Third Quarter 2011
Management's Discussion and Analysis
As of November 14, 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 nine months ended September 30, 2011 should be read in conjunction with Corridor's unaudited financial statements and notes thereto for the three and nine months ended September 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.

Selected Financial Information

	Three months ended September 30		**Nine months ended September 30**	
thousands of dollars except per share amounts	**2011**	2010	**2011**	2010
Revenues	**$5,127**	$5,471	**$18,698**	$21,694
Net loss	**$(2,348)**	$(1,739)	**$(8,169)**	$(3,874)
Net loss per share - basic and diluted	**$(0.027)**	$(0.020)	**$(0.092)**	$(0.044)
Cash flow from operations[(1)]	**$1,665**	$1,929	**$7,179**	$9,665
Capital expenditures	**$3,050**	$7,366	**$4,628**	$19,698
Total assets	**$295,392**	$307,434	**$295,392**	$307,434

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

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 September 30		**Nine months ended September 30**	
thousands of dollars	**2011**	2010	**2011**	2010
Cash provided by operating activities	**$1,195**	$1,768	**$8,700**	$10,683
Less: Decrease (increase) in non-cash operating working capital	**(470)**	(161)	**1,521**	1,018
Cash flow from operations	**$1,665**	$1,929	**$7,179**	$9,665

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;
- reserves;
- 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;
- a joint venture partner in the Old Harry prospect and Frederick Brook shale;
- 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 the 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 Second Quarter 2011 MD&A dated August 12, 2011, which is available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com.

Q3 2011 Financial Summary

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2011**	2010	**2011**	2010
Revenues	**$5,127**	$5,471	**$18,698**	$21,694
Royalty expense	**(223)**	(29)	**(679)**	(350)
Revenues, net	**4,904**	5,442	**18,019**	21,344
Expenses				
Depletion, depreciation and amortization	**4,097**	3,927	**12,928**	13,812
Transportation expense	**1,268**	1,478	**4,318**	5,042
Production expense	**999**	821	**3,217**	2,915
General and administrative	**973**	1,177	**3,067**	3,509
Share-based compensation	**385**	250	**1,596**	746
Write-down of inventory	**155**	-	**1,755**	-
Write-off of exploration and evaluation assets	**-**	-	**140**	-
Capital tax expense	**6**	45	**60**	162
	7,883	7,698	**27,081**	26,186
Loss before the following items	**(2,979)**	(2,256)	**(9,062)**	(4,842)
Interest and finance costs	**92**	85	**250**	264
Foreign exchange losses (gains)	**(86)**	56	**13**	18
Interest and other income	**(10)**	(136)	**(66)**	(166)
Loss before income taxes	**(2,975)**	(2,261)	**(9,259)**	(4,958)
Deferred income tax recovery	**(627)**	(522)	**(1,090)**	(1,084)
Net loss and comprehensive loss	**$(2,348)**	$(1,739)	**$(8,169)**	$(3,874)

Third Quarter Summary

- During Q3 2011, natural gas production averaged 11.1 mmscfpd net to Corridor (including production from penalty wells) with an average natural gas sales price of $4.63/mscf, resulting in a net loss of $2,348 thousand and basic and diluted net loss per share of $0.027.

- Natural gas revenues for Q3 2011 decreased to $4,722 thousand from $5,021 thousand for Q3 2010 due to the decrease in the average natural gas sales price to $4.63/mscf in Q3 2011 from $4.96/mscf in Q3 2010. The natural gas production of 11.1 mmscfpd in Q3 2011 was fairly consistent with the production in Q3 2010 of 11.0 mmscfpd as the production declines in 2011 were offset by the gas plant shut-down in Q3 2010 to allow for the installation of an inlet compressor.

- Cash flow from operations was $1,665 thousand in Q3 2011 compared to $1,929 thousand in Q3 2010 with cash and cash equivalents at September 30, 2011 of $7,367 thousand. The decrease in cash flow from operations is due to the lower natural gas revenues partially offset by lower transportation expenses.

- Net loss for Q3 2011 increased to $2,348 thousand from $1,739 thousand for Q3 2010 due to the decrease in revenues as well as the write-down of $155 thousand of casing inventory.

- Subsequent to the quarter, Corridor completed the drilling of the vertical Will DeMille O-59 shale gas appraisal well to a total depth of 3188 meters measured depth. Initial interpretation indicates the well intersected 990 meters of measured thickness (approximately 860 meters true thickness) of the Upper Frederick Brook, intersecting the contact with the underlying Lower Frederick Brook at 3160 meters. Based upon initial analysis of well log information, the well intersected at least eight shale intervals with significantly elevated gas shows and organic shale. Corridor plans to evaluate these intervals with logs and sidewall cores in order to select a number of intervals for future fracture stimulation planned for the Second Quarter of 2012. The Will DeMille O-59 well is located north of Elgin, New Brunswick.

