loss) per share basic and diluted	**$(0.041)**	$(0.025)	$(0.034)	$(0.020)	**$(0.020)**	$(0.005)	$(0.021)	$(0.039)
Natural gas production (mmscf)	**1,067**	1,141	1,223	1,012	**1,240**	1,344	1,797	1,336
Average natural gas price ($/mscf)	**$4.83**	$6.75	$5.74	$4.96	**$4.95**	$6.77	$5.53	$3.87
Capital expenditures	**$873**	$705	$1,869	$7,366	**$7,681**	$4,651	$5,781	$9,823

(1) As restated in accordance with IFRS

(2) As prepared under GAAP, these amounts have not been restated in accordance with IFRS.

The decrease in Corridor's natural gas revenues, cash flow from operations and net earnings is primarily the result of the decrease in the average natural gas sales price from $11.21/mscf in 2008 to as low as $3.87/mscf during the three months ended September 30, 2009 and to $4.83/mscf in the three months ended June 30, 2011. In response to these lower prices, Corridor has decreased drilling activities at the McCully Field since 2009, which has resulted in reduced capital expenditures and natural gas production.

Liquidity and Capital Resources

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

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

The credit currently available to the Company is in part determined by the Company's borrowing base which is largely dependant on the Company's reserves. If, at any time during the term of the credit facility, the lender has reason to believe that the borrowing base has materially declined below the initial $20 million credit facility, the lender can recalculate the Company's borrowing base and could, as a result, decrease the credit currently available to the Company. As of June 30, 2011, no amounts were drawn on this credit facility and $20 million remained available thereunder.

At this time, Corridor does not intend to access its credit facility in 2011, consistent with the Company's 2011 capital budget. The 2011 budget assumes that no additional funds will be utilized from other sources such as equity financings, corporate debt or asset sales. Subsequent to Q2 2011, Corridor engaged MacQuarie Capital Markets to assist the Company

in connection with a potential joint venture in order to advance the development of the Frederick Brook shale in New Brunswick.

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

Corridor's short-term investments consist of bank deposits with 90 days or less to maturity. Corridor has no investments in asset-backed securities.

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

Internal Controls over Financial Reporting

The President and Chief Financial Officer are responsible for establishing and maintaining internal controls over financial reporting to a standard which provides reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. In connection with the adoption of IFRS, we maintained internal controls over financial reporting and validated the conversion to IFRS and the restatement of the 2010 comparative financial information and related disclosures. During the three months ended June 30, 2011, there were no significant changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

Impact of IFRS on Critical Accounting Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingencies and commitments. Actual results could differ materially from those estimates. Corridor's significant accounting policies under IFRS were disclosed in note 3 to the interim financial statements for the three months ended March 31, 2011. The following significant critical accounting estimates have been impacted by the adoption of IFRS.

Asset impairments

Under GAAP, an impairment test was required when the undiscounted future net cash flows from proved reserves of assets, grouped in a country cost centre, were less than the carrying value. The impairment loss was then measured based on discounted future net cash flows from proved plus probable reserves.

Under IFRS, impairment test assessments will require more judgment and estimates by management. Under IFRS, an impairment test is required only if there are events or changes in circumstances that indicate that the carrying value of assets may not be recoverable. An impairment loss is then only recognized when the recoverable amount for a cash-generating unit ("CGU"), calculated as the higher of fair value less costs to sell and value-in-use, is less than its carrying value. A CGU is based on management's determination of the smallest group of assets that generate independent and identifiable cash inflows. Under IFRS, impairment losses are reversed when there is a subsequent increase in the recoverable amount of the impaired asset with the impairment reversal limited to the net book value that would have existed had the impairment loss not been recorded.

Determination as to whether and how much an asset is impaired also involves management estimates on highly uncertain matters such as future commodity prices, discount rates, production profiles and reserves. An impairment loss could result in a material loss in future periods but future depletion expense would be reduced as a result.

Depletion

Under GAAP, capitalized costs, estimated future development costs to develop proved reserves and asset retirement costs were accumulated in a country cost centre and depleted based on estimated proved natural gas reserves. Under IFRS, the depletion basis contracts from a country cost centre to a smaller area. At this time, management has determined that the McCully Field consists of only one area for depletion purposes. Corridor will continue to deplete these costs using proved natural gas reserves.

Decommissioning liabilities

The decommissioning liability (asset retirement obligations under GAAP) is measured based on the estimated cost of abandonment discounted to its net present value. The determination of decommissioning liabilities under IFRS requires the recalculation of the decommissioning liability and related asset at each balance sheet date using a current discount rate. Future changes in interest rates, or in the assumptions relating to the expected timing of the future abandonment costs, could result in a material change in the decommissioning liability and related asset.

Contingent liabilities

Provisions for contingent liabilities are recognized under IFRS when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the obligation can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation and are discounted to present value when the effect is material. Under GAAP, contingent liabilities were not recognized unless they were likely to be realized. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Changes in Accounting Policies

Adoption of IFRS

These interim financial statements are reported under IFRS, having been prepared in accordance with International Accounting Standards ("IAS") 34 – *Interim Financial Reporting* and IFRS 1 - *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). On January 1, 2011, Corridor adopted IFRS with an effective date of January 1, 2010. The transition to IFRS required the adoption of new accounting policies and the restatement of amounts, previously reported by Corridor under GAAP, to be in accordance with the IFRS accounting policies (as disclosed in note 3 to the interim financial statements for the three months ended March 31, 2011). The impacts of the adoption of IFRS on Corridor's financial position as at January 1, 2010 and December 31, 2010 and on the financial results, changes in shareholders' equity and cash flows for the year ended December 31, 2010 are detailed in note 18 to the interim financial statements for the three months ended March 31, 2011. This note also includes detailed reconciliations between Corridor's financial statements as previously reported under GAAP and its financial statements as reported under IFRS.

