



Second Quarter 2008 Management's Discussion and Analysis

As of August 13, 2008

This management's discussion and analysis ("MD&A") of financial results and condition of Corridor Resources Inc. ("Corridor" or the "Company") for the six months ended June 30, 2008 should be read in conjunction with the unaudited financial statements and notes thereto for the six months ended June 30, 2008 and 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 June 30		Six months ended June 30	
	2008	2007	2008	2007
Revenues	\$19,187	\$1,548	\$39,366	\$2,828
Net earnings (loss)	\$3,816	\$(900)	\$9,897	\$(1,725)
Net earnings (loss) per share - basic	\$0.046	\$(0.011)	\$0.119	\$(0.022)
Net earnings (loss) per share - diluted	\$0.045	\$(0.011)	\$0.119	\$(0.022)
Cash flow from operations ⁽¹⁾	\$12,042	\$(246)	\$26,591	\$(325)
Capital expenditures	\$14,704	\$25,050	\$32,686	\$59,026
Gross proceeds from capital stock issues	\$55,534	\$66,022	\$55,546	\$66,502
Total assets	\$286,494	\$236,792	\$286,494	\$236,792

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:

- revenues;
- production levels;
- royalty rates;
- projections of market prices;
- transportation expense;
- general and administrative expenses;
- capital expenditures;
- depletion, depreciation and accretion rate;
- production expense;
- exploration and development drilling program; and
- sources of funding.

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 Q1 2008 MD&A dated May 14, 2008, a copy of which is available on SEDAR at www.sedar.com.

Second Quarter Highlights

- During Q2 2008, natural gas production averaged 18.5 mmscfd net to Corridor (including production from penalty wells) with an average natural gas sales price of \$10.97/mscf, resulting in net earnings of \$3,816 thousand and basic and diluted net earnings per share of \$0.046 and \$0.045 respectively.
- Natural gas revenues for the three months ended June 30, 2008 increased to \$18,466 thousand from \$1,527 thousand for Q2 2007 due to the start-up of natural gas production from the McCully Field to the M&NP on June 28, 2007.
- Net earnings for Q2 2008 increased to \$3,816 thousand from a net loss of \$900 thousand for Q2 2007.
- On June 20, 2008, Corridor closed a \$55 million financing consisting of 3,800,000 common shares and 1,150,000 flow-through shares at a price of \$10.60 per common share and \$13.00 per flow-through share. The net proceeds from the offering will be used primarily to fund the acceleration of the appraisal and economic assessment of the prospective Frederick Brook shale development in the Elgin area of southern New Brunswick, to fund a program to accelerate production at the McCully Field and for working capital.
- During Q2 2008, Corridor completed drilling the J-47, C-48 and C-57 wells (2.5 net wells) and commenced drilling the I-47 and P-67 wells (1.5 net wells). Corridor intends to conduct well fracturing, completion and testing activities for these wells during Q3 2008 and expects tie-in to the McCully gas gathering system to be completed for all wells by Q4 2008.
- During Q2 2008, Corridor entered into a long term agreement to sell all of its natural gas produced from the McCully Field and surrounding areas in southern New Brunswick. The agreement becomes effective on April 1, 2009 and provides Corridor with year round access to natural gas markets in Maritimes Canada and the US Northeast and allows it to receive corresponding market prices including those in periods of peak demand.

Q2 2008 Financial Summary

<i>thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Revenues	\$19,187	\$1,548	\$39,366	\$2,828
Royalty expense	(1,179)	(129)	(2,465)	(230)
Production expense	(1,190)	(60)	(2,378)	(115)
Transportation expense	(3,156)	(268)	(5,811)	(268)
	13,662	1,091	28,712	2,215
Other Expenses				
Depletion, depreciation and accretion	5,712	342	11,357	719
General and administrative	1,283	1,270	2,261	2,566
Stock-based compensation	692	410	956	851
Capital tax expense	120	90	240	180
	7,807	2,112	14,814	4,316
Earnings (loss) before the following items	5,855	(1,021)	13,898	(2,101)
Interest and finance costs	296	384	287	590
Interest and other income	(79)	(289)	(667)	(579)
Earnings (loss) before income taxes	5,638	(1,116)	14,278	(2,112)
Future income tax expense (recovery)	1,822	(216)	4,381	(387)
Net earnings (loss)	\$3,816	\$(900)	\$9,897	\$(1,725)