Results of Operations

Revenues

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2011**	2010	**2011**	2010
Natural gas	**$4,722**	$5,021	**$17,583**	$20,259
Condensate	**111**	83	**321**	317
Natural gas and gas liquids revenues	**4,833**	5,104	**17,904**	20,576
Oil recovered during testing	**-**		**53**	-
Gathering, processing & transportation fees	**294**	367	**741**	1,118
	$5,127	$5,471	**$18,698**	$21,694

Natural gas revenues decreased to $4,722 thousand in Q3 2011 from $5,021 thousand in Q3 2010 due to the decrease in the average natural gas sales price to $4.63/mscf in Q3 2011 from $4.96/mscf in Q3 2010. The average daily natural gas production was fairly consistent at 11.1 mmscfpd in Q3 2011 compared to 11.0 mmscfpd in Q3 2010 due to the gas plant shut-down in Q3 2010 for the installation of an inlet compressor aimed at increasing the production at the McCully Field.

The natural gas revenues decreased for the nine months ended September 30, 2011 to $17,583 thousand from $20,259 thousand for the nine months ended September 30, 2010 due to a reduction in the average daily production to 11.8 mmscfpd for the nine months ended September 30, 2011 from 13.2 mmscfpd for the nine months ended September 30, 2010. In addition, the average natural gas sales price realized decreased slightly to $5.45/mscf from $5.63/mscf for the nine months ended September 30, 2010 due to the lower natural gas sales prices at Henry Hub and a stronger Canadian dollar. However, this was offset by higher premiums at Dracut which have doubled year over year to approximately US$1.00/mmbtu for the nine months ended September 30, 2011. The decrease in production is due to the decreased drilling activities at the McCully Field since 2009 following decreases in natural gas prices.

Revenues for Q3 2011 were lower than the latest forecast by $350 thousand due to the lower average natural gas sales price realized and natural gas production. The average natural gas sales price forecasted for Q3 2011 was $4.78/mscf and the natural gas production forecasted was 11.7 mmscfpd.

Outlook

Corridor has decreased its forecast for revenues for 2011 slightly from approximately $25 million to $24 million to reflect the decrease in the estimated average natural gas sales price and the decrease in the estimated average net daily gas production. The estimated average natural gas sales price for Q4 2011 decreased from $5.62/mscf to $5.35/mscf (US$3.80/mmbtu at Henry Hub and an estimate of the exchange rate at $1.00 U.S. per Canadian dollar). Corridor has decreased the estimated average net daily gas production for 2011 from 12.0 mmscfpd to 11.5 mmscfpd as less field activities were conducted at the McCully Field than originally planned.

Production volumes and pricing

	Three months ended September 30		Nine months ended September 30	
	2011	2010	**2011**	2010
Total volumes				
Natural gas production (mmscf)	**1,020**	1,012	**3,228**	3,596
Condensate production (bbl)	**1,049**	1,092	**3,058**	4,226
Daily production averages				
Natural gas production per day (mmscfpd)	**11.1**	11.0	**11.8**	13.2
Condensate production per day (bblpd)	**11.4**	11.9	**11.2**	15.5
Average prices				
Natural gas selling price ($/mscf)	**$4.63**	$4.96	**$5.45**	$5.63
Condensate selling price ($/bbl)	**$105.82**	$76.00	**$104.97**	$75.00

Gathering, processing and transportation fees

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2011**	2010	**2011**	2010
Gathering, processing and transportation fees	**$294**	$367	**$741**	$1,118

Corridor owns the midstream facilities which process and transport 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 $294 thousand in Q3 2011 from $367 thousand in Q3 2010 and to $741 thousand for the nine months ended September 30, 2011 from $1,118 thousand for the nine months ended September 30, 2010 reflects the decreased production from the McCully Field and the increase in PCS' share of production going through their own potash mill instead of Corridor's midstream facilities.

Outlook

Corridor increased its 2011 budget for GPT fees from PCS' share of production from $650 thousand to $850 thousand to reflect the increase in PCS's share of natural gas going through Corridor's midstream facilities in Q3 2011.

Royalty Expense

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2011**	2010	**2011**	2010
Crown royalties	**$223**	$29	**$679**	$350
Royalty expense per mscf ($/mscf)	**$0.22**	$0.03	**$0.21**	$0.10
Percentage of natural gas and gas liquids revenues	**4.6%**	0.6%	**3.8%**	1.7%

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 nine months ended September 30, 2011 to $0.22/mscf and $0.21/mscf from $0.03/mscf and $0.10/mscf for the three and nine months ended September 30, 2010, respectively, is due to a settlement of $188 thousand reached with the New Brunswick Department of Finance ("DOF") in connection with an audit of the Company's crown royalty payments for the periods from April 2003 to October 2009.

Outlook

The effective royalty rate budgeted for 2011 has increased from 3% to 3.5% to reflect the settlement of $188 thousand. While the Company has reached a settlement with the DOF for the periods from April 2003 to October 2009, negotiations are still ongoing relating to the calculation of the royalty payments for the periods subsequent to October 2009. The Company has not made any provision as the amount is not determinable at this time.

