

Corridor Resources Inc.

Third Quarter Report 2006

For The Nine Months Ended May 31, 2006

Management's Discussion and Analysis

As of July 12, 2006

Management's discussion and analysis (MD&A) provides a review of the operations of Corridor Resources Inc. (Corridor or the Company) and its current financial position. This MD&A should be read in conjunction with the interim unaudited financial statements and supporting notes as at and for the three and nine months ended May 31, 2006 and the MD&A and annual audited financial statements for the year ended August 31, 2005.

Management's Discussion and Analysis may contain certain information of a forward-looking nature. Such forward-looking information may involve known and unknown risks and uncertainties. These risks include, but are not limited to, volatility of commodity prices, general economic conditions, government regulations (including regulations relating to allowable production, royalties, importing and exporting of oil and gas, and environmental protection) and the access to sufficient capital from internal and external sources. Although Corridor believes that the expectations reflected in such forward-looking information are reasonable, it can give no assurance that such expectations will prove to have been correct. Corridor's actual results could differ materially from those anticipated in forward-looking information.

Additional information about Corridor, including the company's 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 Resources Inc. is a junior natural resource company engaged in the exploration for petroleum and natural gas and the production of natural gas onshore in New Brunswick with additional exploration interests and opportunities in Prince Edward Island and Québec and offshore in the Gulf of St. Lawrence, holding a total of over 2.4 million net acres under license. The Company is in the early exploration and development stage with respect to its resource properties with only two producing wells in the McCully Field in New Brunswick and one gas sales contract.

Corridor is at the approval stage with respect to developing the required midstream facilities to connect an initial 13 wells in the McCully Field to the Maritimes and Northeast Pipeline (MN&P) and to deliver natural gas into the Maritimes and United States markets at prices referenced to Henry Hub. On February 3, 2006, Corridor filed a draft application with the New Brunswick Public Utilities Board ("PUB") to construct and operate a natural gas pipeline connecting the McCully natural gas field with the Maritimes and Northeast Pipeline.

Third Quarter Overview

During the quarter, progress was made towards receiving the New Brunswick government's approval of the Stage 2 development of the McCully natural gas field, but at a slower pace than earlier projected. An unusually wet spring impeded the conclusion of the field environmental work, with environmental approval for the project now expected in mid-July. Formal approval of the resource development plan is expected in late July from the Department of Natural Resources. Formal review by the PUB of the gas gathering system, the gas conditioning plant and the pipeline lateral (midstream facilities) to connect the McCully natural gas field with the Maritimes and Northeast Pipeline is now projected to be completed by the first of September. The construction is planned to commence in early September and to be completed by late fall, with production estimated to start in early 2007.

Corridor Resources Inc.

During the quarter, the Company evaluated several proposals regarding the financing, construction, ownership and operation of the required midstream facilities. Although no final decision has been reached, the Company did conclude it would be financially preferable to directly construct and operate the midstream facilities. Corridor is now evaluating several financing alternatives for the construction project including an interim credit facility and a lease buy-back.

The common shares of Corridor were de-listed from the TSX Venture Exchange at the close of trading on April 13, 2006 and began trading on the TSX on April 17, 2006.

On April 27, 2006, Corridor closed a \$40 million financing consisting of 6,734,694 common shares and 1,206,896 flow-through shares at a price of \$4.90 per common share and \$5.80 per flow-through share. The net proceeds of the offering will be used to fund the Company's ongoing exploration and development drilling activities, necessary advanced orders of materials for the Company's proposed midstream facilities and for general corporate purposes.

In May 2006 Potash Corporation of Saskatchewan Inc. (PCS) elected to participate in Corridor's 2006 drilling and completion activities. The capital program included drilling 7 wells and stimulating and testing six drilled and cased jointly held wells. As a result, Corridor's forecasted capital spending for the calendar year 2006 decreased by approximately \$20 million.

In June 2006 Corridor purchased from Columbia Natural Resources Canada Ltd, its 50% working interest in two oil and natural gas leases near the McCully Field in New Brunswick, resulting in Corridor holding 100% working interest in the leases.

During late June and early July, Corridor performed short term re-tests on the four McCully wells (K-57, G-67, C-67 and O-66) that were fraced and initially tested during the autumn of 2005. Preliminary interpretation of the results shows that the flow performance compared to last autumn ranged from neutral in K-57 to what appears to be significant improvement in the other wells. Meaningful quantification of these results will be undertaken and reported on in August, once the down-hole pressure gauges have been recovered and the shut-in pressure build-ups can be analyzed.