Note 15 of these interim financial statements contains a detailed description of the impact of IFRS on Corridor's financial results for the three and six months ended June 30, 2010 and the changes in shareholders' equity for the six months ended June 30, 2010.

The following table provides summary reconciliations, by quarter, between Corridor's 2010 GAAP financial results and its IFRS financial results, with a discussion of the related IFRS accounting policy changes below.

Summary net loss reconciliation

thousands of dollars	Q1 2010	Q2 2010	Q3 2010	Q4 2010	**2010**
Net loss under GAAP	$(695)	$(2,227)	$(2,281)	$(3,402)	**$(8,605)**
Decrease in DD&A expense *(a)*	883	873	790	1,098	**3,644**
Decrease (increase) in work-over activities expensed *(b)*	(311)	(62)	30	41	**(302)**
Increase in share-based compensation *(c)*	(97)	(85)	(35)	(448)	**(665)**
Reclassification of accretion to finance costs *(d)*	(31)	(31)	(33)	(21)	**(116)**
Increase in accretion expense *(d)*	(5)	(6)	(7)	(21)	**(39)**
Impact of IFRS adjustments on deferred taxes	(140)	(201)	(203)	(285)	**(829)**
Net loss under IFRS	$(396)	$(1,739)	$(1,739)	$(3,038)	**$(6,912)**
Basic and diluted net loss per share under GAAP	$(0.008)	$(0.025)	$(0.026)	$(0.039)	**$(0.098)**
Basic and diluted net loss per share under IFRS	$(0.005)	$(0.020)	$(0.020)	$(0.034)	**$(0.078)**

a) DD&A Expense

Under GAAP, Corridor followed the full cost method of accounting for its petroleum and natural gas properties whereby all costs directly associated with the exploration for and the development of natural gas reserves were capitalized and accumulated in a country cost centre. Under IFRS 6 *Exploration for and Evaluation of Mineral Resources* ("IFRS 6"), pre-exploration costs, or expenditures incurred prior to obtaining the legal right to explore, are expensed in the period incurred. After the legal right to explore is acquired, costs incurred to determine the technical feasibility and commercial viability of an exploration project are capitalized as exploration and evaluation ("E&E") assets. Once the technical feasibility and commercial viability has been determined, costs are transferred into property, plant and equipment ("PP&E").

The Company did not elect to take the exemption permitted under IFRS 1 for entities using the full cost method of accounting and instead reviewed all costs capitalized as petroleum and natural gas properties at January 1, 2010 and reclassified these costs between exploration activities and development activities. As a result, E&E assets in the amount of $55,913 thousand at January 1, 2010 and $65,707 thousand at December 31, 2010 were reclassified from PP&E to E&E assets in accordance with IFRS 6.

The decrease in DD&A expense noted above in the summary net loss reconciliation table is largely the result of the change in accounting policy under IFRS for the depletion of exploration and evaluation ("E&E") assets. E&E assets, which were accumulated in the country cost centre and depleted by the Company under GAAP, will not be depleted under IFRS. The Company will continue to calculate depletion expense using the unit-of-production method based on estimated proved natural gas reserves under IFRS.

The following table provides the impact, by quarter, on Corridor's 2010 DD&A expense and DD&A expense per mscf:

DD&A Expense

thousands of dollars	Q1 2010	Q2 2010	Q3 2010	Q4 2010	**2010**
DD&A expense under GAAP	$6,022	$5,619	$4,717	$6,035	**$22,393**
DD&A expense per mscf ($/mscf) under GAAP	$4.99	$5.10	$5.22	$5.49	**$5.20**
DD&A expense under IFRS	$5,139	$4,746	$3,927	$4,937	**$18,749**
DD&A expense per mscf ($/mscf) under IFRS	$4.26	$4.31	$4.35	$4.49	**$4.35**

b) Work-over activities

Under GAAP, work-over activities were capitalized by the Company, and depleted along with the related asset, if the work resulted in an increase in the productive life of the well. Under IFRS, work-over activities are also capitalized if the work results in an increase in the productive life but are only amortized until the next scheduled work-over activity. As a result of this difference, work-over activities expensed changed as noted in the summary net loss reconciliation table above.