Transportation Expense

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2011**	2010	**2011**	2010
Transportation expense	**$1,268**	$1,478	**$4,318**	$5,042
Transportation expense per mscf ($/mscf)	**$1.24**	$1.46	**$1.34**	$1.40

Transportation expense decreased to $1,268 thousand for Q3 2011 from $1,478 thousand for Q3 2010 and to $4,318 thousand for the nine months ended September 30, 2011 from $5,042 thousand for the nine months ended September 30, 2010 due to a transportation agreement in effect since Q2 2011 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 at a cost significantly lower than firm tolls. Transportation expense also decreased due to the decrease in natural gas production and a stronger Canadian dollar as compared to the U.S. dollar.

Transportation expense per mscf of $1.24/mscf for Q3 2011 is consistent with the latest forecast.

Outlook

Corridor has increased its transportation expense estimate for 2011 from $1.32/mscf to $1.33/mscf to reflect the increase in the forecasted exchange rate for Q4 2011 from $0.98 U.S. per Canadian dollar to $1.00 U.S. per Canadian dollar and the decrease in the average estimated net daily gas production from 12.0 mmscfpd to 11.5 mmscfpd for 2011.

Production Expense

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2011**	2010	**2011**	2010
Gross production expense	**$1,180**	$993	**$3,674**	$3,439
Third party recoveries	**(181)**	(172)	**(457)**	(524)
Net production expense	**$999**	$821	**$3,217**	$2,915
Net production expense per mscf ($/mscf)	**$0.98**	$0.81	**$1.00**	$0.81

Gross production expense for Q3 2011 increased to $1,180 thousand from $993 thousand for Q3 2010 due to the increase in work-over activities and the increase in utilities expense resulting from the addition of an inlet compressor late in Q3 2010. For the nine months ended September 30, 2011, gross production expense increased to $3,674 thousand from $3,439 thousand for the nine months ended September 30, 2010 due to the increase in utilities expense and to an increase in repairs and maintenance.

Outlook

Corridor has increased its production expense estimate from $1.00/mscf to $1.07/mscf for 2011 to reflect the decrease in the average estimated net daily gas production for 2011 from 12.0 mmscfpd to 11.5 mmscfpd.

Depletion, Depreciation and Amortization

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2011**	2010	**2011**	2010
Depletion, depreciation and amortization	**$4,097**	$3,927	**$12,928**	$13,812
Depletion, depreciation and amortization per mscf ($/mscf)	**$4.52**	$4.35	**$4.50**	$4.30

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 increase in depletion, depreciation and amortization ("DD&A") expense per mscf for the three and nine months ended September 30, 2011 reflects 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 Q3 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

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2011**	2010	**2011**	2010
Gross expenses	**$1,083**	$1,356	**$3,464**	$3,866
Capitalized overhead	**(105)**	(179)	**(390)**	(356)
Operator recoveries	**(5)**	-	**(7)**	(1)
Net expenses	**$973**	$1,177	**$3,067**	$3,509

Gross general and administrative expenses ("G&A") decreased to $1,083 thousand in Q3 2011 from $1,356 thousand during Q3 2010 and to $3,464 thousand for the nine months ended September 30, 2011 from $3,866 thousand for the nine months ended September 30, 2010 due to a decrease in the use of consultants in 2011 and to an incentive payment in Q3 2010.

Outlook

Corridor has reduced its 2011 budget for G&A from approximately $5,000 thousand to $4,600 thousand to reflect the lower expenditures incurred to date and management's commitment to continue to lower G&A during this period of lower natural gas prices.

Share-based Compensation

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2011**	2010	**2011**	2010
Share-based compensation	**$385**	$250	**$1,596**	$746

The increase in share-based compensation expense for the three and nine months ended September 30, 2011 to $385 thousand and $1,596 thousand from $250 thousand and $746 thousand for the three and nine months ended September 30, 2010 results from the grant of 2,786 thousand stock options by Corridor late in Q3 2010. However, the directors subsequently 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.

Outlook

Corridor has decreased its 2011 estimate of share-based compensation from $2,300 thousand to $2,000 thousand to reflect an increase in the forfeiture rate. However, this was partially offset by the granting of 1,112 thousand stock options on October 28, 2011.

Deferred Income Taxes

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2011**	2010	**2011**	2010
Deferred income tax recovery	**$(627)**	$(522)	**$(1,090)**	$(1,084)
Effective tax rate	**21.1%**	23.1%	**11.8%**	21.9%
Canadian statutory income tax rate	**28.5%**	31.0%	**28.5%**	31.0%

The decrease in the effective tax rate for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 is due to deferred income tax expense of $905 thousand 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 rate 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. Since 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. During Q3 2011, the Company sold some of this inventory and incurred a further loss of $155 thousand.

Balance Sheet Items

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

- $6,502 thousand increase in cash and cash equivalents, primarily reflecting decreased capital expenditures.
- $1,500 thousand increase in restricted cash reflecting a letter of credit guarantee in connection with a drilling rig agreement.
- $2,365 thousand decrease in receivables, primarily reflecting the decrease in natural gas prices in September 2011 compared to December 2010.
- $14,619 thousand decrease in property, plant and equipment, reflecting depletion and depreciation expenses as well as decreased capital expenditures.
- $966 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.

