



First Quarter 2013

Management's Discussion and Analysis

As of May 9, 2013

This management's discussion and analysis ("MD&A") of financial results and condition of Corridor Resources Inc. ("Corridor" or the "Company") for the three months ended March 31, 2013 should be read in conjunction with Corridor's unaudited condensed financial statements and notes thereto for the three months ended March 31, 2013, audited financial statements and notes thereto for the year ended December 31, 2012 and the MD&A for the year ended December 31, 2012 ("2012 Annual MD&A"), copies of which are available on the Company's website at www.corridor.ca and through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

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, 2012 (the "Annual Information Form"), is available on SEDAR at www.sedar.com.

Introduction

Corridor is an Eastern Canadian junior resource company engaged in the exploration for and development and production of petroleum and natural gas onshore in New Brunswick and Québec and offshore in the Gulf of St. Lawrence. Corridor currently has natural gas production and reserves in the McCully Field near Sussex, New Brunswick and crude oil reserves in the Caledonia Field near Sussex, New Brunswick. In addition, Corridor has contingent resources and discovered resources in Elgin, New Brunswick and undiscovered resources on Anticosti Island, Québec where Corridor has ongoing exploration projects.

Selected Financial Information

<i>thousands of dollars except per share amounts</i>	Three months ended March 31	
	2013	2012
Sales	\$ 8,114	\$ 4,156
Net income (loss)	\$ 2,529	\$ (1,654)
Net income (loss) per share - basic and diluted	\$ 0.029	\$ (0.019)
Cash flow from operations ⁽¹⁾	\$ 5,261	\$ 1,290
Capital expenditures	\$ 473	\$ 787
Total assets	\$ 159,957	\$ 200,885

(1) "Cash flow from operations" is a non-IFRS measure; see "Non-IFRS Financial Measures".

Non-IFRS Financial Measures

This MD&A refers to "cash flow from operations" which is a financial measure that is not determined in accordance with IFRS. 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.

Cash flow from operations represents cash provided by operating activities excluding the change in non-cash operating working capital, as follows:

<i>thousands of dollars</i>	Three months ended March 31	
	2013	2012
Cash provided by operating activities	\$ 4,898	\$ 2,155
Less: Decrease (increase) in non-cash operating working capital	(363)	865
Cash flow from operations	\$ 5,261	\$ 1,290

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;
- Canadian – U.S. dollar exchange rate;
- natural gas prices;
- gathering, processing and transportation fees;
- royalty rates and expense;
- production expense;
- transportation expense;
- depletion, depreciation and amortization;
- future development costs and reserves;
- general and administrative expenses;
- share-based compensation expense;
- timing as to when the Company will be cash taxable;
- capital expenditures;
- exploration and development drilling program;
- cash flow from operations;
- sources of funding;
- 2013 budget and capital program;
- net positive working capital; and
- level of bank debt.

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 including information concerning anticipated financial performance, business prospects, strategies, regulatory developments, future natural gas and oil commodity prices, exchange rates, 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, the ability to add production and reserves through development and exploration activities and the terms of agreements with third parties such as Petrolia Inc. and Repsol Energy Canada Ltd. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Unknown risks and uncertainties include, but are not limited to: risks associated with oil and gas exploration, substantial capital requirements and financing, volatility of natural gas and oil prices, government regulation, environmental, hydraulic fracturing, third party risk, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, risks may not be insurable, variations in exchange rates, expiration of licenses and leases, reserves and

resources estimates, development and/or acquisition of oil and natural gas properties, trading of common shares, seasonality, competition, management of growth, conflicts of interest, issuance of debt, title to properties and hedging. Further information regarding these factors and additional 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.

Certain of the forward-looking statements in this MD&A may constitute "financial outlooks" as contemplated by National Instrument 51-102 *Disclosure Obligations*, including information related to projected cash flow from operations, revenues, expenses, capital expenditures, working capital and debt levels for 2013, which are provided for the purpose of forecasting the financial position of Corridor at the end of the 2013 financial year. Please be advised that the financial outlook in this MD&A may not be appropriate for purposes other than the one stated above.