Results of Operations

Revenues

<i>thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Natural gas	\$18,466	\$1,527	\$37,781	\$2,807
Condensate	202	21	422	21
Natural gas and gas liquids revenues	\$18,668	\$1,548	\$38,203	\$2,828
Gathering, processing & transportation fees	519	-	1,163	-
	\$19,187	\$1,548	\$39,366	\$2,828

Natural gas revenues increased to \$18,466 thousand and \$37,781 thousand for the three and six months ended June 30, 2008 from \$1,527 thousand and \$2,807 thousand, respectively, for the three and six months ended June 30, 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 well to the McCully gathering system for a total of 21 producing wells by the end of June 30, 2008. Prior to June 28, 2007, two wells were producing and connected to a nearby potash mill owned by Corridor's joint venture partner Potash Corporation of Saskatchewan ("PCS") and sale of this natural gas was based on the N.Y. Harbour price of No. 2 fuel oil. Subsequent to the connection to the M&NP, natural gas delivered to M&NP and to PCS is sold 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 2008 compared to 2007.

Corridor's average daily gas production of 18.5 mmscfpd in Q2 2008 was lower than the budgeted amount of 19.3 mmscfpd, due in part to an almost two day shut down by the M&NP during this period, however this reduction in production was offset by higher than estimated gas prices. Natural gas revenues for the quarter were somewhat limited by forward sales of 10,000 mmbtupd at an average sales price of \$US8.82/mmbtu in effect between April 1, 2008 and October 31, 2008. Nevertheless, Corridor's total revenues of \$19,187 thousand for Q2 2008 were higher than Corridor's latest forecast of revenues for the quarter.

Production volumes and pricing

<i>thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Total volumes				
Natural gas production (mmscf)	1,683	110	3,475	193
Condensate production (bbl)	2,142	307	4,243	307
Daily production averages				
Natural gas production per day (mmscfpd)	18.5	1.2	19.1	1.1
Condensate production per day (bblpd)	23.5	3.4	23.3	1.7
Average prices				
Natural gas selling price (\$/mmscf)	\$10.97	\$13.88	\$10.87	\$14.53
Condensate selling price (\$/bbl)	\$94.30	\$68.40	\$99.45	\$68.40

Outlook

Corridor has maintained its 2008 estimate for revenues of \$83 million but has decreased its previously estimated production for 2008 from 21 mmscfpd to 20 mmscfpd. This revenue estimate is based on an average gas sales price of US\$9/mmbtu at Henry Hub (unchanged from previous estimate) and reflects forward sales to October 31, 2008 of 10,000 mmbtupd at an average sales price of \$US8.82/mmbtu and forward sales of 10,000 mmbtupd from November 1, 2008 to March 31, 2009 at an average sales price of \$US14.95/mmbtu. Corridor maintains its expectation that the U.S. dollar will be on par with the Canadian dollar for 2008.

Gathering, processing and transportation fees

<i>thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Gathering, processing and transportation	\$519	\$-	\$1,163	\$-

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 estimate for gathering, processing and transportation fees from PCS' share of production is approximately \$2.5 million, based on the current estimated production level for 2008.

Royalty Expense

<i>thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Crown royalties	\$1,179	\$129	\$2,465	\$230
Royalty expense per mscf (\$/mscf)	\$0.70	\$1.17	\$0.71	\$1.19
Percentage of natural gas and gas liquids revenues	6.3%	8.3%	6.5%	8.1%

For the three and six months ended June 30, 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 decrease in the effective royalty rate of 24% and 20% for the three and six months ended June 30, 2008 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 structure of the royalty regime 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 June 30		Six months ended June 30	
	2008	2007	2008	2007
Gross production expense	\$1,537	\$60	\$3,156	\$115
Third party recoveries	(347)	-	(778)	-
Net production expense	\$1,190	\$60	\$2,378	\$115
Net production expense per mscf (\$/mscf)	\$0.71	\$0.55	\$0.68	\$0.60

Net production expense for Q2 2008 increased to \$1,190 thousand from \$60 thousand for Q2 2007 due to the start-up of natural gas production from the McCully Field to the M&NP. Net production expense for the six months ended June 30, 2008 increased to \$2,378 thousand from \$115 thousand for the six months ended June 30, 2007 for the same reason. The net production expense per mscf was higher in Q2 2008 than the latest forecast of \$0.68/mscf because of the decrease in natural gas production during the quarter.