Capital Expenditures

	Three months ended September 30		**Nine months ended September 30**	
thousands of dollars	**2011**	2010	**2011**	2010
Development activities	**$1,049**	$(153)	**$1,298**	$6,929
Exploration activities	**1,789**	5,451	**2,724**	7,213
Midstream facilities and tie-ins	**107**	1,874	**211**	5,107
Capitalized overhead	**105**	179	**390**	356
Office and other equipment	**-**	15	**5**	93
	$3,050	$7,366	**$4,628**	$19,698

The decrease in total capital expenditures for the three and nine months ended September 30, 2011 to $3,050 thousand and $4,628 thousand from $7,366 thousand and $19,698 thousand for the three and nine months ended September 30, 2010, respectively, reflects the Company's planned decrease in capital spending in 2011 following decreases in natural gas prices and lower cash flow from operations.

For the nine months ended September 30 2010, the Company drilled the McCully L-37 well and commenced a drilling program on Anticosti Island. The Company also incurred costs relating to the installation of an inlet compressor. During the nine months ended September 30, 2011, the Company incurred costs relating to the proposed development of the Old Harry prospect and the commencement of the drilling of a shale gas appraisal well in Elgin, New Brunswick.

Capital Expenditures Outlook

Corridor's 2011 revised capital budget is based on available working capital of $4,000 thousand at December 31, 2010 and forecasted 2011 cash flow from operations of $8,200 thousand. In addition, Corridor received $2,739 thousand on the exercise of 649 thousand stock options in 2011.

During Q3 2011, Corridor increased its 2011 capital budget from $8,000 thousand to $10,900 thousand. The net increase of $2,900 thousand in the capital expenditure program consists mainly of the following:

- Drilling the O-59 Will DeMille shale gas appraisal well to further work on the Frederick Brook shale in the Elgin area of New Brunswick, for a net increase of $5,500 thousand.
- Less field activities being conducted at the McCully Field, for a net reduction of $1,500 thousand.
- Delay in the Sally's Brook core hole drilling, north of the McCully Field, due to equipment not being available in the area, for a net reduction of $1,000 thousand.

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

thousands of dollars	
Work-overs aimed at increasing production at the McCully Field	**$1,200**
Elgin shale gas appraisal well	**5,500**
Old Harry drilling advancement	**1,500**
Gas plant maintenance and corporate	**1,200**
Seismic program in New Brunswick	**500**
Demobilization of rig	**500**
Studies	**500**
	$10,900

Cash Flow Summary

	Three months ended September 30		**Nine months ended September 30**	
thousands of dollars	**2011**	2010	**2011**	2010
Cash provided by operating activities	**$1,195**	$1,768	**$8,700**	$10,683
Cash provided by financing activities	**10**	33	**2,752**	61
Cash used in investing activities	**(3,008)**	(4,955)	**(4,950)**	(13,535)
Increase (decrease) in cash and cash equivalents	**$(1,803)**	$(3,154)	**$6,502**	$(2,791)

The decrease in cash provided by operating activities for the three and nine months ended September 30, 2011 compared to the three and nine months ended September 30, 2010 is primarily the result of the decrease in natural gas revenues resulting from the decreased natural gas production and natural gas prices.

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

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

Outlook

Corridor is forecasting 2011 cash flow from operations of $8,200 thousand which is based on an estimate of the natural gas sales price of $5.35/mscf for Q4 2011 (US$3.80/mmbtu at Henry Hub for Q4 2011 and an exchange rate estimate of $1.00 U.S. per Canadian dollar), and an estimated average net daily gas production for 2011 of 11.5 mmscfpd. Corridor is currently forecasting a net positive working capital position of approximately $6 million at December 31, 2011 with no outstanding debt.

Related Party Transactions

A director of Corridor is a partner in a law firm that provides legal services which amounted to $111 thousand for the three and nine months ended September 30, 2011 (three and nine months ended September 30, 2010 - $nil). The amounts paid are recorded at the amount agreed to between the parties and approximate fair value.

Outstanding Share Information

As of October 31, 2011, the outstanding share information was as follows:

Common shares outstanding	**88,464,133**
Stock options to purchase common shares	**3,611,167**
Total common shares outstanding after exercise of all stock options	**92,075,300**
thousands of dollars	
Total proceeds due on exercise of all stock options	**$15,062**

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
	Sep. 30	Jun. 30	Mar. 31	Dec. 31	**Sep. 30**	Jun. 30	Mar. 31	Dec. 31
Natural gas revenues	**$4,722**	$5,155	$7,706	$7,024	**$5,021**	$6,141	$9,097	$9,936
Net loss	**$(2,348)**	$(3,643)	$(2,178)	$(3,038)	**$(1,739)**	$(1,739)	$(396)	$(1,825)
Net loss per share basic and diluted	**$(0.027)**	$(0.041)	$(0.025)	$(0.034)	**$(0.020)**	$(0.020)	$(0.005)	$(0.021)
Natural gas production (mmscf)	**1,020**	1,067	1,141	1,223	**1,012**	1,240	1,344	1,797
Average natural gas price ($/mscf)	**$4.63**	$4.83	$6.75	$5.74	**$4.96**	$4.95	$6.77	$5.53
Capital expenditures	**$3,050**	$873	$705	$1,869	**$7,366**	$7,681	$4,651	$5,781

(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 $4.63/mscf in the three months ended September 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 September 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% per annum, with interest payable monthly. The credit facility will mature, subject to mutual agreement to extend, on July 28, 2012 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.

