

Second Quarter 2007 Management's Discussion and Analysis

As of August 13, 2007

Management's discussion and analysis ("MD&A") provides a review of the results of operations of Corridor Resources Inc. ("Corridor" or the "Company") during the three and six months ended June 30, 2007 relative to the three and six months ended May 31, 2006 and its current financial position as at June 30, 2007 relative to December 31, 2006. This MD&A should be read in conjunction with the audited financial statements and supporting notes as at and for the four month period ended December 31, 2006. The Company changed its year-end from August 31 to December 31 to make the reporting period consistent with most reporting issuers in the Canadian oil and gas industry.

This MD&A contains certain forward looking statements relating to, but not limited to, Corridor's operations, anticipated financial performance, business prospects and strategies, including expectations relating to production levels; capital expenditure programs; the quantity of natural gas reserves; projections of market prices; projections of costs; supply and demand for natural gas; expectations regarding the ability to raise capital and to continually add to reserves through exploration and development; and treatment under governmental regulatory regimes. These forward looking statements are based on current expectations that involve numerous assumptions regarding factors and risks that could cause actual results to vary materially, including, without limitation to, the following factors: risks associated with oil and gas exploration, financial risks, substantial capital requirements, bank financing, government regulation, environmental, prices, markets and marketing, dependence on key personnel, availability of drilling equipment and access, risks may not be insurable, management of growth, expiration of licenses and leases, reserves estimates, seasonality, competition, conflicts of interest, Kyoto Protocol, issuance of debt, title to properties and hedging. There is no representation by Corridor that actual results achieved will be the same in whole or in part as those set out in the forward looking information. Additional information about these risks is included in Corridor's December 31, 2006 Annual Information Form and can be found on the Company's website at www.corridor.ca.

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 holding a total of over 1.7 million net acres under license and 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.

The Company has completed the construction of a field gathering system, a gas plant, and a pipeline lateral connecting the McCully Field, near Sussex New Brunswick, to the Maritimes & Northeast Pipeline ("M&NP"). The Company initiated natural gas production to M&NP on June 28, 2007 and has a continuous development drilling program underway to add reserves and production capacity as field development expands.

Selected Financial Information

<i>thousands of dollars except per share amounts</i>	Three months ended		Six months ended	
	June 30 2007	May 31 2006	June 30 2007	May 31 2006
Revenues (before royalties)	\$1,548	\$1,453	\$2,828	\$2,714
Net earnings (loss)	\$(900)	\$198	\$(1,725)	\$(108)
Net earnings (loss) per share - basic	\$(0.011)	\$0.003	\$(0.022)	\$(0.002)
Net earnings (loss) per share - diluted	\$(0.011)	\$0.003	\$(0.022)	\$(0.002)
Cash flow from operations ¹	\$(246)	\$1,031	\$(325)	\$2,086
Capital expenditures	\$25,050	\$3,551	\$59,026	\$12,691
Gross proceeds from capital stock issues	\$66,022	\$40,217	\$66,502	\$44,549

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

Second Quarter Overview

During the second quarter, construction of the McCully Field's gas gathering system, gas processing plant and pipeline lateral (the "midstream facilities") was completed and natural gas began to flow to M&NP on June 28, 2007. Corridor continues to ramp up natural gas production with July production averaging over 25 million cubic feet per day ("mmcfpd"). Corridor expects production to M&NP to reach rates of 35 mmcfpd (22 mmcfpd net to Corridor) later in the summer once all 13 initial wells are on stream and producing to capacity.

On June 1, 2007, Corridor closed a \$60 million financing consisting of 3,540,000 common shares and 1,400,000 flow-through shares at a price of \$11.30 per common share and \$14.30 per flow-through share. The net proceeds from the offering will be used primarily to fund Corridor's revised exploration and development program for southern New Brunswick and Prince Edward Island and for general corporate purposes. On June 22, 2007 the underwriters exercised the over-allotment option in respect of this offering to purchase an additional 531,000 common shares at \$11.30 per share for additional gross proceeds of approximately \$6 million.

During the second quarter the McCully P-76 well was drilled to a total measured depth of 2769 meters in the Frederick Brook formation. The well encountered a total of 33 meters of indicated net gas pay in the Hiram Brook formation based on well logs and is the 21st successful gas well in the McCully Field. The well penetrated 229 meters into the Frederick Brook formation, consisting primarily of shale and siltstone and exhibiting fracturing and gas shows.

The McCully E-38 well was drilled to a total measured depth of 3203 meters after drilling 200 meters into the Frederick Brook shale formation. The well encountered a total of 80 meters of indicated net gas pay in the upper Hiram Brook formation based on well logs using a 4% porosity cut-off. McCully E-38 is the 22nd successful gas well in the McCully Field.

During the second quarter Corridor surrendered the offshore exploration license covering 610,386 gross acres off the west coast of Cape Breton, Nova Scotia after numerous unsuccessful efforts to attract a partner to drill an exploration well on this license.

In July, 2007 the McCully D-66 well was drilled to a total measured depth of 3300 meters in the Frederick Brook formation. The well took longer to drill than expected due to the large horizontal offset distance between the surface and bottom-hole locations. The well encountered a total of 43.5 meters of indicated net gas pay in the Hiram Brook formation based on well logs and is the 23rd successful gas well in the McCully Field.

In August, 2007 the McCully J-38 well was drilled to a total measured depth of 3169 meters. The well encountered a total of 58 meters of indicated net gas pay in the upper Hiram Brook formation based on well logs, and is the 24th successful gas well in the McCully Field. The well penetrated the full section of the Hiram Brook formation, reaching total depth in the top of the Frederick Brook formation. The well encountered strong gas shows in the sands, with pressure measurements indicating the reservoirs are significantly over-pressured.