Q3, 2006 Financial Summary

<i>thousands of dollars, except per share amounts</i>	Three months ended		Nine months ended	
	May 31		May 31	
	2006	2005	2006	2005
Gas revenues (before royalties)	\$1,453	\$1,301	\$4,359	\$3,545
Net earnings	\$198	\$340	\$118	\$783
Net earnings per share - basic	\$0.003	\$0.007	\$0.002	\$0.018
Net earnings per share - diluted	\$0.003	\$0.007	\$0.002	\$0.018
Cash flow from operations ¹	\$1,031	\$823	\$3,203	\$2,197
Capital expenditures	\$3,551	\$5,518	\$30,540	\$6,238
Gross proceeds from common share issue	\$40,000	-	\$40,000	\$11,500

¹Cash 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.

Corridor's net earnings for Q3, 2006 are lower than Q3, 2005 by \$142 thousand mainly due to increased depletion and stock-based compensation expense offset by increased gas revenues and interest income.

Corridor Resources Inc.

Results of Operations

Gas Revenues

<i>thousands of dollars</i>	Three months ended		Nine months ended	
	May 31		May 31	
	2006	2005	2006	2005
Gas revenues (before royalties)	\$ 1,453	\$ 1,301	\$ 4,359	\$ 3,545
Natural gas production in thousand cubic feet (mcf)	86,914	87,498	257,911	263,133
Average natural gas production per day (mcf/d)	945	951	945	964
Average natural gas selling price (\$/mcf)	\$16.72	\$14.87	\$16.90	\$ 13.47

The natural gas revenues have increased by 12% in Q3, 2006 compared to Q3, 2005 reflecting the increase in the sales price offset by a slight decrease in the volume. Corridor's price for natural gas sold to PCS is based on the N.Y. Harbour price of No. 2 fuel oil. Year to date natural gas revenues have increased by 23% for the same reasons.

Outlook

Corridor expects the fourth quarter revenues to decrease to approximately \$900 thousand as a result of the annual plant shut down by our customer in August.

Royalties

<i>thousands of dollars</i>	Three months ended		Nine months ended	
	May 31		May 31	
	2006	2005	2006	2005
Crown royalties	\$118	\$102	\$364	\$270
Percentage of revenues	8.1%	7.8%	8.4%	7.6%

In Q3, 2006 royalties increased marginally as a percentage of revenues due to the continuing decline of capital costs. Currently a royalty rate of 10% is payable based on gas revenues, net of deductions for transportation, processing and capital costs. The New Brunswick royalty regime regulations are expected to change but the date of this change is not yet known.

Production Expenses

<i>thousands of dollars</i>	Three months ended		Nine months ended	
	May 31		May 31	
	2006	2005	2006	2005
Production expenses	\$91	\$81	\$249	\$243
Production expenses per mcf (\$/mcf)	\$1.05	\$0.93	\$0.97	\$0.93

In Q3, 2006 production expenses have increased due to increased maintenance required in the quarter.

Corridor Resources Inc.

Capital tax expense

The increase in capital tax expense in Q3, 2006 and for the year to date reflects the increase in capital from the April 2006 share issue of \$40 million.

Interest and other income

The increase in interest and other income in Q3, 2006 reflects the investment of proceeds from the April 2006 share issue of \$40 million. In addition, the year to date increase reflects the investment of proceeds from the July 2005 share issue of \$30 million.

Future Income taxes

The Company's effective tax rate for the year to date is significantly higher than the statutory tax rate as stock-based compensation expense is non deductible for income tax purposes. This is offset by the resource allocation benefit which is available for the remainder of the 2006 calendar year. The decrease of \$159 thousand in Q3, 2006 compared to Q3, 2005 reflects mostly a \$100 thousand refinement to the future income tax provision.

Balance sheet items

Significant changes in the balance sheets between May 31, 2006 and August 31, 2005 include:

- \$16,217 thousand increase in cash and cash equivalents reflecting mostly the April 2006 \$40 million share issue compared with the \$30 million share issue in July 2005.
- \$559 thousand increase in receivables reflecting mostly the lower level of gas sales in August 2005 due to our customer's annual plant shut-down.
- \$3,405 thousand decrease in receivables from joint venture partners reflecting mostly the timing of cash advances, \$3,700 thousand was received shortly after August 2005. Corridor now requests cash advances from its partners prior to the commencement of project activity.
- \$28,897 thousand increase in property, plant and equipment reflecting the increased drilling activity net of the increased depletion expense.
- \$1,580 thousand decrease in accounts payable and accrued liabilities reflecting the change in joint venture related spending.
- \$3,235 thousand increase in future income taxes reflecting mostly the tax impact of \$3,687 thousand from the renunciation in December 2005 of \$10.5 million in exploration expenditures.
- \$3,000 thousand decrease in convertible notes reflecting mostly the October 2005 conversion to common shares.
- \$42,340 thousand increase in capital stock reflecting mostly the April 2006 \$40 million share issue net of share issue costs.
- \$683 thousand increase in contributed surplus reflecting the stock-based compensation expense.

