

Management's Discussion and Analysis

As of March 29, 2007

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

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

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

Introduction

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

Corridor is currently developing the required midstream facilities to connect an initial 13 wells in the McCully Field to the Maritimes and Northeast Pipeline ("M&NP") and to deliver natural gas into the Maritimes and United States markets at prices referenced to Henry Hub.

Selected Financial Information

<i>thousands of dollars except per share amounts</i>	Four months ended December 31	Three months ended November 30	year ended August 31	
	2006	2005	2006	2005
Revenues (before royalties)	\$1,693	\$1,645	\$5,289	\$4,419
Net earnings (loss)	\$(268)	\$226	\$56	\$1,120
Net earnings (loss) per share - basic	\$(0.004)	\$0.004	\$0.001	\$0.025
Net earnings (loss) per share - diluted	\$(0.004)	\$0.004	\$0.001	\$0.025
Cash flow from operations ¹	\$909	\$1,117	\$4,002	\$2,567
Capital expenditures	\$29,939	\$17,850	\$50,141	\$13,506
Gross proceeds from common share issue	\$30,550	\$-	\$40,000	\$41,500

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.

Overview

On December 14, 2006, Corridor closed a \$30,550 thousand financing consisting of 4,700,000 common shares at a price of \$6.50 per common share. The net proceeds will be used to fund Corridor's drilling and well completion program at the McCully Field, the 2007 exploration program in New Brunswick and Prince Edward Island, and for general corporate purposes.

Construction continued for the gas gathering system, gas processing plant and pipeline lateral (the "midstream facilities") to connect the McCully Field with the Maritimes & Northeast Pipeline. As of March 19, 2007 approximately 95% of the main pipeline had been completed. Construction of the gas plant and the gas gathering system were each approximately 80% complete. Corridor expects that construction of all the facilities will be completed in April and that initial gas production will commence in June, 2007 following commissioning of the facilities. The capital cost of the midstream facilities is currently forecasted to be \$59.6 million. Timing of required approvals, weather conditions and general tightness in the construction industry have contributed to increased capital costs and have delayed the expected completion date of the facilities.

From November 22, 2006 to February 23, 2007 Corridor drilled the McCully F-58 well in the McCully Field to a total depth at 3754 meters. This exploratory well was to evaluate the potential of the Dawson Settlement formation. The well failed to reach the Dawson Settlement formation but encountered over 1000 meters of shaley dolomite and dolomitic shale in the Fredericks Brook rock formation. Corridor now estimates that the Dawson Settlement formation will not be reached before a depth of at least 4000 meters.

Corridor plans to contract and mobilize a coiled tubing unit to the F-58 well site as soon as one can be contracted to undertake production testing of certain sections of the Fredericks Brook formation. These tests will involve perforating the casing liner over the selected test intervals and acidizing the formation prior to undertaking flow testing operations. The upper portion of the Fredericks Brook formation will be reserved for potential frac stimulation operations planned for August and September.

Financial Summary

<i>thousands of dollars</i>	Four months ended December 31	Three months ended November 30	year ended August 31	
	2006	2005	2006	2005
Revenues	\$1,693	\$1,645	\$5,289	\$4,419
Royalty expense	(132)	(144)	(434)	(321)
Production expense	(129)	(88)	(309)	(331)
	1,432	1,413	4,546	3,767
Expenses				
Depletion, depreciation and accretion	479	582	2,377	1,024
General and administrative	826	340	1,110	900
Stock-based compensation	533	-	1,179	83
Capital tax expense	118	54	315	217
	1,956	976	4,981	2,224
Earnings (loss) before the following items	(524)	437	(435)	1,543
Net interest income (expense)	391	9	823	(141)
Earnings (loss) before income taxes	(133)	446	388	1,402
Current and future income taxes	135	220	332	282
Net earnings (loss)	\$(268)	\$226	\$56	\$1,120

Capital Expenditures

<i>thousands of dollars</i>	Four months ended	Three months ended	year ended August 31	
	December 31	November 30	2006	2005
	2006	2005	2006	2005
Land and seismic	\$1,260	\$50	\$4,293	\$610
Drilling activities	6,944	8,313	22,169	12,657
Fracture stimulation programs	4,250	9,059	15,381	-
Midstream facilities	17,197	375	7,641	-
Capitalized overhead	147	47	527	216
Office and other equipment	141	6	130	23
	\$29,939	\$17,850	\$50,141	\$13,506

During the four months ended December 31, 2006, the Company's capital expenditures were high due mainly to the ongoing construction of the midstream facilities. Total costs incurred to date on the midstream facilities amount to \$24.8 million, with another \$34.8 million forecasted in 2007, for a total cost of \$59.6 million.

