



First Quarter 2008 Management's Discussion and Analysis

As of May 14, 2008

This management's discussion and analysis ("MD&A") of financial results and condition of Corridor Resources Inc. ("Corridor" or the "Company") for the three months ended March 31, 2008 should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2007.

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.

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 ("midstream facilities") connecting the McCully Field to markets through the Maritimes & Northeast Pipeline ("M&NP").

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.

Selected Financial Information

<i>thousands of dollars except per share amounts</i>	Three months ended	
	March 31 2008	March 31 2007
Revenues	\$20,179	\$1,280
Net earnings (loss)	\$6,081	\$(825)
Net earnings (loss) per share - basic	\$0.074	\$(0.011)
Net earnings (loss) per share - diluted	\$0.073	\$(0.011)
Cash flow from operations ⁽¹⁾	\$14,549	\$(78)
Capital expenditures	\$17,982	\$33,976
Gross proceeds from capital stock issues	\$12	\$480
Total assets	\$242,483	\$165,452

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

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;
- expenses;
- 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.

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.

Outlook Information

The outlook sections of this MD&A contain revisions to the outlook information disclosed in the annual 2007 MD&A dated March 27, 2008.

First Quarter Highlights

- During Q1 2008, natural gas production averaged 19.7 mmscfd net to Corridor (including production from penalty wells) with an average natural gas sales price of \$10.78/mscf, resulting in net earnings of \$6,081 thousand and basic and diluted net earnings per share of \$0.074 and \$0.073 respectively.
- Natural gas revenues for the three months ended March 31, 2008 increased to \$19,316 thousand from \$1,280 thousand for Q1 2007 due to the start-up of natural gas production from the McCully Field to the M&NP in Q2 2007.
- Net earnings for Q1 2008 increased to \$6,081 thousand from a net loss of \$825 thousand for Q1 2007.
- During the quarter ended March 31, 2008, Corridor completed drilling the E-67 and K-48 wells (1.5 net wells) and commenced drilling the J-47 well (1 net well). The K-48 well encountered 20 meters of indicated natural gas pay in the "B", "C" and "D" sands based on a 4% porosity cut-off. The E-67 well was drilled to a total depth of 4130 meters encountering 18 meters of indicated net gas pay in the "B" sand of the Hiram Brook formation and over 1160 meters of Frederick Brook shale. However, the E-67 well failed to encounter sands in the Dawson Settlement formation at this location.

Q1 2008 Financial Summary

<i>thousands of dollars</i>	Three months ended	
	March 31 2008	March 31 2007
Revenues	\$20,179	\$1,280
Royalty expense	(1,286)	(100)
Production expense	(1,188)	(56)
Transportation expense	(2,655)	-
	15,050	1,124
Other Expenses		
Depletion, depreciation and accretion	5,645	377
General and administrative	978	1,296
Stock-based compensation	264	441
Capital tax expense	120	90
	7,007	2,204
Earnings (loss) before the following items	8,043	(1,080)
Interest and finance costs	106	206
Interest and other income	(703)	(291)
Earnings (loss) before income taxes	8,640	(995)
Future income tax expense (recovery)	2,559	(170)
Net earnings (loss)	\$6,081	\$(825)

Results of Operations

Revenues

<i>thousands of dollars</i>	Three months ended	
	March 31 2008	March 31 2007
Natural gas	\$19,316	\$1,280
Condensate	219	-
Natural gas and gas liquids revenues	\$19,535	\$1,280
Gathering, processing & transportation fees	644	-
	\$20,179	\$1,280

Natural gas revenues increased to \$19,316 thousand for Q1 2008 from \$1,280 thousand for Q1 2007 due to the additional production and sale of natural gas resulting from the completion of the midstream facilities connecting the McCully Field to markets throughout the M&NP on June 28, 2007.