Corridor Resources Inc.

Cash Flow Highlights

<i>thousands of dollars</i>	Three months ended		Nine months ended	
	May 31		May 31	
	2006	2005	2006	2005
Cash provided by operating activities	\$3,193	\$107	\$3,223	\$1,705
Cash provided by financing activities	37,685	24	42,033	10,722
Cash used in investing activities	(6,221)	(2,818)	(29,039)	(3,155)
Increase (decrease) in cash and cash equivalents	\$34,657	\$(2,687)	\$16,217	\$9,272

The increase in cash provided by operating activities in Q3, 2006 compared to Q3, 2005 reflects mostly the backlog of HST receivable in Q2, 2006 received in Q3, 2006. The year to date increase is due to the increase in gas revenues and interest income.

The increase in cash provided by financing activities in Q3, 2006 compared to Q3, 2005 is due to the \$40 million share issue net of share issue costs. The year to date increase reflects the net change over the February 2005 share issue of \$11.5 million net of share issue costs.

The increase in cash used in investing activities reflects the increase in Corridor's 2006 capital program.

Liquidity and Capital Resources

Corridor does not presently have any bank credit facility, to date all capital expenditures have been financed through equity. The Company has sufficient financial resources to undertake its planned exploration and development drilling activities for 2006 and plans to fund future drilling and completion activities from funds from operations and by establishing credit facilities.

Corridor is evaluating several alternatives regarding the financing of the midstream facilities including an interim credit facility and a lease buy-back. Corridor does not intend to finance the facilities with another equity financing.

Contractual Obligations

Corridor has committed to purchase approximately \$11 million of materials, equipment and supplies required to develop the midstream facilities.

Outstanding Share Information

At the date of this report, the common shares issued were 71,134,634.

Corridor Resources Inc.

Quarterly Information

<i>thousand of dollars</i>	2006			2005				2004
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Gas revenues	\$1,453	\$1,261	\$1,645	\$874	\$1,301	\$1,116	\$1,128	\$777
Net earnings (loss)	\$198	\$(307)	\$226	\$337	\$340	\$149	\$294	\$333
Net earnings (loss) per share – basic	\$0.003	\$(0.005)	\$0.004	\$0.007	\$0.007	\$0.004	\$0.007	\$0.009
Net earnings (loss) per share – diluted	\$0.003	\$(0.005)	\$0.004	\$0.007	\$0.007	\$0.004	\$0.007	\$0.008
Natural gas production (mcf)	86,914	80,559	90,439	57,756	87,498	89,567	86,067	71,026
Average natural gas selling price	\$16.72	\$15.65	\$18.19	\$15.12	\$14.87	\$12.46	\$13.11	\$10.94
Capital expenditures	\$3,551	\$9,139	\$17,850	\$7,268	\$5,518	\$164	\$556	\$1,086

Quarterly gas revenues are affected mostly by the variability of the natural gas selling price which is based on the N.Y. Harbour price of No. 2 fuel oil. The volume varies mostly in the fourth quarter due to our customer's annual plant shut down.

The Q2, 2006 net earnings decreased due to additional stock-based compensation of \$528 thousand.

The Q1, 2006 capital expenditures included the \$10 million frac program (\$8.9 million net to Corridor's working interest).

The Q2, 2006 capital expenditures are higher than Q3, 2006 as PCS did not elect to participate in the joint drilling activities until Q3, 2006. Therefore, Q2, 2006 capital expenditures includes spending of \$2,644 thousand on jointly held wells which was recovered by Corridor in Q3, 2006.

Corridor Resources Inc.