Q2, 2007 Financial Summary

<i>thousands of dollars</i>	Three months ended		Six months ended	
	June 30 2007	May 31 2006	June 30 2007	May 31 2006
Revenues	\$1,548	\$1,453	\$2,828	\$2,714
Royalty expense	(129)	(118)	(230)	(220)
Production expense	(60)	(91)	(115)	(161)
Transportation expense	(268)	-	(268)	-
	1,091	1,244	2,215	2,333
Expenses				
Depletion, depreciation and accretion	342	672	719	1,287
General and administrative	1,270	297	2,566	397
Stock-based compensation	410	155	851	683
Capital tax expense	90	153	180	188
	2,112	1,277	4,316	2,555
Loss before the following items	(1,021)	(33)	(2,101)	(222)
Interest and finance costs	384	38	590	36
Interest and other income	(289)	(275)	(579)	(374)
Earnings (loss) before income taxes	(1,116)	204	(2,112)	116
Future income tax expense (recovery)	(216)	6	(387)	224
Net earnings (loss)	\$(900)	\$198	\$(1,725)	\$(108)

Capital Expenditures

<i>thousands of dollars</i>	Three months ended		Six months ended	
	June 30 2007	May 31 2006	June 30 2007	May 31 2006
Drilling and completions	\$11,984	\$1,588	\$22,355	\$9,875
Midstream facilities	12,285	1,394	35,718	1,988
Land and seismic	405	325	464	396
Capitalized overhead	93	172	172	358
Office and other equipment	283	72	317	74
	\$25,050	\$3,551	\$59,026	\$12,691

The significant increase in Corridor's capital expenditures for the three and six months ended June 30, 2007 is due to the construction of the midstream facilities and the addition of a second drilling rig (triple). Total costs incurred to date on the midstream facilities amount to \$60.5 million with estimated remaining expenditures of \$2.0 million for Q3, 2007. Drilling and completion costs were higher in 2007 due to the addition of a second drilling rig. This rig allows the Company to drill longer reach and deeper wells and provides the Company with new options for drilling locations. As a result, drilling and completion costs have also increased because the wells are being drilled deeper to evaluate the upper part of the Frederick Brook formation and more wells are now located on 100% Corridor lands. The cost to mobilize the second drilling rig also contributed to the increased costs.

In Q2 2007, Corridor drilled the E-38 and P-76 wells (2 net wells) and began drilling the J-38 well and D-66 wells (1.5 net wells) which were completed in July and early August, 2007. For the three months ended May 31, 2006, Corridor drilled 2 gross wells (1 net well) however these capital expenditures were reduced by a recovery of \$2,644 thousand from the Company's joint venture partner for participation in wells that had been previously drilled in the three months ended February 28, 2006.

For the six months ended June 30, 2007 Corridor drilled approximately 3 gross wells (3 net wells) and commenced drilling 2 additional gross wells (1.5 net wells). For the six months ended May 31, 2006 Corridor drilled 4 gross wells (2 net wells) and commenced drilling 1 gross well (0.5 net well).

Capital Expenditures Outlook

During the second quarter, Corridor announced that it had revised its exploration and development program for southern New Brunswick and Prince Edward Island to respond to opportunities arising from a number of developments. The following were the main changes to the capital expenditure budget.

- Drill and case two additional McCully wells at a projected cost of \$8.5 million (100% Corridor).
- Drill, case and frac a second well on Prince Edward Island in Q3, 2007 as part of a farm-in agreement to earn a 50% interest in PetroWorth Licence 03-02 in eastern Prince Edward Island ("PEI"). Corridor projected this well to cost \$3.5 million (100% Corridor).
- Drill and case a Frederick Brook horizontal shale gas exploration well in the Elgin area in the fall of 2007 at an approximate cost of \$3.0 million (100% Corridor).
- Contract a second 'triple' drilling rig to accelerate field exploration and development. Corridor is planning to drill seven wells (100% Corridor) and one joint well (50% Corridor) with this rig, for a total budgeted cost of \$31.5 million over the expected one-year commitment period including \$13 million in 2007.
- Expand the summer frac program to include experimental fracs on Frederick Brook shale gas intervals in one or more of the McCully F-58, P-76 and E-38 wells. Corridor projected the cost of these additional fracs to be \$5.2 million (100% Corridor).
- Drill three stratigraphic core-holes in the Sally's Brook area (near Elgin, New Brunswick) at an estimated total cost of \$1.5 million (100% Corridor).
- Undertake a 3-D seismic program over the southern flank of the Green Gables structure, contingent upon successfully testing natural gas production at the Green Gables #3 well in the summer of 2007. Corridor estimated the cost of the seismic program to be \$3.5 million (100% Corridor).
- Install an inlet compressor to ensure the gas plant has the capacity to operate at rates as much as 50% higher than its name-plate capacity of 30 million standard cubic feet per day when wellhead production pressures decline below 1000 pounds per square inch, at a projected cost of \$5 million.

As a result, Corridor's capital expenditure program for 2007, excluding the midstream facilities, had increased by \$43 million to a total of approximately \$103 million.

Corridor has recently revised the 2007 capital expenditure program to account for the following:

- Increase the 2007 frac program by an additional \$4 million to enable more research of the Frederick Brook and upper Hiram Brook sands;
- Increase drilling costs by \$3.5 million due to longer than anticipated drilling times;
- Delay the installation of the inlet compressor until mid-2008 due to the non-availability of this equipment; and
- Defer the PEI 3-D seismic program and the Elgin horizontal shale gas well to 2008 to offset the above increases and for scheduling reasons.

As a result, Corridor's current estimate of the 2007 capital expenditure program, excluding the midstream facilities is \$99 million. Corridor's 2007 revised capital expenditure program will be funded with proceeds from the December, 2006 and June 2007 equity financings and funds from future production operations.