During the quarter, Corridor tied in another five wells to the McCully gathering system for a total of 20 producing wells by the end of March 31, 2008. In Q1 2007 two wells were producing and connected to a nearby potash mill owned by Corridor's joint venture partner Potash Corporation of Saskatchewan ("PCS"). Prior to June 28, 2007, natural gas sales to PCS had been based on the N.Y. Harbour price of No. 2 fuel oil. Natural gas delivered to M&NP is sold to Corridor's gas marketer at prices referenced to Henry Hub (the published Platt's Gas Daily, Dracut mid-point price).

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 during Q1 2008 compared to Q1 2007.

Corridor's average daily gas production of 19.7 mmscfd in Q1 2008 was lower than the budgeted amount of 20.3 mmscfd, however this reduction was offset by higher than estimated gas prices and as a result Corridor's total revenues of \$20,179 thousand for Q1 2008 was higher than Corridor's budget for revenues.

Production Volumes and Pricing

<i>thousands of dollars</i>	Three months ended	
	March 31 2008	March 31 2007
Total volumes		
Natural gas production (mmscf)	1,792	83
Condensate production (bbl)	2,315	-
Daily production averages		
Natural gas production per day (mmscfd)	19.7	0.9
Condensate production per day (bblpd)	25.4	-
Average prices		
Natural gas selling price (\$/mcf)	\$10.78	\$15.41
Condensate selling price (\$/bbl)	\$94.60	-

Outlook

Corridor has revised its 2008 budget for revenues to \$83 million. The previous budget of \$80 million was based on an estimated net production of 24 mmscfd and an average gas sales price of US\$7.25/mmbtu at Henry Hub. The budget was revised to reflect a decrease in the estimated production to an average of 21 mmscfd and an increase in the estimated average natural gas sales price to US\$9/mmbtu. Corridor still expects the U.S. dollar to be on par with the Canadian dollar.

Gathering, Processing and Transportation Revenues

<i>thousands of dollars</i>	Three months ended	
	March 31 2008	March 31 2007
Gathering, processing and transportation	\$644	\$-

Corridor owns the midstream facilities 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

<i>thousands of dollars</i>	Three months ended	
	March 31 2008	March 31 2007
Crown royalties	\$1,286	\$100
Royalty expense per mscf (\$/mscf)	\$0.72	\$1.21
Percentage of natural gas and gas liquids revenues	6.6%	7.9%

For Q1 2008, Corridor paid a royalty rate of 10% based on revenues, net of deductions for processing and transportation and a recovery of capital costs. The 16% decrease in the effective royalty rate from Q1 2007 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

<i>thousands of dollars</i>	Three months ended	
	March 31 2008	March 31 2007
Gross production expense	\$1,619	\$56
Third party recoveries	(431)	-
Net production expense	\$1,188	\$56
Net production expense per mscf (\$/mscf)	\$0.66	\$0.67

Net production expense for Q1 2008 increased to \$1,188 thousand from \$56 thousand for Q1 2007 due to the start-up of natural gas production from the McCully Field to the M&NP. Although gross production expense was consistent with the 2008 budget, production expense per mscf was higher than the budget of \$0.60/mscf because of the lower than budgeted natural gas production.

Outlook

Corridor has increased its 2008 budget of production expense per mscf from \$0.60/mscf to \$0.68/mscf to reflect the decrease in the estimated average net production for 2008.

Transportation Expense

<i>thousands of dollars</i>	Three months ended	
	March 31 2008	March 31 2007
Transportation expense	\$2,655	\$-
Transportation expense per mscf (\$/mscf)	\$1.48	\$-

During Q1 2008, the Company's transportation expense increased to \$2,655 thousand from nil in Q1 2007 due to the start-up of natural gas production from the McCully Field to the M&NP. Transportation expense per mscf was lower than the 2008 budget of \$1.60/mscf because the Company had commitments to purchase Canadian transportation at costs lower than firm tolls. The first commitment consisted of the transportation of 8,933 mmbtu per day from April 1, 2007 to April 1, 2008 at a cost of 40% of firm tolls and the second, 3,237 mmbtu per day from December 1, 2007 to March 31, 2008, at a cost of 90% of firm tolls.

Outlook

Corridor has increased its 2008 budget for transportation expense from \$1.60/mscf to \$1.64/mscf to reflect the decrease in the estimated net production for 2008, which is lower than recent short-term fixed transportation commitments.