Statements of Earnings and Deficit (Unaudited)

(thousands of dollars, except per share amounts)

For the	Three months ended		Nine months ended	
	2006	2005	2006	2005
		May 31		May 31
Operating Revenues				
Gas revenues	\$ 1,453	\$ 1,301	\$ 4,359	\$ 3,545
Royalty expense	(118)	(102)	(364)	(270)
Production expense	(91)	(81)	(249)	(243)
	1,244	1,118	3,746	3,032
Expenses				
Depletion, depreciation and accretion	672	302	1,869	778
General and administrative (note 2)	297	270	737	675
Stock-based compensation (note 5d)	155	-	683	-
Capital tax expense	153	18	242	77
	1,277	590	3,531	1,530
Earnings (loss) before the following items	(33)	528	215	1,502
Interest and finance costs (note 8)	38	79	157	229
Interest and other income	(275)	(56)	(504)	(71)
Earnings before income taxes	204	505	562	1,344
Future income tax expense (note 4)	6	165	444	561
Net earnings	198	340	118	783
Deficit, beginning of period	(5,247)	(5,817)	(5,162)	(6,239)
Equity component of interest on notes	-	(10)	(5)	(31)
Deficit, end of period	\$ (5,049)	\$ (5,487)	\$ (5,049)	\$ (5,487)
Net earnings per share (note 6)				
basic	\$ 0.003	\$ 0.007	\$ 0.002	\$ 0.018
diluted	\$ 0.003	\$ 0.007	\$ 0.002	\$ 0.018

See accompanying notes to the financial statements.

Corridor Resources Inc.

Balance Sheets (Unaudited)

(thousands of dollars)

As at	May 31 2006	August 31 2005
Assets		
Current assets		
Cash and cash equivalents	\$ 43,995	\$ 27,778
Receivables	1,551	992
Receivables from joint venture partners	777	4,182
Cash held for licence security	-	152
Prepays and drilling permit deposits	298	498
	46,621	33,602
Property, plant and equipment (note 2)	62,184	33,287
Deferred debt issue costs and other	2	91
	\$ 108,807	\$ 66,980
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	\$ 2,698	\$ 4,278
Interest payable on convertible notes	-	114
Income taxes payable	75	151
	2,773	4,543
Future income taxes	4,686	1,451
Convertible notes (note 8)	-	2,588
Deferred settlement	117	117
Asset retirement obligations (note 3)	474	247
Shareholders' Equity		
Capital stock (note 5)	104,976	62,636
Contributed surplus (note 5e)	830	147
Convertible notes (note 8)	-	412
Deficit	(5,049)	(5,161)
	100,757	58,034
	\$ 108,807	\$ 66,980

Subsequent event (note 12)

See accompanying notes to the financial statements.

On behalf of the Board

Signed "Norman W. Miller" _____ Director

Signed "Paul J. Hopkins" _____ Director

Corridor Resources Inc.

Statements of Cash Flows (Unaudited)

(thousands of dollars)

For the	Three months ended May 31		Nine months ended May 31	
	2006	2005	2006	2005
Cash provided by (used in):				
Operating Activities				
Net earnings	\$ 198	\$ 340	\$ 118	\$ 783
Depletion, depreciation and accretion	672	302	1,869	778
Stock-based compensation	155	-	683	-
Future income tax expense	6	165	444	561
Other operating activities	-	16	89	75
	1,031	823	3,203	2,197
Increase (decrease) in non-cash operating working capital (note 7)	2,162	(716)	20	(492)
Cash provided by operating activities	3,193	107	3,223	1,705
Financing Activities				
Proceeds from capital stock issue	40,217	12	44,567	11,524
Share issue costs	(2,532)	22	(2,520)	(771)
Other financing activities	-	(10)	(14)	(31)
Cash provided by financing activities	37,685	24	42,033	10,722
Investing Activities				
Property, plant and equipment expenditures	(3,551)	(5,518)	(30,540)	(6,238)
Increase in non-cash investing working capital (note 7)	(2,670)	2,700	1,501	3,083
Cash used in investing activities	(6,221)	(2,818)	(29,039)	(3,155)
Increase (decrease) in cash and cash equivalents	34,657	(2,687)	16,217	9,272
Cash and cash equivalents, beginning of period	9,338	11,962	27,778	3
Cash and cash equivalents, end of period	\$ 43,995	\$ 9,275	\$ 43,995	\$ 9,275

See accompanying notes to the financial statements.

Corridor Resources Inc.

Notes to the Interim Unaudited Financial Statements

May 31, 2006

1 Basis of presentation

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

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and follow the same accounting policies as the audited financial statements for the year ended August 31, 2005. These interim financial statements should be read in conjunction with the annual financial statements included in Corridor's 2005 annual report.