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 2012 Annual MD&A dated March 27, 2013, which is available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com.

Q1 2013 Financial Summary

<i>thousands of dollars</i>	Three months ended March 31	
	2013	2012
Sales	\$ 8,114	\$ 4,156
Royalty expense	(493)	(8)
Revenues, net	7,621	4,148
Expenses		
Depletion, depreciation and amortization	2,247	3,011
Transportation expense	936	1,096
Production expense	729	795
General and administrative expenses	729	891
Share-based compensation expense (recovery)	(332)	383
Recovery of exploration and evaluation assets	-	(14)
Capital tax expense	-	13
	4,309	6,175
Income (loss) before the following items	3,312	(2,027)
Interest and finance costs	59	65
Foreign exchange losses (gains)	(69)	43
Interest and other income	(24)	(20)
Income (loss) before income taxes	3,346	(2,115)
Deferred income tax expense (recovery)	817	(461)
Net income (loss) and comprehensive income (loss)	\$ 2,529	\$ (1,654)

First Quarter Summary

- During the quarter, Corridor's cash flow from operations increased to \$5,261 thousand from \$1,290 thousand in Q1 2012 due to higher natural gas sales net of increased royalty expenses. Corridor had cash and cash equivalents as at March 31, 2013 of \$12,523 thousand, working capital of \$15,075 thousand and no outstanding debt.
- Natural gas sales for Q1 2013 increased to \$7,756 thousand from \$3,764 thousand for Q1 2012 due to the increase in the average natural gas sales price to \$10.19/mscf in Q1 2013 from \$4.16/mscf in Q1 2012, which increase was partially offset by the decrease in the average daily natural gas production to 8.5 mmscfpd in Q1 2013 from 9.9 mmscfpd in Q1 2012.

- Net income for Q1 2013 increased to \$2,529 thousand from a net loss of \$1,654 thousand for Q1 2012 due primarily to the higher natural gas sales.

Results of Operations

Sales

<i>thousands of dollars</i>	Three months ended March 31	
	2013	2012
Natural gas	\$ 7,756	\$ 3,764
Condensate	76	84
Natural gas and gas liquids sales	\$ 7,832	\$ 3,848
Gathering, processing & transportation fees	282	308
Sales	\$ 8,114	\$ 4,156

Production volumes and pricing

	Three months ended March 31	
	2013	2012
Total volumes		
Natural gas production (mmscf)	761	904
Condensate production (bbl)	694	745
Daily production averages		
Natural gas production per day (mmscfpd)	8.5	9.9
Condensate production per day (bblpd)	7.7	8.2
Average prices		
Natural gas selling price (\$/mcsf)	\$ 10.19	\$ 4.16
Condensate selling price (\$/bbl)	\$ 109.51	\$ 112.80

Natural gas sales increased to \$7,756 thousand in Q1 2013 from \$3,764 thousand in Q1 2012 due to the increase in the average natural gas sales price to \$10.19/mcsf in Q1 2013 from \$4.16/mcsf in Q1 2012, which increase was partially offset by the decrease in the average daily natural gas production to 8.5 mmscfpd in Q1 2013 from 9.9 mmscfpd in Q1 2012. The decrease in the average daily natural gas production is due to the Company's decision to decrease drilling activities at the McCully Field since 2009 following decreases in natural gas prices. Corridor is encouraged by the recent increases in natural gas prices in North America and specifically in the New England market where natural gas prices averaged approximately \$US8/mmbtu higher than the Henry Hub price in Q1 2013.

Revenues for Q1 2013 were higher than the budget by approximately \$400 thousand due to higher than expected natural gas prices. From January 1, 2013 to March 31, 2013, Corridor had a forward sale agreement for 6,000 mmbtupd at an average price of \$US8.52/mmbtu. Natural gas production was also higher than the budget by 0.2 mmscfpd in Q1 2013 due to field optimization efforts.