Depletion, Depreciation and Accretion

<i>thousands of dollars</i>	Three months ended	
	March 31 2008	March 31 2007
Depletion, depreciation and accretion	\$5,645	\$377
Depletion, depreciation and accretion per mscf (\$/mscf)	\$3.95	\$4.54

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 Q1 2008 compared to Q1 2007 due to the increase in Corridor's proved reserves. Corridor's proved natural gas reserves have increased significantly from 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

<i>thousands of dollars</i>	Three months ended	
	March 31 2008	March 31 2007
Gross expenses	\$1,133	\$1,378
Capitalized overhead	(120)	(79)
Operator recoveries	(35)	(3)
Net expenses	\$978	\$1,296

During Q1 2008, gross general and administration expenses ("G&A") decreased to \$1,133 thousand from \$1,378 thousand during Q1 2007 due to the reclassification of expenses from G&A to production expenses after the start-up of production to M&NP in June 2007.

Outlook

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

Interest and Other Income

<i>thousands of dollars</i>	Three months ended	
	March 31 2008	March 31 2007
Interest and other income	\$703	\$291

The increase in interest and other income to \$703 thousand for the three months ended March 31, 2008 reflects foreign exchange gains relating to the timing of receipt of natural gas revenues.

Future Income Taxes

<i>thousands of dollars</i>	Three months ended	
	March 31 2008	March 31 2007
Future income tax expense (recovery)	\$2,559	\$(170)
Effective tax rate	29.6%	17.1%
Canadian statutory income tax rate	33.3%	35.3%

The Company's effective tax rate for Q1 2008 is lower than the Canadian statutory income tax rate despite stock-based compensation expense being non-deductible for income tax purposes, due to the reductions in substantively enacted income tax rates for the years 2009 to 2012, when the temporary differences between the accounting and income tax basis of Corridor's assets and liabilities are expected to reverse.

Capital Expenditures

<i>thousands of dollars</i>	Three months ended	
	March 31 2008	March 31 2007
Drilling	\$11,660	\$10,371
Fracture stimulation programs	3,520	-
Midstream facilities and tie-ins	2,452	23,433
Land and seismic	101	59
Capitalized overhead	120	79
Office and other equipment	129	34
	\$17,982	\$33,976

Capital expenditures decreased to \$17,982 thousand in Q1 2008 from \$33,976 thousand in Q1 2007. This decrease is primarily due to expenditures associated with the midstream facilities as the construction of the facilities was completed in June 2007.

In Q1 2008, Corridor completed drilling the E-67 well (50% Corridor), drilled the K-48 well (100% Corridor) and began drilling the J-47 well (100% Corridor). In Q1 2007, Corridor completed drilling the F-58 well (100% Corridor) and began drilling the E-38 and P-76 wells (100% Corridor). The increase in drilling costs in Q1 2008 to \$11,660 thousand from \$10,371 thousand in Q1 2007 is due to the increase in the number of rigs drilling at the McCully Field. The second drilling rig arrived late in Q1 2007.

In addition, during Q1 2008, Corridor completed the fracture stimulation program which began in Q3 2007 and continued the construction on the tie-in of additional wells to the McCully gas gathering system. The duration of the 2007 fracture stimulation program was considerably longer than in previous years due to the greater number of fractures undertaken. A total of 28 fracs in eight wells were completed during the 2007 frac program at an estimated net cost to Corridor of \$27 million, an increase of \$2 million from Corridor's previous estimate.

Capital Expenditures Outlook

The Company's 2008 capital budget of \$70.9 million net to Corridor's working interest is now forecast at \$74.3 million. The budget was increased to include a horizontal shale well in the Elgin area and to increase the 2008 frac program. To partially offset these additional costs and higher than estimated costs from the 2007 frac program and tie-in of wells, Corridor has deferred the 3-D seismic program and the drilling of one joint development well pending on the availability of cash flow from operations.