Outlook

Corridor maintains its 2008 estimate of production expense per mscf at \$0.68/mscf for 2008, based on the current estimated production level and estimated net production expense for 2008.

Transportation Expense

<i>thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Transportation expense	\$3,156	\$268	\$5,811	\$268
Transportation expense per mscf (\$/mscf)	\$1.88	\$2.43	\$1.67	\$1.39

The Company's transportation expense increased to \$3,156 thousand and \$5,811 thousand for the three and six months ended June 30, 2008 from \$268 thousand for the three and six months ended June 30, 2007 due to the start-up of natural gas production from the McCully Field to the M&NP. Transportation expense per mscf for the three and six months ended June 30, 2008 is not comparable to the same periods in the previous year because transportation expense for the three and six months ended June 30, 2007 reflected a firm transportation commitment of 8,933 mmbtu per day which began April 1, 2007, almost 3 months before the Company commenced delivering natural gas to M&NP.

Transportation expense per mscf for the three and six months ended June 30, 2008 is higher than the latest forecast of \$1.64/mscf because of the firm transportation commitments in place during the quarter which exceeded the natural gas production. Corridor's only remaining firm transportation agreement expires April 1, 2011 and relates to the purchase of 12,170 mmbtu per day of transportation on the Canadian side of the M&NP at a cost of 90% of firm tolls.

Outlook

Corridor has increased its 2008 estimate for transportation expense from \$1.64/mscf to \$1.66/mscf to reflect the additional transportation expense in Q2 2008.

Depletion, Depreciation and Accretion

<i>thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Depletion, depreciation and accretion	\$5,712	\$342	\$11,357	\$719
Depletion, depreciation and accretion per mscf (\$/mscf)	\$4.02	\$3.11	\$3.99	\$3.72

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 increased for the three and six months ended June 30, 2008 due to the increase in Corridor's capital expenditures and production. This increase was offset by the increase in Corridor's proved natural gas reserves 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, based on the current estimated production level and capital spending for 2008.

General and Administrative Expenses

<i>thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Gross expenses	\$1,497	\$1,381	\$2,630	\$2,758
Capitalized overhead	(151)	(93)	(271)	(172)
Operator recoveries	(63)	(18)	(98)	(20)
Net expenses	\$1,283	\$1,270	\$2,261	\$2,566

During the three months ended June 30, 2008 net general and administration expenses ("G&A") increased to \$1,283 thousand from \$1,270 thousand during Q2 2007 due to the payment of directors fees. This increase was offset by the reclassification of expenses from G&A to production expenses after the start-up of production to

M&NP in June 2007. During the six months ended June 30, 2008, net G&A decreased to \$2,261 thousand from \$2,566 thousand for the six months ended June 30, 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

Corridor maintains its estimate for G&A for 2008 at approximately \$4.5 million, consistent with the G&A level for the prior year.

Stock-based Compensation

<i>thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Stock-based compensation expense	\$692	\$410	\$956	\$851

The increase in stock-based compensation for the three and six months ended June, 2008 compared to the three and six months ended June 30, 2007 reflects grants of 331,000 options to employees and consultants during the quarter. The Company utilizes stock-based compensation as a way to attract and retain qualified resources in a very competitive industry.

Interest and Finance Costs

<i>thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Interest and finance costs	\$296	\$384	\$287	\$590

The decrease in interest and finance costs from \$590 thousand to \$287 thousand for the six months ended June, 2008 reflects the amortization of debt issue costs which expired in 2007.

Future Income Taxes

<i>thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Future income tax expense (recovery)	\$1,822	\$(216)	\$4,381	\$(387)
Effective tax rate	32.3%	19.4%	30.7%	18.3%
Canadian statutory income tax rate	33.3%	35.3%	33.3%	35.3%

The Company's effective tax rate for Q2 2008 is lower than the Canadian statutory income tax rate despite stock-based compensation expense being non-deductible for income tax purposes, due to future reductions in substantively enacted income tax rates in the years 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 June 30		Six months ended June 30	
	2008	2007	2008	2007
Drilling	\$12,930	\$11,984	\$24,608	\$22,355
Fracture stimulation programs	664	-	4,184	-
Midstream facilities and tie-ins	895	12,285	3,347	35,718
Land and seismic	40	405	123	464
Capitalized overhead	151	93	271	172
Office and other equipment	24	283	153	317
	\$14,704	\$25,050	\$32,686	\$59,026

Capital expenditures decreased to \$14,704 thousand and \$32,686 thousand for the three and six months ended June 30, 2008 from \$25,050 thousand and \$59,026 thousand for the three and six months ended June 30, 2007, respectively, primarily due to expenditures associated with the midstream facilities as the construction of the facilities was completed in June 2007.