Results of Operations

Revenues

<i>thousands of dollars</i>	Three months ended		Six months ended	
	June 30 2007	May 31 2006	June 30 2007	May 31 2006
Natural gas	\$1,527	\$1,453	\$2,807	\$2,714
Condensate	21	-	21	-
	\$1,548	\$1,453	\$2,828	\$2,714

Natural Gas Revenues

<i>thousands of dollars</i>	Three months ended		Six months ended	
	June 30 2007	May 31 2006	June 30 2007	May 31 2006
Natural gas revenues (before royalties)	\$1,527	\$1,453	\$2,807	\$2,714
Natural gas production (mcf)	110,075	86,914	193,144	167,472
Average natural gas production per day (mcfpd)	1,210	945	1,067	920
Average natural gas selling price (\$/mcf)	\$13.88	\$16.72	\$14.53	\$16.21

On June 28, 2007 Corridor commenced the production of natural gas from four additional wells in the McCully Field. This natural gas is delivered to the M&NP and sold to Corridor's gas marketer at prices referenced to Henry Hub. Natural gas production from the 2 wells producing since 2003 will continue to supply a nearby potash mill. These natural gas sales which had been based on the N.Y. Harbour price of No. 2 fuel oil will now also be referenced to Henry Hub.

The increase in natural gas revenues and production for the three and six months ended June 30, 2007 reflects the start up production from the four additional wells. The natural gas production from the initial 2 wells decreased by 2% during the six months ended June 30, 2007 due to a decrease in gas demand at the nearby potash mill. The average natural gas selling price was lower due to the decrease in the price of No. 2 fuel oil in 2007 and due to change of the reference price of natural gas to Henry Hub effective June 28, 2007.

Corridor has decreased earlier estimates of revenues by \$5 million and now forecasts natural gas revenues in the range of \$43 - \$48 million for 2007 (Q1, 2007 estimates of revenues were net of transportation expense). The decrease in revenues is due to the delay in production ramp-up and a further delay in bringing the new wells on stream in the fall of 2007 as a result of a slower than anticipated regulatory process. Corridor now estimates gross production to reach 35 mmcf/d by September, 2007 once all the initial wells are producing to capacity and gross production of 45 mmcf/d by December, 2007 once the wells completed in Q3, 2007 come on stream.

Royalty Expense

<i>thousands of dollars</i>	Three months ended		Six months ended	
	June 30	May 31	June 30	May 31
	2007	2006	2007	2006
Crown royalties	\$129	\$118	\$230	\$220
Royalty expense per mcf (\$/mcf)	\$1.17	\$1.36	\$1.19	\$1.31
Percentage of revenues	8.3%	8.1%	8.1%	8.1%

Currently a royalty rate of 10% is payable based on revenues, net of deductions for processing and a recovery of capital costs. The increase in the average royalty rate for Q2, 2007 is due to the additional natural gas production from the McCully Field net of the related deductions for the midstream facilities.

Corridor has recently been notified by the New Brunswick Government that the royalty regime regulations are expected to change during 2008. These changes are not expected to have a long-term financial impact.

A net royalty rate of approximately 8.0% - 8.5% is still forecasted for 2007.

Production Expense

<i>thousands of dollars</i>	Three months ended		Six months ended	
	June 30	May 31	June 30	May 31
	2007	2006	2007	2006
Production expense	\$60	\$91	\$115	\$161
Production expense per mcf (\$/mcf)	\$0.55	\$1.05	\$0.60	\$0.96

Production expense for the three and six months ended June 30, 2007 has decreased due to additional maintenance required during the three months ended May 31, 2006. The increased natural gas production for the last 3 days of June, 2007 had an insignificant impact on the production expenses for Q2, 2007.

Production expense of approximately \$0.50/mcf is still forecasted for 2007.

Transportation Expense

<i>thousands of dollars</i>	Three months ended		Six months ended	
	June 30	May 31	June 30	May 31
	2007	2006	2007	2006
Transportation expenses	\$268	\$-	\$268	\$-
Transportation expenses per mcf (\$/mcf)	\$2.43	\$-	\$1.39	\$-

Transportation expense is high in Q2, 2007 due to a firm transportation agreement which began almost 3 months before the Company began delivering natural gas to M&NP. The Company has a commitment to purchase approximately 9,000 mmbtu per day of transportation on the Canadian side of the Maritimes and Northeast Pipeline from April 1, 2007 to April 1, 2008 and an additional 10,000 mmbtu per day from July 12, 2007 to October 31, 2007.

Transportation expense of approximately \$1.33/mcf is forecasted for 2007.

Depletion, Depreciation and Accretion

<i>thousands of dollars</i>	Three months ended		Six months ended	
	June 30 2007	May 31 2006	June 30 2007	May 31 2006
Depletion, depreciation and accretion	\$342	\$672	\$719	\$1,287
Depletion, depreciation and accretion per mcf (\$/mcf)	\$3.11	\$7.73	\$3.72	\$7.68

Depletion expense is calculated using the unit-of-production method which is based on production volumes in relation to the proved reserve base. Corridor's depletion, depreciation and accretion rates had been steadily increasing during the fiscal year ended August 31, 2006 because of the increase in capital expenditures with no corresponding increase in proved reserves. However, an independent engineering firm reported an increase in Corridor's proved reserves of 28 bcf as of August 31, 2006 and a further increase of 5 bcf as of December 31, 2006. As a result the depletion, depreciation and accretion rate decreased for the three and six months ended June 30, 2007.

The outlook for the depletion, depreciation and accretion rate per mcf for 2007 has increased to approximately \$5.0/mcf - \$5.5/mcf due to the increase in capital expenditures.