The 2008 budget does not include the \$6 million of expenditures remaining from the 2007 capital program incurred in Q1 2008. Corridor's 2008 capital expenditure program is designed to increase natural gas production and revenues from the McCully Field while limiting total expenditures to cash flow from operations and the available \$40 million credit facility.

Balance Sheet Items

Significant changes between the March 31, 2008 balance sheet and the December 31, 2007 balance sheet include:

- \$11,546 thousand decrease in cash and cash equivalents reflecting the reduction in accounts payable.
- \$1,095 thousand increase in receivables reflecting the increase in natural gas sales prices.
- \$12,694 thousand increase in property, plant and equipment reflecting the capital expenditure spending.
- \$11,929 thousand decrease in accounts payable and accrued liabilities reflecting mostly the payment of the 2007 frac program accounts payable.
- \$10,000 thousand increase in bank loan reflecting the decreased level of cash and cash equivalents.
- \$8,315 thousand increase in future income taxes reflecting the increased earnings before taxes and the tax impact from the renunciation in January 2008 of \$20 million in exploration expenditures.
- \$5,733 thousand decrease in capital stock reflecting the tax impact from the renunciation in January 2008 of \$20 million in exploration expenditures.

Cash Flow Highlights

<i>thousands of dollars</i>	Three months ended	
	March 31 2008	March 31 2007
Cash provided by (used in) operating activities	\$13,771	\$(681)
Cash provided by financing activities	10,012	8,460
Cash used in investing activities	(35,329)	(29,993)
Decrease in cash and cash equivalents	\$(11,546)	\$(22,214)

The increase in cash provided by operating activities for the three months ended March 31, 2008 compared to three months ended March 31, 2007 reflects mostly the increase in natural gas revenues. This increase was partially offset by the increase in royalty, production and transportation expenses.

The increase in cash provided by financing activities in Q1 2008 reflects primarily an increase of \$1,950 thousand in the bank loan from Q1 2007.

The cash used in investing activities in Q1 2008 has increased compared to Q1 2007 despite a decrease in Q1 2008 in the capital expenditures due to the extended timing of the 2007 frac program which delayed the payment of these expenditures until Q1 2008.

Outstanding Share Information

As of April 30, 2008, the outstanding share information was as follows:

Common shares outstanding	82,662,634
Stock options to purchase common shares	1,386,500
Total common shares outstanding after exercise of all stock options	84,049,134

<i>thousands of dollars</i>	
Total proceeds due on exercise of all stock options	\$6,509

Liquidity and Capital Resources

As at March 31, 2008, Corridor had \$10 million 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 property, plant and equipment. 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 \$10,323 thousand at March 31, 2008. 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

	2008	2007				2006		
<i>thousand of dollars, except per share amounts and average natural gas price</i>	Three months ended	Three months ended				Four months ended	Three months ended	
	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Aug. 31	May 31
Natural gas revenues	\$19,316	\$15,586	\$12,884	\$1,527	\$1,280	\$1,693	\$858	\$1,453
Net earnings (loss)	\$6,081	\$4,682	\$1,092	\$(900)	\$(825)	\$(268)	\$(61)	\$198
Net earnings (loss) per share – basic	\$0.074	\$0.057	\$0.013	\$(0.011)	\$(0.011)	\$(0.004)	\$(0.001)	\$0.003
per share – diluted	\$0.073	\$0.056	\$0.013	\$(0.011)	\$(0.011)	\$(0.004)	\$(0.001)	\$0.003
Natural gas production (mmscf)	1,792	1,759	1,764	110	83	110	49	87
Average natural gas price (\$/mcsf)	\$10.78	\$8.86	\$7.30	\$13.88	\$15.41	\$15.42	\$17.38	\$16.72
Capital expenditures	\$17,982	\$27,728	\$26,394	\$25,050	\$33,976	\$29,939	\$19,601	\$3,551

Related Party Transactions

A director of Corridor is a partner in a law firm that provides legal services. There was no related party transactions recognized during the three months ended March 31, 2008 or March 31, 2007.

