2007 Management's Discussion and Analysis

As of March 27, 2008

This management's discussion and analysis ("MD&A") of financial results and condition of Corridor Resources Inc. ("Corridor" or the "Company") for the year ended December 31, 2007 should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2007. In November 2006, the Company changed its year-end from August 31 to December 31 to make its financial reporting period consistent with that of most reporting issuers in the Canadian oil and gas industry.

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

Additional information about Corridor, including the Company's annual information form for the year ended December 31, 2007 (the "Annual Information Form") is available on the Internet through the System for Electronic Document Analysis and Retrieval (SEDAR) found at www.sedar.com.

Forward Looking Information

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

- business plans and strategies;
- capital expenditure programs;
- operating expenses;
- the quantity of natural gas reserves;
- net present values of future net revenues from reserves;
- production levels;
- abandonment and reclamation costs;
- 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 acquisitions, exploration and development; and
- treatment under governmental regulatory regimes.

Statements relating to "reserves" are forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described exist in the quantities predicted or estimated and can profitably be produced in the future.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to the Company and its shareholders.

Forward-looking statements are based on the Company's current beliefs as well as assumptions made by, and information currently available to, the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, future natural gas commodity prices, future natural gas production levels, the ability to obtain equipment in a timely manner to carry out development activities, the ability to market natural gas successfully to current and new customers, the impact of increasing competition, the ability to obtain financing on acceptable terms, and the ability to add production and reserves through development and exploration activities. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. These factors include, but are not limited to: 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, co-existence with mining operations, 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, issuance of debt, title to properties, variations in exchange rates, and hedging. Further information regarding these factors may be found under the heading "Risk Factors" in the Annual Information Form. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive.

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

Non-GAAP Financial Measures

This MD&A refers to "Cash flow from operations" which is a financial measure that is not determined in accordance with Canadian generally accepted accounting principles ("GAAP"). This measure does not have a standardized meaning and may not be comparable to similar measures presented by other companies. "Cash flow from operations" is used by the Company to analyse operating performance, leverage and liquidity and is included in this MD&A because it is believed to facilitate the understanding of the results of Corridor's operations and financial position.

Introduction

Corridor Resources Inc. is a junior resource company engaged in the exploration for and development and production of petroleum and natural gas onshore in New Brunswick, Prince Edward Island and Québec and offshore in the Gulf of St. Lawrence. The Company has reserves of natural gas at only one property, the McCully Field near Sussex, New Brunswick. In June 2007, Corridor completed the construction of a field gathering system, a gas plant and a pipeline lateral connecting the McCully Field to markets through the Maritimes & Northeast Pipeline ("M&NP").

Selected Financial Information

thousands of dollars except per share amounts	**Three months ended**	**Four months ended**	**Twelve months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	August 31 2006
Revenues	**$16,916**	$1,693	**$33,347**	$5,289
Net earnings (loss)	**$4,682**	$(268)	**$4,049**	$56
Net earnings (loss) per share - basic	**$0.057**	$(0.004)	**$0.051**	$0.001
Net earnings (loss) per share - diluted	**$0.056**	$(0.004)	**$0.050**	$0.001
Cash flow from operations[(1)]	**$11,793**	$909	**$20,482**	$4,002
Capital expenditures	**$27,728**	$29,939	**$113,148**	$50,141
Gross proceeds from capital stock issues	**$1,199**	$30,896	**$67,701**	$44,611
Total assets	**$240,187**	$151,623	**$240,187**	$126,052

[1]Cash 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. See "Non-GAAP Financial Measures".

Highlights of 2007

- In June 2007, Corridor completed the construction of the gas gathering system, gas processing plant and pipeline lateral to connect the McCully Field with the M&NP. The gross capital cost of the initial gathering system, gas plant and pipeline facilities is approximately $63 million.

- On June 28, 2007, the Company commenced the flow of natural gas from the McCully Field to the M&NP. For the year ended December 31, 2007 natural gas production averaged 10.2 mmscfpd net to Corridor (19.1 mmscfpd net production to Corridor and 26.7 mmscfpd total production since the start-up of production to the M&NP on June 28, 2007).

- Natural gas revenues for the year ended December 31, 2007 increased to $31,277 thousand from $5,217 thousand for the year ended August 31, 2006.

- Net earnings for the year ended December 31, 2007 increased to $4,049 thousand from $56 thousand for the year ended August 31, 2006.

- 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. 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 year ended December 31, 2007, Corridor drilled 10 gross wells (9 net wells) and commenced drilling 1 additional gross well (0.5 net well) late in Q4, 2007.

- During the latter half of 2007, Corridor conducted a multi-well frac stimulation program at the McCully Field at an estimated net cost to Corridor of $25 million, $23 million of which was incurred in the year ended December 31, 2007.

Q4, 2007 Financial Summary

thousands of dollars	**Three months ended**	**Four months ended**	**Twelve months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	August 31 2006
Revenues	**$16,916**	$1,693	**$33,347**	$5,289
Royalty expense	**(1,016)**	(132)	**(2,039)**	(434)
Production expense	**(699)**	(129)	**(1,353)**	(309)
Transportation expense	**(2,218)**	-	**(4,562)**	-
	12,983	1,432	**25,393**	4,546
Other Expenses				
Depletion, depreciation and accretion	**4,829**	479	**12,283**	2,377
General and administrative	**1,017**	826	**4,406**	1,110
Stock-based compensation	**402**	533	**1,634**	1,179
Capital tax expense	**90**	118	**420**	315
	6,338	1,956	**18,743**	4,981
Earnings (loss) before the following items	**6,645**	(524)	**6,650**	(435)
Interest and finance costs	**543**	31	**2,149**	170
Interest and other income	**(448)**	(422)	**(1,707)**	(993)
Earnings (loss) before income taxes	**6,550**	(133)	**6,208**	388
Large corporation tax	**-**	-	**-**	33
Future income tax expense	**1,868**	135	**2,159**	299
Net earnings (loss)	**$4,682**	$(268)	**$4,049**	$56

Fourth Quarter Overview

During Q4 2007, natural gas production averaged 19.1 mmscfpd net to Corridor (including production from penalty wells) and 26.7 mmscfpd total production, with an average natural gas sales price of $8.86/mscf, resulting in net earnings of $4,682 thousand and basic net earnings per share of $0.057.

Production in Q4 2007 was lower than previously estimated but this decrease was offset by a higher gas price resulting in total revenues from natural gas sales of $15,586 thousand.

During Q4 2007, Corridor substantially completed the 2007 fracture stimulation program. The duration of fracturing operations was considerably longer than in previous years due to the greater number of fracs undertaken, driven partly by the objective of completing all or most of the productive intervals in each of these wells. In addition, this year's program included experimental fracs to enable more research of the Frederick Brook and Upper Hiram Brook sands in the McCully Field. A total of 28 fracs in eight wells (F-58, H-76, P-76, D-66, E-38, J-38, I-67 and D-67) were completed during this frac program at an estimated net cost to Corridor of $25 million with $15 million incurred during Q4, 2007.

