

Corridor Resources Inc.

Second Quarter Report 2006

For The Six Months Ended February 28, 2006

Management's Discussion and Analysis

Management's discussion and analysis (MD&A) should be read in conjunction with the unaudited financial statements for the three month and six month periods ended February 28, 2006 and the audited financial statements and MD&A for the year ended August 31, 2005, available in printed form on request and posted on the Company's website (www.corridor.ca).

All financial information within the MD&A is presented in thousands of dollars.

Corridor Resources Inc. (Corridor or the Company) is a junior natural resource corporation engaged in exploration for petroleum and natural gas, and the production of natural gas, in Eastern Canada. Corridor has been producing natural gas from the McCully Field and delivering it to the nearby Potash Corporation of Saskatchewan's (PCS) mill since April 2003.

Financial Summary

	Three Months Ended			Six Months Ended		
	February 28,			February 28,		
<i>(\$000's, except per share amounts)</i>	2006	2005	Change	2006	2005	Change
Gas revenue (before royalties)	1,261	1,116	13 %	2,906	2,244	30 %
Cash flow from operations ¹	1,053	628	68 %	2,170	1,374	58 %
EBITDA ¹	1,088	738	47 %	2,443	1,561	57 %
Net (loss) earnings	(307)	149	(306 %)	(81)	443	(118 %)
Per share ²						
- basic	(0.005)	0.004	(225 %)	(0.001)	0.011	(109 %)
- diluted	(0.005)	0.004	(225 %)	(0.001)	0.011	(109 %)
Weighted average shares (000')						
- basic	61,335	40,963	50 %	60,517	40,242	50 %
- diluted	63,482	41,263	54 %	62,367	40,397	54 %
Capital expenditures	9,139	164	5,473 %	26,988	720	3,648 %
Proceeds from capital stock (gross)	4,331	11,512	(62 %)	4,348	11,512	(62 %)
Long-term debt ³	-	2,588	(100 %)	-	2,588	(100 %)
Total assets	73,561	34,103	116 %	73,561	34,103	116 %
Working capital	8,591	12,361	(30 %)	8,591	12,361	(30 %)

¹ Cash flow is a non-GAAP measure. Cash flow from operations represents earnings adjusted for non-cash items including depletion & depreciation, future income taxes, stock-based compensation and other non-cash expenses. EBITDA represents earnings from operations before interest, taxes, depletion and depreciation.

² Per share calculations are made using the weighted-average number of shares outstanding for the period.

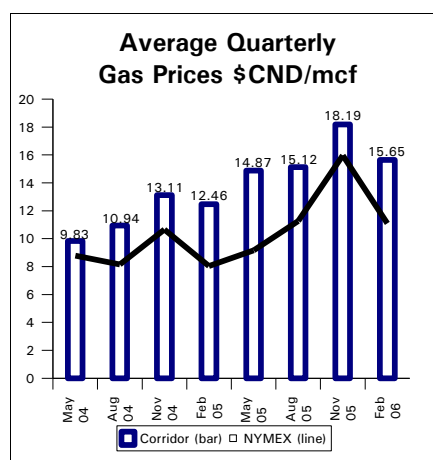
³ Convertible notes were issued in 2003 for \$3 million. The notes were compound financial instruments which were recorded as a liability of \$2.588 million and as equity of \$412 thousand. On October 21, 2005, 99.7% of the notes were converted to common shares at a fixed conversion price of \$1.60 and the remainder were redeemed for cash.

Corridor Resources Inc.