Changes in Accounting Policies

In 2006, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation", which replaced Section 3861 "Financial Instruments – Disclosure and Presentation". These new standards 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 including qualitative and quantitative information about the exposure to risks arising from financial instruments. The new standards apply to interim and annual financial statements beginning on or after October 31, 2007.

In 2006, the CICA issued Section 1535 "Capital Disclosures" which requires disclosure of objectives, policies and processes for managing capital. In addition, disclosures include whether companies have complied with externally imposed capital requirements. The new standards applied to interim and annual financial statements beginning on or after October 31, 2007.

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, reserves estimates, 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.

Contingencies

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.

During the quarter, the Company filed a claim for Scientific Research and Experimental Development ("SRED") income tax credits related to the fiscal year ended August 31, 2006. The claim is subject to audit and there is a risk that the CRA could conclude that some or all of the expenditures were not incurred on SRED activities and, therefore, could reduce or disallow the claim. Due to this uncertainty, the Company has not recognized the related SRED income tax credits.

Statements of Earnings, Comprehensive Income and Retained Earnings (Unaudited)

(thousands of dollars, except per share amounts)

For the three months ended	March 31 2008	March 31 2007
Revenues	\$ 20,179	\$ 1,280
Royalty expense	(1,286)	(100)
Production expense	(1,188)	(56)
Transportation expense	(2,655)	-
	15,050	1,124
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	7,007	2,204
Earnings (loss) before the following items	8,043	(1,080)
Interest and finance costs (note 3)	106	206
Interest and other income	(703)	(291)
Earnings (loss) before income taxes	8,640	(995)
Future income tax expense (recovery) (note 4)	2,559	(170)
Net earnings (loss), being comprehensive income (loss)	6,081	(825)
Deficit, beginning of period	(1,329)	(5,378)
Retained earnings (deficit), end of period	\$ 4,752	\$ (6,203)
Net earnings (loss) per share (note 5)		
Basic	\$ 0.074	\$ (0.011)
Diluted	\$ 0.073	\$ (0.011)

See accompanying notes to the interim unaudited financial statements.

Balance Sheets

(thousands of dollars)

As at	March 31 2008	December 31 2007
	<i>(unaudited)</i>	<i>(audited)</i>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,833	\$ 14,379
Restricted cash	1,800	1,800
Receivables	9,433	8,338
Receivables from joint venture partners	7	4
Prepays and security deposits	382	332
	14,455	24,853
Property, plant and equipment (note 6)	226,648	213,954
Restricted cash and security deposits	1,380	1,380
	\$ 242,483	\$ 240,187
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,749	\$ 23,678
Bank loan (note 7)	10,000	-
Advances from joint venture partners	2,904	7,690
Capital taxes payable	125	96
	24,778	31,464
Future income taxes	15,172	6,857
Asset retirement obligations	1,509	1,443
	41,459	39,764
Shareholders' Equity		
Capital stock (note 8)	192,936	198,669
Contributed surplus (note 8d)	3,336	3,083
Retained earnings (deficit)	4,752	(1,329)
	201,024	200,423
	\$ 242,483	\$ 240,187

See accompanying notes to the interim unaudited financial statements.

Commitments (note 12)

Contingencies (note 13)

On behalf of the Board

Signed "Norman W. Miller" _____ Director

Signed "Robert D. Penner" _____ Director

Statements of Cash Flows (Unaudited)

(thousands of dollars)

For the three months ended	March 31 2008	March 31 2007
Operating Activities		
Net earnings (loss)	\$ 6,081	\$ (825)
Depletion, depreciation and accretion	5,645	377
Stock-based compensation	264	441
Future income tax expense (recovery)	2,559	(170)
Amortization of debt issue costs	-	99
	14,549	(78)
Decrease in non-cash operating working capital (<i>note 9</i>)	(778)	(603)
Cash provided by (used in) operating activities	13,771	(681)
Financing Activities		
Proceeds from capital stock issues	12	480
Increase in bank loan	10,000	8,050
Other financing activities	-	(70)
Cash provided by financing activities	10,012	8,460
Investing Activities		
Property, plant and equipment expenditures	(17,982)	(33,976)
Increase in restricted cash and security deposits	-	(1,450)
Increase (decrease) in non-cash investing working capital (<i>note 9</i>)	(17,347)	5,433
Cash used in investing activities	(35,329)	(29,993)
Decrease in cash and cash equivalents	(11,546)	(22,214)
Cash and cash equivalents, beginning of period	14,379	36,969
Cash and cash equivalents, end of period	\$ 2,833	\$ 14,755
Cash and cash equivalents consists of:		
Bank indebtedness	\$ (4,008)	\$ (5,795)
Short-term investments	6,841	20,550
Cash and cash equivalents, end of period	\$ 2,833	\$ 14,755