During the four months ended December 31, 2006, drilling activities included the drilling and casing of the I-67 well (50% Corridor), and the commencement of drilling of the F-58 well (100% Corridor). Drilling activities were higher for the three months ended November 30, 2005 due to the drilling of three wells (two 100% Corridor and one 75% Corridor) during this period. Other activities during the four months ended December 31, 2006 included the completion of the fracture stimulation ("frac") program and 3-D seismic program which began prior to the year ended August 31, 2006. The three months ended November 30, 2005 includes higher capital expenditures relating to the fracture stimulation program due to the different timing of the program. The 2005 frac program was conducted in October and November whereas the 2006 frac program was conducted in the summer months.

Outlook

In addition to the midstream facilities construction, Corridor's capital expenditure program for 2007 is approximately \$57 million and consists of the drilling and completion of 10 wells, the completion of the deep well (F-58), mobilizing and demobilizing drilling equipment and a seven well fracture stimulation program. Corridor's 2007 capital expenditure program will be funded with proceeds from the December, 2006 equity financing and funds from future production operations. The midstream facility is currently being partially financed with a \$30,000 thousand short-term loan agreement with a Canadian chartered bank. Due to the recent increase in projected final costs of the midstream facilities, Corridor is in discussions with the Bank to increase this short-term facility to accommodate short-term cash deficiencies until cash flow from production begins.

Results of Operations

Revenues

<i>thousands of dollars</i>	Four months ended	Three months ended	year ended August 31	
	December 31	November 30	2006	2005
	2006	2005	2006	2005
Gas	\$1,693	\$1,645	\$5,217	\$4,419
Condensate	-	-	72	-
	\$1,693	\$1,645	\$5,289	\$4,419

A condensate sales agreement was finalized during the three months ended August 31, 2006 and revenues from the sale of condensate, which had been accumulating since November 2003, were received.

Gas Revenues

<i>thousands of dollars</i>	Four months ended December 31	Three months ended November 30	year ended August 31	
	2006	2005	2006	2005
Gas revenues (before royalties)	\$1,693	\$1,645	\$5,217	\$4,419
Natural gas production (mcf)	109,799	90,439	307,282	320,888
Average natural gas production per day (mcf/d)	900	994	842	879
Average natural gas selling price (\$/mcf)	\$15.42	\$18.19	\$16.98	\$13.77

The increase in natural gas revenues for the four months ended December 31, 2006 compared to the three months ended November 30, 2005 was lower than expected due to a 15% decrease in the average natural gas sales price. In addition average daily production has decreased by 9% due to a decrease in demand at the nearby potash mill. Corridor's price for natural gas is based on the N.Y. Harbour price of No. 2 fuel oil.

Outlook

Corridor estimates revenues in the range of \$40 - \$45 million for 2007 assuming production start-up in June, 2007.

Royalty Expense

<i>thousands of dollars</i>	Four months ended December 31	Three months ended November 30	year ended August 31	
	2006	2005	2006	2005
Crown royalties	\$132	\$144	\$434	\$321
Percentage of revenues	7.8%	8.7%	8.2%	7.3%

Crown royalties as a percentage of revenues have decreased compared to the three months ended November 30, 2005 as the monthly production expenses have increased despite the decreasing level of natural gas revenues and production.

Currently a royalty rate of 10% is payable based on revenues, net of deductions for transportation, processing and a recovery of capital costs. Corridor has recently been notified by the New Brunswick Government that the royalty regime regulations are expected to change during 2007. These changes are not expected to have a long-term financial impact.

A net royalty rate of approximately 7.5% - 8.0% is forecasted for 2007.

Production Expenses

<i>thousands of dollars</i>	Four months ended	Three months ended	year ended August 31	
	December 31	November 30	2006	2005
	2006	2005	2006	2005
Production expenses	\$129	\$88	\$309	\$331
Production expenses per mcf (\$/mcf)	\$1.17	\$0.97	\$1.01	\$1.03

Production expenses for the four months ended December 31, 2006 have increased compared to the three months ended November 30, 2005 due to additional well testing and increased methanol charges.

Production expenses of approximately \$0.50/mcf are forecasted for 2007.

Depletion, Depreciation and Accretion

<i>thousands of dollars</i>	Four months ended	Three months ended	year ended August 31	
	December 31	November 30	2006	2005
	2006	2005	2006	2005
Depletion, depreciation and accretion	\$479	\$582	\$2,377	\$1,024
Depletion, depreciation and accretion per mcf (\$/mcf)	\$4.36	\$6.43	\$7.74	\$3.19

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

The depletion, depreciation and accretion rate per mcf for 2007 is forecasted to be \$4/mcf - \$5/mcf.

General and Administrative Expenses

<i>thousands of dollars</i>	Four months ended	Three months ended	year ended August 31	
	December 31	November 30	2006	2005
	2006	2005	2006	2005
Gross expenses	\$1,048	\$387	\$1,895	\$1,123
Capitalized overhead	(147)	(47)	(527)	(216)
Operator recoveries	(75)	-	(258)	(7)
Net expenses	\$826	\$340	\$1,110	\$900

Corridor has undergone major growth during the last year in order to prepare for Stage 2 production start-up. Nine additional employees have been hired, and several consultants engaged, requiring additional office space, equipment and supplies. As a result, gross general and administration expenses ("G&A") have increased significantly.