Outlook

Corridor has increased its budget for revenues for 2013 from \$18 million to \$18.5 million to reflect the higher natural gas sales in Q1 2013. Corridor's 2013 forecast for revenues is based on an estimated average natural gas sales price of approximately \$6.70/mcsf for the year. The natural gas sales price is based on an exchange rate estimate of \$1.00 U.S. per Canadian dollar, an estimated Henry Hub price of US\$3.65/mmbtu and an average premium at Dracut of US\$2.65/mmbtu in 2013. Corridor maintains its forecast for the average net daily natural gas production for 2013 of 7.7 mmscfpd.

Gathering, processing and transportation fees

<i>thousands of dollars</i>	Three months ended March 31	
	2013	2012
Gathering, processing and transportation fees	\$ 282	\$ 308

Corridor owns the midstream facilities which process and transport gas from the McCully Field to the Maritimes and Northeast Pipeline ("M&NP"). Third party gas flowing through these facilities, which currently is limited to Potash Corporation of Saskatchewan's ("PCS") share of gas from the McCully Field, is charged a cost of service. The decrease in the gathering, processing and transportation ("GPT") fees to \$282 thousand in Q1 2013 from \$308 thousand in Q1 2012 is

due to less third party gas flowing through Corridor's midstream facilities. The GPT fees of \$282 thousand in Q1 2013 were consistent with the budget.

Outlook

Corridor maintains its 2013 budget for GPT fees from PCS' share of production of \$1,000 thousand based on an average estimated gross daily gas production of 10.2 mmscfpd for 2013.

Royalty Expense

<i>thousands of dollars</i>	Three months ended March 31	
	2013	2012
Crown royalties	\$ 493	\$ 8
Royalty expense per mscf (\$/mscf)	\$ 0.65	\$ 0.01
Percentage of natural gas and gas liquids revenues	6.3%	0.2%

Corridor's royalty payments are currently based on a royalty rate of 10% calculated on the net amount of revenues after deductions for processing and transportation and a recovery of capital costs. The increase in the royalty expense for Q1 2013 to \$0.65/mscf from \$0.01/mscf for Q1 2012 is due to the significant increase in the natural gas sales resulting from higher natural gas prices in 2013.

Outlook

The Company has increased its effective royalty rate for 2013 from approximately 1.5% to 3% to reflect the higher natural gas sales in Q1 2013.

While the Company reached a settlement in 2011 with the New Brunswick Department of Finance in respect of royalty payments for the periods from April 2003 to October 2009, negotiations are still ongoing relating to the calculation of the royalty payments for the periods subsequent to October 2009. The Company has not made any provision for additional royalty payments as the royalty amounts payable during this period were based on management's best estimate.

Transportation Expense

<i>thousands of dollars</i>	Three months ended March 31	
	2013	2012
Transportation expense	\$ 936	\$ 1,096
Transportation expense per mscf (\$/mscf)	\$ 1.23	\$ 1.21

Transportation expense decreased to \$936 thousand for Q1 2013 from \$1,096 thousand for Q1 2012 due to the decrease in natural gas production partially offset by an increase of \$0.007/mmbtu in the cost of the firm transportation tariff on the Canadian side of the M&NP effective January 1, 2013 and a weaker Canadian dollar compared to the US dollar. Transportation expense for Q1 2013 was consistent with the budget of \$1.24/mscf.

The Company has a commitment to purchase 8,000 mmbtu per day of transportation on the Canadian side of the M&NP from April 1, 2013 to October 31, 2013, 7,500 mmbtu per day from November 1, 2013 to October 31, 2014 and 6,500 mmbtu per day from November 1, 2014 to October 31, 2015.

Outlook

Corridor maintains its transportation expense estimate for 2013 of \$1.24/mscf.