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 $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 September 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 revised 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. During Q3 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 and the Old Harry prospect in the Gulf of St. Lawrence.

The Company has sufficient financial resources to undertake all of its planned exploration and development programs for 2011 as set forth in the revised capital budget. 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.

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 at a cost significantly lower than firm tolls.

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 September 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 16 of these interim financial statements contains a detailed description of the impact of IFRS on Corridor's financial results for the three and nine months ended September 30, 2010 and the changes in shareholders' equity for the nine months ended September 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 the 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 a 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.

Statements of Comprehensive Loss (Unaudited)

(thousands of Canadian dollars, except per share data)

For the	Three months ended September 30 **2011**	2010 *(note 16)*	Nine months ended September 30 **2011**	2010 *(note 16)*
Revenues	**$ 5,127**	$ 5,471	**$ 18,698**	$ 21,694
Royalty expense	**(223)**	(29)	**(679)**	(350)
Revenues, net	**4,904**	5,442	**18,019**	21,344
Expenses				
Depletion, depreciation and amortization	**4,097**	3,927	**12,928**	13,812
Transportation expense	**1,268**	1,478	**4,318**	5,042
Production expense	**999**	821	**3,217**	2,915
General and administrative	**973**	1,177	**3,067**	3,509
Share-based compensation *(note 10)*	**385**	250	**1,596**	746
Write-down of inventory *(note 5)*	**155**	-	**1,755**	-
Write-off of exploration and evaluation assets	**-**	-	**140**	-
Capital tax expense	**6**	45	**60**	162
	7,883	7,698	**27,081**	26,186
Loss before the following items	**(2,979)**	(2,256)	**(9,062)**	(4,842)
Interest and finance costs	**92**	85	**250**	264
Foreign exchange losses (gains)	**(86)**	56	**13**	18
Interest and other income	**(10)**	(136)	**(66)**	(166)
Loss before income taxes	**(2,975)**	(2,261)	**(9,259)**	(4,958)
Deferred income tax recovery (*note 4)*	**(627)**	(522)	**(1,090)**	(1,084)
Net loss and comprehensive loss	**$ (2,348)**	$ (1,739)	**$ (8,169)**	$ (3,874)
Net loss per share				
Basic	**$ (0.027)**	$ (0.020)	**$ (0.092)**	$ (0.044)
Diluted	**$ (0.027)**	$ (0.020)	**$ (0.092)**	$ (0.044)
Weighted average number of common shares				
Basic	**88,457**	87,779	**88,426**	87,772
Diluted *(note 3)*	**88,477**	88,325	**88,664**	88,237

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

Statements of Financial Position (Unaudited)

(thousands of Canadian dollars)

As at	**September 30 2011**	December 31 2010	January 1 2010
Assets			
Current assets			
Cash and cash equivalents	**$ 7,367**	$ 865	$ 8,484
Restricted cash	**2,150**	650	1,350
Receivables *(note 12 a ii)*	**3,203**	5,568	6,624
Inventory	**747**	-	-
Capital taxes receivable	**223**	173	85
Prepaids and security deposits	**245**	82	120
	13,935	7,338	16,663
Non-current assets			
Property, plant and equipment *(notes 5 & 8)*	**210,381**	225,000	233,284
Exploration and evaluation assets *(note 6)*	**68,681**	65,707	55,913
Investment tax credits	**1,658**	1,715	1,227
Intangible assets	**357**	393	425
Restricted cash and security deposits	**380**	1,130	1,230
Total assets	**$ 295,392**	$ 301,283	$ 308,742
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	**$ 2,229**	$ 3,195	$ 5,636
Obligations under finance lease	**52**	141	145
	2,281	3,336	5,781
Non-current liabilities			
Obligations under finance lease	**-**	14	155
Deferred income taxes	**22,324**	23,415	24,886
Decommissioning liability *(note 7)*	**4,585**	4,482	3,772
Total liabilities	**29,190**	31,247	34,594
Shareholders' Equity			
Capital stock *(note 9)*	**247,496**	242,589	242,381
Contributed surplus	**7,602**	8,174	5,582
Retained earnings	**11,104**	19,273	26,185
	266,202	270,036	274,148
Total liabilities and shareholders' equity	**$ 295,392**	$ 301,283	$ 308,742