For the four months ended December 31, 2006 the increase in G&A compared to the three months ended November 30, 2005 reflects the addition of six employees, increased consulting expenses and other office related expenses. Corridor expects to maintain this level of G&A spending for 2007.

The increase in capitalized overhead and operator recoveries is consistent with the increase in capital expenditures and joint venture activity.

Capital tax expense

The increase in capital tax expense for the four months ended December 31, 2006 compared to the three months ended November 30, 2005 reflects the \$70 million increase in capital relating to the April 2006 and December 2006 common share issues.

Interest and other income

The increase in interest and other income for the four months ended December 31, 2006 compared to the three months ended November 30, 2005 reflects higher short-term investments and higher interest rates.

Future Income taxes

The Company's effective tax rate is higher than the statutory income tax rate as stock-based compensation expense and a portion of royalty expense is non-deductible for income tax purposes. However, this is somewhat offset by the resource allowance benefit available for income tax purposes until December 31, 2006. The decrease in the future income tax expense for the four months ended December 31, 2006 compared to the three months ended November 30, 2005 is due to the decrease in earnings before taxes and to the decrease in the substantively enacted tax rate from 35.12% to 31%.

As of December 31, 2006 Corridor's income tax pools were approximately as follows:

thousands of dollars

	December 31 2006	August 31 2006
Canadian exploration expense	\$12,320	\$13,715
Canadian development expense	46,263	35,870
Canadian oil and natural gas property expense	1,045	964
Undepreciated capital cost and financing costs	31,092	12,975
	\$90,720	\$63,524

On April 27, 2006, Corridor issued flow-through shares which resulted in an obligation to spend \$7,000 thousand on qualifying expenditures prior to December 31, 2007. The related exploration expenditures were renounced in 2007 with an effective date of December 31, 2006. At December 31, 2006, the remaining obligation was \$1,464 thousand.

Based on planned capital expenditure programs and current commodity price assumptions, the Company will not be cash taxable in 2007.

Balance sheet items

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

- \$5,318 thousand decrease in cash and cash equivalents reflecting mostly the net proceeds of \$28,839 thousand from the December 2006 common share issue net of the increased capital expenditures.
- \$1,362 thousand increase in receivables reflecting mostly higher HST receivables due to increased capital expenditures.
- \$29,239 thousand increase in property, plant and equipment reflecting the increased capital expenditure spending.
- \$6,320 thousand decrease in advances from joint venture partners reflecting mostly the decrease in the previously received cash advance relating to the fracture stimulation program for the related expenditures incurred during the period.
- \$2,619 thousand increase in accounts payable and accrued liabilities reflecting the increased capital expenditure spending.
- \$221 thousand decrease in asset retirement obligations reflecting the change in the expected timing of payment of the future estimated obligation.
- \$533 thousand increase in contributed surplus reflecting the stock-based compensation expense.
- \$29,715 thousand increase in capital stock reflecting mostly the \$28,839 thousand net proceeds from the December 2006 common share issue.

Cash Flow Highlights

<i>thousands of dollars</i>	Four months ended December 31	Three months ended November 30	year ended August 31	
	2006	2005	2006	2005
Cash provided by operating activities	\$529	\$784	\$4,544	\$2,043
Cash provided by financing activities	28,885	17	42,066	38,842
Cash used in investing activities	(34,732)	(11,304)	(32,101)	(13,110)
Increase (decrease) in cash and cash equivalents	\$(5,318)	\$(10,503)	\$14,509	\$27,755

The decrease in cash provided by operating activities for the four months ended December 31, 2006 compared to three months ended November 30, 2005 reflects mostly the increase in G&A expenses offset by higher interest income.

The increase in cash provided by financing activities for the four months ended December 31, 2006 compared to the three months ended November 30, 2005 is due to the \$28,839 thousand net proceeds from the December 2006 common share issue.

The increase in cash used in investing activities for the four months ended December 31, 2006 compared to the three months ended November 30, 2005 is due to the overall increase in capital spending and more specifically the costs of the construction of the midstream facilities.

Liquidity and Capital Resources

In November 2006, Corridor signed a \$30,000 thousand non-revolving short term loan agreement with a Canadian chartered bank. The interest rate on the loan is based on the bank's prime interest rate plus one percent and the loan matures, subject to mutual agreement to extend, on September 1, 2007. The proceeds from the loan will partially fund the midstream facilities. Due to the recent increase in projected final costs of the midstream facilities, Corridor is in discussions with the Bank to increase this facility to accommodate short-term cash deficiencies until cash flow from production begins.

In December 2006, Corridor closed a \$30,550 thousand financing consisting of 4,700,000 common shares at a price of \$6.50 per common share. The net proceeds will be used to fund the drilling and well completion program at the McCully Field in New Brunswick, the 2007 exploration program in New Brunswick and Prince Edward Island, and for general corporate purposes.

Based on the estimated production start-up in June, 2007 and the expected increase in the short-term loan facility to finance the midstream facility, the Company will have sufficient financial resources to undertake its remaining planned exploration and development drilling activities for 2007 and plans to fund future drilling and completion activities from funds received from operations.