Results of Operations

Operating Summary	Three Months Ended			Six Months Ended		
	February 28,			February 28,		
	2006	2005	Change	2006	2005	Change
Gas revenue (before royalties, \$000's)	\$ 1,261	\$ 1,116	13 %	\$ 2,906	\$ 2,244	30 %
Total production natural gas (mcf)	80,559	89,567	(10 %)	170,998	175,635	(3 %)
Average production natural gas (mcf/d)	885	984	(10 %)	945	970	(3 %)
Average pricing natural gas (\$/mcf)	\$ 15.65	\$ 12.46	26 %	\$ 16.99	\$ 12.78	33 %
Cash flow net back (\$/mcf) ¹	\$ 13.07	\$ 7.01	86 %	\$ 12.69	\$ 7.82	62 %

¹ Cash flow net back is calculated by dividing cash flow from operations (found above) by the total mcf of natural gas produced during the period. To calculate \$/boe, multiply by 6.



Natural gas volumes for the three and six month periods were lower compared with last year as mill demand was down slightly by about 3% overall. Natural gas prices continue to be strong for the quarter and year to date periods and were 26% and 33% higher than in the previous year which reflects the steady climb in world oil prices during the last year. Corridor's price for natural gas sold to PCS is based on the N.Y. Harbour price of No.2 Fuel Oil thereby allowing Corridor to realize the current spread of oil over natural gas prices. When Corridor completes its lateral to the Maritimes & Northeast Pipeline later in the calendar year we anticipate delivering approximately 10 times more natural gas than at present and at prices linked to the NYMEX natural gas or Henry Hub natural gas prices.

Depletion and Depreciation	Three Months Ended			Six Months Ended		
	February 28,			February 28,		
	2006	2005	Change	2006	2005	Change
(\$000's)						
Depletion and depreciation	\$ 607	\$ 242	151 %	\$ 1,182	\$ 468	153 %
Depletion and depreciation \$ / mcf	\$ 7.53	\$ 2.70	179 %	\$ 6.91	\$ 2.66	159 %

Depletion and depreciation rates have risen during the first half of 2006 when compared to the prior year. \$35.3 million has been added to the asset base used in the calculation but without a matching increase in proven reserves even though the majority of the increase to the asset base was spending incurred on drilling successful wells at the McCully Field. However, the related proven reserves of these wells cannot be added to the total proven reserves used in the depletion calculation until the reserves are producible. Once Corridor is able to sell to markets in New England via its pipeline lateral to the Maritimes and Northeast Pipeline then the depletion and depreciation rates should drop as Corridor's proven reserve number will increase to include a larger portion of the McCully Field.

Corridor Resources Inc.

General and Administrative Expenses (G&A)	Three Months Ended			Six Months Ended		
	February 28,			February 28,		
	2006	2005	Change	2006	2005	Change
<i>(\$000's)</i>						
Salaries	\$ 154	\$ 136	13 %	\$ 300	\$ 261	15 %
Office costs	65	47	38 %	91	69	32 %
Corporate costs	92	49	88 %	119	70	70 %
Professional services	63	50	26 %	99	86	15 %
G&A expenses (gross)	374	282	33 %	609	486	25 %
Capitalized to exploration (see financial statement Note 2)	(187)	(46)	307 %	(234)	(111)	111 %
Recovered from joint venture's	(87)	-		(87)	(7)	1,143 %
G&A Expense (net)	\$ 100	\$ 236	(58 %)	\$ 288	\$ 368	(22 %)

Overall gross general and administration expenses for the six month period ended February 2006 were 25% higher than in the prior year. The increase in salary costs over the prior year is attributable to a salary increase plus increased medical plan costs. The increase in office costs relates primarily to the cost of printing and shipping the 2005 annual report to shareholders as the number of mail outs increased by over 1,000 shareholders. Additionally, the increase in corporate costs was caused by an increase in fees to the Ontario Securities Commission of \$13 thousand, the TSX Venture exchange of \$19 thousand and larger travel expenses than in the prior year six month period of \$7 thousand. Offsetting the increases in gross G&A expenses Corridor increased the recovery of overhead expenses from joint venture's as we engineered and operated the drilling and completion of multiple wells for our partners.

Stock based compensation

The Company has recorded stock-based compensation expense in the statement of loss and earnings for stock options granted to Directors, Officers and employees after September 1, 2004 using the fair value method and the Black-Scholes option pricing model.