The following table provides the impact, by quarter, on Corridor's 2010 production expense and production expense per mscf:

Production expense

thousands of dollars	Q1 2010	Q2 2010	Q3 2010	Q4 2010	**2010**
Production expense under GAAP	$919	$802	$851	$1,057	**$3,629**
Production expense per mscf ($/mscf) under GAAP	$0.68	$0.65	$0.84	$0.86	**$0.75**
Production expense under IFRS	$1,230	$864	$821	$1,016	**$3,931**
Production expense per mscf ($/mscf) under IFRS	$0.91	$0.70	$0.81	$0.83	**$0.82**

c) Share-based compensation

Under GAAP, the fair value of the stock options with graded vesting was calculated as one grant and recognized as stock-based compensation expense on a straight line basis over the vesting period. Under IFRS 2 *Share-based Payments*, each vesting installment of a stock option grant is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of each respective vesting instalment. While the amount of share-based compensation expense will not change materially over the life of the stock options, this expense will be higher at the beginning of the stock option grant and lower at the end of the vesting period. As a result of this difference in accounting, share-based compensation expense increased, as noted in the summary net loss reconciliation table above.

d) Decommissioning liability

Under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, the expected cash outflows for future abandonment of assets are estimated and discounted using a risk-free rate while under GAAP a credit-adjusted risk-free rate was applied. Under IFRS, the determination of the decommissioning liability (asset retirement obligations under GAAP) and related asset requires the use of a current discount rate at each balance sheet date. As a result of this difference in accounting, the decommissioning liability increased by $2,272 thousand at January 1, 2010 and by an additional $171 thousand at December 31, 2010. The higher decommissioning liability balance resulted in an increase in accretion expense in 2010 as noted in the summary net loss reconciliation table above. In addition, accretion is recorded as a finance cost under IFRS, therefore accretion expense previously recorded under GAAP in DD&A was reclassified to finance costs.

Business Conditions and Risks

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

Risks Associated with Oil and Gas Exploration

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

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

Substantial Capital Requirements and Financial Risks

The Company anticipates making substantial capital expenditures for the exploration, development and production of oil and natural gas reserves in the future. The Company does not presently have sufficient financial resources to undertake by itself a comprehensive exploration and development program of its properties beyond 2011. The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. If the Company's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

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

Third Party Risk

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

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require

significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Prices, Markets and Marketing

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

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

Risks May Not be Insurable

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

Resources Information

Total Petroleum Initially-In-Place is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered.

Undiscovered Petroleum Initially-In-Place (equivalent to Undiscovered Resources) are those quantities of petroleum that are estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as Prospective Resources, the remainder as Unrecoverable. Undiscovered resources carry discovery risk. There is no certainty that any portion of these resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. A recovery project cannot be defined for this volume of undiscovered petroleum initially-in-place at this time.

Sproule has classified the Total Petroleum Initially-In-Place as Undiscovered Resources, based on the following (i) a core of the Macasty shale from the Chaloupe well contained residual oil; (ii) the Macasty shale has not been flow tested from any well on Anticosti Island; (iii) the resources are inferred to exist based on the interpretation and mapping of limited pyrolysis, core, well log and seismic data; and (iv) this is an unconventional shale oil resource that will require a stimulated completion for evaluation and, until an appropriately researched project has been undertaken to identify and evaluate potentially recoverable volumes, it is premature to speculate whether the Macasty contains recoverable or unrecoverable resources.

BOE's may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mscf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Statements of Comprehensive Loss (Unaudited)

(thousands of Canadian dollars, except per share data)

For the	Three months ended June 30 **2011**	2010 *(note 15)*	Six months ended June 30 **2011**	2010 *(note 15)*
Revenues	**$ 5,547**	$ 6,575	**$ 13,571**	$ 16,223
Royalty expense	**(127)**	(29)	**(456)**	(321)
Revenues, net	**5,420**	6,546	**13,115**	15,902
Expenses				
Depletion, depreciation and amortization	**4,267**	4,746	**8,831**	9,885
Transportation expense	**1,359**	1,727	**3,050**	3,564
Production expense	**1,103**	864	**2,218**	2,094
General and administrative	**964**	1,206	**2,094**	2,332
Share-based compensation	**(119)**	239	**1,211**	496
Write-down of inventory *(note 5)*	**1,600**	-	**1,600**	-
Write-off of exploration and evaluation assets	**-**	-	**140**	-
Capital tax expense	**27**	45	**54**	117
	9,201	8,827	**19,198**	18,488
Loss before the following items	**(3,781)**	(2,281)	**(6,083)**	(2,586)
Interest and finance costs	**79**	88	**158**	179
Foreign exchange losses (gains)	**(8)**	(95)	**99**	(38)
Interest and other income	**(38)**	(13)	**(56)**	(30)
Loss before income taxes	**(3,814)**	(2,261)	**(6,284)**	(2,697)
Deferred income tax recovery *(note 4)*	**(171)**	(522)	**(463)**	(562)
Net loss and comprehensive loss	**$ (3,643)**	$ (1,739)	**$ (5,821)**	$ (2,135)
Net loss per share				
Basic	**$ (0.041)**	$ (0.020)	**$ (0.066)**	$ (0.024)
Diluted	**$ (0.041)**	$ (0.020)	**$ (0.066)**	$ (0.024)
Weighted average number of common shares				
Basic	**88,457**	87,770	**88,407**	87,768
Diluted *(note 3)*	**88,699**	88,289	**88,720**	88,195

The accompanying notes are an integral part of these interim unaudited financial statements.