See accompanying notes to the interim unaudited financial statements.

Notes to the Interim Unaudited Financial Statements

March 31, 2008

1 Basis of presentation

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

These interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and follow the same accounting policies as the audited financial statements for the year ended December 31, 2007, with the exception of the accounting policy changes disclosed in note 2. These interim financial statements should be read in conjunction with the audited financial statements as at and for the year ended December 31, 2007.

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. Corridor will continue with exploration and development activities in the future.

2 Changes in accounting policies

In 2006, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation”, which replaced Section 3861 “Financial Instruments – Disclosure and Presentation”. These new standards 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 including qualitative and quantitative information about the exposure to risks arising from financial instruments. The new standards apply to interim and annual financial statements beginning on or after October 31, 2007 and are disclosed in note 10.

In 2006, the CICA issued Section 1535 “Capital Disclosures” which requires disclosure of objectives, policies and processes for managing capital. In addition, disclosures include whether companies have complied with externally imposed capital requirements. The new standards applied to interim and annual financial statements beginning on or after October 31, 2007 and are disclosed in note 10.

3 Interest and finance costs

Interest and finance costs consist of the following:

(thousands of dollars)

	Three months ended	
	March 31 2008	March 31 2007
Interest expense	\$ 106	\$ 107
Amortization of debt issue costs	-	99
	\$ 106	\$ 206

Notes to the Interim Unaudited Financial Statements

March 31, 2008

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)

	Three months ended	
	March 31 2008	March 31 2007
Earnings (loss) before income taxes	\$ 8,640	\$ (995)
Canadian statutory income tax rate	33%	35%
Expected income tax expense (recovery)	\$ 2,873	\$ (348)
Increase (decrease) resulting from:		
Non-deductible stock-based compensation	87	154
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	(401)	22
Other	-	2
	\$ 2,559	\$ (170)

5 Earnings per share

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

(thousands of shares)

	Three months ended	
	March 31 2008	March 31 2007
Weighted average number of common shares	82,620	76,274
Effect of stock options	386	1,116
Diluted weighted average	83,006	77,390

For the three months ended March 31, 2008 stock options of 15 thousand (March 31, 2007 – nil) were excluded from the dilution calculation since the average market price was lower than the exercise price.

6 Property, plant and equipment

(thousands of dollars)

March 31, 2008	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 173,420	\$ 16,457	\$ 156,963
Production facilities	71,506	5,591	65,915
Inventory	1,673	-	1,673
Future asset retirement costs	1,322	145	1,177
Office furniture and other equipment	1,274	354	920
	\$ 249,195	\$ 22,547	\$ 226,648

Notes to the Interim Unaudited Financial Statements

March 31, 2008

6 Property, plant and equipment (continued)

(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

For the three months ended March 31, 2008, Corridor capitalized to petroleum and natural gas properties general and administrative costs of \$120 thousand (March 31, 2007 - \$79 thousand). The calculation of depletion includes estimated future development costs relating to the development of proved reserves of \$71 million for the three months ended March 31, 2008.

7 Bank loan

The bank loan relates 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 loan matures, subject to mutual agreement to extend, on June 30, 2008. The bank loan is secured by a \$50 million demand debenture on the Company's property, plant and equipment. At March 31, 2008, the carrying value of assets pledged as security amounted to \$226,648 thousand.