General and Administrative Expenses

<i>thousands of dollars</i>	Three months ended		Six months ended	
	June 30 2007	May 31 2006	June 30 2007	May 31 2006
Gross expenses	\$1,381	\$583	\$2,758	\$956
Capitalized overhead	(93)	(172)	(172)	(358)
Operator recoveries	(18)	(114)	(20)	(201)
Net expenses	\$1,270	\$297	\$2,566	\$397

Corridor has undergone significant growth during the last year in order to prepare for production start-up. Ten additional employees have been hired and several consultants engaged, requiring additional office space, equipment and supplies. As a result, gross general and administration expenses ("G&A") have increased significantly. The decrease in capitalized overhead and operator recoveries is consistent with the decrease in capital expenditures relating to joint venture activity.

Interest

The increase in interest and other income of \$205 thousand for the six months ended June 30, 2007 compared to the six months ended May 31, 2006 reflects higher short-term investments resulting from the June 2007 financing.

The increase in interest expense and financing costs of \$346 thousand and \$554 thousand, for the three and six months ended June 30, 2007 respectively, reflects interest expense on the bank loan, standby charges on the unused credit facility and amortization of the related deferred financing costs.

Future Income Taxes

The Company's effective tax rate of 19% and 18%, for the three and six months ended June 30, 2007 respectively, is significantly lower than the statutory income tax rate of approximately 35% as stock-based compensation expense is non-deductible for income tax purposes. The effective tax rate for the three and six months ended May 31, 2006 is not comparable to the three and six months ended June 30, 2007 due to an adjustment to the future income tax provision of \$92 thousand during the three months ended May 31, 2006.

Balance Sheet Items

Significant changes in the balance sheets between June 30, 2007 and December 31, 2006 include:

- \$22,840 thousand increase in cash and cash equivalents reflecting mostly the net proceeds from the June 2007 share issues of \$62,444 thousand compared to the net proceeds from the December 2006 shares issues of \$28,839 thousand.
- \$1,800 thousand increase in restricted cash reflecting mostly a letter of credit guarantee in connection with a natural gas sales agreement.
- \$60,672 thousand increase in property, plant and equipment reflecting the increased capital expenditure spending and the increase in inventory of drilling materials.
- \$16,528 thousand increase in the bank loan reflecting instalments received on the \$40 million non-revolving short term bank loan net of unamortized deferred financing costs.
- \$5,435 thousand increase in accounts payable and accrued liabilities reflecting the increased capital expenditure spending.
- \$673 thousand increase in future income taxes reflecting the tax impact of \$2,170 thousand from the renunciation in January, 2007 of \$7 million in exploration expenditures net of the tax impact of \$1,110 thousand on share issue costs of \$3,578 thousand.
- \$61,864 thousand increase in capital stock reflecting the net proceeds from the June 2007 share issues of \$62,444 thousand.

Cash Flow Highlights

<i>thousands of dollars</i>	Three months ended		Six months ended	
	June 30 2007	May 31 2006	June 30 2007	May 31 2006
Cash provided by (used in) operating activities	\$441	\$1,716	\$(241)	\$2,433
Cash provided by financing activities	71,045	37,685	79,505	42,016
Cash used in investing activities	(26,432)	(4,744)	(56,424)	(17,729)
Increase in cash and cash equivalents	\$45,054	\$34,657	\$22,840	\$26,720

The decrease in cash provided by operating activities for the three and six months ended June 30, 2007 compared to three and six months ended May 31, 2006 reflects mostly the increase in G&A expenses.

The increase in cash provided by financing activities for the three and six months ended June 30, 2007 reflects the net proceeds from the June 2007 share issues and an increase in the non-revolving short term loan compared to the net proceeds from the April, 2006 share issues of approximately \$37,500 thousand in the three and six months ended May 31, 2006.

The increase in cash used in investing activities for the three and six months ended June 30, 2007 compared to the three and six months ended May 31, 2006 is due to the increase in capital spending.

Outstanding Share Information

As of July 31 2007, the outstanding share information was as follows:

Common shares outstanding	81,922,634
Stock options to purchase common shares	2,050,000
Total common shares outstanding after exercise of all stock options	83,972,634

Liquidity and Capital Resources

In November 2006, Corridor signed an agreement in respect of a \$30 million non-revolving short term credit facility with a Canadian chartered bank and on May 11, 2007, entered into an amending agreement to increase this credit facility to \$40 million. The interest rate on the loan is based on the bank's prime interest rate plus one percent and the loan matures, subject to mutual agreement to extend, on September 30, 2007. The proceeds from the loan will partially fund the midstream facilities.

The Company has sufficient financial resources to undertake its revised exploration and development drilling program for 2007 and 2008. Future additional drilling and completion activities are planned to be financed with a combination of funds from operations and equity financing.

Changes in Accounting Policies

In 2005, the Canadian Institute of Chartered Accountants issued Section 3855, "Financial Instruments – Recognition and Measurement", Section 1530 – "Comprehensive Income" and Section 3861 – "Financial Instruments – Disclosure and Presentation". The new standards apply to interim and annual financial statements beginning on or after October 1, 2006. The adoption of these new standards required the identification of all of the Company's financial instruments and their classification into one of five categories; held for trading, available for sale, held to maturity, loans and receivables and other liabilities. Section 3855 requires that all financial instruments, including derivatives, be recognized in the financial statements and measured at inception at fair values and that financial instruments classified as available for sale and held to maturity be subsequently measured at fair value at each balance sheet date. Gains and losses resulting from this fair value measurement will be recognized in the income statement for held for trading financial instruments and in the statement of comprehensive income for financial assets classified as available for sale. Section 1530 establishes standards for reporting and displaying the statement of comprehensive income. Section 3861 requires interim disclosure to enable users to evaluate the significance of financial instruments on the Company's financial position and cash flows and to understand the nature and extent of risks to which the Company is exposed and how these risks are managed.

These new accounting standards were applied prospectively without restatement of prior periods. Any adjustments in the carrying amount of financial instruments were required to be recorded to the opening balance of retained earnings or other comprehensive income depending on their classification. The Company has assessed the impact of these new standards at January 1, 2007 and has determined the only adjustment required in the financial statements is the netting of the balance of deferred debt issue costs against the corresponding bank loan. The Company adopted a policy of adding transaction costs to the related financial asset or liability and amortizing these costs using the effective interest method over the expected life of the instrument.