In Q2 2008, Corridor completed drilling the J-47 well (100% Corridor), drilled the C-48 well (100% Corridor) and C-57 well (50% Corridor) and began drilling the I-47 well (100% Corridor) and P-67 well (50% Corridor). In Q2 2007, Corridor completed drilling the E-38 and P-76 wells (100% Corridor) and began drilling the J-38 well (100% Corridor) and D-66 well (50% Corridor).

The increase in drilling costs for the six months ended June 30 2008 to \$24,608 thousand from \$22,355 thousand for the six months ended June 30, 2007 is due to Corridor increasing the number of drilling rigs at the McCully Field in Q2 2007.

Capital Expenditures Outlook

During the quarter, Corridor announced the closing of a \$55 million financing which would significantly change the 2008 capital program. As a result, Corridor's capital expenditure program for 2008 is expected to increase from \$74.3 million to \$90.8 million. The increased spending includes plans to incur \$13 million to drill three vertical widely spaced shale gas appraisal wells at locations currently defined by 2-D seismic and \$3 million to drill a joint horizontal development well in the McCully Field to attempt increasing the rate of production from the McCully Field.

The 2008 capital program excludes approximately \$7 million of expenditures remaining from the 2007 capital program incurred in the six months ended June 30, 2008.

Balance Sheet Items

Significant changes between the June 30, 2008 balance sheet and the December 31, 2007 balance sheet include:

- \$26,583 thousand increase in cash and cash equivalents reflecting mostly the net proceeds of approximately \$52 million from the June 2008 equity financing net of the repayment of the outstanding bank loan.
- \$1,389 thousand decrease in receivables reflecting the decrease in sales tax receivable due to the decrease in capital spending.
- \$22,453 thousand increase in property, plant and equipment reflecting the capital expenditure spending.
- \$15,063 thousand decrease in accounts payable and accrued liabilities reflecting mostly the payment of the 2007 frac program amounts payable.
- \$6,236 thousand decrease in advances from joint venture partners reflecting the drawdown of the previously received cash advance with the spending on the joint venture projects.
- \$9,179 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 net of the tax impact on the share issue costs.
- \$47,618 thousand increase in capital stock reflecting the June 2008 common shares issues.

Cash Flow Highlights

<i>thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Cash provided by (used in) operating activities	\$12,002	\$441	\$25,773	\$(241)
Cash provided by financing activities	42,200	71,045	52,212	79,505
Cash used in investing activities	(16,073)	(26,432)	(51,402)	(56,424)
Increase in cash and cash equivalents	\$38,129	\$45,054	\$26,583	\$22,840

The increase in cash provided by operating activities for the three and six months ended June 30, 2008 compared to three and six months ended June 30, 2007 reflects the increase in natural gas revenues reduced by the increase in royalty, production and transportation expenses.

The decrease in cash provided by financing activities in Q2 2008 and for the year to date reflects primarily a decrease in the bank loan receipts compared to the three and six months ended June 30, 2007 and a decrease in the net proceeds received from the June 2008 equity financing compared to the June 2007 equity financing.

The decrease in the cash used in investing activities for the three and six months ended June 30, 2008 reflects a decrease in capital spending as the construction of the midstream facilities was completed in June 2007.

Outstanding Share Information

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

Common shares outstanding	87,629,634
Stock options to purchase common shares	1,591,500
Total common shares outstanding after exercise of all stock options	89,221,134
<i>thousands of dollars</i>	
Total proceeds due on exercise of all stock options	\$8,528

Liquidity and Capital Resources

During Q2 2008, Corridor renewed its \$40 million revolving short term credit facility with a Canadian chartered bank. The principal amount outstanding from time to time under the loan now bears interest at the lender's prime rate plus 0.25% per annum, with interest payable monthly. The credit facility will now mature, subject to mutual agreement to extend, on June 28, 2009. 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. Corridor does not expect to access this credit facility in 2008.