Contractual Obligations

Corridor has the following contractual obligations:

<i>thousands of dollars</i>	Total	2007	2008	2009
Purchase obligations	\$17,238	\$17,238	\$-	\$-
Operating leases	394	167	167	60
	\$17,632	\$17,405	\$167	\$60

Outstanding Share Information

As of March 15, 2007, the outstanding share information was as follows:

Common shares outstanding	76,451,634
Stock options to purchase common shares	2,050,000
Total common shares outstanding after exercise of all stock options	78,501,634

thousands of dollars

Total proceeds due on exercise of all stock options	\$7,327
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Disclosure and Internal Controls and Procedures

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

The President and Chief Financial Officer are responsible for certifying that they have designed, or caused to be designed under their supervision, internal controls over financial reporting to a standard which provides reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting

principles. The certifying officers concluded as of December 31, 2006 that the design of internal controls is sufficient to provide such reasonable assurance, however the following weaknesses were identified.

Weaknesses in information technology controls were identified in the areas of security administration policies and procedures resulting in an increased risk of unauthorized access to financial information. As of October 16, 2006, Corridor changed its information system service provider and is taking the necessary steps to mitigate this risk.

During the four month period ended December 31, 2006, the certifying officers became aware of a weakness relating to the accrual of the midstream facilities capital costs resulting in a risk that midstream facilities costs are not recognized in the correct financial period. The Company plans on assigning additional resources until the construction project is completed to ensure future costs are accrued appropriately.

Critical Accounting Estimates

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

Reserves

Corridor has engaged the independent engineering firm of APA Petroleum Engineering Inc. ("APA") to evaluate and report on a portion of Corridor's petroleum and natural gas reserves in the McCully Field.

The estimation of reserves is complex and subject to numerous uncertainties and interpretations. Forecasts are based on engineering data, projected future rates of production, forecasts of commodity prices and timing of future expenditures, all of which could change as new data becomes available.

Reserve estimates have a material impact on the depletion expense, impairment test calculation and asset retirement obligations.

Depletion

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

Impairment

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

There is significant uncertainty regarding future commodity prices and reserves. Impairment may result in a material loss, however future depletion expense would be reduced as a result.

Asset retirement obligation

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

Related Party Transactions

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

Business Conditions and Risks

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. The marketability of any oil and gas acquired or discovered will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, proximity and capacity of oil and gas pipelines and processing equipment and government regulations (including regulations relating to royalties, allowable production, importing and exporting of oil and gas, and environmental protection). In addition, hazards such as unusual or unexpected formations, pressures or other conditions are involved in drilling and operating wells.

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.

Risks May Not be Insurable

The Corporation'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. The Company expects it will be able to fully comply with all regulatory requirements in this regard.

Reserves

APA and Petrel Robertson Consulting Ltd. of Calgary have recently updated an independent reserves report encompassing the Hiram Brook reservoirs over the McCully structure. The report presents a proven plus probable gas-in-place (50% probability) of 722 billion cubic feet ("bcf") for the Hiram Brook formation. The report, effective December 31, 2006, also presents the quantity and value of Corridor's working interest share of proved plus probable plus possible reserves for the McCully Field. This broader analysis was possible because of the acquisition of 3D seismic data in 2006.

The extent of the seismic data enabled most of the McCully structure to be properly mapped. This allowed the area for reserves evaluation to be extended to now include most of the McCully gas field. Based on this expanded evaluation, the proved reserves had a minor positive adjustment mainly resulting from a re-determination of the effective working interest. The major change occurred in the probable reserves which experienced a significant increase as a result of extensions to the mapped gas accumulation.

The APA report presents the following working interest reserves to Corridor using constant prices and costs. The proven reserves also include the drilled but undeveloped reserves associated with the gas export phase of the McCully Field Stage 2 development currently under construction.

	Gross bcf	Corridor's working interest bcf
Proved developed producing and non-producing	18.9	9.5
Proved undeveloped	48.9	31.8
Total proved	67.8	41.3
Probable	115.2	101.8
Total proved plus probable	182.9	143.1
Possible	98.7	79.2
Proved plus probable plus possible	281.6	222.3

APA assessed the value of Corridor's share of the reserves categories based on both constant and forecast costs and prices as follows:

Net Present Value		0%		10%	
		Before Tax	After Tax	Before Tax	After Tax
Proved	Price Case				
	Constant	197	156	111	92
	Forecast	320	236	173	133
Proved plus probable	Constant	344	246	116	82
	Forecast	773	521	282	190
Proved plus probable plus possible	Constant	611	417	192	129
	Forecast	1,324	873	420	275

The full APA Report is available on Corridor's website at www.corridor.ca.