Capital Expenditures

thousands of dollars	**Three months ended**	**Four months ended**	**Twelve months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	August 31 2006
Drilling	**$9,143**	$6,944	**$46,992**	$22,169
Fracture stimulation programs	**14,996**	4,250	**23,191**	15,381
Midstream facilities and tie-ins	**2,557**	17,197	**40,549**	7,641
Land and seismic	**706**	1,260	**1,317**	4,293
Capitalized overhead	**128**	147	**388**	527
Office and other equipment	**198**	141	**711**	130
	$27,728	$29,939	**$113,148**	$50,141

Capital expenditures increased to $113,148 thousand in the year ended December 31, 2007 from $50,141 thousand in the year ended August 31, 2006. This increase is primarily due to expenditures associated with the construction of the midstream facilities and also to Corridor's expanded drilling and fracturing programs.

For the twelve months ended December 31, 2007 Corridor drilled 10 gross wells (9 net wells) and commenced drilling 1 additional gross well (0.5 net well), as compared to 8 gross wells (5 net wells) drilled in the 12 months ended August 31, 2006 and 1 gross well (0.5 net well) commenced.

During the fourth quarter of 2007, Corridor's capital spending included: mobilizing another drilling rig, substantially completing the fracture stimulation program and continuing the construction on the tie-in of additional wells into the McCully gas gathering system. When compared to the four months ended December 31, 2006, the increase in costs in Q4 2007 for drilling and fracture stimulation activities is primarily due to the addition of two drilling rigs (triples) and a more extensive and costly fracture stimulation program. Expenditures associated with the midstream facilities decreased significantly during Q4 2007 as compared to the four months ended December 31, 2006 as the construction of the midstream facilities was completed in June 2007.

In Q4 2007, Corridor continued drilling the J-76 and New Harmony #1 wells, drilled the D-67 well (2.5 net wells) and began drilling the E-67 well (0.5 net well). For the four months ended December 31, 2006, Corridor drilled 1 gross well (0.5 net well) and began drilling 1 gross well (1 net well).

Capital Expenditures Outlook

The 2008 capital budget is forecasted to be $70.9 million net to Corridor's working interest. The budget includes the following:

Drilling - 8 McCully development wells (including an additional $5.5 million for well E-67) and one exploration well	$43.0 million
Fracturing and testing program	18.8 million
Tie-ins of new wells to the McCully gathering system	5.0 million
3-D Seismic over the East flank of the McCully structure	2.0 million
Gas plant maintenance and other corporate assets	2.1 million
	$70.9 million

The 2008 budget excludes approximately $4 million of expenditures remaining from the 2007 capital program which were incurred early in Q1, 2008. Corridor's 2008 capital expenditure program is designed to increase natural gas production and revenues from the McCully Field while limiting expenditures to the cash flow from operations and the available $40 million credit facility.

Results of Operations

Revenues

thousands of dollars	**Three months ended**	**Four months ended**	**Twelve months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	August 31 2006
Natural gas	**$15,586**	$1,693	**$31,277**	$5,217
Condensate	**159**	-	**255**	72
Natural gas and gas liquids revenues	**$15,745**	$1,693	**$31,532**	$5,289
Gathering, processing & transportation fees	**1,171**	-	**1,815**	-
	$16,916	$1,693	**$33,347**	$5,289

On June 28 2007, Corridor commenced the production of natural gas from four additional wells in the McCully Field. An additional nine wells were added to production in the third quarter for a total of thirteen additional wells. Natural gas is delivered to the M&NP and sold to Corridor's gas marketer at prices referenced to Henry Hub (the published Platt's Gas Daily, Dracut mid-point price). Natural gas production from the 2 wells producing since 2003 will continue to supply a nearby potash mill. Prior to June 28, 2007, natural gas sales to our joint venture partner Potash Corporation of Saskatchewan ("PCS") had been based on the N.Y. Harbour price of No. 2 fuel oil.

Natural gas revenues increased to $31,277 thousand for the year ended December 31, 2007 from $5,217 thousand for the year ended August 31, 2006 due to the additional production and sale of natural gas resulting from the completion of the midstream facility, gas plant and pipeline lateral connecting the McCully Field to markets throughout the M&NP on June 28, 2007.

Natural gas prices and condensate prices are based on reference prices denominated in U.S. dollars and, accordingly, the strengthening Canadian dollar has negatively impacted Corridor's gas revenues.

Corridor's total revenues of $33 million for 2007 are in line with Corridor's latest estimates on revenues. Although, Corridor's gas production of 19.1 mmscfpd in Q4 2007 was lower than the previous estimate, this reduction was offset by higher than estimated gas prices.

Production Volumes and Pricing

thousands of dollars	**Three months ended**	**Four months ended**	**Twelve months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	August 31 2006
Total volumes				
Natural gas production (mmscf)	**1,759**	110	**3,716**	307
Condensate production (bbl)	**1,680**	-	**3,202**	-
Daily production averages				
Natural gas production per day (mmscfpd)	**19.1**	0.9	**10.2**	0.8
Condensate production per day (bblpd)	**18.3**	-	**8.8**	-
Average prices				
Natural gas selling price ($/mscf)	**$8.86**	$15.42	**$8.42**	$16.98
Condensate selling price ($/bbl)	**$94.6**	-	**$79.6**	-

Outlook

Corridor's budget for revenues is approximately $80 million, based on an estimated net production of 24 mmscfpd and an average gas sales price of US$7.25/mmbtu at Henry Hub and assuming the U.S. dollar is on par with the Canadian dollar.

Gathering, Processing and Transportation Revenues

thousands of dollars	**Three months ended**	**Four months ended**	**Twelve months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	August 31 2006
Gathering, processing and transportation	**$1,171**	$-	**$1,815**	$-

Corridor owns the gathering system, gas plant and pipeline which flows gas from the McCully Field to the M&NP. Third party gas flowing through these facilities, which currently is PCS' share of gas from the McCully Field, is charged a cost of service, the terms of which are consistent with recommended practices in the oil and gas industry.

Outlook

Corridor's 2008 budget for gathering, processing and transportation revenues from PCS' share of production is approximately $2.5 million.

Royalty Expense

thousands of dollars	**Three months ended**	**Four months ended**	**Twelve months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	August 31 2006
Crown royalties	**$1,016**	$132	**$2,039**	$434
Royalty expense per mscf ($/mscf)	**$0.58**	$1.20	**$0.55**	$1.41
Percentage of natural gas and gas liquids revenues	**6.5%**	7.8%	**6.5%**	8.2%

For the year ended December 31, 2007, Corridor paid a royalty rate of 10% based on revenues, net of deductions for processing and transportation and a recovery of capital costs. The 20% decrease in the effective royalty rate from the year ended August 31, 2006 is due to the additional allowable deductions for the midstream facilities.

Outlook

An effective royalty rate of approximately 6.5% is forecasted for 2008. Corridor believes the royalty regime regulations could change during 2008 but has not yet incorporated the impact of this potential change. These new regulations are not expected to have a long-term financial impact.

Production Expense

thousands of dollars	**Three months ended**	**Four months ended**	**Twelve months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	August 31 2006
Production expense	**$699**	$129	**$1,353**	$309
Production expense per mscf ($/mscf)	**$0.40**	$1.17	**$0.36**	$1.01

Production expense for the three and twelve months ended December 31, 2007 increased to $699 thousand and $1,353 thousand, respectively, from $129 thousand for the four months ended December 31, 2006 and $309 thousand for the year ended August 31, 2006 due to the start-up of natural gas production from the McCully Field to the M&NP. However, the increased production during the three months and year ended December 31, 2007 from earlier periods resulted in a lower production expense per mscf due to the higher throughput going through the new gas plant.