Corridor is in the exploration stage with respect to a number of its resource properties and has confirmed proven natural gas reserves in only 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. The amounts at which the resource properties are recorded represent historical costs and do not necessarily reflect current or future values.

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.

2 Property, plant and equipment

(thousands of dollars)

As at	May 31 2006	August 31 2005
Petroleum and natural gas properties	\$ 62,056	\$ 31,394
Production facilities	3,663	3,663
Office furniture and equipment	243	163
	65,962	35,220
Less accumulated depletion and depreciation	(3,778)	(1,933)
Net book value	\$ 62,184	\$ 33,287

During the nine months ended May 31, 2006, Corridor capitalized to petroleum and natural gas properties, general and administrative costs of \$405 thousand (\$172 thousand for the three months ended May 31, 2006). As at May 31, 2006 the calculation of depletion includes estimated future development costs on proved reserves of \$500 thousand.

Corridor Resources Inc.

Notes to the Interim Unaudited Financial Statements

May 31, 2006

3 Asset retirement obligations

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

(thousands of dollars)

As at	May 31 2006	August 31 2005
Asset retirement obligations, beginning of period	\$ 247	\$ 197
Liabilities incurred	134	33
Change in estimate	69	-
Accretion expense	24	17
Asset retirement obligations, end of period	\$ 474	\$ 247

The estimated undiscounted future obligation associated with the retirement of oil and natural gas properties and facilities is \$1,135 thousand which management estimates will be incurred in approximately 18 years. A credit adjusted risk-free rate of 8% and an inflation rate of 2% was used to calculate the fair value of the asset retirement obligation.

4 Future income taxes

The provision for income taxes differs from the amount which would be obtained by applying the statutory income tax rate of 35.12% to the earnings before income taxes as follows:

(thousands of dollars)

For the	Three months ended		Nine months ended	
	May 31		May 31	
	2006	2005	2006	2005
Earnings before income taxes	\$ 204	\$ 505	\$ 562	\$ 1,344
Statutory rate	35.12%	35.12%	35.12%	35.12%
Expected income tax expense	\$ 72	\$ 177	\$ 197	\$ 472
Increase (decrease) resulting from:				
Change in statutory rate	-	20	-	52
Non-deductible royalty payments	6	18	15	64
Resource allowance	(91)	(36)	(91)	(108)
Non-deductible stock-based compensation	55	-	240	-
Non-deductible deferred debt costs	-	-	31	-
Other	(36)	(14)	52	81
Future income tax expense	\$ 6	\$ 165	\$ 444	\$ 561

Corridor Resources Inc.

Notes to the Interim Unaudited Financial Statements May 31, 2006

5 Capital stock

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

b) **Issued and outstanding**

(thousands of dollars)

As at	May 31, 2006		August 31, 2005	
	Number of shares (000's)	Amount	Number of shares (000's)	Amount
Balance, beginning of period	58,851	\$ 62,636	39,529	\$ 22,698
Issue of common shares for cash	6,735	33,000	14,516	31,000
Issue of flow-through shares for cash	1,207	7,000	4,752	10,500
Exercise of warrants for cash	2,254	4,284	4	7
Notes converted to common shares	1,869	2,991	-	-
Exercise of stock options for cash	218	283	50	60
Flow-through tax benefit	-	(3,687)	-	-
Share issue costs net of tax benefit	-	(1,531)	-	(1,629)
Balance, end of period	71,134	\$ 104,976	58,851	\$ 62,636

Expenditures in respect of flow-through shares issued in 2005 were renounced effective December 31, 2005. Under the terms of the Company's flow-through share agreements, the Company was required to incur and renounce qualifying Canadian exploration expenditures of \$10.5 million. The Company satisfied the spending requirements as of February 28, 2006.

On April 27, 2006, Corridor issued flow-through shares which resulted in an obligation to spend \$7.0 million on qualifying expenditures prior to December 31, 2007. At May 31, 2006, the remaining obligation was \$6.9 million.

c) **Warrants**

As at	May 31, 2006		August 31, 2005	
	Number of warrants (000's)	Weighted average exercise price	Number of warrants (000's)	Weighted average exercise price
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 Interim Unaudited Financial Statements

May 31, 2006

d) Stock options

The Company has a stock option plan under which options to purchase common shares of the Company may be granted to directors, officers, 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. The exercise price of each option approximates the market price for the common share on the date the option was granted. Options granted under the plan are generally fully exercisable after three years, with 25% exercisable on the grant date and the remaining 75% in equal amounts on each of the next three anniversary dates. Options expire five years after the grant date.