The Company has sufficient financial resources to undertake its budgeted exploration and development drilling program for 2008 with the net proceeds from the June 2008 equity financing and cash flow from operations. Future additional drilling and completion activities are planned to be financed with a combination of cash flow from operations, access to the credit facility 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.

Related Party Transactions

A director of Corridor is a partner in a law firm that provides legal services which amounted to \$180 thousand for the three and six months ended June 30, 2008 (\$207 thousand for the three and six months ended June 30, 2007). The amounts paid are recorded at the exchange amount agreed to between the parties and approximate fair value.

Summary of Quarterly Information

<i>thousand of dollars, except per share amounts and average natural gas price</i>	2008		2007				2006	
	Three months ended		Three months ended				Four months ended	Three months ended
	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Aug. 31
Natural gas revenues	\$18,466	\$19,316	\$15,586	\$12,884	\$1,527	\$1,280	\$1,693	\$858
Net earnings (loss)	\$3,816	\$6,081	\$4,682	\$1,092	\$(900)	\$(825)	\$(268)	\$(61)
Net earnings (loss) per share – basic	\$0.046	\$0.074	\$0.057	\$0.013	\$(0.011)	\$(0.011)	\$(0.004)	\$(0.001)
per share – diluted	\$0.045	\$0.073	\$0.056	\$0.013	\$(0.011)	\$(0.011)	\$(0.004)	\$(0.001)
Natural gas production (mmscf)	1,683	1,792	1,759	1,764	110	83	110	49
Average natural gas price (\$/mscf)	\$10.97	\$10.78	\$8.86	\$7.30	\$13.88	\$15.41	\$15.42	\$17.38
Capital expenditures	\$14,704	\$17,982	\$27,728	\$26,394	\$25,050	\$33,976	\$29,939	\$19,601

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 and include 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.

Future accounting policy changes

In February 2008, the CICA announced that GAAP for publicly accountable enterprises would be replaced by International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011 with comparative information required for the previous fiscal year. The Company is currently assessing the financial reporting impact of the transition to IFRS.

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 beyond 2008. 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 period, 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.

During the quarter, Corridor discovered that approximately 200,000 mmbtu of its net daily natural gas production since October 25, 2007 was delivered into the pipeline transportation system without being appropriately measured by the custody transfer meter and recognized in the Company's records. Corridor is currently in discussions with the transportation company to reach an agreement on the settlement for these deliveries. Corridor has not recognized any amount relating to this natural gas production as the amount is not determinable at this time.

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

(thousands of dollars, except per share amounts)

For the	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Revenues	\$ 19,187	\$ 1,548	\$ 39,366	\$ 2,828
Royalty expense	(1,179)	(129)	(2,465)	(230)
Production expense	(1,190)	(60)	(2,378)	(115)
Transportation expense	(3,156)	(268)	(5,811)	(268)
	13,662	1,091	28,712	2,215
Other Expenses				
Depletion, depreciation and accretion	5,712	342	11,357	719
General and administrative (note 6)	1,283	1,270	2,261	2,566
Stock-based compensation (note 7c)	692	410	956	851
Capital tax expense	120	90	240	180
	7,807	2,112	14,814	4,316
Earnings (loss) before the following items	5,855	(1,021)	13,898	(2,101)
Interest and finance costs (note 3)	296	384	287	590
Interest and other income	(79)	(289)	(667)	(579)
Earnings (loss) before income taxes	5,638	(1,116)	14,278	(2,112)
Future income tax expense (recovery) (note 4)	1,822	(216)	4,381	(387)
Net earnings (loss), being comprehensive income (loss)	3,816	(900)	9,897	(1,725)
Retained earnings (deficit), beginning of period	4,752	(6,203)	(1,329)	(5,378)
Retained earnings (deficit), end of period	\$ 8,568	\$ (7,103)	\$ 8,568	\$ (7,103)
Net earnings (loss) per share (note 5)				
Basic	\$ 0.046	\$ (0.011)	\$ 0.119	\$ (0.022)
Diluted	\$ 0.045	\$ (0.011)	\$ 0.119	\$ (0.022)

See accompanying notes to the interim unaudited financial statements.