Outlook

Production expense of approximately $0.60/mscf is forecasted for 2008. Corridor's production expense per mscf may be higher than other sweet gas facilities because Corridor's gas plant is run by electricity instead of gas, and water disposal costs are higher as there is no disposal facility near the McCully Field making transport to Quebec necessary.

Transportation Expense

thousands of dollars	**Three months ended**	**Four months ended**	**Twelve months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	August 31 2006
Transportation expense	**$2,218**	$-	**$4,562**	$-
Transportation expense per mscf ($/mscf)	**$1.26**	$-	**$1.23**	$-

During the year ended December 31, 2007, the Company's transportation expense increased to $4,562 thousand from nil in the year ended August 31, 2006 due to the start-up of natural gas production from the McCully Field to the M&NP. During the year, transportation expense was positively impacted by the following:

- The Company has a commitment to purchase 8,933 mmbtu per day of transportation on the Canadian side of the M&NP from April 1, 2007 to April 1, 2008 at a cost of 40% of firm tolls, and an additional 3,237 mmbtu per day from December 1, 2007 to March 31, 2008 at a cost of 90% of firm tolls.

- Transportation expense on the U.S. side of the M&NP is referenced in U.S. dollars. The strengthening Canadian dollar compared to the U.S. dollar in the past year has resulted in a decrease in transportation expense.

Outlook

Transportation expense of approximately $1.60/mscf is forecasted for 2008 due to the expiry of some of the current discounted transportation agreements and the increase in the costs of interruptible service on the M&NP.

Depletion, Depreciation and Accretion

thousands of dollars	**Three months ended**	**Four months ended**	**Twelve months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	August 31 2006
Depletion, depreciation and accretion	**$4,829**	$479	**$12,283**	$2,377
Depletion, depreciation and accretion per mscf ($/mscf)	**$3.41**	$4.36	**$4.05**	$7.74

Depletion expense is calculated using the unit-of-production method which is based on production volumes (excluding penalty wells) in relation to the proved reserve base. The depletion, depreciation and accretion rate decreased for the three and twelve months ended December 31, 2007 compared to previous periods in 2006 despite significant additional capital expenditures due to increases of Corridor's proved reserves. Corridor's proved natural gas reserves have increased significantly from 35.9 bscf as at August 31, 2006 and 41.3 bscf as at December 31, 2006 to 79.9 bscf as at December 31, 2007.

Outlook

The Company's outlook for the depletion, depreciation and accretion rate per mscf for 2008 is approximately $4.0/mscf.

General and Administrative Expenses

thousands of dollars	**Three months ended**	**Four months ended**	**Twelve months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	August 31 2006
Gross expenses	**$1,196**	$1,048	**$4,885**	$1,895
Capitalized overhead	**(128)**	(147)	**(388)**	(527)
Operator recoveries	**(51)**	(75)	**(91)**	(258)
Net expenses	**$1,017**	$826	**$4,406**	$1,110

During the year ended December 31, 2007, gross general and administration expenses ("G&A") increased significantly to $4,885 thousand from $1,895 thousand during the year ended August 31, 2006 due to Corridor's significant growth in preparation for production start-up at the McCully Field and the expansion of its development and exploration programs. Several additional employees were hired and several consultants engaged, requiring additional office space, equipment and supplies. Similarly, G&A increased from $1,048 thousand during the four months ended December 31, 2006 to $1,196 thousand for the three months ended December 31, 2007.

Outlook

The outlook for G&A for 2008 is approximately $4.5 million.

Interest

Interest and other income increased by $714 thousand to $1,707 thousand for the year ended December 31, 2007 from $993 thousand for the year ended August 31, 2006 due to the higher amounts of short-term investments arising from the June 1, 2007 share issue of $62,449 thousand.

The increase in interest expense and finance costs of $512 thousand and $1,979 thousand for the three months and year ended December 31, 2007 reflects interest expense on the bank loan, standby charges on the unused credit facility, amortization of the related deferred financing costs as well as foreign exchange losses.

Future Income Taxes

The Company's effective tax rate for the twelve months ended December 31, 2007 is significantly different than the statutory income tax rate as stock-based compensation expense is non-deductible for income tax purposes. During the three months ended December 31, 2007 and the three months ended August 31, 2006, Corridor decreased its future income tax rate to reflect decreases in substantively enacted tax rates. The effective tax rate for the three and twelve months ended December 31, 2007 is not comparable to the four months ended December 31, 2006 and twelve months ended August 31, 2006 due to these adjustments.

As of December 31, 2007 Corridor's income tax pools were approximately as follows:

thousands of dollars

	December 31 2007
Canadian exploration expense	$26,465
Canadian development expense	77,310
Canadian oil and natural gas property expense	1,459
Deferred financing costs	6,393
Undepreciated capital cost	55,609
	$167,236

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. In January 2008, exploration expenditures of $20,020 thousand were renounced, and the income tax pools reduced, with an effective date of December 31, 2007. At December 31, 2007, the remaining obligation pursuant to the flow-through share issuance was $4,377 thousand.

Outlook

Based on planned capital expenditure programs and current commodity price assumptions, the Company will not be cash taxable in 2008 or 2009.

Balance Sheet Items

Significant changes in the December 31, 2007 balance sheet as compared to the December 31, 2006 balance sheet include:

- $22,590 thousand decrease in cash and cash equivalents reflecting the increased capital spending.
- $1,800 thousand increase in restricted cash reflecting mostly a letter of credit guarantee in connection with a natural gas sales agreement.
- $5,377 thousand increase in receivables reflecting the increase in natural gas sales.
- $102,843 thousand increase in property, plant and equipment reflecting the increased capital expenditure spending.

- $1,380 thousand increase in restricted cash and security deposits reflecting mostly a deposit on the demobilization of drilling rigs.
- $9,115 thousand increase in accounts payable and accrued liabilities reflecting the increased capital expenditure spending.
- $2,973 thousand increase in future income taxes reflecting the increased earnings before taxes and the tax impact from the renunciation in January, 2007 of $7 million in exploration expenditures net of the tax impact on share issue costs.
- $63,586 thousand increase in capital stock reflecting the net proceeds from the June 2007 share issue of $62,449 thousand.

Cash Flow Highlights

thousands of dollars	**Three months ended**	**Four months ended**	**Twelve months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	August 31 2006
Cash provided by operating activities	**$8,718**	$579	**$15,380**	$4,498
Cash provided by (used in) financing activities	**(36,458)**	28,885	**63,997**	42,066
Cash used in investing activities	**(20,236)**	(34,782)	**(101,967)**	(32,055)
Increase (decrease) in cash and cash equivalents	**$(47,976)**	$(5,318)	**$(22,590)**	$14,509

The increase in cash provided by operating activities for the three and twelve months ended December 31, 2007 compared to four months ended December 31, 2006 and the twelve months ended August 31, 2006 reflects mostly the increase in natural gas revenues, which increase was partially offset by the increase in royalty and transportation expenses as well as G&A expenses.

The decrease in cash provided by financing activities for the three months ended December 31, 2007 reflects the repayment on the bank loan of $37,650 thousand while the four months ended December 31, 2006 reflects net proceeds of $28,839 thousand from a common share issue. The increase in cash provided by financing activities for the twelve months ended December 31, 2007 reflects the net proceeds of $62,449 thousand from a common share issue.

The increase in cash used in investing activities for the twelve months ended December 31, 2007 compared to the twelve months ended August 31, 2006 is due to the increase in capital spending. The cash used in investing activities for the three months ended December 31, 2007 is lower compared to the four months ended December 31, 2006 due to the extended timing of the frac program which delayed the payment of these capital expenditures.