The following table summarizes the information relating to stock options:

As at	May 31, 2006		August 31, 2005	
	Number of options (000's)	Weighted average exercise price	Number of options (000's)	Weighted average exercise price
Balance, beginning of year	1,585	\$1.27	1,635	\$ 1.27
Exercised	(218)	1.30	(50)	1.20
Granted	770	4.63	-	-
Balance, end of period	2,137	\$2.48	1,585	\$ 1.27
Options exercisable, end of period	1,460	\$1.66	1,236	\$ 1.31

The fair value of options granted is estimated using the Black-Scholes option pricing model with the following assumptions for the nine months ended May 31, 2006:

Risk-free interest rate	4 %
Expected life (years)	5.0
Expected volatility	75 %

The Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$155 thousand for the three months ended May 31, 2006 and \$683 thousand for the nine months ended May 31, 2006.

The range of exercise prices of stock options outstanding and exercisable at May 31, 2006 is as follows:

Exercise price	Number of options outstanding (000's)	Number of options exercisable (000's)
\$0.95	150	75
\$1.20	1,000	1,000
\$1.80	217	217
\$4.40	600	150
\$5.38	70	18
\$5.50	100	-
Balance, end of period	2,137	1,460

Corridor Resources Inc.

Notes to the Interim Unaudited Financial Statements May 31, 2006

e) Contributed surplus

(thousands of dollars)

As at	May 31 2006	August 31 2005
Contributed surplus, beginning of period	\$147	\$64
Stock-based compensation	683	83
Contributed surplus, end of period	\$830	\$147

6 Earnings per share

Earnings per share is calculated based on the following weighted average number of common shares outstanding:

(thousands of shares)

For the	Three months ended		Nine months ended	
	2006	2005	2006	2005
Weighted average	66,045	46,704	62,380	42,419
Effect of warrants	-	2,258	701	-
Effect of stock options	1,128	471	1,040	273
Diluted weighted average	67,173	49,433	64,121	42,692

7 Supplemental cash flow information

(thousands of dollars)

For the	Three months ended		Nine months ended	
	2006	2005	2006	2005
Change in non-cash working capital:				
Receivables	\$ 1,941	\$ (386)	\$ (407)	\$ (318)
Prepays and drilling permit deposits	38	(93)	200	(87)
Accounts payables and accrued liabilities	108	(130)	324	(11)
Interest payable on convertible note	-	(75)	(114)	(76)
Income taxes payable	75	(32)	17	-
	\$ 2,162	\$ (716)	\$ 20	\$ (492)
Change in non-cash investing capital:				
Receivables from joint venture partners	\$ 353	\$ (62)	\$ 3,405	\$ 818
Accounts payables and accrued liabilities	(3,023)	2,762	(1,904)	2,265
	\$ (2,670)	\$ 2,700	\$ 1,501	\$ 3,083
Interest and income taxes paid:				
Interest paid	\$ -	\$ 150	\$ 130	\$ 300
Capital and other taxes paid	\$ 79	\$ 66	\$ 306	\$ 66

Corridor Resources Inc.

Notes to the Interim Unaudited Financial Statements

May 31, 2006

8 Conversion of notes

The convertible notes issued in 2003 for \$3 million were compound financial instruments recorded as a liability of \$2,588 thousand 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 was redeemed for cash. The related deferred debt issue costs balance of \$89 thousand was written-off to interest and finance costs at that time.

9 Comparative figures

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

10 Related parties

A director of Corridor is a partner in a law firm that provides legal services to Corridor which totaled \$149 thousand for the three months ended May 31, 2006 and \$160 thousand for the nine months ended May 31, 2006.

11 Commitments

Corridor has committed to purchase approximately \$11 million of materials, equipment and supplies required to develop the gas gathering system, gas conditioning plant and pipeline lateral.

12 Subsequent event

On June 23, 2006 Corridor purchased from Columbia Natural Resources Canada, its 50% working interest in two oil and natural gas leases.

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– Trading Symbol CDH

Directors and Officers

M. Charles MacDonald	Chairman
Norman W. Miller	President and Director
Paul J. Hopkins	Vice President and Director
Lisette F. Hachey	Chief Financial Officer
Y. Beth Riley	Secretary
J. Douglas Foster	Director
John H. (Jack) Bray	Director
Robert D. Penner	Director
Achille E. Desmarais	Director
W.C. (Mike) Seth	Director

Share Capital

Shares Authorized – Unlimited number of common shares
Common shares issued as of May 31, 2006 – 71,134,634