Production Expense

<i>thousands of dollars</i>	Three months ended March 31	
	2013	2012
Gross production expense	\$ 873	\$ 925
Third party recoveries	(144)	(130)
Net production expense	\$ 729	\$ 795
Net production expense per mscf (\$/mscf)	\$ 0.96	\$ 0.88

Gross production expense for Q1 2013 decreased slightly to \$873 thousand from \$925 thousand in Q1 2012 due to a decrease in utilities expenses from the lower natural gas production and to management's commitment to lower production expenses.

Net production expense per mscf of \$0.96/mscf in Q1 2013 is lower than Corridor's budget of \$1.24/mscf for 2013 due to lower than expected production expenses, slightly higher natural gas production in Q1 2013 and the decision to delay repairs and maintenance expenses to later in the year.

Outlook

Corridor has decreased its production expense estimate for 2013 from \$1.24/mscf to \$1.21/mscf to reflect the lower production expenses incurred in Q1 2013.

Depletion, Depreciation and Amortization

<i>thousands of dollars</i>	Three months ended March 31	
	2013	2012
Depletion, depreciation and amortization	\$ 2,247	\$ 3,011
Depletion, depreciation and amortization per mscf (\$/mscf)	\$ 3.31	\$ 3.76

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 decrease in depletion, depreciation and amortization ("DD&A") expense for Q1 2013 to \$2,247 thousand from \$3,011 thousand in Q1 2012 is primarily due to the decrease in natural gas production compared to Q1 2012 and the decrease in the net book value of the depletion asset base following the Q4 2012 impairment charge of \$44,432 thousand.

The DD&A rate per mscf of \$3.31/mscf for Q1 2013 is higher than Corridor's budget of \$3.20/mscf for 2013 due to the higher than expected natural gas production in Q1 2013.

Outlook

Corridor maintains its DD&A rate estimate for 2013 of \$3.20/mscf.

General and Administrative Expenses

<i>thousands of dollars</i>	Three months ended March 31	
	2013	2012
Gross expenses	\$ 833	\$ 995
Capitalized overhead	(104)	(98)
Operator recoveries	-	(6)
Net expenses	\$ 729	\$ 891

Gross general and administrative expenses ("G&A") decreased to \$833 thousand in Q1 2013 from \$995 thousand during Q1 2012 due to a decrease in the use of consultants and the reduced number of employees of Corridor in 2013, reflecting management's commitment to lower G&A expenses.

Outlook

Corridor maintains its 2013 budget for gross G&A of \$3,350 thousand.

Share-based Compensation

<i>thousands of dollars</i>	Three months ended March 31	
	2013	2012
Share-based compensation expense (recovery)	\$ (332)	\$ 383

The share-based compensation recovery increased to \$332 thousand in Q1 2013 from an expense of \$383 thousand in Q1 2012 following the surrender of 1,514 thousand stock options in Q1 2013, as part of Corridor's option cancellation program, which resulted in a reversal of approximately \$500 thousand of previously expensed share-based compensation.

Outlook

Corridor maintains its 2013 budget of share-based compensation expense for 2013 of \$180 thousand.

Deferred Income Taxes

<i>thousands of dollars</i>	Three months ended March 31	
	2013	2012
Deferred income tax expense (recovery)	\$ 817	\$ (461)
Effective tax rate	24.4%	21.8%
Canadian statutory income tax rate	26.75%	26.75%

The increase in the effective tax rate for Q1 2013 compared to Q1 2012 is due to the decrease in share-based compensation expense which is a non-deductible expense for income tax purposes.

Outlook

Based on planned capital expenditure programs and current natural gas price assumptions, the Company does not expect to be cash taxable for the foreseeable future.

During the quarter, the New Brunswick government announced, in its 2013 provincial budget, that New Brunswick's corporate income tax rate would increase from 10% to 12% effective July 1, 2013. The Company's deferred income tax assets will be adjusted to reflect this higher income tax rate, once it has been substantively enacted, resulting in an estimated decrease in the deferred income tax expense of \$930 thousand.