Contractual Obligations

As of December 31, 2007, Corridor had the following contractual obligations:

thousands of dollars	**Total**	2008	2009	2010	2011
Transportation commitments	**$11,882**	$4,754	$3,169	$3,169	$790
Drilling rigs	**5,422**	5,422	-	-	-
Operating leases	**311**	229	62	10	10
	$17,615	$10,405	$3,231	$3,179	$800

Outstanding Share Information

As of March 31, 2008, the outstanding share information was as follows:

Common shares outstanding	**82,625,134**
Stock options to purchase common shares	**1,357,500**
Total common shares outstanding after exercise of all stock options	**83,982,634**

thousands of dollars	
Total proceeds due on exercise of all stock options	**$6,213**

Liquidity and Capital Resources

As at December 31, 2007, Corridor had no amount outstanding on its $40 million revolving short term credit facility with a Canadian chartered bank. The principal amount outstanding from time to time under the loan bears interest at the lender's prime rate plus 0.40% per annum, with interest payable monthly. The loan is subject to customary terms and conditions for borrowings of this nature and is secured by the Company's assets. The Company is in compliance with all material terms of the agreements governing the loan. The credit facility will mature, subject to mutual agreement to extend, on June 30, 2008. This credit facility is expected to partially fund the Company's ongoing exploration and development activities at the McCully Field in 2008 and is expected to be sufficient to cover any of the working capital deficiencies during the year including the working capital deficiency of $6,611 thousand at December 31, 2007. The Company expects the credit facility to be extended in June 2008.

The Company has sufficient financial resources to undertake its budgeted exploration and development drilling program for 2008 with access to this credit facility (assuming extension) and from cash flow from operations. Future additional drilling and completion activities are planned to be financed with a combination of cash flow from operations and additional equity financings, if necessary.

Corridor's short-term investments consist of bank deposits with 30 days or less to maturity. Corridor has no investments in asset-backed securities.

Summary of Quarterly Information

	2007				**2006**			
thousand of dollars, except per share amounts	**Three months ended**				**Four months ended**	**Three months ended**		
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	**Dec. 31**	Aug. 31	May 31	Feb. 28
Natural gas revenues	**$15,586**	$12,884	$1,527	$1,280	**$1,693**	$858	$1,453	$1,261
Net earnings (loss)	**$4,682**	$1,092	$(900)	$(825)	**$(268)**	$(61)	$198	$(307)
Net earnings (loss)								
per share – basic	**$0.057**	$0.013	$(0.011)	$(0.011)	**$(0.004)**	$(0.001)	$0.003	$(0.005)
per share – diluted	**$0.056**	$0.013	$(0.011)	$(0.011)	**$(0.004)**	$(0.001)	$0.003	$(0.005)
Natural gas production (mmscf)	**1,759**	1,764	110	83	**110**	49	87	80
Average natural gas price ($/mscf)	**$8.86**	$7.30	$13.88	$15.41	**$15.42**	$17.38	$16.72	$15.65
Capital expenditures	**$27,728**	$26,394	$25,050	$33,976	**$29,939**	$19,601	$3,551	$9,139

Disclosure and Internal Controls and Procedures

Corridor evaluated the effectiveness of its disclosure controls and procedures. Based on that evaluation, each of the President and Chief Financial Officer of Corridor has concluded that the disclosure controls and procedures provide reasonable assurance that material information was made known to them in a timely fashion particularly during the period in which the annual filings are being prepared.

The President and Chief Financial Officer are responsible for certifying that they have designed, or caused to be designed under their supervision, internal controls over financial reporting to a standard which provides reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The certifying officers concluded as of December 31, 2007 that the design of internal controls is sufficient to provide such reasonable assurance, however the following weaknesses have been identified.

In 2006, weaknesses in information technology controls were identified in the areas of security administration policies and procedures resulting in an increased risk of unauthorized access to financial information. During the year Corridor has taken steps to mitigate this risk including the implementation of regular forced password changes and putting more access control limitations in the accounting system. The remaining weaknesses relate mostly to the undocumented nature of the security administration policies and procedures. Corridor will continue to look for cost effective ways to mitigate these risks.

Related Party Transactions

A director of Corridor is a partner in a law firm that provides legal services which totaled $59 thousand and $281 thousand for the three and twelve months ended December 31, 2007 (four months ended December 31, 2006 - $157 thousand; year ended August 31, 2006 - $250 thousand). The amounts paid are recorded at the exchange amount agreed to between the parties.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and net earnings. The most significant of these estimates relate to the determination of proved reserves, depletion expense, impairment test calculation and asset retirement obligations.

Reserves

All of Corridor's reserves are evaluated and reported on by independent petroleum consultants in accordance with National Instrument 51-101. GLJ Petroleum Consultants Ltd. (“GLJ”) evaluated and reported on Corridor’s petroleum and natural gas reserves in the McCully Field as at December 31, 2007.

Reserve estimates have a material impact on the depletion expense, impairment test calculation and asset retirement obligations, all of which could possibly have a material impact on net earnings. Please refer to Reserves Estimates under Business Conditions and Risks for more information.

Depletion

Capitalized costs, estimated future expenditures to develop proved reserves and asset retirement costs are depleted based on the proportion of estimated proved petroleum and natural gas reserves produced during the year compared to total proved reserves. Changes in proved reserve estimates could materially impact depletion expense.

Impairment

Impairment assessments are based on fair value assessments. Impairment exists if the undiscounted future net cash flows from proved reserves at future commodity prices plus the cost of unproved properties is less than the carrying value. If an impairment is identified a write-down to fair value is required. The fair value is calculated based on future net cash flows from proved plus probable reserves, discounted at a risk-free interest rate using future commodity prices, plus the cost of unproved properties.

There is significant uncertainty regarding future commodity prices and reserves. Impairment could result in a material loss for a particular period, however future depletion expense would also be reduced.

Asset retirement obligation

The Company recognizes asset retirement obligations if a reasonable estimate of fair value can be determined. The fair value is based on the estimated future expenditures required to settle the obligations. The estimated future cash flows are discounted at the risk-free interest rate adjusted to reflect the market's evaluation of the Company's credit standing and adjusted for inflation. Determining asset retirement obligations requires estimating the production life of the wells and the cost of the restoration activities based on present-day methods and technologies. Actual payments to settle the obligations could differ materially from these estimated amounts.

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 applied 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 for trading 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 Statement of Earnings and Deficit 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 ("CICA") replaced Section 1506, "Accounting Changes". The new standard applied 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.

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 Company 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.

Business Conditions and Risks

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

Risks Associated with Oil and Gas Exploration

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

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

Financial Risks

The Company does not presently have sufficient financial resources to undertake by itself all of its planned exploration and development programs. The exploration and development of the Company's properties depend, therefore, on Corridor's ability to obtain additional financing through joint ventures, debt financing, equity financing or other means. There can be no assurance that the Company will obtain necessary additional financing or that any joint venture partner will obtain financing under the terms of any joint venture agreement into which it enters with Corridor.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Prices, Markets and Marketing

The marketability and price of oil and natural gas will be affected by numerous factors beyond the Company's control. The ability to market natural gas may depend upon the Company's ability to acquire space on pipelines that deliver natural gas to commercial markets. The Company may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities, and related to operational problems with such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

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

Risks May Not be Insurable

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

Reserves Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves, including many factors beyond the Company's control. The reserve and associated cash flow information of the Company represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

In accordance with applicable securities laws, GLJ has used forecast price and cost estimates, in addition to constant price and cost estimates (which are optional) in calculating reserves. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the effect of inflation on costs.