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

Commitments and contingency *(note 14)*
Subsequent event *(note 15)*

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	Nine months ended September 30 2011	2010
		(note 16)
Capital stock, beginning of period	**$ 242,589**	$ 242,381
Exercise of stock options for cash	**2,739**	90
Amount previously expensed for stock options exercised	**2,168**	59
Capital stock, end of period	**$ 247,496**	$ 242,530
Contributed surplus, beginning of period	**$ 8,174**	$ 5,582
Share-based compensation expense	**1,596**	746
Amount previously expensed for stock options exercised	**(2,168)**	(59)
Contributed surplus, end of period	**$ 7,602**	$ 6,269
Retained earnings, beginning of period	**$ 19,273**	$ 26,185
Net loss and comprehensive loss	**(8,169)**	(3,874)
Retained earnings, end of period	**$ 11,104**	$ 22,311
Shareholders' equity, end of period	**$ 266,202**	$ 271,110

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

Statements of Cash Flows (Unaudited)

(thousands of Canadian dollars)

For the	Nine months ended September 30 2011	2010
Operating Activities		
Net loss and comprehensive loss	**$ (8,169)**	$ (3,874)
Depletion, depreciation and amortization	**12,928**	13,812
Share-based compensation	**1,596**	746
Write-off of assets	**1,895**	-
Deferred income tax recovery	**(1,090)**	(1,084)
Other operating activities	**19**	65
	7,179	9,665
Decrease in non-cash operating working capital *(note 11)*	**1,521**	1,018
Cash provided by operating activities	**8,700**	10,683
Financing Activities		
Proceeds from capital stock issues	**2,739**	90
Other financing activities	**13**	(29)
Cash provided by financing activities	**2,752**	61
Investing Activities		
Property, plant and equipment expenditures	**(1,514)**	(12,129)
Exploration and evaluation expenditures	**(3,114)**	(7,569)
Proceeds from sale of inventory	**722**	-
Decrease (increase) in restricted cash	**(750)**	800
Decrease (increase) in non-cash investing working capital *(note 11)*	**(294)**	5,363
Cash used in investing activities	**(4,950)**	(13,535)
Increase (decrease) in cash and cash equivalents	**6,502**	(2,791)
Cash and cash equivalents, beginning of period	**865**	8,484
Cash and cash equivalents, end of period	**$ 7,367**	$ 5,693
Cash and cash equivalents consists of:		
Cash	**$ 3,867**	$ 1,173
Short-term investments	**3,500**	4,520
Cash and cash equivalents, end of period	**$ 7,367**	$ 5,693

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

Notes to the Unaudited Financial Statements
September 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 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 16 discloses the impact of IFRS on the unaudited Statements of Comprehensive Loss for the three and nine months ended September 30, 2010 and the unaudited Statements of Changes in Shareholders’ Equity as of September 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 and for the six months ended June 30, 2011.

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 and for the six months ended June 30, 2011 prepared in accordance with IFRS applicable to interim financial statements.

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.

On November 14, 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. Loss per share

For the three and nine months ended September 30, 2011, stock options of 1,869 thousand and 1,861 thousand (three and nine months ended September 30, 2010 – 717 thousand and 3,603 thousand) were excluded from the dilution calculation since the average market price for the period was lower than the exercise price.

4. Income taxes

In Q2 2011, 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 $905 thousand for the nine months ended September 30, 2011.

4. Income taxes (continued)

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 September 30		Nine months ended September 30	
	2011	2010	**2011**	2010
Loss before income taxes	**$ (2,975)**	$ (2,261)	**$ (9,259)**	$ (4,958)
Blended Canadian statutory income tax rate	**28.5%**	31.0%	**28.5%**	31.0%
Expected income tax recovery	**$ (848)**	$ (701)	**$ (2,639)**	$ (1,537)
Increase resulting from:				
Non-deductible share-based compensation	**110**	77	**455**	231
Originating temporary differences recorded at the deferred income tax rates expected to be in effect when realized	**39**	100	**115**	210
Effect of provincial tax rate change	**-**	-	**905**	-
Other	**72**	2	**74**	12
	$ (627)	$ (522)	**$ (1,090)**	$ (1,084)

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	1,298	211	1	4	1,514
Transfer to current assets	-	-	(1,625)	-	(1,625)
Use of inventory	-	-	(60)	-	(60)
Changes in future abandonment costs	(14)	-	-	-	(14)
Investment tax credits	-	57	-	-	57
Balance at September 30, 2011	**$ 218,354**	**$ 76,484**	**$ 3,601**	**$ 2,669**	**$ 301,108**
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	9,955	2,781	-	155	12,891
Write-down of assets	-	-	1,600	-	1,600
Balance at September 30, 2011	**$ 68,918**	**$ 18,966**	**$ 1,600**	**$ 1,243**	**$ 90,727**

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 September 30, 2011	**$ 149,436**	**$ 57,518**	**$ 2,001**	**$ 1,426**	**$ 210,381**

The calculation of depletion includes estimated future development costs relating to the development of proved reserves of $63,924 thousand for the three and nine months ended September 30, 2011 (three and nine months ended September 30, 2010 - $86,593 thousand). Costs of property, plant and equipment excluded from costs subject to depletion, depreciation and amortization amounted to $7,098 thousand at September 30, 2011 (September 30, 2010 - $6,861 thousand).