In 2006, the Canadian Institute of Chartered Accountants replaced Section 1506, "Accounting Changes". The new standard applies to interim and annual financial statements beginning on or after January 1, 2007. Under the new standard, changes in accounting policies are to be applied retrospectively to all prior periods presented for comparative purposes. The adoption of this revised standard has had no impact on the financial statements.

Future accounting policy changes

As of January 1, 2008, the Company will be required to adopt two new CICA standards: Section 3862 "Financial Instruments – Disclosures"; and Section 3863 "Financial Instruments – Presentation", which will replace Section 3861 "Financial Instruments – Disclosure and Presentation". The new standards will require enhanced disclosure to assist users of the financial statements in evaluating the significance of financial instruments on the Company's financial position and performance. The disclosure will include qualitative and quantitative information about the exposure to risks arising from financial instruments. The new accounting standards cover disclosure only and will have no effect on the financial results of the Company.

As of January 1, 2008, the Corporation will be required to adopt CICA Section 1535 “Capital Disclosures” which will require disclosure of objectives, policies and processes for managing capital. In addition, disclosures will include whether companies have complied with externally imposed capital requirements. The new accounting standard covers disclosure only and will have no effect on the financial results of the Company.

Contingent Liability

Under flow-through share renunciation agreements, the Canada Revenue Agency (“CRA”) has the right to audit the renunciations of Canadian exploration expenditures. The Company has been selected for a CRA audit relating to the renunciation of \$27,784 thousand of exploration expenditures between August 31, 2001 and December 31, 2006. The Company has not made a provision for any liability which may arise out of this audit as the outcome is not determinable at this time. The Company does not expect the exposure to be material, although this cannot be predicted with certainty.

Quarterly Information

<i>thousand of dollars</i>	2007			2006			2005	
	Three months ended		Four months ended	Three months ended			Three months ended	
	Jun. 30	Mar. 31	Dec. 31	Aug. 31	May 31	Feb. 28	Nov. 30	Aug. 31
Gas revenues	\$1,527	\$1,280	\$1,693	\$858	\$1,453	\$1,261	\$1,645	\$873
Net earnings (loss)	\$(900)	\$(825)	\$(268)	\$(62)	\$198	\$(307)	\$226	\$337
Net earnings (loss) per share – basic	\$(0.011)	\$(0.011)	\$(0.004)	\$(0.001)	\$0.003	\$(0.005)	\$0.004	\$0.007
Net earnings (loss) per share – diluted	\$(0.011)	\$(0.011)	\$(0.004)	\$(0.001)	\$0.003	\$(0.005)	\$0.004	\$0.007
Natural gas production (mcf)	110,075	83,069	109,799	49,371	86,914	80,559	90,439	57,756
Average natural gas selling price (\$/mcf)	\$13.88	\$15.41	\$15.42	\$17.38	\$16.72	\$15.65	\$18.19	\$15.12
Capital expenditures	\$25,050	\$33,976	\$29,939	\$19,601	\$3,551	\$9,139	\$17,850	\$7,268

Natural gas revenues are affected mostly by the variability of the natural gas selling price which was based on the N.Y. Harbour price of No. 2 fuel oil until production to M&NP began on June 28, 2007. Previously, the natural gas production varied significantly during the three months ended August 31 due to our only customer’s annual plant shut-down.

Net earnings have decreased significantly in Q1 and Q2, 2007 due to increased G&A expenses as the Company ramped up for natural gas production to M&NP.

Statements of Loss and Deficit (Unaudited)

(thousands of dollars, except per share amounts)

For the	Three months ended		Six months ended	
	June 30 2007	May 31 2006	June 30 2007	May 31 2006
Operating Revenues				
Revenues	\$ 1,548	\$ 1,453	\$ 2,828	\$ 2,714
Royalty expense	(129)	(118)	(230)	(220)
Production expense	(60)	(91)	(115)	(161)
Transportation expense	(268)	-	(268)	-
	1,091	1,244	2,215	2,333
Expenses				
Depletion, depreciation and accretion	342	672	719	1,287
General and administrative (note 3)	1,270	297	2,566	397
Stock-based compensation (note 7c)	410	155	851	683
Capital tax expense	90	153	180	188
	2,112	1,277	4,316	2,555
Loss before the following items	(1,021)	(33)	(2,101)	(222)
Interest and finance costs	384	38	590	36
Interest and other income	(289)	(275)	(579)	(374)
Earnings (loss) before income taxes	(1,116)	204	(2,112)	116
Future income tax expense (recovery) (note 5)	(216)	6	(387)	224
Net earnings (loss)	(900)	198	(1,725)	(108)
Deficit, beginning of period	(6,203)	(5,247)	(5,378)	(4,941)
Deficit, end of period	\$ (7,103)	\$ (5,049)	\$ (7,103)	\$ (5,049)
Net earnings (loss) per share (note 8)				
Basic	\$ (0.011)	\$ 0.003	\$ (0.022)	\$ (0.002)
Diluted	\$ (0.011)	\$ 0.003	\$ (0.022)	\$ (0.002)

See accompanying notes to the financial statements.

Balance Sheets

(thousands of dollars)

As at	June 30 2007 (unaudited)	December 31 2006 (audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 59,809	\$ 36,969
Restricted cash	1,800	-
Receivables	2,646	2,961
Receivables from joint venture partners	28	21
Prepays and drilling permit deposits	726	291
	65,009	40,242
Property, plant and equipment (note 3)	171,783	111,111
Deferred debt issue costs and other	-	270
	\$ 236,792	\$ 151,623
Liabilities		
Current liabilities		
Bank loan (note 4)	\$ 16,528	\$ -
Accounts payable and accrued liabilities	19,998	14,563
Advances from joint venture partners	2,260	895
Capital taxes payable	21	1
	38,807	15,459
Future income taxes	4,557	3,884
Asset retirement obligations (note 6)	968	810
Shareholders' Equity		
Capital stock (note 7)	196,947	135,083
Contributed surplus (note 7d)	2,616	1,765
Deficit	(7,103)	(5,378)
	192,460	131,470
	\$ 236,792	\$ 151,623

See accompanying notes to the financial statements.