Reserves

Corridor currently has reserves of natural gas at only one property, the McCully Field near Sussex, New Brunswick.

Corridor’s natural gas reserves, as assessed by GLJ in its report dated effective December 31, 2007 (“the GLJ Report”) presents the following summary of Corridor’s natural gas reserves, before the deduction of royalties, using forecast prices and costs.

Reserves Category	2007 Gross Reserves bscf	2006 Gross Reserves bscf
Total proved	79.9	41.3
Total probable	50.9	101.8
Total proved plus probable	130.8	143.1
Possible	72.8	79.2
Proved plus probable plus possible	203.6	222.3

Based on the GLJ Report, Corridor's proved reserves had a significant positive adjustment from December 31, 2006, mainly resulting from the drilling of new wells into the southwest and northeast areas of the McCully Field and from re-classifying reserves previously defined as probable as proved. Similarly, the reduction in probable reserves reflects the transfer of reserves previously defined as probable to proved, as well as the results of the McCully P-76 and H-76 wells in the southwest area of the McCully Field, where over-pressured formation water was encountered in the "A" sand in these wells. Corridor's possible reserves also decreased because of these well results. GLJ's assessment of reserves is based on a 56 well development at McCully constrained primarily by the location of existing wells and the potential for encountering over-pressured formation water in future wells, while a 94 well structure-wide approach was taken to assess reserves for the year ended December 31, 2006. Corridor believes the reserves reported for the year ended December 31, 2007 will increase significantly as additional wells are drilled on the structure.

The GLJ Report assessed the net present value of Corridor's natural gas reserves, based on forecast prices and costs, as follows:

Net Present Value ($ in million) – undiscounted

	2007		2006	
Reserves Category	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Proved	459	371	320	236
Proved plus probable	785	603	773	521
Proved plus probable plus possible	1,332	992	1,324	873

Net Present Value ($ in million) – discounted at 10%

	2007		2006	
Reserves Category	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Proved	297	244	173	133
Proved plus probable	425	333	282	190
Proved plus probable plus possible	590	450	420	275

The complete GLJ Report is available on Corridor's website at www.corridor.ca.

Contingent Liability

Under flow-through share renunciation agreements, the Canada Revenue Agency ("CRA") has the right to audit the renunciations made by the Company 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.

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Shareholders of
Corridor Resources Inc.

We have audited the balance sheets of Corridor Resources Inc. at December 31, 2007, December 31, 2006 and August 31, 2006 and the statements of earnings and deficit and cash flows for the year ended December 31, 2007, four months ended December 31, 2006 and year ended August 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007, December 31, 2006 and August 31, 2006 and the results of its operations and its cash flows for the year ended December 31, 2007, four months ended December 31, 2006 and year ended August 31, 2006 in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Canada
March 9, 2008

Grant Thornton LLP
Chartered Accountants

2000 Barrington Street
Suite 1100
Halifax, Nova Scotia
B3J 3K1
T (902) 421-1734
F (902) 420-1068
E Halifax@GrantThornton.ca
W www.GrantThornton.ca

Statements of Earnings and Deficit

(thousands of dollars, except per share amounts)

For the	**Twelve months ended December 31 2007**	Four months ended December 31 2006	Twelve months ended August 31 2006
Revenues	**$ 33,347**	$ 1,693	$ 5,289
Royalty expense	**(2,039)**	(132)	(434)
Production expense	**(1,353)**	(129)	(309)
Transportation expense	**(4,562)**	-	-
	25,393	1,432	4,546
Other Expenses			
Depletion, depreciation and accretion	**12,283**	479	2,377
General and administrative *(note 7)*	**4,406**	826	1,110
Stock-based compensation *(note 10c)*	**1,634**	533	1,179
Capital tax expense	**420**	118	315
	18,743	1,956	4,981
Earnings (loss) before the following items	**6,650**	(524)	(435)
Interest and finance costs *(note 5)*	**2,149**	31	170
Interest and other income	**(1,707)**	(422)	(993)
Earnings (loss) before income taxes	**6,208**	(133)	388
Large corporation's tax	**-**	-	33
Future income tax expense (*note 4*)	**2,159**	135	299
Net earnings (loss)	**4,049**	(268)	56
Deficit, beginning of period	**(5,378)**	(5,110)	(5,166)
Deficit, end of period	**$ (1,329)**	$ (5,378)	$ (5,110)
Net earnings (loss) per share *(note 6)*			
Basic	**$ 0.051**	$ (0.004)	$ 0.001
Diluted	**$ 0.050**	$ (0.004)	$ 0.001

See accompanying notes to the financial statements.

Balance Sheets

(thousands of dollars)

As at	**December 31 2007**	December 31 2006	August 31 2006
Assets			
Current assets			
Cash and cash equivalents	**$ 14,379**	$ 36,969	$ 42,287
Restricted cash *(note 14b)*	**1,800**	-	-
Receivables	**8,338**	2,961	1,599
Receivables from joint venture partners	**4**	21	26
Prepaids and security deposits	**332**	291	266
	24,853	40,242	44,178
Property, plant and equipment *(note 7)*	**213,954**	111,111	81,874
Restricted cash and security deposits *(notes 14b & 14c)*	**1,380**	-	-
Deferred debt issue costs *(note 8)*	**-**	270	-
	$ 240,187	$ 151,623	$ 126,052
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**$ 23,678**	$ 14,563	$ 11,944
Advances from joint venture partners	**7,690**	895	7,215
Capital taxes payable	**96**	1	93
	31,464	15,459	19,252
Future income taxes *(note 4)*	**6,857**	3,884	4,279
Asset retirement obligations *(note 9)*	**1,443**	810	1,031
	39,764	20,153	24,562
Shareholders' Equity			
Capital stock *(note 10)*	**198,669**	135,083	105,368
Contributed surplus *(note 10d)*	**3,083**	1,765	1,232
Deficit	**(1,329)**	(5,378)	(5,110)
	200,423	131,470	101,490
	$ 240,187	$ 151,623	$ 126,052

See accompanying notes to the financial statements.

Commitments *(note 14)*
Contingent liability *(note 15)*

On behalf of the Board

Signed *"Norman W. Miller"* Director   Signed "*Robert D. Penner*" Director

Statements of Cash Flows

(thousands of dollars)

For the	**Twelve months ended December 31 2007**	Four months ended December 31 2006	Twelve months ended August 31 2006
Operating Activities			
Net earnings (loss)	**$ 4,049**	$ (268)	$ 56
Depletion, depreciation and accretion	**12,283**	479	2,377
Stock-based compensation	**1,634**	533	1,179
Future income tax expense	**2,159**	135	299
Amortization of debt issue costs	**357**	30	91
	20,482	909	4,002
Increase (decrease) in non-cash operating working capital *(note 12)*	**(5,102)**	(330)	496
Cash provided by operating activities	**15,380**	579	4,498
Financing Activities			
Proceeds from capital stock issues	**67,701**	30,896	44,611
Share issue costs	**(3,617)**	(1,711)	(2,531)
Other financing activities	**(87)**	(300)	(14)
Cash provided by financing activities	**63,997**	28,885	42,066
Investing Activities			
Property, plant and equipment expenditures	**(113,148)**	(29,939)	(50,141)
Increase in restricted cash and security deposits	**(3,180)**	-	-
Increase in non-cash investing working capital *(note 12)*	**14,361**	(4,843)	18,086
Cash used in investing activities	**(101,967)**	(34,782)	(32,055)
Increase (decrease) in cash and cash equivalents	**(22,590)**	(5,318)	14,509
Cash and cash equivalents, beginning of period	**36,969**	42,287	27,778
Cash and cash equivalents, end of period	**$ 14,379**	$ 36,969	$ 42,287
Cash and cash equivalents consists of:			
Cash	**$ 6,559**	$ 969	$ 287
Short-term investments	**7,820**	36,000	42,000
Cash and cash equivalents, end of period	**$ 14,379**	$ 36,969	$ 42,287

See accompanying notes to the financial statements.