Quarterly Information

	2006	2006			2005			
	Four months ended	Three months ended			Three months ended			
<i>thousand of dollars</i>	Dec. 31	Aug. 31	May 31	Feb. 28	Nov. 30	Aug. 31	May 31	Feb. 28
Gas revenues	\$1,693	\$858	\$1,453	\$1,261	\$1,645	\$873	\$1,301	\$1,116
Net earnings (loss)	\$(268)	\$(62)	\$198	\$(307)	\$226	\$337	\$340	\$149
Net earnings (loss) per share – basic	\$(0.004)	\$(0.001)	\$0.003	\$(0.005)	\$0.004	\$0.007	\$0.007	\$0.004
Net earnings (loss) per share – diluted	\$(0.004)	\$(0.001)	\$0.003	\$(0.005)	\$0.004	\$0.007	\$0.007	\$0.004
Natural gas production (mcf)	109,799	49,371	86,914	80,559	90,439	57,756	87,498	89,567
Average natural gas selling price (\$/mcf)	\$15.42	\$17.38	\$16.72	\$15.65	\$18.19	\$15.12	\$14.87	\$12.46
Capital expenditures	\$29,939	\$19,601	\$3,551	\$9,139	\$17,850	\$7,268	\$5,518	\$164

Gas revenues are affected mostly by the variability of the natural gas selling price which is based on the N.Y. Harbour price of No. 2 fuel oil.

The natural gas production varies mostly in the three months ended August 31 due to our customer's annual plant shut-down.

The decreased net earnings for the three months ended February 28, 2006 and August 31, 2006 are due to additional stock-based compensation of \$528 thousand and \$413 thousand respectively.

Capital expenditures for the three months ended November 30, 2005 and August 31, 2006 are higher due to spending on fracture stimulation programs. Capital expenditures are also higher for the three months ended August 31, 2006 due to the 3-D seismic program and midstream facilities spending.

Auditors' Report

To the Shareholders of
Corridor Resources Inc.

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

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

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

Grant Thornton LLP

Halifax, Canada
March 6, 2007

Grant Thornton LLP
Chartered Accountants

Statements of Earnings and Deficit

(thousands of dollars, except per share amounts)

For the	four months ended December 31 2006	year ended August 31 2006
Operating Revenues		
Revenues	\$ 1,693	\$ 5,289
Royalty expense	(132)	(434)
Production expense	(129)	(309)
	1,432	4,546
Expenses		
Depletion, depreciation and accretion	479	2,377
General and administrative (note 4)	826	1,110
Stock-based compensation (note 8d)	533	1,179
Capital tax expense	118	315
	1,956	4,981
Loss before the following items	(524)	(435)
Interest and finance costs	31	170
Interest and other income	(422)	(993)
Earnings (loss) before income taxes	(133)	388
Large corporations tax	-	33
Future income tax expense (note 6a)	135	299
Net earnings (loss)	(268)	56
Deficit, beginning of period	(5,110)	(5,161)
Equity component of interest on notes	-	(5)
Deficit, end of period	\$ (5,378)	\$ (5,110)
Net earnings (loss) per share (note 9)		
Basic	\$ (0.004)	\$ 0.001
Diluted	\$ (0.004)	\$ 0.001

See accompanying notes to the financial statements.

Balance Sheets

(thousands of dollars)

As at	December 31 2006	August 31 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 36,969	\$ 42,287
Receivables	2,961	1,599
Receivables from joint venture partners	21	26
Prepays and drilling permit deposits (note 3)	328	305
	40,279	44,217
Property, plant and equipment (note 4)	111,074	81,835
Deferred debt issue costs and other (note 5)	270	-
	\$ 151,623	\$ 126,052
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 14,563	\$ 11,944
Advances from joint venture partners	895	7,215
Capital taxes payable	1	93
	15,459	19,252
Future income taxes (note 6b)	3,884	4,279
Asset retirement obligations (note 7)	810	1,031
Shareholders' Equity		
Capital stock (note 8)	135,083	105,368
Contributed surplus (note 8d)	1,765	1,232
Deficit	(5,378)	(5,110)
	131,470	101,490
	\$ 151,623	\$ 126,052

See accompanying notes to the financial statements.

On behalf of the Board

Signed "Norman W. Miller" _____ Director

Signed "Paul J. Hopkins" _____ Director

Statements of Cash Flows

(thousands of dollars)

For the	four months ended December 31 2006	year ended August 31 2006
Cash provided by (used in):		
Operating Activities		
Net earnings (loss)	\$ (268)	\$ 56
Depletion, depreciation and accretion	479	2,377
Stock-based compensation	533	1,179
Future income tax expense	135	299
Other non-cash operating items	30	91
	909	4,002
Decrease in non-cash operating working capital (note 10)	(380)	542
Cash provided by operating activities	529	4,544
Financing Activities		
Proceeds from capital stock issue	30,896	44,611
Share issue costs	(1,711)	(2,531)
Other financing activities	(300)	(14)
Cash provided by financing activities	28,885	42,066
Investing Activities		
Property, plant and equipment expenditures	(29,939)	(50,141)
Increase (decrease) in non-cash investing working capital (note 10)	(4,793)	18,040
Cash used in investing activities	(34,732)	(32,101)
Increase (decrease) in cash and cash equivalents	(5,318)	14,509
Cash and cash equivalents, beginning of period	42,287	27,778
Cash and cash equivalents, end of period	\$ 36,969	\$ 42,287
Cash and cash equivalents consists of:		
Cash	\$ 969	\$ 287
Short-term investments	36,000	42,000
Cash and cash equivalents, end of period	\$ 36,969	\$ 42,287

See accompanying notes to the financial statements.