During the three months ended February 28, 2006, the Company granted 600,000 options to the new directors of the Company with an exercise price of \$4.40 of which 25% vested on the grant date and the remaining 75% vest in equal amounts on each of the next three anniversary date.

The fair value of each new option granted during the three months ended February 28, 2006, is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

Option exercise price	\$ 4.40
Share price on date of grant	\$ 5.20
Risk-free interest rate	4 %
Expected life (years)	5.0
Expected volatility	75 %

During the three months ended February 28, 2006, the options granted to Directors were charged to income with an offsetting adjustment to contributed surplus of \$527 thousand compared to a nil expense in the prior year quarter or six month periods. This charge will repeat for three more years as the nature of the vesting method and the assumptions used for valuation allow the calculation to be made using a straight line method over the term of the vesting period.

Corridor Resources Inc.

Capital Expenditures <i>(\$000's)</i>	Three Months Ended			Six Months Ended		
	February 28,			February 28,		
	2006	2005	Change	2006	2005	Change
Geological and geophysical	\$ 177	\$ 52	240 %	\$ 200	\$ 343	(42 %)
Exploration drilling	165	60	175 %	1,935	267	625 %
Capitalized overhead	63	46	37 %	110	104	6 %
Production and development	8,733	-		24,736	-	
	\$ 9,138	\$ 158	5,684 %	\$ 26,981	\$ 714	3,679 %

During the quarter Corridor drilled two new wells (D-57 and J-67 at the McCully Field) versus no well activity in the prior year. Also B-58, a well spudded in the previous quarter, reached target depth.

During the quarter, PCS elected to participate in the drilling and casing of the D-57 well.

The D-57 well at McCully was spudded in early December 2005 and reached a total depth of 2,582 meters in mid January, 2006. The well encountered net gas bearing pay thicknesses totaling 50 meters in the Hiram Brook formation and similar in log character to the O-66 and P-66 wells to the southwest. The well was drilled over-balanced with conventional drilling fluid.

The J-67 well at McCully was spudded in mid January, 2006 and reached a total depth of 2659 meters in late February, 2006. The well encountered 31 meters of indicated net gas pay thickness in the Hiram Brook formation, including 19 meters in the "B" sand and 12 meters in the "A" sand. The J-67 well is the 14th well drilled to date in the McCully field that has encountered natural gas bearing sands in the Hiram Brook Formation. The well has been logged and cased to total depth in preparation for frac stimulation operations planned to be conducted at the well later this year.

The Nabors #4 drilling rig was then relocated to drill the K-66 well, designed to penetrate the Hiram Brook formation at a location approximately 600 meters southwest of the McCully O-66 well.

Corridor's progressing activities with regard to connecting the McCully Field by pipeline with M&NP located approximately 49 kilometers north of the field. An Environmental Assessment (EA) for the planned project was submitted for approval to the New Brunswick Department of Environment (DEnv) in December, 2005. An application was submitted in February, 2006, to the New Brunswick Public Utilities Board (PUB) for approval to construct the required pipeline along with the associated gas gathering system and gas conditioning plant. A separate application was also submitted in February to the New Brunswick Department of Natural Resources (DNR) for approval of the field development plan. M&NP have commenced the engineering design for the connection to their main pipeline near valve station 345. Pending timely receipt of the DEnv, DNR and PUB approvals (expected in early June), Corridor anticipates it will be in position to begin construction of the facilities this summer and to commence first natural gas deliveries through M&NP by the end of 2006.

On April 5, 2006, Corridor announced that it had entered into an agreement, on an underwritten basis, with Jennings Capital Inc. and Dominick & Dominick Securities Inc. (the "Underwriters") for an offering of 2,653,061 common shares of the Corporation (the "Common Shares") at a price of \$4.90 per Common Share and 1,206,896 flow-through common shares of the Corporation (the "Flow-Through Common Shares") at a price of \$5.80 per Flow-Through Common Share to raise gross proceeds of approximately \$20 million.