Statement of Financial Position Changes

Significant changes between Corridor's March 31, 2013 statement of financial position and its December 31, 2012 statement of financial position include:

- \$4,509 thousand increase in cash and cash equivalents, primarily reflecting the increase in natural gas prices in Q1 2013.
- \$279 thousand decrease in receivables, primarily reflecting a decrease in receivables outstanding from third parties and joint venture partners.
- \$209 thousand decrease in accounts payable and accrued liabilities, primarily reflecting the decrease in capital spending in Q1 2013 compared to Q4 2012.

Capital Expenditures

<i>thousands of dollars</i>	Three months ended March 31	
	2013	2012
Exploration activities	\$ 364	\$ 582
Development activities	4	47
Production facilities	-	56
Capitalized overhead	104	98
Office and other equipment	1	4
	\$ 473	\$ 787

The decrease in total capital expenditures for Q1 2013 to \$473 thousand from \$787 thousand for Q1 2012 reflects the Company's planned decrease in capital spending in 2013. During Q1 2013, the Company mainly incurred costs relating to the proposed development of the Old Harry prospect.

Capital Expenditures Outlook

Corridor maintains its 2013 capital budget of \$3,000 thousand, which consists of the following:

thousands of dollars

Old Harry drilling advancement	\$ 1,000
Work-overs aimed at increasing production at the McCully Field	1,000
Gas plant maintenance and corporate	1,000
	\$ 3,000

However, the board of directors may approve additional capital expenditures in 2013 relating to one or more of Corridor's prospects.

Cash Flow Summary

<i>thousands of dollars</i>	Three months ended March 31	
	2013	2012
Cash provided by operating activities	\$ 4,898	\$ 2,155
Cash provided by financing activities	50	35
Cash used in investing activities	(439)	(817)
Increase in cash and cash equivalents	\$ 4,509	\$ 1,373

The increase in cash provided by operating activities for Q1 2013 to \$4,898 thousand from \$2,155 thousand in Q1 2012 is primarily the result of the increase in natural gas sales resulting from the significant increase in natural gas prices in Q1 2013.

Cash used in investing activities has decreased in Q1 2013 as a result of the decrease in capital spending.

Outlook

Corridor has increased its budgeted 2013 cash flow from operations from \$8,000 thousand to \$8,300 thousand to reflect the higher than expected natural gas prices in Q1 2013. Based on available working capital of \$10.2 million at December 31, 2012 and Corridor's capital budget of approximately \$3.0 million for 2013, Corridor has increased its net positive working capital forecast from \$15.2 million to approximately \$15.5 million at December 31, 2013 with no outstanding debt.

Related Party Transactions

A director of Corridor is a partner in a law firm that provides legal services to the Company. There were no related party transactions in Q1 2013 and Q1 2012.

Outstanding Share Information

As of April 30, 2013 the outstanding share information was as follows:

Common shares outstanding	88,464,133
Stock options to purchase common shares	2,466,333
Total common shares outstanding after exercise of all stock options	90,930,466

thousands of dollars

Total proceeds due on exercise of all stock options	\$ 4,459
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Summary of Quarterly Information

<i>thousands of dollars, except per share amounts and average natural gas price</i>	2013	2012				2011		
	Three months ended	Three months ended				Three months ended		
	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30
Natural gas sales	\$ 7,756	\$ 4,604	\$ 2,616	\$ 2,361	\$ 3,764	\$ 4,194	\$ 4,722	\$ 5,155
Net income (loss)	\$ 2,529	\$ (42,023)	\$ (1,777)	\$ (2,435)	\$ (1,654)	\$ (71,416)	\$ (2,348)	\$ (3,643)
Net income (loss) per share - basic and diluted	\$ 0.029	\$ (0.475)	\$ (0.020)	\$ (0.028)	\$ (0.019)	\$ (0.807)	\$ (0.027)	\$ (0.041)
Natural gas production (mmscf)	761	818	745	826	904	985	1,020	1,067
Average natural gas price (\$/mscf)	\$ 10.19	\$ 5.63	\$ 3.51	\$ 2.86	\$ 4.16	\$ 4.26	\$ 4.63	\$ 4.83
Capital expenditures	\$ 473	\$ 1,195	\$ 928	\$ 853	\$ 787	\$ 4,383	\$ 3,050	\$ 873