Notes to the Financial Statements

December 31, 2006

1 Basis of presentation

Corridor Resources Inc. ("Corridor" or the "Company") is a junior natural resource company engaged in the exploration for petroleum and natural gas and the production of natural gas in Eastern Canada. The Company has changed its year-end from August 31 to December 31 to make the reporting period consistent with most reporting issuers in the Canadian oil and gas industry.

Corridor is in the exploration stage with respect to a number of its resource properties and has confirmed proved natural gas reserves in one of its properties. The amount of recoverable reserves, if any, which may be located on the properties in the exploration stage is not known.

Recovery of the Company's cumulative exploration costs on all properties is uncertain and dependent upon confirming its ongoing commitment to the properties and achieving commercial production from, or sale of, the properties. Additional financing will be required to conduct further exploration and development activities on the properties.

2 Significant accounting policies

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

a) Measurement uncertainty

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

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

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

Notes to the Financial Statements

December 31, 2006

b) Petroleum and natural gas properties

i) Capitalized costs

Corridor follows the full cost method of accounting for its petroleum and natural gas operations. Under this method, all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized. Costs include lease acquisition costs, geological and geophysical expenses, the portion of general and administrative expenses directly related to exploration and development activities and costs of drilling both productive and non-productive wells. Proceeds from the sale of properties are normally deducted from capitalized costs, without any gain or loss being realized, unless such sale would significantly alter the rate of depletion and depreciation.

ii) Depletion

Depletion of petroleum and natural gas properties and production facilities is calculated using the unit-of-production method based on estimated proved petroleum and natural gas reserves. Estimated future costs to be incurred in developing proved reserves are included in the costs subject to depletion. All of the Company's costs related to petroleum and natural gas properties are included in the cost base subject to depletion.

iii) Impairment test

At each reporting period, Corridor performs an impairment test to determine the recoverability of the carrying value associated with the exploration for and development of petroleum and natural gas properties. An impairment loss is recognized when the carrying value exceeds the fair value. The carrying value of petroleum and natural gas properties and production facilities is not recoverable if the carrying value exceeds the sum of future undiscounted cash flows expected from the production of proved reserves plus the cost of unproved properties. If the carrying value is not recoverable, the impairment loss is limited to the amount by which the carrying value exceeds the fair value. The fair value is determined based on future net cash flows from proved and probable reserves discounted at a risk-free rate using an estimate of future commodity prices, plus the cost of unproved properties.

iv) Asset retirement obligations

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

When an asset retirement obligation is recorded an equivalent amount is capitalized to the property, plant and equipment and depreciated along with the related asset using the unit-of-production method. Changes in the estimated obligation resulting from revisions to the estimated timing or amount of undiscounted cash flows are recognized as an increase or decrease in the asset retirement obligation and the related asset retirement cost. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion expense in the Statements of Earnings and Deficit. Actual expenditures incurred are charged against the accumulated obligation.

v) Joint operations

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

Notes to the Financial Statements

December 31, 2006

c) Flow-through common shares

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

d) Stock-based compensation

The Company records stock-based compensation expense for stock options granted to directors, officers, employees and consultants using the fair value method. The fair value of stock options granted is determined using the Black-Scholes option pricing model. Stock-based compensation is expensed over the vesting period to the Statements of Earnings and Deficit with a corresponding increase to contributed surplus. When the stock options are exercised the consideration received and the amount previously recognized in contributed surplus is recorded as an increase to capital stock.

e) Future income taxes

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

f) Depreciation

Depreciation of office furniture and equipment is calculated on the declining balance method at rates ranging between 20% to 30%.

g) Revenue recognition

Revenue associated with the production and sale of natural gas is recognized when the purchaser takes ownership of the natural gas.

h) Cash and cash equivalents

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

i) Earnings per share

Earnings per share amounts are calculated based on the weighted-average number of shares outstanding for the year. Diluted earnings per share amounts are calculated using the treasury stock method. Under this method the weighted-average number of shares outstanding is increased by the number of common shares which could be purchased at the average market price for the period from proceeds received from the exercise of stock options or warrants when the exercise price is lower than the average market price of the common shares of the Company for the period.