Notes to the Financial Statements
December 31, 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. In 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. The Company is reporting on results of operations for the twelve months ended December 31, 2007 with comparative information for the twelve months ended August 31, 2006 and the four months ended December 31, 2006.

In the second quarter of 2007 Corridor completed the required midstream facilities to deliver natural gas to markets in the 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 Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The most significant accounting policies are summarized below:

a) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimated amounts as future confirming events occur.

Amounts recorded for depletion, depreciation and accretion and amounts used in the impairment test calculation are based on estimates of proved natural gas reserves, production rates, natural gas prices and future costs to develop those reserves. By their nature, these estimates of reserves, costs and related future cash flows are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

The calculation of asset retirement obligations includes estimates of the ultimate settlement amounts, inflation factors, credit adjusted discount rates, and timing of settlement. The impact of future revisions to these assumptions on the financial statements of future periods could be material.

The calculation of stock-based compensation expense includes estimates of risk-free interest rates, volatility of the Company's share price and expected life of outstanding options. By their nature, these estimates are subject to measurement uncertainty and could materially impact the financial statements.

b) Revenue recognition

Revenue associated with the production and sale of natural gas is recognized when the title passes to the customer and delivery has taken place. Revenue reported represents only the Company's share. Other revenue is recognized in the period that the service is provided to the customer.

c) Future income taxes

Income taxes are recorded using the liability method of accounting. Future income tax assets and liabilities are recognized for temporary differences between the income tax and accounting basis of an asset or liability using substantively enacted tax rates. Changes in income tax rates that are substantively enacted are reflected in the accumulated future income tax balances in the period the change occurs.

Notes to the Financial Statements
December 31, 2007

2 Significant accounting policies (continued)

d) Property, plant and equipment

i) Capitalized costs

Corridor follows the full cost method of accounting for its petroleum and natural gas operations. Under this method, all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized. Costs include lease acquisition costs, geological and geophysical expenses, the portion of general and administrative expenses directly related to exploration and development activities, production facilities, future asset retirement costs and costs of drilling both productive and non-productive wells.

Proceeds from the sale of properties are normally deducted from capitalized costs, without any gain or loss being realized, unless such sale would significantly alter the rate of depletion.

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred.

ii) Depletion

Depletion of petroleum and natural gas properties and production facilities is calculated using the unit-of-production method based on estimated proved petroleum and natural gas reserves before royalties. The costs of significant undeveloped properties are excluded from costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties or impairment has occurred. Estimated future costs to be incurred in developing proved reserves are included in the costs subject to depletion.

iii) Impairment test

At each reporting period, Corridor performs an impairment test to determine the recoverability of the carrying value associated with the exploration for and development of petroleum and natural gas properties. An impairment loss is recognized when the carrying value exceeds the fair value. The carrying value of petroleum and natural gas properties and production facilities is not recoverable if the carrying value exceeds the sum of future undiscounted cash flows expected from the production of proved reserves plus the cost of unproved properties. If the carrying value is not recoverable, the impairment loss is limited to the amount by which the carrying value exceeds the fair value. The fair value is determined based on future net cash flows from proved and probable reserves discounted at a risk-free rate using an estimate of future commodity prices, plus the cost of unproved properties that have been subject to a separate impairment test and contain no probable reserves.

iv) Asset retirement obligations

Asset retirement obligations include legal obligations to retire tangible long-lived assets such as well sites, pipelines, and production facilities. The fair value of the estimated asset retirement obligations is recognized as a liability on the balance sheet using discounted values of the estimated future expenditures required to settle these obligations.

When an asset retirement obligation is initially recorded an equivalent amount is capitalized to the property, plant and equipment and depleted along with the related asset using the unit-of-production method. Changes in the estimated obligation resulting from revisions to the estimated timing or amount of undiscounted cash flows are recognized as an increase or decrease in the asset retirement obligation and the related asset retirement cost.

Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion expense in the Statements of Earnings and Deficit. Actual expenditures incurred are charged against the accumulated obligation in the period incurred.

Notes to the Financial Statements
December 31, 2007

2 Significant accounting policies (continued)

v) Inventory

Physical inventory held for exploration and development activities is included in property, plant and equipment and is valued at cost.

vi) Joint operations

Certain of Corridor's exploration and development activities are conducted jointly with others and accordingly these financial statements reflect only the Company's proportionate share in those activities.

e) Depreciation

Depreciation of office furniture and other equipment is calculated on the declining balance method at annual rates ranging between 10% and 50%.

f) Earnings per share

Earnings per share amounts are calculated based on the weighted-average number of common shares outstanding during the period. Diluted earnings per share amounts are calculated using the treasury stock method. Under this method the weighted-average number of common shares outstanding is increased based on the assumption that all outstanding stock options with an exercise price below the average market price are exercised and these proceeds are used to purchase the Company's common shares at the average market price during the period.

g) Flow-through common shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. As a result, the related resource expenditure deductions normally available for income tax purposes are renounced to investors in accordance with income tax legislation. Capital stock is reduced and the future income tax liability increased by the estimated tax benefits transferred to investors when the resource expenditure deductions are renounced.

h) Stock-based compensation

The Company records stock-based compensation expense for stock options granted to directors, officers, employees and consultants using the fair value method. The fair value of stock options granted is determined using the Black-Scholes option pricing model. Stock-based compensation is expensed over the vesting period to the Statements of Earnings and Deficit with a corresponding increase to contributed surplus. When the stock options are exercised the consideration received and the amount previously recognized in contributed surplus is recorded as an increase to capital stock. Corridor has not incorporated an estimated forfeiture rate for options that will not vest but will account for actual forfeitures as they occur.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments with maturities of less than 90 days at acquisition.

j) Deferred financing costs

Financing costs related to the issuance of debt are deferred and amortized using the effective interest method over the expected life of the debt. Deferred financing costs are netted against the related financial asset or liability.

k) Foreign currency translation

Monetary assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date, with any resulting gain or loss recorded in the Statements of Earnings and Deficit.

2 Significant accounting policies (continued)

l) Embedded foreign currency derivatives

The Company frequently enters into contracts to sell natural gas at a future date at fixed prices denominated in U.S. dollars. The purpose of these contracts is to mitigate the commodity price risk on the Company's expected future natural gas production. While such contracts do not meet the definition of a financial instrument, they include an embedded foreign currency derivative which could be separated from the contract and recognized at fair value in the Balance Sheet. The Company has determined that such embedded foreign currency derivatives should not be accounted for separately from the contract as the sale of natural gas at prices denominated in U.S. dollars is common in the Company's economic environment.

m) 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". These 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 new 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 Company 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 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 applied 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 for trading 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 Statement of
Earnings and Deficit 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.