Statements of Financial Position (Unaudited)

(thousands of Canadian dollars)

As at	**June 30 2011**	December 31 2010	January 1 2010
Assets			
Current assets			
Cash and cash equivalents	**$ 9,170**	$ 865	$ 8,484
Restricted cash	**650**	650	1,350
Receivables *(note 12 a ii)*	**1,743**	5,568	6,624
Inventory	**1,625**	-	-
Capital taxes receivable	**196**	173	85
Prepaids and security deposits	**388**	82	120
	13,772	7,338	16,663
Non-current assets			
Property, plant and equipment *(notes 5 & 8)*	**213,145**	225,000	233,284
Exploration and evaluation assets *(note 6)*	**66,787**	65,707	55,913
Investment tax credits	**1,725**	1,715	1,227
Intangible assets	**369**	393	425
Restricted cash and security deposits	**1,130**	1,130	1,230
Total assets	**$ 296,928**	$ 301,283	$ 308,742
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	**$ 1,343**	$ 3,195	$ 5,636
Obligations under finance lease	**81**	141	145
	1,424	3,336	5,781
Non-current liabilities			
Obligations under finance lease	**-**	14	155
Deferred income taxes	**22,952**	23,415	24,886
Decommissioning liability *(note 7)*	**4,387**	4,482	3,772
Total liabilities	**28,763**	31,247	34,594
Shareholders' Equity			
Capital stock *(note 9)*	**247,496**	242,589	242,381
Contributed surplus	**7,217**	8,174	5,582
Retained earnings	**13,452**	19,273	26,185
	268,165	270,036	274,148
Total liabilities and shareholders' equity	**$ 296,928**	$ 301,283	$ 308,742

The accompanying notes are an integral part of these interim unaudited financial statements.

Contingency *(note 14)*

On behalf of the Board

Signed *"Phillip R. Knoll"* Director

Signed "*Robert D. Penner"* Director

Statements of Changes in Shareholders' Equity (Unaudited)

(thousands of Canadian dollars)

For the	Six months ended June 30 **2011**	2010
		(note 15)
Capital stock, beginning of period	**$ 242,589**	$ 242,381
Exercise of stock options for cash	**2,739**	27
Amount previously expensed for stock options exercised	**2,168**	16
Capital stock, end of period	**$ 247,496**	$ 242,424
Contributed surplus, beginning of period	**$ 8,174**	$ 5,582
Share-based compensation expense	**1,211**	496
Amount previously expensed for stock options exercised	**(2,168)**	(16)
Contributed surplus, end of period	**$ 7,217**	$ 6,062
Retained earnings, beginning of period	**$ 19,273**	$ 26,185
Net loss and comprehensive loss	**(5,821)**	(2,135)
Retained earnings, end of period	**$ 13,452**	$ 24,050
Shareholders' equity, end of period	**$ 268,165**	$ 272,536

The accompanying notes are an integral part of these interim unaudited financial statements.

Statements of Cash Flows (Unaudited)

(thousands of Canadian dollars)

For the	**Six months ended June 30** **2011**	2010
Operating Activities		
Net loss and comprehensive loss	**$ (5,821)**	$ (2,135)
Depletion, depreciation and amortization	**8,831**	9,885
Share-based compensation	**1,211**	496
Write-off of assets	**1,740**	-
Deferred income tax recovery	**(463)**	(562)
Amortization of debt issue costs	**16**	52
	5,514	7,736
Decrease in non-cash operating working capital *(note 11)*	**1,991**	1,179
Cash provided by operating activities	**7,505**	8,915
Financing Activities		
Proceeds from capital stock issues	**2,739**	27
Other financing activities	**3**	1
Cash provided by financing activities	**2,742**	28
Investing Activities		
Property, plant and equipment expenditures	**(358)**	(10,393)
Exploration and evaluation expenditures	**(1,220)**	(1,939)
Decrease in restricted cash	**-**	550
Decrease (increase) in non-cash investing working capital *(note 11)*	**(364)**	3,202
Cash used in investing activities	**(1,942)**	(8,580)
Increase in cash and cash equivalents	**8,305**	363
Cash and cash equivalents, beginning of period	**865**	8,484
Cash and cash equivalents, end of period	**$ 9,170**	$ 8,847
Cash and cash equivalents consists of:		
Cash	**$ 4,170**	$ 3,477
Short-term investments	**5,000**	5,370
Cash and cash equivalents, end of period	**$ 9,170**	$ 8,847

The accompanying notes are an integral part of these interim unaudited financial statements.

Notes to the Unaudited Financial Statements
June 30, 2011

1. Nature of operations

Corridor Resources Inc. ("Corridor" or the "Company") is an Eastern Canadian junior resource company engaged in the exploration for and development and production of petroleum and natural gas onshore in New Brunswick, Prince Edward Island and Québec and offshore in the Gulf of St. Lawrence. Corridor is a public company incorporated under the Alberta Business Corporations Act with common shares listed on the Toronto Stock Exchange under the symbol "CDH". Corridor's head office is located at Suite 301, 5475 Spring Garden Road, Halifax, Nova Scotia, B3J 3T2.

2. Basis of presentation

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") 34 – *Interim Financial Reporting* and IFRS 1 - *First-time Adoption of International Financial Reporting Standards* ("IFRS 1").

The preparation of financial statements under IFRS was effective January 1, 2011 and resulted in changes to the Company's financial statements previously reported under Canadian generally accepted accounting principles ("GAAP"), the term GAAP refers to GAAP before the adoption of IFRS in these interim financial statements. Note 15 discloses the impact of IFRS on the unaudited Statements of Comprehensive Loss for the three and six months ended June 30, 2010 and the unaudited Statements of Changes in Shareholders' Equity as of June 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended December 31, 2010. The accounting policies followed in these interim financial statements are the same as those applied in the Company's interim financial statements for the three months ended March 31, 2011.