8 Capital stock

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

b) **Issued and outstanding**

(thousands of dollars and thousands of shares)

	March 31, 2008		December 31, 2007	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	82,612	\$ 198,669	76,051	\$ 135,083
Issue of common shares for cash	-	-	4,071	46,002
Issue of flow-through shares for cash	-	-	1,400	20,020
Exercise of stock options for cash and amount recognized from contributed surplus	13	12	1,090	1,679
Tax impact of flow-through renunciation	-	(5,756)	-	(1,920)
Share issue costs net of tax benefit	-	-	-	(2,511)
Balance, end of period	82,625	\$ 192,936	82,612	\$ 198,669

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. The related exploration expenditures were renounced in January, 2008. At March 31, 2008, an amount of \$19,305 thousand of expenditures had been incurred (December 31, 2007 - \$15,643 thousand).

Notes to the Interim Unaudited Financial Statements

March 31, 2008

8 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 is based on the market price for the common share on the close of the day prior to the date the option was granted. Options granted under the plan 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:

	March 31, 2008		December 31, 2007	
	Number of options (000's)	Weighted average exercise price	Number of options (000's)	Weighted average exercise price
Balance, beginning of period	1,370	\$ 4.54	2,550	\$ 3.28
Exercised	(13)	\$ 0.95	(1,090)	\$ 1.54
Forfeited	(42)	\$ 5.63	(100)	\$ 5.50
Granted	-	\$ -	10	\$ 9.70
Balance, end of period	1,315	\$ 4.54	1,370	\$ 4.54
Options exercisable, end of period	900	\$ 4.27	770	\$ 4.19

The range of exercise prices of stock options outstanding and exercisable as at March 31, 2008 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	137	137	1.3
\$ 4.00 - \$ 4.99	605	445	2.8
\$ 5.00 - \$ 5.99	558	310	3.3
\$ 6.00 - \$ 9.99	15	8	4.2
	1,315	900	2.9

For the three months ended March 31, 2008, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$264 thousand (March 31, 2007 - \$441 thousand).

d) Contributed surplus

(thousands of dollars)

	March 31 2008	December 31 2007
Balance, beginning of period	\$ 3,083	\$ 1,765
Stock-based compensation expense	264	1,634
Stock options exercised	(11)	(316)
Balance, end of period	\$ 3,336	\$ 3,083

Notes to the Interim Unaudited Financial Statements

March 31, 2008

9 Supplemental cash flow information

(thousands of dollars)

	Three months ended	
	March 31 2008	March 31 2007
Increase (decrease) in non-cash operating working capital:		
Receivables	\$ (1,079)	\$ (115)
Prepays and security deposits	(50)	(527)
Accounts payable and accrued liabilities	322	2
Capital taxes payable	29	37
	\$ (778)	\$ (603)
Increase (decrease) in non-cash investing working capital:		
Receivables	\$ (16)	\$ (159)
Inventory	(291)	(373)
Advances from joint venture partners	(4,789)	(644)
Accounts payable and accrued liabilities	(12,251)	6,609
	\$ (17,347)	\$ 5,433
Interest and taxes paid:		
Interest paid	\$ 100	\$ 47
Capital and other taxes paid	\$ 92	\$ 84

10 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 earnings at each reporting period end. The carrying values approximate their fair values because of their short term to maturity.

ii) Loans and receivables

The carrying values of 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 March 31, 2008. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method which generally corresponds to cost.

Notes to the Interim Unaudited Financial Statements

March 31, 2008

10 Financial instruments and risk management (continued)

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 period, the Company did not have any derivative financial instruments in place to manage this risk. The Company's policy is not to use derivative financial instruments for speculative purposes. However, the Board of Directors has given management approval to enter into forward sale commitments at fixed prices in limited quantities to help mitigate the commodity price risk. A one dollar decrease in natural gas prices during the quarter would have resulted in a decrease of \$1.1 million in the Company's net earnings.

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 prices, condensate prices and transportation expenses are based upon reference prices denominated in U.S. dollars while the Company's remaining expenses are denominated in Canadian dollars. The Company does not have any derivative financial instruments in place to manage this risk. A 5% decrease in the average monthly foreign currency exchange rates during the quarter would have resulted in a decrease of \$0.5 million in the Company's net earnings relating to the sale and transportation of natural gas.