At the option of the Underwriters, prior to filing the final prospectus, the offering may be increased by up to 4,081,633 Common Shares at a price of \$4.90 per Common Share for further gross proceeds of approximately \$20 million which would increase the offering to approximately \$40 million if fully exercised. The financing is scheduled to close on or about April 27, 2006.

Corridor Resources Inc.

Significant balance sheet items

Several of Corridor's balance sheet items have had significant changes since year end and are discussed below:

- *Trade receivables* have increased by \$2.385 million. The primary drivers for this amount are gas sales receivable and sales tax refunds. Normally, Corridor carries one month of gas sales receivable, however, at February 28, 2006, Corridor carried two months of receivables both of which were settled after the quarter. Sales tax refunds are earned as expenditures are incurred and refunded in subsequent months from tax authorities on a monthly or quarterly basis. The majority of these amounts have been received since quarter end.
- *Advances to joint ventures* have decreased by \$3.052 million. This category represents monies owed to Corridor from its joint venture partners. Normally, Corridor requests cash advances from its partners prior to project activity and then reduces those amounts as actual expenditures are incurred. However, accrued joint project expenditures also affect this account to the extent that they increase the total estimate required from partners. Therefore, the timing of cash advances received and accruals booked cause changes in this account. At year end multiple projects were ongoing with partners and were fully accrued whereas cash advances from partners had not yet been received.
- *Payables and accruals* have increased by \$1.265 million. The majority of the increase related to accrual estimates as there was more non-billed field activity at February 28, 2006, than at year end.
- *Future income taxes* have increased by \$4.117 million. During the second quarter Corridor renounced \$10.5 million in exploration expenditures as per flow-through agreements from February and July 2005. These expenditures can no longer be used to offset taxable income, therefore, the tax impact of the renunciation increased the future income taxes owed by Corridor by about \$3.7 million. The remaining increase relates to current changes to timing differences between the booked value of assets and the actual tax pools available to the Company, and the impact of taxation of quarterly reported operations. Stock-based compensation is not deductible for income tax purposes.

Common Shares

At the date of this report, April 12, 2006, the common shares issued were 63,068,044.

Business Conditions and Risk

There can be no assurance that commercial quantities of hydrocarbons will be recovered by Corridor in the future. The marketability of any oil and gas acquired or discovered will be affected by numerous factors beyond the control of Corridor. These factors include market fluctuations, proximity and capacity of oil and gas pipelines and processing equipment and government regulations (including regulations relating to royalties, allowable production, importing and exporting of oil and gas, and environmental protection). In particular, factors directly affecting Corridor will be the NYMEX price of No. 2 Fuel Oil and the demand for gas at the PCS mill. In addition, hazards such as unusual or unexpected formations, pressures or other conditions are involved in drilling and operating wells.

Corridor maintains an insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts, pollution and other business interruptions. Corridor believes it is in substantial compliance, in all-material respects, with current environmental legislation and regularly works with government environmental agencies to maintain levels of compliance.

Corridor Resources Inc.

Forward Looking Statements

Management's Discussion and Analysis may contain certain forward-looking statements. Such statements are subject to known and unknown risks and uncertainties that may cause actual results in the future to differ materially from those anticipated in forward-looking statements. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not of historical fact. Although Corridor believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct.

Additional information about Corridor Resources Inc. is available on the Internet through the System for Electronic Document Analysis and Retrieval (SEDAR) found at www.sedar.com

Corridor Resources Inc.