Balance Sheets

(thousands of dollars)

As at	June 30 2008 <i>(unaudited)</i>	December 31 2007 <i>(audited)</i>
Assets		
Current assets		
Cash and cash equivalents	\$ 40,962	\$ 14,379
Restricted cash	350	1,800
Receivables	6,949	8,338
Receivables from joint venture partners	7	4
Prepays and security deposits	439	332
	48,707	24,853
Property, plant and equipment <i>(note 6)</i>	236,407	213,954
Restricted cash and security deposits	1,380	1,380
	\$ 286,494	\$ 240,187
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 8,615	\$ 23,678
Advances from joint venture partners	1,454	7,690
Capital taxes payable	36	96
	10,105	31,464
Future income taxes	16,036	6,857
Asset retirement obligations	1,661	1,443
	27,802	39,764
Shareholders' Equity		
Capital stock <i>(note 7)</i>	246,287	198,669
Contributed surplus <i>(note 7d)</i>	3,837	3,083
Retained earnings (deficit)	8,568	(1,329)
	258,692	200,423
	\$ 286,494	\$ 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 June 30		Six months ended June 30	
	2008	2007	2008	2007
Operating Activities				
Net earnings (loss)	\$ 3,816	\$ (900)	\$ 9,897	\$ (1,725)
Depletion, depreciation and accretion	5,712	342	11,357	719
Stock-based compensation	692	410	956	851
Future income tax expense (recovery)	1,822	(216)	4,381	(387)
Amortization of debt issue costs	-	118	-	217
	12,042	(246)	26,591	(325)
Increase (decrease) in non-cash operating working capital (note 8)	(40)	687	(818)	84
Cash provided by (used in) operating activities	12,002	441	25,773	(241)
Financing Activities				
Proceeds from capital stock issues	55,534	66,022	55,546	66,502
Increase (decrease) in bank loan (note 9)	(10,000)	8,600	-	16,650
Share issue costs	(3,334)	(3,568)	(3,334)	(3,578)
Other financing activities	-	(9)	-	(69)
Cash provided by financing activities	42,200	71,045	52,212	79,505
Investing Activities				
Property, plant and equipment expenditures	(14,704)	(25,050)	(32,686)	(59,026)
Decrease (increase) in restricted cash and security deposits	1,450	(350)	1,450	(1,800)
Increase (decrease) in non-cash investing working capital (note 8)	(2,819)	(1,032)	(20,166)	4,402
Cash used in investing activities	(16,073)	(26,432)	(51,402)	(56,424)
Increase in cash and cash equivalents	38,129	45,054	26,583	22,840
Cash and cash equivalents, beginning of period	2,833	14,755	14,379	36,969
Cash and cash equivalents, end of period	\$ 40,962	\$ 59,809	\$ 40,962	\$ 59,809
Cash and cash equivalents consists of:				
Bank indebtedness	\$ (3,538)	\$ (1,391)	\$ (3,538)	\$ (1,391)
Short-term investments	44,500	61,200	44,500	61,200
Cash and cash equivalents, end of period	\$ 40,962	\$ 59,809	\$ 40,962	\$ 59,809

See accompanying notes to the interim unaudited financial statements.

Notes to the Interim Unaudited Financial Statements

June 30, 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, and include qualitative and quantitative information about the exposure to risks arising from financial instruments.

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 June 30		Six months ended June 30	
	2008	2007	2008	2007
Interest expense	\$ 181	\$ 266	\$ 287	\$ 373
Foreign exchange losses	115	-	-	-
Amortization of debt issue costs	-	118	-	217
	\$ 296	\$ 384	\$ 287	\$ 590

Notes to the Interim Unaudited Financial Statements

June 30, 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 June 30		Six months ended June 30	
	2008	2007	2008	2007
Earnings (loss) before income taxes	\$ 5,638	\$ (1,116)	\$ 14,278	\$ (2,112)
Canadian statutory income tax rate	33%	35%	33%	35%
Expected income tax expense (recovery)	\$ 1,874	\$ (390)	\$ 4,747	\$ (739)
Increase (decrease) resulting from:				
Non-deductible stock-based compensation	230	144	317	298
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	(285)	28	(686)	50
Other	3	2	3	4
	\$ 1,822	\$ (216)	\$ 4,381	\$ (387)

5 Earnings per share

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

(thousands of shares)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Weighted average number of common shares	83,206	78,073	82,913	77,178
Effect of stock options	673	1,385	555	1,303
Diluted weighted average	83,879	79,458	83,468	78,481

For the three and six months ended June 30, 2008 stock options of 232 thousand (three and six months ended June 30, 2007 – nil) were excluded from the dilution calculation since the average market price for the period was lower than the exercise price.