In addition, the Company had the following financial instruments denominated in U.S. dollars.

(thousands of U.S. dollars)

	March 31 2008	December 31 2007
Cash	\$ 6,344	\$ 6,394
Accounts receivable	7,384	6,288
Financial instruments in U.S. dollars	\$ 13,728	\$ 12,628

Based on the above foreign currency exposure, a 5% decrease in the foreign currency rate at the balance sheet date would have resulted in an additional decrease of \$0.5 million in the Company's net earnings.

iii) Interest rate risk

During the period the Company was exposed to risks from fluctuations in interest rates on the bank loan. The interest rate on the bank loan is based on the bank's prime rate plus 0.40%. Increases in market interest rates would not have materially impacted interest expense during the quarter based on the Company's current debt levels.

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. Management believes credit risk on these amounts is low and has not made any provision for an allowance for bad debt.

The cash equivalents consist mainly of guaranteed investment certificates held with reputable financial institutions. None of the cash equivalents are in asset backed commercial paper products. Management believes the risk of loss is low.

Notes to the Interim Unaudited Financial Statements

March 31, 2008

10 Financial instruments and risk management (continued)

v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at March 31, 2008, the Company was holding cash and equivalents of \$2.8 million and had available \$30 million from its revolving credit facility. The Company's accounts payable and accrued liabilities are all due within 30 days of the balance sheet date. Given, the Company's available liquid resources, management expects to have sufficient available funds to meet the current and foreseeable financial contractual obligations. The Company expects its credit facility, which matures on June 30, 2008, to be extended. The contractual maturities of other long-term liabilities and commitments were presented in the Company's December 31, 2007 audited financial statements.

c) Management of Capital

Management's objective when managing capital is to provide an adequate return to its shareholders and to safeguard the Company's ability to obtain financing and have access to capital. In the management of capital, the Company includes shareholders' equity, bank loan as well cash and cash equivalents.

To facilitate the management of its capital requirements the Company prepares annual expenditure and operating budgets that are updated as necessary depending on success factors, industry conditions and operating cash flow. These annual and updated budgets are approved by the Board of Directors.

To maximize ongoing development and exploration activities, the Company will not pay out dividends during the year. The Company expects its current capital resources will be sufficient to carry its development and exploration plans through the current fiscal year. Management intends to adjust its expenditure and operating budget as required to maintain the current capital structure.

11 Related parties

A director of Corridor is a partner in a law firm that provides legal services to the Company. For the three months ended March 31, 2008 and March 31, 2007, no legal expenses were incurred. At December 31, 2007, an amount of \$73 thousand was included in accounts payable and accrued liabilities. The amounts paid are recorded at the amount agreed to between the parties.

12 Commitments

a) Transportation and gas sales

During the quarter, the Company entered into a commitment to sell 5,000 mmbtu per day of natural gas at \$US9.25/mmbtu from April 1, 2008 to October 31, 2008.

b) Drilling rig

During the quarter, the Company renewed its commitment to utilize a drilling rig for an additional one year period. The contract, which expired on February 14, 2008, was renewed until March 9, 2009. The additional cost of this new commitment over the term of the contract is \$3.8 million.

Notes to the Interim Unaudited Financial Statements

March 31, 2008

13 Contingencies

The Company has been audited by the Canada Revenue Agency ("CRA") 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.

During the quarter, the Company filed a claim for Scientific Research and Experimental Development ("SRED") income tax credits related to the fiscal year ended August 31, 2006. The claim is subject to audit and there is a risk that the CRA could conclude that some or all of the expenditures were not incurred on SRED activities and, therefore, could reduce or disallow the claim. Due to this uncertainty, the Company has not recognized the related SRED income tax credits.

14 Comparative amounts

Certain of the comparative amounts have been reclassified to conform to the financial statement presentation adopted for March 31, 2008.

Corporate Information

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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 April 30, 2008 – 82,662,334