These interim financial statements are prepared on a going concern basis under the historical cost basis. These interim financial statements are presented in Canadian dollars, which is the Company's functional currency, with all information presented in thousands of Canadian dollars, except where otherwise indicated.

These interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2010 and the interim financial statements for the three months ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

On August 12, 2011, the interim financials statements were approved by the Board of Directors and signed by the chair of the Audit Committee and the President and Chief Executive Officer.

3. Earnings per share

For the three and six months ended June 30, 2011, stock options of 2,326 thousand and 2,318 thousand (three and six months ended June 30, 2010 – 775 thousand and 825 thousand) were excluded from the dilution calculation since the average market price for the period was lower than the exercise price.

4. Income taxes

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

(thousands of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Loss before income taxes	**$ (3,814)**	$ (2,261)	**$ (6,284)**	$ (2,697)
Blended Canadian statutory income tax rate	**28.5%**	31.0%	**28.5%**	31.0%
Expected income tax recovery	**$ (1,087)**	$ (701)	**$ (1,791)**	$ (836)
Increase resulting from:				
Non-deductible share-based compensation	**(34)**	74	**345**	154
Originating temporary differences recorded at the deferred income tax rates expected to be in effect when realized	**98**	101	**127**	110
Effect of provincial tax rate change	**850**	-	**850**	-
Other	**2**	4	**6**	10
	$ (171)	$ (522)	**$ (463)**	$ (562)

During the quarter, the Company increased its deferred income tax rate from 26% to 27% following the New Brunswick Government's 2010 budget which resulted in the Province's corporate income tax rate being increased from 8% to 10% effective July 1, 2012. As a result, Corridor's deferred income tax recovery decreased by $850 thousand for the three and six months ended June 30, 2011.

5. Property, plant and equipment

(thousands of Canadian dollars)

	Oil and gas properties	Production facilities	Inventory	Office and other assets	Total
Cost					
Balance at January 1, 2010	$ 209,755	$ 71,779	$ 6,690	$ 2,598	$ 290,822
Additions	6,960	4,925	388	85	12,358
Disposals or sales	-	-	(848)	(18)	(866)
Changes in future abandonment costs	355	-	-	-	355
Investment tax credits	-	(488)	-	-	(488)
Transfers to exploration and evaluation assets	-	-	(945)	-	(945)
Balance at December 31, 2010	$ 217,070	$ 76,216	$ 5,285	$ 2,665	$ 301,236
Additions	249	104	1	4	358
Transfer to current assets	-	-	(1,625)	-	(1,625)
Changes in future abandonment costs	(172)	-	-	-	(172)
Investment tax credits	-	(10)	-	-	(10)
Balance at June 30, 2011	**$ 217,147**	**$ 76,310**	**$ 3,661**	**$ 2,669**	**$ 299,787**
Accumulated depletion and depreciation					
Balance at January 1, 2010	$ 44,246	$ 12,456	$ -	$ 836	$ 57,538
Depletion or depreciation expense	14,717	3,729	-	256	18,702
Disposals	-	-	-	(4)	(4)
Balance at December 31, 2010	$ 58,963	$ 16,185	$ -	$ 1,088	$ 76,236
Depletion or depreciation expense	6,801	1,902	-	103	8,806
Write-down of assets	-	-	1,600	-	1,600
Balance at June 30, 2011	**$ 65,764**	**$ 18,087**	**$ 1,600**	**$ 1,191**	**$ 86,642**

5. Property, plant and equipment (continued)

(thousands of Canadian dollars)

	Oil and gas properties	Production facilities	Inventory	Office and other assets	Total
Net book value					
At January 1, 2010	$ 165,509	$ 59,323	$ 6,690	$ 1,762	$ 233,284
At December 31, 2010	$ 158,107	$ 60,031	$ 5,285	$ 1,577	$ 225,000
At June 30, 2011	**$ 151,383**	**$ 58,223**	**$ 2,061**	**$ 1,478**	**$ 213,145**

The calculation of depletion includes estimated future development costs relating to the development of proved reserves of $63,924 thousand for the three and six months ended June 30, 2011 (three and six months ended June 30, 2010 - $86,593 thousand). Costs of property, plant and equipment excluded from costs subject to depletion, depreciation and amortization amounted to $7,026 thousand at June 30, 2011 (June 30, 2010 - $6,950 thousand).

During Q2 2011, the Company determined to sell excess inventory and reclassified $1,625 thousand of inventory to current assets. The Company also wrote-down this inventory by $1,600 thousand to reflect the decrease in the net realizable value.