6 Property, plant and equipment

(thousands of dollars)

	Cost	Accumulated depletion and depreciation	Net book value
June 30, 2008			
Petroleum and natural gas properties	\$ 187,206	\$ 20,847	\$ 166,359
Production facilities	72,401	6,806	65,595
Inventory	2,286	-	2,286
Future asset retirement costs	1,442	169	1,273
Office furniture and other equipment	1,298	404	894
	\$ 264,633	\$ 28,226	\$ 236,407

Notes to the Interim Unaudited Financial Statements

June 30, 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 and six months ended June 30, 2008, Corridor capitalized to petroleum and natural gas properties general and administrative costs of \$151 thousand and \$271 thousand respectively (three and six months ended June 30, 2007 - \$93 thousand and \$172 thousand). The calculation of depletion includes estimated future development costs relating to the development of proved reserves of \$71 million for the three and six months ended June 30, 2008 (\$22 million for the three and six months ended June 30, 2007).

7 Capital stock

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

b) **Issued and outstanding**

(thousands of dollars and thousands of shares)

	June 30, 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	3,800	40,280	4,071	46,002
Issue of flow-through shares for cash	1,150	14,950	1,400	20,020
Exercise of stock options for cash and amount recognized from contributed surplus	67	316	1,090	1,679
	-	202	-	316
Tax impact of flow-through renunciation	-	(5,756)	-	(1,920)
Share issue costs net of tax benefit	-	(2,374)	-	(2,511)
Balance, end of period	87,629	\$ 246,287	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 June 30, 2008, there was no remaining obligation to spend (December 31, 2007 - \$15,643 thousand).

On June 20, 2008, Corridor issued flow-through shares which resulted in an obligation to spend \$14,950 thousand on qualifying expenditures prior to December 31, 2009. At June 30, 2008, no expenditures had been incurred.

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 8,262,513 common shares with no more than 5% being issued to any one officer, director or employee. 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.

Notes to the Interim Unaudited Financial Statements

June 30, 2008

7 Capital stock (continued)

The following table summarizes the information relating to stock options:

	June 30, 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	(67)	\$ 4.71	(1,090)	\$ 1.54
Forfeited	(42)	\$ 5.63	(100)	\$ 5.50
Granted	331	\$ 8.63	10	\$ 9.70
Balance, end of period	1,592	\$ 5.36	1,370	\$ 4.54
Options exercisable, end of period	926	\$ 4.54	770	\$ 4.19

The range of exercise prices of stock options outstanding and exercisable as at June 30, 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	138	138	1.1
\$ 4.00 - \$ 4.99	605	450	2.6
\$ 5.00 - \$ 5.99	508	278	3.0
\$ 6.00 - \$ 6.99	109	2	4.8
\$ 7.00 - \$10.99	232	58	4.9
	1,592	926	3.1

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

	June 30, 2008	December 31, 2007
Weighted average fair value of options granted	\$ 8.63	\$ 9.70
Risk-free interest rate	4%	4%
Expected life (years)	3.0	3.0
Expected volatility	60%	100%

For the three and six months ended June 30, 2008, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$692 thousand and \$956 thousand respectively (three and six months ended June 30, 2007 - \$410 thousand and \$851 thousand).

d) Contributed surplus

(thousands of dollars)

	June 30, 2008	December 31, 2007
Balance, beginning of period	\$ 3,083	\$ 1,765
Stock-based compensation expense	956	1,634
Stock options exercised	(202)	(316)
Balance, end of period	\$ 3,837	\$ 3,083