Notes to the Financial Statements

December 31, 2006

3 Prepays and drilling permit deposits

(thousands of dollars)

	December 31, 2006	August 31, 2006
Drilling permits and other access deposits	\$ 247	\$ 247
Prepays	44	19
Spare parts inventory	37	39
	\$ 328	\$ 305

4 Property, plant and equipment

(thousands of dollars)

	December 31, 2006	August 31, 2006
Petroleum and natural gas properties	\$ 86,136	\$ 73,536
Production facilities	28,500	11,303
Future asset retirement costs	728	979
Office furniture and equipment	434	292
	\$ 115,798	\$ 86,110
Accumulated depletion and depreciation	(4,724)	(4,275)
Net book value	\$ 111,074	\$ 81,835

For the four months ended December 31, 2006, Corridor capitalized to petroleum and natural gas properties, general and administrative costs of \$147 thousand (year ended August 31, 2006 - \$527 thousand). The calculation of depletion includes estimated future development costs relating to the development of proved reserves, as determined by an independent engineering firm, of \$22 million (year ended August 31, 2006 - \$29 million).

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

	Henry Hub Reference Gas Price
2007	\$8.70
2008	\$8.99
2009	\$8.75
2010	\$8.55
2011	\$8.48
2012	\$8.54
2013	\$8.72

The prices are escalated by 2% annually thereafter. The benchmark prices are based on natural gas prices at Henry Hub and adjusted for transportation and an exchange rate of US\$0.89/\$CDN in 2007, US\$0.88/\$CDN in 2008 and US\$0.87/\$CDN thereafter.

5 Deferred debt issue costs and other

Deferred debt issue costs consist of a \$300 thousand payment made towards securing a \$30 million non-revolving term loan with a Canadian chartered bank. The interest rate on the loan is based on the bank's prime rate plus one percent and the loan matures, subject to mutual agreement to extend, on September 1, 2007. The deferred financing costs will be amortized over this period.

Notes to the Financial Statements

December 31, 2006

6 Future income taxes

a) Future income tax provision

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

(thousands of dollars)

	four months ended December 31 2006	year ended August 31 2006
Earnings (loss) before income taxes	\$ (133)	\$ 388
Statutory income tax rate	36%	36%
Expected income tax expense (recovery)	\$ (48)	\$ 140
Increase (decrease) resulting from:		
Non-deductible stock-based compensation	165	365
Effect of tax rate changes	7	(243)
Non-deductible royalty payments	14	29
Resource allowance	(2)	(51)
Other	(1)	59
	\$ 135	\$ 299

b) Future income tax liability

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

(thousands of dollars)

	December 31 2006	August 31 2006
Future income tax liability		
Property, plant and equipment	\$ 5,691	\$ 5,779
Future income tax asset		
Share issue costs	(1,556)	(1,180)
Asset retirement obligations	(251)	(320)
	(1,807)	(1,500)
	\$ 3,884	\$ 4,279

Notes to the Financial Statements

December 31, 2006

7 Asset retirement obligations

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

(thousands of dollars)

	December 31, 2006	August 31, 2006
Asset retirement obligations, beginning of period	\$ 1,031	\$ 247
Liabilities incurred	26	167
Change in estimate	(277)	582
Accretion expense	30	35
Asset retirement obligations, end of period	\$ 810	\$ 1,031

The estimated undiscounted future obligation associated with the retirement of the obligation is \$2,650 thousand (August 31, 2006 - \$2,525 thousand). Management estimates the settlement of these obligations by 2029. A credit adjusted risk-free rate of 8% (August 31, 2006 - 8%) and an inflation rate of 2% (August 31, 2006 - 2%) was used to calculate the estimated fair value of the asset retirement obligations.

8 Capital stock

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

b) **Issued and outstanding**

(thousands of dollars)

	December 31, 2006		August 31, 2006	
	Number of shares (000's)	Amount	Number of shares (000's)	Amount
Balance, beginning of period	71,159	\$ 105,368	58,851	\$ 62,636
Issue of common shares for cash	4,700	30,550	6,735	33,000
Exercise of stock options	192	346	243	422
Issue of flow-through shares for cash	-	-	1,207	7,000
Exercise of warrants for cash	-	-	2,254	4,284
Notes converted to common shares	-	-	1,869	2,991
Flow-through tax benefit	-	-	-	(3,255)
Share issue costs net of tax benefit	-	(1,181)	-	(1,710)
Balance, end of period	76,051	\$ 135,083	71,159	\$ 105,368

On April 27, 2006, Corridor issued flow-through shares which resulted in an obligation to spend \$7,000 thousand on qualifying expenditures prior to December 31, 2007. The related exploration expenditures were renounced in 2007 with an effective date of December 31, 2006. At December 31, 2006, the remaining obligation was \$1,464 thousand (August 31, 2006 - \$3,523 thousand).

Notes to the Financial Statements

December 31, 2006

c) Stock options

The Company has a stock option plan under which options to purchase common shares of the Company may be granted to directors, officers, employees and consultants of the Company. The stock option plan is limited to 10% of issued and outstanding shares (non-diluted) with no more than 5% for any one officer, director or employee and no more than 1% for any one consultant. The exercise price of each option approximates the market price for the common share on the date the option was granted. Options granted under the plan are generally fully exercisable after three years, with 25% exercisable on the grant date and the remaining 75% in equal amounts on each of the next three anniversary dates. Options expire five years after the grant date.