Commitments (note 12)

Contingent liability (note 14)

On behalf of the Board

Signed "Norman W. Miller" _____ Director

Signed "Paul J. Hopkins" _____ Director

Statements of Cash Flows (Unaudited)

(thousands of dollars)

For the	Three months ended		Six months ended	
	June 30 2007	May 31 2006	June 30 2007	May 31 2006
Cash provided by (used in):				
Operating Activities				
Net earnings (loss)	\$ (900)	\$ 198	\$ (1,725)	\$ (108)
Depletion, depreciation and accretion	342	672	719	1,287
Stock-based compensation	410	155	851	683
Future income tax expense (recovery)	(216)	6	(387)	224
Amortization of debt issue costs	118	-	217	-
	(246)	1,031	(325)	2,086
Increase in non-cash operating working capital	687	685	84	347
Cash provided by (used in) operating activities	441	1,716	(241)	2,433
Financing Activities				
Proceeds from capital stock issue	66,022	40,217	66,502	44,549
Increase in bank loan	8,600	-	16,650	-
Share issue costs	(3,568)	(2,532)	(3,578)	(2,533)
Other financing activities	(9)	-	(69)	-
Cash provided by financing activities	71,045	37,685	79,505	42,016
Investing Activities				
Property, plant and equipment expenditures	(25,050)	(3,551)	(59,026)	(12,691)
Increase in restricted cash	(350)	-	(1,800)	-
Increase (decrease) in non-cash investing working capital	(1,032)	(1,193)	4,402	(5,038)
Cash used in investing activities	(26,432)	(4,744)	(56,424)	(17,729)
Increase in cash and cash equivalents	45,054	34,657	22,840	26,720
Cash and cash equivalents, beginning of period	14,755	9,338	36,969	17,275
Cash and cash equivalents, end of period	\$ 59,809	\$ 43,995	\$ 59,809	\$ 43,995
Cash and cash equivalents consists of:				
Cash (bank indebtedness)	\$ (1,391)	\$ 495	\$ (1,391)	\$ 495
Short-term investments	61,200	43,500	61,200	43,500
Cash and cash equivalents, end of period	\$ 59,809	\$ 43,995	\$ 59,809	\$ 43,995

See accompanying notes to the financial statements.

Notes to the Interim Unaudited Financial Statements

June 30, 2007

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 the production of natural gas in Eastern Canada. The Company has changed its year-end from August 31 to December 31 to make the reporting period consistent with most reporting issuers in the Canadian oil and gas industry. The Company is reporting on results of operations for the three and six months ended June 30, 2007 with comparative information for the three and six months ended May 31, 2006.

These interim 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 four month period ended December 31, 2006 with the exception of the accounting policy changes disclosed in note 2. These interim financial statements should be read in conjunction with the audited financial statements as at and for the four month period ended December 31, 2006.

In Q2, 2007 Corridor completed the required midstream facilities to deliver natural gas to markets in the Maritimes and United States. Corridor will continue with exploration and development activities in the future. The recoverability of amounts recognized in petroleum and natural gas properties and production facilities is dependent upon future profitable production or proceeds from the disposition of the properties, the ability of the Company to obtain the necessary debt or equity financing to complete exploration and development of its properties and the discovery of additional economically recoverable reserves.

2 Changes in accounting policies

In 2005, the Canadian Institute of Chartered Accountants issued Section 3855, "Financial Instruments – Recognition and Measurement", Section 1530 – "Comprehensive Income" and Section 3861 – "Financial Instruments – Disclosure and Presentation". The new standards apply to interim and annual financial statements beginning on or after October 1, 2006. The adoption of these new standards required the identification of all of the Company's financial instruments and their classification into one of five categories; held for trading, available for sale, held to maturity, loans and receivables and other liabilities. Section 3855 requires that all financial instruments, including derivatives, be recognized in the financial statements and measured at inception at fair values and that financial instruments classified as available for sale and held to maturity be subsequently measured at fair value at each balance sheet date. Gains and losses resulting from this fair value measurement will be recognized in the income statement for held for trading financial instruments and in the statement of comprehensive income for financial assets classified as available for sale. Section 1530 establishes standards for reporting and displaying the statement of comprehensive income. Section 3861 requires interim disclosure to enable users to evaluate the significance of financial instruments on the Company's financial position and cash flows and to understand the nature and extent of risks to which the Company is exposed and how these risks are managed.

These new accounting standards were applied prospectively without restatement of prior periods. Any adjustments in the carrying amount of financial instruments were required to be recorded to the opening balance of retained earnings or other comprehensive income depending on their classification. The Company has assessed the impact of these new standards at January 1, 2007 and has determined the only adjustment required in the financial statements is the netting of the balance of deferred debt issue costs against the corresponding bank loan. The Company adopted a policy of adding transaction costs to the related financial asset or liability and amortizing these costs using the effective interest method over the expected life of the instrument.

Notes to the Interim Unaudited Financial Statements

June 30, 2007

2 Changes in accounting policies (continued)

In 2006, the Canadian Institute of Chartered Accountants replaced Section 1506, "Accounting Changes". The new standard applies to interim and annual financial statements beginning on or after January 1, 2007. Under the new standard, changes in accounting policies are to be applied retrospectively to all prior periods presented for comparative purposes. The adoption of this revised standard has had no impact on the financial statements.