Notes to the Interim Unaudited Financial Statements

June 30, 2008

8 Supplemental cash flow information

(thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Increase (decrease) in non-cash operating working capital:				
Receivables	\$ 633	\$ (190)	\$ (446)	\$ (305)
Prepays and security deposits	(57)	92	(107)	(435)
Accounts payable and accrued liabilities	(527)	802	(205)	804
Capital taxes payable	(89)	(17)	(60)	20
	\$ (40)	\$ 687	\$ (818)	\$ 84
Increase (decrease) in non-cash investing working capital:				
Receivables	\$ 1,851	\$ 779	\$ 1,835	\$ 620
Inventory	(613)	(1,835)	(904)	(2,207)
Advances from joint venture partners	(1,450)	2,002	(6,239)	1,358
Accounts payable and accrued liabilities	(2,607)	(1,978)	(14,858)	4,631
	\$ (2,819)	\$ (1,032)	\$ (20,166)	\$ 4,402
Interest and taxes paid:				
Interest paid	\$ 189	\$ 295	\$ 289	\$ 342
Capital and other taxes paid	\$ 207	\$ 106	\$ 299	\$ 190

9 Bank loan

During the quarter, Corridor renewed its \$40 million revolving short term credit facility with a Canadian chartered bank. The interest rate on the loan is now based on the bank's prime rate plus 0.25% and the credit facility expires, subject to mutual agreement to extend, on June 28, 2009. Outstanding bank loans will be secured by a \$50 million demand debenture on the Company's property, plant and equipment. At June 30, 2008, there is no outstanding bank loan.

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 June 30, 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

June 30, 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. However, with the Board of Directors' approval, Corridor entered into forward sale commitments, in limited quantities and at fixed prices, to mitigate the commodity price risk. For the three and six months ended June 30, 2008, a one dollar decrease in natural gas prices would have resulted in a decrease of \$1.1 million and \$2.2 million respectively in the Company's net earnings. The Company does not use derivative financial instruments for speculative purposes.

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.

The Company also had the following financial instruments denominated in U.S. dollars at the balance sheet date.

(thousands of U.S. dollars)

	June 30, 2008	December 31, 2007
Cash	\$ 8,225	\$ 6,394
Accounts receivable	5,786	6,288
Financial instruments in U.S. dollars	\$ 14,011	\$ 12,682

For the three and six months ended June 30, 2008, a 5% decrease in the foreign currency rates would have resulted in a decrease of \$1.0 million and \$2.0 million respectively 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 0.25%. Increases in market interest rates would not have materially impacted interest expense during the period 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 debts.

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.

v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At June 30, 2008, the Company was holding cash and equivalents of \$40,962 thousand and had \$40 million available from its revolving credit facility. The Company's accounts payable and accrued liabilities are all due within 30 days of the balance sheet date. The contractual maturities of other long-term liabilities and commitments were presented in the Company's December 31, 2007 audited financial statements. Given the Company's available liquid resources, management expects to have sufficient available funds to meet the current and foreseeable financial contractual obligations.

Notes to the Interim Unaudited Financial Statements

June 30, 2008

10 Financial instruments and risk management (continued)

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 structure 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. Corridor has the ability to adjust its capital structure by making modifications to its capital expenditure program or by issuing new equity. To maximize ongoing development and exploration activities, the Company will not pay out dividends during the year.

11 Related parties

A director of Corridor is a partner in a law firm that provides legal services to the Company. For the three and six months ended June 30, 2008, legal expenses of \$90 thousand are included in general and administrative expenses (three and six months ended June 30, 2007 - \$108 thousand) and share issue costs of \$90 thousand are included in capital stock as at June 30, 2008. At June 30, 2008, an amount of \$90 thousand was included in accounts payable and accrued liabilities (December 31, 2007 - \$73 thousand). The amounts paid are recorded at the amount agreed to between the parties and approximate fair value.

12 Commitments

During the quarter, the Company entered into commitments to sell 5,000 mmbtu per day of natural gas at \$US14.40/mmbtu and 5,000 mmbtu per day of natural gas at \$US15.49/mmbtu from November 1, 2008 to March 31, 2009.

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.

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.

During the quarter, Corridor discovered that approximately 200,000 mmbtu of its net daily natural gas production since October 25, 2007 was delivered into the pipeline transportation system without being appropriately measured by the custody transfer meter and recognized in the Company's records. Corridor is currently in discussions with the transportation company to reach an agreement on the settlement for these deliveries. Corridor has not recognized any amount relating to this natural gas production as the amount is not determinable at this time.

Corporate Information

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Stock Exchange

TSX – 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 July 31, 2008 – 87,629,634