During Q2 2011, the Company determined to sell excess inventory and reclassified $1,625 thousand of inventory to current assets and wrote-down this inventory by $1,600 thousand to reflect the decrease in the net realizable value. During Q3 2011, the Company sold some of this inventory and incurred a further loss of $155 thousand.

6. Exploration and evaluation assets

(thousands of Canadian dollars)

	September 30 2011	December 31 2010
Balance, beginning of period	**$ 65,707**	$ 55,913
Additions	**3,114**	8,648
Transfers from inventory	**-**	945
Write-off of exploration and evaluation assets	**(140)**	-
Changes in future abandonment costs	**-**	201
Balance, end of period	**$ 68,681**	$ 65,707

At September 30, 2011, management assessed whether any facts and circumstances suggested impairment of exploration and evaluation assets and none were identified.

7. Decommissioning liability

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

(thousands of Canadian dollars)

	September 30 2011	December 31 2010
Balance, beginning of period	**$ 4,482**	$ 3,772
Liabilities incurred	**-**	344
Change in discount rate	**(13)**	311
Change in estimate	**-**	30
Liabilities settled	**-**	(130)
Finance costs	**116**	155
Balance, end of period	**$ 4,585**	$ 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 3.70% (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% and the credit facility expires, subject to mutual agreement to extend, on July 28, 2012. Outstanding amounts drawn on the credit facility are secured by a $75 million demand debenture on the Company's property, plant and equipment. At September 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)

	Nine months ended September 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:

	September 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	**(1,313)**	**$ 5.14**	(48)	$ 4.87
Expired	**(503)**	**$ 5.41**	-	-
Granted	**-**	**-**	2,786	$ 5.21
Outstanding at the end of period	**2,524**	**$ 4.94**	4,989	$ 4.95
Options exercisable, end of period	**1,517**	**$ 5.19**	1,859	$ 5.16

For the three and nine months ended September 30, 2011, the Company recorded share-based compensation expense with an offsetting increase to contributed surplus of $385 thousand and $1,596 thousand (three and nine months ended September 30, 2010 - $250 thousand and $746 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:

	September 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 September 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	664	2.78	$ 2.56	420	$ 2.56
$ 3.00 - $ 4.99	7	3.94	$ 4.77	3	$ 4.77
$ 5.00 - $ 5.99	1,538	3.95	$ 5.22	779	$ 5.23
$ 6.00 - $ 6.99	109	1.51	$ 6.80	109	$ 6.80
$ 7.00 - $10.99	206	1.61	$ 9.54	206	$ 9.54
	2,524	3.34	$ 4.94	1,517	$ 5.19

11. Supplemental cash flow information

(thousands of Canadian dollars)

	Nine months ended September 30	
	2011	2010
Change in non-cash operating working capital:		
Receivables	**$ 2,685**	$ 2,559
Prepaids and security deposits	**(163)**	(120)
Accounts payable and accrued liabilities	**(951)**	(1,382)
Capital taxes receivable	**(50)**	(39)
	$ 1,521	$ 1,018
Change in non-cash investing working capital:		
Receivables	**$ (320)**	$ 1,128
Inventory transferred from property, plant and equipment	**1,685**	894
Inventory received in current assets	**(1,625)**	-
Accounts payable and accrued liabilities	**(34)**	3,341
	$ (294)	$ 5,363
Interest and taxes paid:		
Interest paid	**$ 79**	$ 75
Capital and other taxes paid	**$ 105**	$ 69

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)

	September 30, 2011	December 31, 2010
Cash	**$ 56**	$ 2
Receivables	**886**	3,190
Financial instruments in U.S. dollars	**$ 942**	$ 3,192

At September 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 (September 30, 2010 – $50 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 (September 30, 2010 – $50 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 September 30, 2011, the Company was holding cash and cash equivalents of $7,367 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 $20 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.

Notes to the Unaudited Financial Statements
September 30, 2011

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 nine months ended September 30, 2011, legal expenses of $111 thousand are included in general and administrative expenses (three and nine months ended September 30, 2010 – $nil). At September 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. Commitments and contingency

During the period, the Company issued an irrevocable standby letter of credit in the amount of $1,500 thousand in connection with a drilling rig commitment. The letter of credit expires on February 12, 2012.

The Company has reached a settlement of $188 thousand with the New Brunswick Department of Finance ("DOF") on their Notice of Debt in connection with an audit of the Company's crown royalty payments for the periods from April 2003 to October 2009. However, negotiations are still ongoing relating to the calculation of the royalty payments for the periods subsequent to October 2009. The Company has not made any provision as the amount is not determinable at this time.

15. Subsequent event

On October 28, 2011, 1,112,000 stock options were granted to directors, officers, employees and consultants of the Company at an exercise price of $2.46 per option. These options vest over three years and will expire on October 28, 2016.

16. 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 nine months ended September 30, 2010 and the changes in shareholders' equity and cash flows for the nine months ended September 30, 2010.