6. Exploration and evaluation assets

(thousands of Canadian dollars)

	June 30 2011	December 31 2010
Balance, beginning of period	**$ 65,707**	$ 55,913
Additions	**1,220**	8,648
Transfers from inventory	**-**	945
Write-off of exploration and evaluation assets	**(140)**	-
Changes in future abandonment costs	**-**	201
Balance, end of period	**$ 66,787**	$ 65,707

7. Decommissioning liability

The change in the decommissioning liability is due to the following:

(thousands of Canadian dollars)

	June 30 2011	December 31 2010
Balance, beginning of period	**$ 4,482**	$ 3,772
Liabilities incurred	**-**	344
Change in discount rate	**(172)**	311
Change in estimate	**-**	30
Liabilities settled	**-**	(130)
Finance costs	**77**	155
Balance, end of period	**$ 4,387**	$ 4,482

The total undiscounted amount of estimated cash flows required to settle these obligations is $10,458 thousand (December 31, 2010 - $10,458 thousand). Management estimates the settlement of these obligations between 2013 and 2035. A risk-free rate of 3.89% (December 31, 2010 – 3.68%) and an inflation rate of 2% (December 31, 2010 – 2%) was used to calculate the estimated fair value of the decommissioning liability.

8. Credit facility

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

9. Capital stock

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

b) Issued and outstanding

(thousands of Canadian dollars and thousands of shares)

	Six months ended June 30, 2011		Year ended December 31, 2010	
	Number of shares	**Amount**	Number of shares	Amount
Balance, beginning of period	**87,815**	**$ 242,589**	87,767	$ 242,381
Exercise of stock options for cash	**649**	**2,739**	48	125
Amount previously expensed for stock options exercised	**-**	**2,168**	-	83
Balance, end of period	**88,464**	**$ 247,496**	87,815	$ 242,589

10. Share-based compensation

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

	June 30, 2011		December 31, 2010	
	Number of options (000's)	**Weighted average exercise price**	Number of options (000's)	Weighted average exercise price
Outstanding at the beginning of period	**4,989**	**$ 4.95**	2,299	$ 4.58
Exercised	**(649)**	**$ 4.22**	(48)	$ 2.58
Forfeited and cancelled	**(1,229)**	**$ 5.17**	(48)	$ 4.87
Expired	**(103)**	**$ 5.28**	-	-
Granted	**-**	**-**	2,786	$ 5.21
Outstanding at the end of period	**3,008**	**$ 5.00**	4,989	$ 4.95
Options exercisable, end of period	**1,167**	**$ 5.84**	1,859	$ 5.16

For the three months ended June 30, 2011, the Company recorded a recovery of stock-based compensation with an offsetting decrease to contributed surplus of $119 thousand following the cancellation of 1,229 stock options during the period. For the six months ended June 30, 2011, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of $1,211 thousand (three and six months ended June 30, 2010 - $239 thousand and $496 thousand).

10. Share-based compensation (continued)

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

	June 30, 2011	December 31, 2010
Weighted average fair value of options granted	**-**	$ 3.15
Risk-free interest rate	**-**	2.5%
Expected life (years)	**-**	4.2
Expected volatility	**-**	80%

The range of exercise prices of stock options outstanding and exercisable as at June 30, 2011 is as follows:

	Outstanding options			**Exercisable options**	
Exercise prices	**Number of options outstanding (000's)**	**Weighted average remaining term (years)**	**Weighted average exercise price**	**Number of options exercisable (000's)**	**Weighted average exercise price**
$ 1.00 - $ 2.99	683	3.03	$ 2.56	167	$ 2.56
$ 3.00 - $ 4.99	15	3.20	$ 4.65	8	$ 4.52
$ 5.00 - $ 5.99	1,993	3.37	$ 5.27	675	$ 5.37
$ 6.00 - $ 6.99	109	1.76	$ 6.80	109	$ 6.80
$ 7.00 - $10.99	208	1.86	$ 9.54	208	$ 9.54
	3,008	3.13	$ 5.00	1,167	$ 5.84

11. Supplemental cash flow information

(thousands of Canadian dollars)

	Six months ended June 30	
	2011	2010
Change in non-cash operating working capital:		
Receivables	**$ 3,045**	$ 2,496
Prepaids and security deposits	**(306)**	(280)
Accounts payable and accrued liabilities	**(725)**	(976)
Capital taxes receivable	**(23)**	(61)
	$ 1,991	$ 1,179
Change in non-cash investing working capital:		
Receivables	**$ 780**	$ 1,694
Inventory in property, plant and equipment	**1,625**	345
Inventory transferred to current assets	**(1,625)**	-
Accounts payable and accrued liabilities	**(1,144)**	1,163
	$ (364)	$ 3,202
Interest and taxes paid:		
Interest paid	**$ 54**	$ 50
Capital and other taxes paid	**$ 73**	$ 45

12. Risk management

a) The Company is exposed to the following risks:

i) Commodity price risk

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

12. Risk management (continued)

ii) 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.

iii) 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)

	June 30, 2011	December 31, 2010
Cash	**$ 3**	$ 2
Receivables	**1,331**	3,190
Financial instruments in U.S. dollars	**$ 1,334**	$ 3,192

At June 30, 2011, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in an increase of approximately $50 thousand (June 30, 2010 – $100 thousand) in the Company's net loss due to a decrease in the financial instruments denominated in U.S. dollars. Conversely, a 5% increase in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of approximately $50 thousand (June 30, 2010 – $100 thousand) in the Company's net loss.

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 June 30, 2011, the Company was holding cash and cash equivalents of $9,170 thousand and had $20 million available from its revolving credit facility. The credit currently available to the Company is in part determined by the Company's borrowing base which is largely dependant on the Company's petroleum and natural gas reserves. If, at any time during the term of the credit facility, the lender has reason to believe that the current approved borrowing base of $26 million has declined below the credit facility limit of $20 million, the lender can recalculate the Company's borrowing base and could, as a result, decrease the credit currently available to the Company.