Future accounting policy changes

As of January 1, 2008, the Company will be required to adopt two new CICA standards: Section 3862 "Financial Instruments – Disclosures"; and Section 3863 "Financial Instruments – Presentation", which will replace Section 3861 "Financial Instruments – Disclosure and Presentation". The new standards will require enhanced disclosure to assist users of the financial statements in evaluating the significance of financial instruments on the Company's financial position and performance. The disclosure will include qualitative and quantitative information about the exposure to risks arising from financial instruments. The new accounting standards cover disclosure only and will have no effect on the financial results of the Company.

As of January 1, 2008, the Corporation will be required to adopt CICA Section 1535 "Capital Disclosures" which will require disclosure of objectives, policies and processes for managing capital. In addition, disclosures will include whether companies have complied with externally imposed capital requirements. The new accounting standard covers disclosure only and will have no effect on the financial results of the Company.

3 Property, plant and equipment

(thousands of dollars)

June 30, 2007	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 109,128	\$ 4,117	\$ 105,011
Production facilities	64,217	1,016	63,201
Inventory	2,245	-	2,245
Future asset retirement costs	858	76	782
Office furniture and equipment	751	207	544
	\$ 177,199	\$ 5,416	\$ 171,783

(thousands of dollars)

December 31, 2006	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 86,136	\$ 3,698	\$ 82,438
Production facilities	28,500	794	27,706
Inventory	37	-	37
Future asset retirement costs	728	73	655
Office furniture and equipment	434	159	275
	\$ 115,835	\$ 4,724	\$ 111,111

For the three and six months ended June 30, 2007, Corridor capitalized to petroleum and natural gas properties general and administrative costs of \$93 thousand and \$172 thousand respectively (three and six months ended May 31, 2006 - \$172 thousand and \$358 thousand). The calculation of depletion includes estimated future development costs, as determined by an independent engineering firm, relating to the development of proved reserves of \$22 million (three and six months ended May 31, 2006 - \$0.5 million).

Notes to the Interim Unaudited Financial Statements

June 30, 2007

4 Bank loan

(thousands of dollars)

	June 30 2007	December 31 2006
Bank loan	\$ 16,650	\$ -
Deferred debt issue costs	(122)	-
	\$ 16,528	\$ -

The bank loan relates to a \$40 million non-revolving short term loan with a Canadian chartered bank. The interest rate on the loan is based on the bank's prime rate plus one percent and the loan matures, subject to mutual agreement to extend, on September 30, 2007. The bank loan is secured by a \$50 million demand debenture on the Company's property, plant and equipment.

5 Future income taxes

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

(thousands of dollars)

	Three months ended		Six months ended	
	June 30 2007	May 31 2006	June 30 2007	May 31 2006
Earnings (loss) before income taxes	\$ (1,116)	\$ 204	\$ (2,112)	\$ 116
Statutory income tax rate	35%	36%	35%	36%
Expected income tax expense (recovery)	\$ (390)	\$ 73	\$ (739)	\$ 42
Increase (decrease) resulting from:				
Non-deductible stock-based compensation	144	56	298	246
Resource allowance	-	(92)	-	(92)
Effect of tax rate changes	28	-	50	(7)
Other	2	(31)	4	35
	\$ (216)	\$ 6	\$ (387)	\$ 224

6 Asset retirement obligations

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

(thousands of dollars)

	June 30 2007	December 31 2006
Balance, beginning of period	\$ 810	\$ 1,031
Liabilities incurred	130	26
Change in estimate	-	(277)
Accretion expense	28	30
Balance, end of period	\$ 968	\$ 810

The estimated undiscounted future obligation associated with the retirement of the obligation is \$4,468 thousand (December 31, 2006 - \$3,709 thousand). Management estimates the settlement of these obligations by 2029. A credit adjusted risk-free rate of 8% (December 31, 2006 - 8%) and an inflation rate of 2% (December 31, 2006 - 2%) was used to calculate the estimated fair value of the asset retirement obligations.

Notes to the Interim Unaudited Financial Statements

June 30, 2007

7 Capital stock

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

b) **Issued and outstanding**

(thousands of dollars)

	June 30, 2007		December 31, 2006	
	Number of shares (000's)	Amount	Number of shares (000's)	Amount
Balance, beginning of period	76,051	\$ 135,083	71,159	\$ 105,368
Issue of common shares for cash	4,071	46,002	4,700	30,550
Issue of flow-through shares for cash	1,400	20,020	-	-
Exercise of stock options for cash	400	480	192	346
Tax impact of flow-through renunciation	-	(2,170)	-	-
Share issue costs net of tax benefit	-	(2,468)	-	(1,181)
Balance, end of period	81,922	\$ 196,947	76,051	\$ 135,083

On June 1, 2007, Corridor issued flow-through shares which resulted in an obligation to spend \$20,020 thousand on qualifying expenditures prior to December 31, 2008. At June 30, 2007, no expenditures had been incurred.

On April 27, 2006, Corridor issued flow-through shares which resulted in an obligation to spend \$7,000 thousand on qualifying expenditures prior to December 31, 2007. The related exploration expenditures were renounced in January, 2007. At June 30, 2007, there was no remaining obligation (December 31, 2006 - \$1,464 thousand).

c) **Stock options**

The Company has a stock option plan under which options to purchase common shares of the Company may be granted to directors, officers, employees and consultants of the Company. The stock option plan is limited to 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:

	June 30, 2007		December 31, 2006	
	Number of options (000's)	Weighted average exercise price	Number of options (000's)	Weighted average exercise price
Balance, beginning of period	2,550	\$ 3.28	2,707	\$ 3.14
Exercised	(400)	\$ 1.20	(192)	\$ 1.80
Forfeited	(100)	\$ 5.50	-	-
Granted	-	-	35	\$ 6.05
Balance, end of period	2,050	\$ 3.57	2,550	\$ 3.28
Options exercisable, end of period	1,163	\$ 2.55	1,438	\$ 2.03