Statements of Loss and Deficit	Three Months Ended February 28,		Six Months Ended February 28,	
<i>(thousands of dollars, except per share amounts, unaudited)</i>	2006	2005	2006	2005
Revenues				
Gas revenues	\$ 1,261	\$ 1,116	\$ 2,906	\$ 2,244
Royalties	(102)	(85)	(246)	(168)
	1,159	1,031	2,660	2,076
Interest revenue	98	15	228	15
	1,257	1,046	2,888	2,091
Expenses				
Operating	69	72	157	162
General and administrative	100	236	288	368
Stock-based compensation	527	-	527	-
Depletion and depreciation	607	242	1,182	468
Exploration deposit	-	-	152	-
Accretion of asset retirement obligations	8	4	15	8
Risk management loss	-	9	-	37
Interest on convertible notes	-	75	121	150
Capital tax expense	35	46	89	59
	1,346	684	2,531	1,252
(Loss) earnings before income taxes	(89)	362	357	839
Future income tax expense	(218)	(213)	(438)	(396)
Net (loss) earnings	(\$ 307)	\$ 149	(\$ 81)	\$ 443
Deficit, beginning of period	(4,940)	(5,956)	(5,161)	(6,239)
Equity component of interest on convertible notes	-	(10)	(5)	(21)
Deficit, end of period	(\$ 5,247)	(\$ 5,817)	(\$ 5,247)	(\$ 5,817)
Net (loss) earnings per share	<i>Note 6</i>			
Basic	(\$ 0.005)	\$ 0.004	(\$ 0.001)	\$ 0.011
Diluted	(\$ 0.005)	\$ 0.004	(\$ 0.001)	\$ 0.011

See accompanying notes to the financial statements.

Corridor Resources Inc.

Balance Sheets

(thousands of dollars)

**February 28,
2006**
(unaudited)

August 31,
2005

	February 28, 2006 (unaudited)	August 31, 2005
Assets		
Current		
Cash and cash equivalents	\$ 9,339	\$ 27,778
Receivables		
Trade	3,325	940
Advances to joint ventures	1,130	4,182
Interest receivable	167	52
Cash held for licence security	-	152
Prepays and drilling permit deposits	336	498
	14,297	33,602
Property and equipment		
Office equipment and furniture	50	51
Exploration and development	59,212	33,236
Deferred debt issue costs and other	2	91
	\$ 73,561	\$ 66,980
Liabilities		
Current		
Payables and accruals	\$ 5,540	\$ 4,275
Interest payable on convertible notes	-	114
Crown royalty payable	73	3
Corporate taxes payable	93	151
	5,706	4,543
Deferred settlement		
Future income taxes	117	117
Convertible notes	5,568	1,451
Asset retirement obligations	-	2,588
	432	247
	11,823	8,946
Shareholders' Equity		
Capital stock	66,310	62,636
Contributed surplus	675	147
Convertible notes	-	412
Deficit	(5,247)	(5,161)
	61,738	58,034
	\$ 73,561	\$ 66,980
Subsequent event	Note 10	

On behalf of the Board

Signed "Norman W. Miller" _____ Director

Signed "Paul J. Hopkins" _____ Director

See accompanying notes to the financial statements.

Corridor Resources Inc.

Statements of Cash Flows	Three Months Ended		Six Months Ended	
	February 28,		February 28,	
<i>(thousands of dollars, unaudited)</i>	2006	2005	2006	2005
(Decrease) increase in cash and cash equivalents				
Operating				
Net (loss) earnings	(\$ 307)	\$ 149	(\$ 81)	\$ 443
Depletion and depreciation	607	242	1,182	468
Amortization of debt issue costs	-	11	89	22
Stock-based compensation	527	-	527	-
Risk management loss	-	9	-	37
Accretion of asset retirement obligations	8	4	15	8
Future income tax expense	218	213	438	396
	1,053	628	2,170	1,374
Change in non-cash operating working capital	<i>Note 7</i> (359)	(73)	(2,140)	224
	\$ 694	\$ 555	\$ 30	\$ 1,598
Financing				
Interest on convertible notes relating to the equity portion	-	(10)	(5)	(21)
Proceeds from issue of capital stock	4,331	11,512	4,349	11,512
Share issue (costs) recovered	-	(793)	13	(793)
Purchase of convertible notes	-	-	(9)	-
	\$ 4,331	\$ 10,709	\$ 4,348	\$ 10,698
Investing				
Payables and accruals	(4,772)	(7)	1,118	(497)
Advances from joint ventures	950	5	3,053	880
Expenditures on exploration	(405)	(158)	(2,245)	(714)
Production and development expenditures	(8,733)	-	(24,736)	-
Purchase of equipment	(1)	(6)	(7)	(6)
	(\$ 12,961)	(\$ 166)	(\$ 22,817)	(\$ 337)
Net (decrease) increase in cash and cash equivalents	(\$ 7,936)	\$ 11,098	(\$ 18,439)	\$ 11,959
Cash and cash equivalents				
Beginning of period	17,275	864	27,778	3
End of period	\$ 9,339	\$ 11,962	\$ 9,339	\$ 11,962