The following table summarizes the information relating to stock options:

	December 31, 2006		August 31, 2006	
	Number of options (000's)	Weighted average exercise price	Number of options (000's)	Weighted average exercise price
Balance, beginning of period	2,707	\$ 3.14	1,585	\$ 1.27
Exercised	(192)	1.80	(243)	1.35
Granted	35	6.05	1,365	4.98
Balance, end of period	2,550	\$ 3.28	2,707	\$ 3.14
Options exercisable, end of period	1,438	\$ 2.03	1,621	\$ 1.98

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

Exercise prices	Number of options outstanding (000's)	Number of options exercisable (000's)	Weighted average remaining term (years)
\$0.95 - \$1.20	1,150	1,112	1.0
\$4.40 - \$4.70	620	155	4.1
\$5.09 - \$5.82	770	168	4.5
\$6.62	10	3	4.9
	2,550	1,438	2.8

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

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

The Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$533 thousand for the four months ended December 31, 2006 (year ended August 31, 2006 - \$1,179 thousand).

Notes to the Financial Statements

December 31, 2006

d) Contributed surplus

(thousands of dollars)

	December 31, 2006	August 31, 2006
Contributed surplus, beginning of period	\$ 1,232	\$ 147
Stock-based compensation expense	533	1,179
Stock options exercised	-	(94)
Contributed surplus, end of period	\$ 1,765	\$ 1,232

9 Earnings per share

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

(thousands of shares)

	four months ended December 31, 2006	year ended August 31, 2006
Weighted average	71,832	64,590
Effect of stock options	1,357	1,060
Effect of warrants	-	574
Diluted weighted average	73,189	66,224

Stock options of 10 thousand (August 31, 2006 – 765 thousand) were excluded from the dilution calculation since the average market price was lower than the exercise price. The conversion of the convertible notes into 1,869 common shares was also excluded from the dilution calculation for the year ended August 31, 2006 as the conversion would have been anti-dilutive.

10 Supplemental cash flow information

(thousands of dollars)

	December 31, 2006	August 31, 2006
Change in non-cash operating working capital:		
Receivables	\$ (297)	\$ 212
Prepays and drilling permit deposits	(23)	193
Cash held for license security	-	152
Accounts payable and accrued liabilities	32	(50)
Income taxes payable	(92)	35
	\$ (380)	\$ 542
Change in non-cash investing working capital:		
Receivables	\$ (1,065)	\$ (819)
Advances from joint venture partners	(6,315)	11,371
Accounts payable and accrued liabilities	2,587	7,488
	\$ (4,793)	\$ 18,040
Interest and income taxes paid:		
Interest paid	\$ -	\$ 130
Capital and other taxes paid	\$ 210	\$ 368

Notes to the Financial Statements

December 31, 2006

11 Financial instruments

a) Financial assets and liabilities

The carrying values of cash and cash equivalents, accounts receivables, advances from joint venture partners and accounts payable approximate their fair values because of their short term to maturity.

b) Credit risk

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

c) Foreign currency risk

Natural gas revenues are influenced by changes in the foreign exchange rate from month to month as the natural gas price is based on a U.S. Dollar benchmark at the time of invoicing. Corridor's accounts receivable for natural gas are denominated in Canadian dollars therefore there is no further exposure to fluctuations in the foreign exchange rate.

d) Commodity price risk

The Company is exposed to risks from fluctuations in the natural gas sales prices which are determined based on the commodity price for No. 2 Fuel Oil.

12 Related parties

A director of Corridor is a partner in a law firm that provides legal services to the Company. Legal expenses of \$43 thousand for the four months ended December 31, 2006 (August 31, 2006 - \$46 thousand) are included in general and administrative expenses and share issue costs of \$114 thousand for the four months ended December 31, 2006 (August 31, 2006 - \$204 thousand) are included in capital stock. The amounts paid are recorded at the amount agreed to between the parties. At December 31, 2006 \$141 thousand was included in accounts payable and accrued liabilities (August 31, 2006 – nil).

13 Commitments

Corridor has committed to purchase approximately \$17,238 thousand of materials, equipment and supplies required to develop the gas gathering system, gas conditioning plant and pipeline lateral.

14 Economic dependence

Corridor has one producing property and one sales contract therefore the Company is dependent on our customer's ongoing demand for natural gas.

15 Comparative amounts

Certain of the comparative amounts have been reclassified to conform with the financial statement presentation adopted for December 31, 2006.

Corporate Information

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Web www.corridor.ca

Stock Exchange

TSX– Trading Symbol CDH

Directors and Officers

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

Share Capital

Shares Authorized – Unlimited number of common shares
Common shares issued as of March 15, 2007 – 76,451,634

Bankers

Bank of Nova Scotia, Halifax, Nova Scotia

Royal Bank of Canada, Calgary, Alberta

Auditors

Grant Thornton LLP
Halifax, Nova Scotia

Solicitors

Bennett Jones LLP
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta
Toronto, Ontario

Independent Engineering Firm

APA Petroleum Engineering Inc.
Calgary, Alberta