Notes to the Financial Statements
December 31, 2007

3 Changes in accounting policies (continued)

In 2006, the Canadian Institute of Chartered Accountants replaced Section 1506, “Accounting Changes”. The new standard applied 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.

4 Future income taxes

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

(thousands of dollars)

	Twelve months ended December 31 2007	Four months ended December 31 2006	Twelve months ended August 31 2006
Earnings (loss) before income taxes	**$ 6,208**	$ (133)	$ 388
Canadian statutory income tax rate	**36%**	36%	36%
Expected income tax expense (recovery)	**$ 2,227**	$ (48)	$ 140
Increase (decrease) resulting from:			
Non-deductible stock-based compensation	**586**	165	365
Effect of tax rate changes	**(671)**	7	(243)
Other	**17**	11	37
	$ 2,159	$ 135	$ 299

The future income tax liability consists of the following temporary differences:

(thousands of dollars)

	December 31 2007	December 31 2006	August 31 2006
Future income tax liability			
Property, plant and equipment	**$ 9,110**	$ 5,691	$ 5,779
Future income tax asset			
Share issue costs	**(1,838)**	(1,556)	(1,180)
Asset retirement obligations	**(415)**	(251)	(320)
	(2,253)	(1,807)	(1,500)
	$ 6,857	$ 3,884	$ 4,279

Notes to the Financial Statements
December 31, 2007

5 Interest and finance costs

Interest and finance costs consist of the following:

(thousands of dollars)

	Twelve months ended December 31 2007	Four months ended December 31 2006	Twelve months ended August 31 2006
Interest expense	**$ 1,390**	$ 1	$ 79
Amortization of debt issue costs	**357**	30	91
Foreign exchange losses	**402**	-	-
	$ 2,149	$ 31	$ 170

The effective interest rate on the bank loan was 7.0% as of December 31, 2007.

6 Earnings per share

The calculation of earnings (loss) per share is based on the following weighted average number of common shares:

(thousands of shares)

	Twelve months ended December 31 2007	Four months ended December 31 2006	Twelve months ended August 31 2006
Weighted average of common shares	**79,738**	71,832	64,590
Effect of stock options	**1,176**	1,357	1,060
Effect of warrants	**-**	-	574
Diluted weighted average	**80,914**	73,189	66,224

For the twelve months ended December 31, 2007 and August 31, 2006, stock options of 10 thousand and 765 thousand (four months ended December 31, 2006 – 10 thousand) were excluded from the dilution calculation since the average market price was lower than the exercise price. The dilution calculation for the twelve months ended August 31, 2006 includes the exercise of 2,254 thousand warrants during the period but excludes the conversion of convertible notes into 1,869 common shares as the conversion would have been anti-dilutive.

7 Property, plant and equipment

(thousands of dollars)

December 31, 2007	**Cost**	**Accumulated depletion and depreciation**	**Net book value**
Petroleum and natural gas properties	**$ 158,019**	**$ 12,185**	**$ 145,834**
Production facilities	**69,054**	**4,318**	**64,736**
Inventory	**1,382**	**-**	**1,382**
Future asset retirement costs	**1,286**	**124**	**1,162**
Office furniture and other equipment	**1,145**	**305**	**840**
	$ 230,886	**$ 16,932**	**$ 213,954**

7 Property, plant and equipment (continued)

(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 other equipment	434	159	275
	$ 115,835	$ 4,724	$ 111,111

(thousands of dollars)

August 31, 2006	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	$ 73,536	$ 3,358	$ 70,178
Production facilities	11,303	709	10,594
Inventory	39	-	39
Future asset retirement costs	979	69	910
Office furniture and other equipment	292	139	153
	$ 86,149	$ 4,275	$ 81,874

For the twelve months ended December 31, 2007 and August 31, 2006, Corridor capitalized to petroleum and natural gas properties general and administrative costs of $388 thousand and $527 thousand respectively (four months ended December 31, 2006 - $147 thousand). The calculation of depletion includes estimated future development costs relating to the development of proved reserves of $71 million and $29 million for the twelve months ended December 31, 2007 and August 31, 2006.

For the impairment test calculation the benchmark prices used are as follows:

	Henry Hub Reference Gas Price ($/mcf)
2008	**$ 7.55**
2009 - 2013	**$ 8.34**
2014	**$ 8.55**

The benchmark prices are escalated by 2% annually thereafter. The benchmark prices are based on natural gas prices at Henry Hub and adjusted for transportation costs and an exchange rate of US$1.00/$CDN.

8 Deferred debt issue costs

As at December 31, 2006, deferred debt issue costs consisted of the unamortized amount from a $300 thousand payment made towards securing a short term loan. This credit facility matured on September 30, 2007. The deferred debt issue costs were amortized over this period.

The credit facility was amended to a $40 million revolving short term loan with a Canadian chartered bank. The interest rate on the loan is based on the bank's prime rate plus 0.40% and the security is based on a $50 million demand debenture on the Company's property, plant and equipment. This amended credit facility matures, subject to mutual agreement to extend, on June 30, 2008.

Notes to the Financial Statements
December 31, 2007

9 Asset retirement obligations

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

(thousands of dollars)

	Twelve months ended December 31 2007	Four months ended December 31 2006	Twelve months ended August 31 2006
Balance, beginning of period	**$ 810**	$ 1,031	$ 247
Liabilities incurred	**558**	26	167
Change in estimate	**-**	(277)	582
Accretion expense	**75**	30	35
Balance, end of period	**$ 1,443**	$ 810	$ 1,031

The total undiscounted amount of estimated cash flows required to settle these obligations is $6,983 thousand (December 31, 2006 - $3,709 thousand and August 31, 2006 - $3,492 thousand). Management estimates the settlement of these obligations by 2029. A credit adjusted risk-free rate of 8% (2006 - 8%) and an inflation rate of 2% (2006 – 2%) was used to calculate the estimated fair value of the asset retirement obligations.

10 Capital stock

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

b) Issued and outstanding

(thousands of dollars and thousands of shares)

	Twelve months ended December 31,2007		Four months ended December 31, 2006		Twelve months ended August 31, 2006	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	**76,051**	**$ 135,083**	71,159	$ 105,368	58,851	$ 62,636
Issue of common shares for cash	**4,071**	**46,002**	4,700	30,550	6,735	33,000
Issue of flow-through shares for cash	**1,400**	**20,020**	-	-	1,207	7,000
Exercise of stock options for cash and	**1,090**	**1,679**	192	346	243	328
amount recognized from contributed surplus	**-**	**316**	-	-	-	94
Exercise of warrants for cash	**-**	**-**	-	-	2,254	4,284
Notes converted to common shares	**-**	**-**	-	-	1,869	2,991
Tax impact of flow-through renunciation	**-**	**(1,920)**	-	-	-	(3,255)
Share issue costs net of tax benefit	**-**	**(2,511)**	-	(1,181)	-	(1,710)
Balance, end of period	**82,612**	**$ 198,669**	76,051	$ 135,083	71,159	$ 105,368

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 December 31, 2007, $15,643 thousand of 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 December 31, 2007, there was no remaining obligation (December 31, 2006 - $1,464 thousand).