See accompanying notes to the financial statements.

Corridor Resources Inc.

Notes to the Financial Statements

February 28, 2006 – (unaudited, thousands of dollars unless otherwise noted)

1 Basis of presentation

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

Corridor is in the exploration stage with respect to a number of its resource properties and has confirmed proven natural gas reserves in one of its properties. The amount of recoverable reserves, if any, which may be located on the properties in the exploration stage is not known.

Recovery of the Company's cumulative exploration costs on all properties is uncertain and dependent upon confirming its ongoing commitment to the properties and achieving commercial production from, or sale of, the properties. Additional financing will be required to conduct further exploration and development activities on the properties.

The amounts at which the resource properties are recorded represent historical costs and do not necessarily reflect current or future values.

The financial statements of the Company have been prepared by Management in accordance with accounting principles generally accepted in Canada. Certain information and disclosure normally required to be included in notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the audited financial statements and notes thereto in the Company's annual report for the year ended August 31, 2005. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended August 31, 2005.

2 General and administrative expenses

A portion of general and administrative expense is allocated or charged to exploration expenditures as follows:

	Three Months Ended		Six Months Ended	
	February 28,		February 28,	
(\$000's)	2006	2005	2006	2005
G&A expenses (gross)	\$ 374	\$ 282	\$ 609	\$ 486
Capitalized to exploration	(187)	(46)	(234)	(111)
Recovered from joint venture's	(87)	-	(87)	(7)
G&A Expense (net)	\$ 100	\$ 236	\$ 288	\$ 368

Corridor Resources Inc.

Notes to the Financial Statements

February 28, 2006 – (unaudited, thousands of dollars unless otherwise noted)

3 Asset retirement obligations

The following table represents the reconciliation of the beginning and ending aggregate carrying amount of the obligations associated with the retirement of oil and natural gas assets:

For the period ended	February 28,	August 31,
(\$000's)	2006	2005
Asset retirement obligations, beginning of year	\$ 247	\$ 197
Liabilities incurred	101	33
Change in estimate	69	-
Accretion expense	15	17
Asset retirement obligations, end of period	\$ 432	\$ 247

The total undiscounted amount of estimated cash flows required to settle the obligation is \$875 thousand which has been discounted using a credit adjusted risk-free rate of 8%. The \$69 thousand change in estimate was required to recognize an increase in cash flows calculated to settle the obligation in the future. The future cash flow requirement was then discounted using the risk-free rate of 8%. The majority of the obligations are not expected to be settled for years in the future and will be funded from general company resources at the time of retirement and removal.

4 Cash held for licence security

Corridor had a deposit with the Canada-Newfoundland Offshore Petroleum Board for licence EL1063 totaling \$152 thousand which was expensed in the first quarter as spending of the required \$608 thousand on the licence was not completed by January 2006. On January 16, 2006 the Company's licence expired.