Notes to the Interim Unaudited Financial Statements

June 30, 2007

7 Capital stock (continued)

The range of exercise prices of stock options outstanding and exercisable as at June 30, 2007 is as follows:

Exercise prices	Number of options outstanding (000's)	Number of options exercisable (000's)	Weighted average remaining term (years)
\$ 0.95 - \$ 1.20	750	712	0.6
\$ 4.40 - \$ 4.70	620	305	3.6
\$ 5.09 - \$ 5.82	670	143	4.0
\$ 6.62	10	3	4.4
	2,050	1,163	2.6

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

	June 30 2007	December 31 2006
Weighted average fair value of options granted	\$ 3.22	\$ 3.86
Risk-free interest rate	4%	4%
Expected life (years)	3.0	3.0
Expected volatility	85%	85%

For the three and six months ended June 30, 2007, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$410 thousand and \$851 thousand respectively (three and six months ended May 31, 2006 - \$155 thousand and \$683 thousand).

d) Contributed surplus

(thousands of dollars)

	June 30 2007	December 31 2006
Balance, beginning of period	\$ 1,765	\$ 1,232
Stock-based compensation expense	851	533
Balance, end of period	\$ 2,616	\$ 1,765

Notes to the Interim Unaudited Financial Statements

June 30, 2007

8 Earnings per share

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

(thousands of shares)

	Three months ended		Six months ended	
	June 30 2007	May 31 2006	June 30 2007	May 31 2006
Weighted average	78,073	66,045	77,178	63,716
Effect of stock options	1,385	1,128	1,303	1,163
Effect of warrants	-	-	-	540
Diluted weighted average	79,458	67,173	78,481	65,419

The dilution calculation for the six months ended May 31, 2006 includes the exercise of 2,254 thousand warrants during the period.

9 Financial instruments

a) Held for trading

The carrying values of cash and cash equivalents and restricted cash are marked-to market through net income at each period end.

b) Loans and receivables

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

c) Other financial liabilities

The carrying values of accounts payable and accrued liabilities, advances from joint venture partners and the bank loan approximate their fair values because of their short term to maturity or because the interest rate approximates market rates at June 30, 2007. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method which generally corresponds to cost.

d) Credit risk

Corridor sells all of its production to one 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 and the Company views credit risk on these amounts as low.

e) Foreign currency risk

Natural gas revenues are based on a U.S. Dollar benchmark, the Company is therefore exposed to fluctuations in the exchange rate between the Canadian dollar and U.S. dollar.

f) Commodity price risk

The Company is exposed to risks from fluctuations in the natural gas sales prices.

g) Interest rate risk

The Company is exposed to risks from fluctuations in interest rates on the bank loan.

Notes to the Interim Unaudited Financial Statements

June 30, 2007

10 Supplemental cash flow information

(thousands of dollars)

	Three months ended		Six months ended	
	June 30 2007	May 31 2006	June 30 2007	May 31 2006
Interest and income taxes paid:				
Interest paid	\$ 295	\$ -	\$ 342	\$ -
Capital and other taxes paid	\$ 106	\$ 79	\$ 190	\$ 306

11 Related parties

A director of Corridor is a partner in a law firm that provides legal services to the Company. For the three and six months ended June 30, 2007 legal expenses of \$108 thousand are included in general and administrative expenses (three and six months ended May 31, 2006 - \$50 thousand and \$60 thousand) and share issue costs of \$99 thousand are included in capital stock as at June 30, 2007 (four months ended December 31, 2006- \$114 thousand). The amounts paid are recorded at the amount agreed to between the parties. At June 30, 2007 an amount of \$204 thousand was included in accounts payable and accrued liabilities (December 31, 2006 – \$141 thousand).

12 Commitments

The Company has a commitment to purchase approximately 9,000 mmbtu per day of transportation on the Canadian side of the Maritimes and Northeast Pipeline from April 1, 2007 to April 1, 2008 and an additional 10,000 mmbtu per day from July 12, 2007 to October 31, 2007. The cost of these commitments over the term of the contract is approximately \$1 million and \$250 thousand respectively.

The Company has a commitment to sell 5,000 mmbtu per day of natural gas from July 1, 2007 to November 1, 2007.

The Company has a commitment to sell 15,000 mmbtu per day of natural gas from November 1, 2007 to March 31, 2008 which includes the purchase of firm transportation on the Canadian and U.S. portions of the Maritimes and Northeast Pipeline.

13 Comparative amounts

Certain of the comparative amounts have been reclassified to conform to the financial statement presentation adopted for June 30, 2007.

14 Contingent liability

The Company has been selected for a Canada Revenue Agency audit for the taxation years between August 31, 2001 and December 31, 2006 relating to the renunciation of \$27,784 thousand of exploration expenditures under flow-through share agreements during this period. The Company has not made a provision for any liability which may arise out of this audit as the outcome is not determinable at this time. The Company does not expect the exposure to be material, although this cannot be predicted with certainty.

Corporate Information

Head Office

Suite 301, Cornwallis House
5475 Spring Garden Road
Halifax, Nova Scotia B3J 3T2
Canada

Telephone (902) 429-4511
Fax (902) 429-0209
E-mail nmiller@corridor.ca
Website www.corridor.ca

Stock Exchange

TSX– Trading Symbol CDH

Directors and Officers

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

Share Capital

Shares Authorized – Unlimited number of common shares
Common shares issued as of July 31, 2007 – 81,922,634

Bankers

Bank of Nova Scotia, Halifax, Nova Scotia

Royal Bank of Canada, Calgary, Alberta

Auditors

Grant Thornton LLP
Halifax, Nova Scotia

Solicitors

Bennett Jones LLP
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta
Toronto, Ontario

Independent Engineering Firm

APA Petroleum Engineering Inc.
Calgary, Alberta