Given the Company's available liquid resources and the Company's 2011 budget, management expects to have sufficient available funds to meet the current and foreseeable financial contractual obligations, as disclosed in the Company's December 31, 2010 audited financial statements.

b) Management of capital

Management's objective when managing capital is to provide an adequate return to its shareholders and to safeguard the Company's ability to obtain financing and have access to capital. In the management of capital, the Company includes shareholders' equity, its credit facility as well as cash and cash equivalents. To facilitate the management of its capital structure the Company prepares annual expenditure and operating budgets that are updated as necessary depending on success factors, industry conditions and operating cash flow. These annual and updated budgets are approved by the Board of Directors. Corridor has the ability to adjust its capital structure by making modifications to its capital expenditure program. To maximize ongoing development and exploration activities, the Company will not pay out dividends during the year.

13. Related parties

A director of Corridor is a partner in a law firm that provides legal services to the Company. For the three and six months ended June 30, 2011 and June 30, 2010, no legal expenses are included in general and administrative expenses. At June 30, 2011, no amount was included in accounts payable and accrued liabilities (December 31, 2010 - $240 thousand). The amounts paid are recorded at the amount agreed to between the parties which management believes is representative of fair value.

14. Contingency

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

15. First time adoption of IFRS

The following explains how the transition from GAAP to IFRS has affected the Company's financial results for the three and six months ended June 30, 2010 and the changes in shareholders' equity and cash flows for the six months ended June 30, 2010.

1) Reconciliations

Reconciliation of Statement of Comprehensive Loss
Three months ended June 30, 2010

(thousands of Canadian dollars)

	GAAP	Effects of transition to IFRS	IFRS
Revenues	$ 6,575	$ -	$ 6,575
Royalty expense	(29)	-	(29)
Revenues, net	6,546	-	6,546
Expenses			
Depletion, depreciation and amortization *(f)*	5,619	(873)	4,746
Transportation expense	1,727	-	1,727
Production expense *(c)*	802	62	864
General and administrative	1,206	-	1,206
Share-based compensation *(g)*	154	85	239
Capital tax expense	45	-	45
	9,553	(726)	8,827
Earnings (loss) before the following items	(3,007)	726	(2,281)
Interest and finance costs *(d)*	51	37	88
Foreign exchange losses	(95)	-	(95)
Interest and other income	(13)	-	(13)
Earnings (loss) before income taxes	(2,950)	689	(2,261)
Deferred income tax expense (recovery) *(h)*	(723)	201	(522)
Net earnings (loss), being comprehensive income (loss)	$ (2,227)	$ 488	$ (1,739)

15. First time adoption of IFRS (continued)

Reconciliation of Statement of Comprehensive Loss
Six months ended June 30, 2010

(thousands of Canadian dollars)

	GAAP	Effects of transition to IFRS	IFRS
Revenues	$ 16,223	$ -	$ 16,223
Royalty expense	(321)	-	(321)
Revenues, net	15,902	-	15,902
Expenses			
Depletion, depreciation and amortization *(f)*	11,641	(1,756)	9,885
Transportation expense	3,564	-	3,564
Production expense *(c)*	1,721	373	2,094
General and administrative	2,332	-	2,332
Share-based compensation *(g)*	314	182	496
Capital tax expense	117	-	117
	19,689	(1,201)	18,488
Earnings (loss) before the following items	(3,787)	1,201	(2,586)
Interest and finance costs *(d)*	106	73	179
Foreign exchange losses	(38)	-	(38)
Interest and other income	(30)	-	(30)
Earnings (loss) before income taxes	(3,825)	1,128	(2,697)
Deferred income tax expense (recovery) *(h)*	(903)	341	(562)
Net earnings (loss), being comprehensive income (loss)	$ (2,922)	$ 787	$ (2,135)

Reconciliation of Statement of Changes in Shareholders' Equity
Six months ended June 30, 2010

(thousands of Canadian dollars)

	GAAP	Effects of transition to IFRS	IFRS
Capital stock at January 1, 2010	$ 242,381	$ -	$ 242,381
Exercise of stock options for cash	27	-	27
Amount previously expensed for stock options exercised	15	1	16
Capital stock at June 30, 2010	$ 242,423	$ 1	$ 242,424
Contributed surplus at January 1, 2010	$ 5,148	$ 434	$ 5,582
Share-based compensation expense *(g)*	314	182	496
Amount previously expensed for stock options exercised	(15)	(1)	(16)
Contributed surplus at June 30, 2010	$ 5,447	$ 615	$ 6,062
Retained earnings at January 1, 2010	$ 22,489	$ 3,696	$ 26,185
Net earnings (loss), being comprehensive income (loss)	(2,922)	787	(2,135)
Retained earnings at June 30, 2010	$ 19,567	$ 4,483	$ 24,050
Shareholders' equity at June 30, 2010	$ 267,437	$ 5,099	$ 272,536

15. First time adoption of IFRS (continued)

2) Explanation of IFRS adjustments

(a) Exploration and evaluation assets
Under GAAP, Corridor followed the full cost method of accounting for its petroleum and natural gas properties whereby all costs directly associated with the exploration for and the development of natural gas reserves were capitalized and accumulated in a country cost centre. Under IFRS 6 *Exploration for and Evaluation of Mineral Resources* ("IFRS 6"), pre-exploration costs, or expenditures incurred prior to obtaining the legal right to explore, are expensed in the period incurred. After the legal right to explore is acquired, costs incurred to determine the technical feasibility and commercial viability of an exploration project are capitalized as exploration and evaluation ("E&E") assets. Once the technical feasibility and commercial viability has been determined, costs are transferred into property, plant and equipment ("PP&E").