5 Capital stock

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

b) **Issued and outstanding**

Common Shares (000's)	Six months ending February 28, 2006		Year ending August 31, 2005	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	58,851	\$ 62,636	39,529	\$ 22,698
Exercise of stock options for cash	43	65	50	60
Exercise of warrants for cash	2,254	4,284	4	7
Notes converted to common shares ⁽¹⁾	1,869	2,991	-	-
Issue of flow-through shares for cash ⁽²⁾	-	-	4,752	10,500
Issue of common shares for cash	-	-	14,516	31,000
Flow-through tax benefit	-	(3,687)	-	-
Share issue costs net of tax benefit	-	21	-	(1,629)
Balance, end of period	63,017	\$ 66,310	58,851	\$ 62,636

⁽¹⁾ Convertible notes were issued in 2003 for \$3 million. The notes were compound financial instruments which were recorded as a liability of \$2.588 million and as equity of \$412 thousand. On October 21, 2005, 99.7% of the notes were converted to common shares at a fixed conversion price of \$1.60 and the remainder were redeemed for cash.

Corridor Resources Inc.

Notes to the Financial Statements

February 28, 2006 – (unaudited, thousands of dollars unless otherwise noted)

- ⁽²⁾ Expenditures in respect of flow-through shares issued in February 2005 and July 2005 were renounced effective December 31, 2005. Under the terms of the Company's flow-through share agreements, the Company is required to incur and renounce qualifying Canadian Exploration Expenditures of \$10.5 million in respect of funds raised. As at February 28, 2006 the Company had satisfied the spending requirements.

c) Warrants

(000's, except exercise price)	Six months ending February 28, 2006		Year ending August 31, 2005	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants				
Balance, beginning of year	2,254	\$ 1.90	1,500	\$ 1.50
Expired	-	\$ -	(1,500)	\$ 1.50
Issued	-	\$ -	2,258	\$ 1.90
Exercised	(2,254)	\$ 1.90	(4)	\$ 1.90
Balance, end of period	-	\$ -	2,254	\$ 1.90

Corridor Resources Inc.

Notes to the Financial Statements

February 28, 2006 – (unaudited, thousands of dollars unless otherwise noted)

d) Options

The Company has a stock option plan under which options to purchase common shares of the Company may be granted to directors, officers, key employees and consultants of the Company. The stock option plan is limited to 10% of issued and outstanding shares (non-diluted) with no more than 5% for any one officer, director or employee and no more than 1% for any one consultant.

In order to eliminate the necessity for the annual approval by Shareholders of the Stock Option Plan, on December 19, 2005, the Board determined to amend the Stock Option Plan to fix the maximum number of Common Shares in respect of which options may be outstanding under the Stock Option Plan (together with all of Corridor's other previously established stock option plan or grants) to 6,073,547 Common Shares, which represented 10% of the issued and outstanding Common Shares as at December 19, 2005.

(000's, except exercise price)	Six months ending February 28, 2006		Year ending August 31, 2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Fixed options				
Balance, beginning of year	1,585	\$ 1.27	1,635	\$ 1.27
Exercised	(43)	\$ 1.52	(50)	\$ 1.20
Issued	600	\$ 4.40	-	\$ -
Balance, end of period	2,142	\$ 2.14	1,585	\$ 1.27
Options exercisable, end of period	1,611	\$ 1.57	1,236	\$ 1.31

The Company has recorded stock-based compensation expense in the statement of loss and deficit for stock options granted to Directors, Officers and employees after September 1, 2004 using the fair value method and the Black-Scholes option pricing model.

During the three months ended February 28, 2006, the Company granted 600,000 options to the new directors of the Company with an exercise price of \$4.40 of which 25% vested on the grant date and the remaining 75% vest in equal amounts on each of the next three anniversary date.

The fair value of each new option granted during the three months ended February 28, 2006, is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

Option exercise price	\$ 4.40
Share price on date of grant	\$ 5.20
Risk-free interest rate	4 %
Expected life (years)	5.0
Expected volatility	75 %

During the three months ended February 28, 2006, the options granted to Directors were charged to income with an offsetting adjustment to contributed surplus of \$527 thousand.

Corridor Resources Inc.