16. First time adoption of IFRS (continued)

1) Reconciliations

Reconciliation of Statement of Comprehensive Loss
Nine months ended September 30, 2010

(thousands of Canadian dollars)

	GAAP	Effects of transition to IFRS	IFRS
Revenues	$ 21,694	$ -	$ 21,694
Royalty expense	(350)	-	(350)
Revenues, net	21,344	-	21,344
Expenses			
Depletion, depreciation and amortization *(f)*	16,358	(2,546)	13,812
Transportation expense	5,042	-	5,042
Production expense *(c)*	2,572	343	2,915
General and administrative	3,509	-	3,509
Share-based compensation *(g)*	529	217	746
Capital tax expense	162	-	162
	28,172	(1,986)	26,186
Earnings (loss) before the following items	(6,828)	1,986	(4,842)
Interest and finance costs *(d)*	151	113	264
Foreign exchange losses	18	-	18
Interest and other income	(166)	-	(166)
Earnings (loss) before income taxes	(6,831)	1,873	(4,958)
Deferred income tax expense (recovery) *(h)*	(1,628)	544	(1,084)
Net earnings (loss), being comprehensive income (loss)	$ (5,203)	$ 1,329	$ (3,874)

Reconciliation of Statement of Changes in Shareholders' Equity
Nine months ended September 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	90	-	90
Amount previously expensed for stock options exercised	55	4	59
Capital stock at September 30, 2010	$ 242,526	$ 4	$ 242,530
Contributed surplus at January 1, 2010	$ 5,148	$ 434	$ 5,582
Share-based compensation expense *(g)*	529	217	746
Amount previously expensed for stock options exercised	(55)	(4)	(59)
Contributed surplus at September 30, 2010	$ 5,622	$ 647	$ 6,269
Retained earnings at January 1, 2010	$ 22,489	$ 3,696	$ 26,185
Net earnings (loss), being comprehensive income (loss)	(5,203)	1,329	(3,874)
Retained earnings at September 30, 2010	$ 17,286	$ 5,025	$ 22,311
Shareholders' equity at September 30, 2010	$ 265,434	$ 5,676	$ 271,110

16. First time adoption of IFRS (continued)

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

(thousands of Canadian dollars)

	GAAP	Effects of transition to IFRS	IFRS
Revenues	$ 5,471	$ -	$ 5,471
Royalty expense	(29)	-	(29)
Revenues, net	5,442	-	5,442
Expenses			
Depletion, depreciation and amortization *(f)*	4,717	(790)	3,927
Transportation expense	1,478	-	1,478
Production expense *(c)*	851	(30)	821
General and administrative	1,177	-	1,177
Share-based compensation *(g)*	215	35	250
Capital tax expense	45	-	45
	8,483	(785)	7,698
Earnings (loss) before the following items	(3,041)	785	(2,256)
Interest and finance costs *(d)*	45	40	85
Foreign exchange losses	56	-	56
Interest and other income	(136)	-	(136)
Earnings (loss) before income taxes	(3,006)	745	(2,261)
Deferred income tax expense (recovery) *(h)*	(725)	203	(522)
Net earnings (loss), being comprehensive income (loss)	$ (2,281)	$ 542	$ (1,739)

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. Instead, all costs capitalized as petroleum and natural gas properties at January 1, 2010 were reviewed and reclassified 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.

16. First time adoption of IFRS (continued)

(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 due to the lower depletion expense. In addition, depletion, depreciation and amortization expense decreased by $770 thousand and $2,483 thousand for the three and nine months ended September 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 included in PP&E increased by $30 thousand for the three months ended September 30, 2010 and decreased by $343 thousand for the nine months ended September 30, 2010, with an offsetting change in production expenses. Depletion, depreciation and amortization expense was also impacted and decreased by $4 thousand and $15 thousand for the three and nine months ended September 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 $580 thousand at September 30, 2010.

The higher future abandonment costs balance resulted in an increase in the depletion, depreciation and amortization expense of $17 thousand and $47 thousand for the three and nine months ended September 30, 2010.

The higher decommissioning liability balance resulted in an increase in accretion of $7 thousand and $18 thousand for the three and nine months ended September 30, 2010. Since accretion expense is recorded as a finance cost under IFRS, accretion expense of $33 thousand and $95 thousand for the three and nine months ended September 30, 2010 previously recorded under GAAP was reclassified from depletion, depreciation and amortization expense to finance costs.

(e) PP&E

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

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16. First time adoption of IFRS (continued)

(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 nine months ended September 30, 2010:

(thousands of Canadian dollars)

	Three months ended September 30, 2010	Nine months ended September 30, 2010
Exploration and evaluation assets not amortized *(b)*	$ 770	$ 2,483
Decrease in PP&E balance for work-overs *(c)*	4	15
Increase in future abandonment costs *(d)*	(17)	(47)
Reclassification of accretion expense to finance costs *(d)*	33	95
Decrease in DD&A	$ 790	$ 2,546

(g) 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 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 $35 thousand and $217 thousand for the three and nine months ended September 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 $203 thousand and $544 thousand for the three and nine months ended September 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.