The Company did not elect to take the exemption permitted under IFRS 1 for entities using the full cost method of accounting and reviewed instead all costs capitalized as petroleum and natural gas properties at January 1, 2010 and reclassified these costs between exploration activities and development activities. As a result, E&E assets in the amount of $55,913 thousand at January 1, 2010 were reclassified from PP&E to E&E assets in accordance with IFRS 6.

During this review, management also identified exploration costs in the amount of $4,291 thousand to be expensed under IFRS 6. As a result, PP&E and retained earnings decreased by $4,291 thousand at January 1, 2010.

(b) Depletion
Consistent with GAAP, the Company will continue to calculate depletion expense using the unit-of-production method based on estimated proved natural gas reserves. However E&E assets, which were accumulated in the country cost centre and depleted by the Company under GAAP, will not be depleted under IFRS. Since Corridor did not elect to take the exemption permitted under IFRS 1, PP&E and retained earnings increased by $11,346 thousand at January 1, 2010. As a result, depletion, depreciation and amortization expense decreased by $853 thousand and $1,713 thousand for the three and six months ended June 30, 2010.

(c) Work-overs
Under GAAP, work-over activities were capitalized by the Company and depleted along with the related asset if the work resulted in an increase in the productive life of the well. Under IFRS, work-over activities are also capitalized if the work results in an increase in the productive life but are only amortized until the next scheduled work-over activity. As a result of this difference and the resulting impact on depletion expense, the net book value of capitalized work-over activities in the amount of $62 thousand and $373 thousand for the three and six months ended June 30, 2010, was removed from PP&E and included in production expenses. Depletion, depreciation and amortization expense was also impacted and decreased by $6 thousand and $11 thousand for the three and six months ended June 30, 2010.

(d) Decommissioning
Under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the expected cash outflows for future abandonment of assets are estimated and discounted using a risk-free rate while under GAAP a credit-adjusted risk-free rate was applied. As a result, the decommissioning liability (asset retirement obligations under GAAP) increased, and retained earnings decreased, by $2,272 thousand at January 1, 2010. The Company elected to apply the modified approach under IFRS 1 to calculate the future abandonment costs in PP&E and as a result, PP&E and retained earnings increased by $1,459 thousand at January 1, 2010.

In addition, the decommissioning liability and the related assets are recalculated at each balance sheet date using a current discount rate under IFRS. As a result, the decommissioning liability and future abandonment costs increased by an additional $367 thousand at June 30, 2010.

The higher future abandonment costs balance resulted in an increase in the depletion, depreciation and amortization expense of $17 thousand and $30 thousand for the three and six months ended June 30, 2010.

15. First time adoption of IFRS (continued)

The higher decommissioning liability balance resulted in an increase in accretion of $6 thousand and $11 thousand for the three and six months ended June 30, 2010. Since accretion expense is recorded as a finance cost under IFRS, accretion expense previously recorded under GAAP of $31 thousand and $62 thousand for the three and six months ended June 30, 2010 was reclassified from depletion, depreciation and amortization expense to finance costs.

(e) PP&E

At June 30, 2010, management assessed whether any facts and circumstances suggested impairment of PP&E and E&E assets and none were identified.

(f) Depletion, depreciation and amortization ("DD&A")

The following summarizes the decreases (increases) to DD&A caused by the transition to IFRS for the three and six months ended June 30, 2010:

(thousands of Canadian dollars)

	Three months ended June 30, 2010	Six months ended June 30, 2010
Exploration and evaluation assets not amortized *(b)*	$ 853	$ 1,713
Decrease in PP&E balance for work-overs *(c)*	6	11
Increase in future abandonment costs *(d)*	(17)	(30)
Reclassification of accretion expense to finance costs *(d)*	31	62
Decrease in DD&A	$ 873	$ 1,756

(g) Stock based compensation

Under GAAP, the fair value of the stock options with graded vesting was calculated as one grant and recognized as stock-based compensation expense on a straight line basis over the vesting period. Under IFRS 2 *Share-based Payments*, each vesting installment of a stock option grant is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of each respective installment. In addition, forfeitures of options which were recognized as they occurred under GAAP by the Company are estimated and revised at each reporting period under IFRS. As a result, share-based compensation expense increased by $85 thousand and $182 thousand for the three and six months ended June 30, 2010 with a corresponding increase to contributed surplus.

(h) Deferred income tax

The transition to IFRS resulted in a decrease in the Company's net loss and, as a result, the deferred income tax recovery decreased by $201 thousand and $341 thousand for the three and six months ended June 30, 2010, respectively.

(i) Statement of cash flows

The effects of the transition to IFRS on the Statements of Financial Position, Statements of Comprehensive Loss and Statements of Changes in Shareholders' Equity have resulted in reclassifications and adjustments of various amounts on the Statements of Cash Flow, however, as there have been no changes to the net cash flow, no reconciliation has been presented.