10 Capital stock (continued)

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:

	Twelve months ended December 31, 2007		Four months ended December 31, 2006		Twelve months ended August 31, 2006	
	Number of options (000's)	Weighted average exercise price	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	1,585	$ 1.27
Exercised	**(1,090)**	**$ 1.54**	(192)	$ 1.80	(243)	$ 1.35
Forfeited	**(100)**	**$ 5.50**	-	$ -	-	$ -
Granted	**10**	**$ 9.70**	35	$ 6.05	1,365	$ 4.98
Balance, end of period	**1,370**	**$ 4.54**	2,550	$ 3.28	2,707	$ 3.14
Options exercisable, end of period	**770**	**$ 4.19**	1,438	$ 2.03	1,621	$ 1.98

The range of exercise prices of stock options outstanding and exercisable as at December 31, 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 - $ 1.00	150	150	1.6
$ 4.00 - $ 4.99	605	303	3.1
$ 5.00 - $ 5.99	595	310	3.5
$ 6.00 - $ 9.99	20	7	4.3
	1,370	770	3.1

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

	December 31 2007	December 31 2006	August 31 2006
Weighted average fair value of options granted	**$ 9.70**	$ 3.86	$ 3.22
Risk-free interest rate	**4%**	4%	4%
Expected life (years)	**3.0**	3.0	5.0
Expected volatility	**100%**	85%	75%

For the twelve months ended December 31, 2007 and August 31, 2006, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of $1,634 thousand and $1,179 thousand respectively (four months ended December 31, 2006 - $533 thousand).

Notes to the Financial Statements
December 31, 2007

10 Capital stock (continued)

d) Contributed surplus

(thousands of dollars)

	Twelve months ended	Four months ended	Twelve months ended
	December 31 2007	December 31 2006	August 31 2006
Balance, beginning of period	**$ 1,765**	$ 1,232	$ 147
Stock-based compensation expense	**1,634**	533	1,179
Stock options exercised	**(316)**	-	(94)
Balance, end of period	**$ 3,083**	$ 1,765	$ 1,232

11 Financial instruments and risk management

a) The Company has the following financial instruments:

i) Held for trading

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

ii) 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 which generally corresponds to cost.

iii) 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 December 31, 2007. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method which generally corresponds to cost.

b) The Company is exposed to the following risks:

i) Commodity price risk

The Company is exposed to risks from fluctuations in the natural gas sales prices. During the year the Company did not have any derivative financial instruments in place to manage this risk. When appropriate, the Company enters into forward sale commitments at fixed prices to mitigate this risk.

ii) Foreign currency risk

The Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar. Natural gas and condensate prices are based upon reference prices denominated in U.S. dollars while the majority of the Company's expenses are denominated in Canadian dollars. The Company does not have any derivative financial instruments in place to manage this risk.

iii) Interest rate risk

During the year the Company was exposed to risks from fluctuations in interest rates on the bank loan. There was no outstanding bank loan at December 31, 2007.

iv) Credit risk

Corridor sells all of its production to one large credit-worthy purchaser under normal industry payment terms. Corridor's receivables from joint venture partners are also subject to normal credit risks in the natural gas industry and the Company views credit risk on these amounts as low.

12 Supplemental cash flow information

(thousands of dollars)

	Twelve months ended December 31 2007	Four months ended December 31 2006	Twelve months ended August 31 2006
Increase (decrease) in non-cash operating working capital:			
Receivables	**$ (5,564)**	$ (245)	$ 166
Prepaids and security deposits	**(41)**	(25)	345
Accounts payable and accrued liabilities	**408**	32	(50)
Capital taxes payable	**95**	(92)	35
	$ (5,102)	$ (330)	$ 496
Increase (decrease) in non-cash investing working capital:			
Receivables	**$ 187**	$ (1,117)	$ (773)
Inventory	**(1,345)**	2	-
Advances from joint venture partners	**6,812**	(6,315)	11,371
Accounts payable and accrued liabilities	**8,707**	2,587	7,488
	$ 14,361	$ (4,843)	$ 18,086
Interest and taxes paid:			
Interest paid	**$ 1,382**	$ -	$ 130
Capital and other taxes paid	**$ 358**	$ 210	$ 368

13 Related parties

A director of Corridor is a partner in a law firm that provides legal services to the Company. For the twelve months ended December 31, 2007 and August 31, 2006, legal expenses of $157 thousand and $46 thousand are included in general and administrative expenses (four months ended December 31, 2006 - $43 thousand) and share issue costs of $124 thousand are included in capital stock as at December 31, 2007 (four months ended December 31, 2006 - $114 thousand). The amounts paid are recorded at the amount agreed to between the parties. At December 31, 2007, $73 thousand was included in accounts payable and accrued liabilities (December 31, 2006 – $141 thousand).

14 Commitments

a) Transportation and gas sales

The Company has a commitment to purchase 8,933 mmbtu per day of transportation from April 1, 2007 to April 1, 2008 and 3,237 mmbtu per day from December 1, 2007 to March 31, 2008 on the Canadian side of the Maritimes and Northeast Pipeline. The remaining cost of these commitments over the term of the contract is approximately $260 thousand and $140 thousand.

The Company has a commitment to purchase 12,170 mmbtu per day of transportation on the Canadian side of the Maritimes and Northeast Pipeline from April 1, 2008 to April 1, 2011. The cost of this commitment over the term of the contract is approximately $9.5 million.

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. The remaining cost of this transportation commitment is approximately $2 million.

14 Commitments (continued)

From April 1, 2008 to October 31, 2008, the Company has a commitment to sell 5,000 mmbtu per day of natural gas at $US8.41/mmbtu.

b) Letters of credit

During the year, the Company has supplied irrevocable standby letters of credit issued by a Canadian chartered bank. At December 31, 2007, the outstanding letters of credit are as follows:

(thousands of dollars)

	Amount
Letter of credit expiring April 30, 2008	$ 1,450
Letter of credit expiring June 27, 2008	350
Restricted cash - current	$ 1,800
Letter of credit expiring August 1, 2013	380
	$ 2,180

The Company has pledged $2,180 thousand of short term investments as security. These investments are recorded as restricted cash and restricted cash and security deposits based on their expiry date.

c) Drilling rigs

The Company has a commitment to utilize two drilling rigs, the first from February 15, 2007 to February 14, 2008 and the second from October 1, 2007 to September 30, 2008. The remaining cost of these commitments over the term of the contracts is $6.4 million. These contracts required a deposit from the Company of $1.0 million and this deposit is recorded in restricted cash and security deposits.

d) Operating leases

The Company has entered into operating lease agreements for office space and other equipment. Future minimum annual lease payments under the leases are as follows:

(thousands of dollars)

	Amount
2008	$ 229
2009	62
2010	10
2011	10
2012	2
	$ 313

15 Contingent liability

The Company has been audited by the Canada Revenue Agency for the taxation years from August 31, 2001 to December 31, 2006 in connection with the renunciation under flow-through share agreements of $27,784 thousand of exploration expenditures 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.

16 Comparative amounts

Certain of the comparative amounts have been reclassified to conform to the financial statement presentation adopted for December 31, 2007.

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
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

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

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

Share Capital

Shares Authorized – Unlimited number of common shares
Common shares issued as of March 28, 2008 – 82,625,134

Notice of Annual Meeting

The Annual Meeting of Corridor Resources Inc.
will be held on Thursday, May 15, 2008, at 3:00 p.m.
at the offices of Bennett Jones LLP, 4500 Bankers Hall East,
855-2nd St. S.W., Calgary, Alberta, T2P 4K7