Notes to the Financial Statements

February 28, 2006 – (unaudited, thousands of dollars unless otherwise noted)

6 Earnings per share

Diluted weighted average shares outstanding are determined using the treasury stock method.

Earnings per share is calculated based on the weighted average number of shares outstanding shown in the table below:

	Three Months Ended		Six Months Ended	
	February 28,		February 28,	
	2006	2005	2006	2005
Weighted average (000's)	61,335	40,963	60,517	40,242
Dilutive effect of warrants	1,029	-	878	-
Dilutive effect of stock options	1,118	300	972	155
Diluted weighted average ⁽¹⁾	63,482	41,263	62,367	40,397

⁽¹⁾ Options and warrants not in-the-money for the period are not included in the calculation for that period.

7 Supplemental cash flow information

Changes in non-cash operating working capital: ((\$000's))	Three Months Ended		Six Months Ended	
	February 28,		February 28,	
	2006	2005	2006	2005
Receivables, advances, prepaids and permit deposits	(\$ 382)	(\$ 19)	(\$ 2,338)	\$ 38
Payables and accruals	134	(116)	217	187
Interest payable on convertible note	-	75	(114)	(1)
Corporate taxes payable	(111)	(13)	(57)	-
Cash held for licence security	-	-	152	-
	(\$ 359)	(\$ 73)	(\$ 2,140)	\$ 224
Interest and income taxes paid				
Interest paid	\$ -	\$ 150	\$ 150	\$ 150
Capital and other taxes paid	\$ 188	\$ -	\$ 188	\$ -

8 Conversion of Notes

Convertible notes were issued in 2003 for \$3 million. The notes were compound financial instruments which were recorded as a liability of \$2.588 million and as equity of \$412 thousand. On October 10, 2005, 99.7% of the notes were converted to common shares at a fixed conversion price of \$1.60 and the remainder were redeemed for cash. The costs incurred in 2003 to issue the notes was deferred and allocated to income systematically during the life of the debt portion of the notes. When the notes were converted a charge of \$89 thousand was made to interest expense to clear the deferred balance.

Corridor Resources Inc.

Notes to the Financial Statements

February 28, 2006 – *(unaudited, thousands of dollars unless otherwise noted)*

9 Comparative figures

Certain of the comparative figures for 2005 have been reclassified to conform with the financial statement presentation adopted for 2006.

10 Subsequent event

On April 5, 2006, Corridor announced that it had entered into an agreement, on an underwritten basis, with Jennings Capital Inc. and Dominick & Dominick Securities Inc. (the "Underwriters") for an offering of 2,653,061 common shares of the Company (the "Common Shares") at a price of \$4.90 per Common Share and 1,206,896 flow-through common shares of the Company (the "Flow-Through Common Shares") at a price of \$5.80 per Flow-Through Common Share to raise gross proceeds of approximately \$20 million.

At the option of the Underwriters, prior to filing the final prospectus, the offering may be increased by up to 4,081,633 Common Shares at a price of \$4.90 per Common Share for further gross proceeds of approximately \$20 million which would increase the offering to approximately \$40 million if fully exercised.

The financing is scheduled to close on or about April 27, 2006.

Corridor Resources Inc.

Corporate Information

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Bankers

Bank of Nova Scotia
Halifax, Nova Scotia

Auditors

Grant Thornton LLP
Halifax, Nova Scotia

Solicitors

Bennett Jones LLP
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Stock Exchange

TSX Venture Exchange – Trading Symbol CDH

Directors and Officers

Charles MacDonald	Chairman
Norman W. Miller	President and Director
Paul J. Hopkins	Vice President and Director
Brad R. Perry	Chief Financial Officer
Y. Beth Riley	Secretary
J. Douglas Foster	Director
Jacques Plante	Director
Jack Bray	Director
Bob Penner	Director
Achille Desmarais	Director
Mike Seth	Director

Share Capital

Shares Authorized – Unlimited number of Common Shares
Common Shares issued as of February 28, 2006 – 63,018,044