The significant increase in natural gas sales and cash flow from operations in Q1 2013 is primarily the result of the increase in the average natural gas sales price to \$10.19/mscf, the highest average natural gas price in a quarter since Q1 2009. Prior to Q1 2013, Corridor's decreased natural gas sales and cash flow from operations were primarily the result of the decrease in the average natural gas sales price from as high as \$14.38/mscf in Q1 2009 to as low as \$2.86/mscf in Q2 2012 and the decision by Corridor, in response to these lower prices, to decrease drilling activities at the McCully Field, which has resulted in reduced capital expenditures, natural gas production and impairment losses.

Liquidity and Capital Resources

Corridor's liquidity depends upon cash flow from operations, supplemented as necessary by equity and debt financings and the existing credit facility.

At March 31, 2013, Corridor had access to a \$6 million revolving credit facility with a Canadian chartered bank. The credit facility currently provides that any principal amount outstanding from time to time under the credit facility will bear interest at the lender's prime rate plus 1% per annum, with interest payable monthly. The credit facility will mature, subject to mutual agreement to extend, on July 27, 2013 and is subject to customary terms and conditions for borrowings of this nature and secured by the Company's property, plant and equipment. The Company is in compliance with all material terms of the agreements governing the credit facility.

The credit currently available to the Company is in part determined by the Company's borrowing base which is largely dependant on the Company's reserves. If, at any time during the term of the credit facility, the lender has reason to believe that the borrowing base has materially declined below the \$6 million credit facility, the lender can recalculate the Company's borrowing base and could, as a result, decrease the credit currently available to the Company. As of the date hereof, no amounts were drawn on this credit facility and \$6 million remained available thereunder.

At this time, Corridor does not intend to access its credit facility in 2013 consistent with the Company's 2013 budget. The 2013 budget assumes that no additional funds will be utilized from other sources such as equity financings, corporate debt or asset sales. See "Capital Expenditures".

The Company has sufficient financial resources to undertake its planned activities in 2013. However, Corridor does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties. Future exploration and development of the Company's properties will depend, therefore, on the Company's cash flow from operations and its ability to obtain additional financing through joint ventures, debt financings, equity financings or other means. Failure to obtain any financing necessary for Corridor's capital expenditure plans may result in a delay in development or production on Corridor's properties.

Given the Company's available liquid resources and the Company's 2013 budget, management expects to have sufficient available funds to meet the current and foreseeable contractual obligations and commitments disclosed in the Company's 2012 Annual MD&A.

Corridor's short-term investments consist of bank deposits with 90 days or less to maturity.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The President and the Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the President and the Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The President and Chief Financial Officer are responsible for establishing and maintaining 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 generally accepted accounting principles. During the three months ended March 31, 2013, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Critical Accounting Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingencies and commitments. Actual results could differ materially from those estimates. During the three months ended March 31, 2013, there were no changes in the critical accounting estimates disclosed in Corridor's 2012 Annual MD&A.

Changes in Accounting Policies

Corridor's interim unaudited condensed financial statements for the three months ended March 31, 2013 have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and in accordance with IAS 34 – *Interim Financial Reporting*. These interim unaudited condensed financial statements have been prepared following the same accounting policies disclosed in note 3 of Corridor's audited financial statements for the year ended December 31, 2012, except as follows:

As at January 1, 2013, the Company adopted IFRS 11 - *Joint Arrangements* but, after a review of its joint arrangements, concluded that no changes were necessary in the accounting for its joint arrangements.

The adoption of IFRS 13 - *Fair value measurement* did not require any adjustments to the valuation techniques used by the Company and did not result in any measurement adjustments as at January 1, 2013.

Business Conditions and Risks

An overview of the industry conditions in which the Company operates is set forth in the Annual Information Form under the heading "Industry Conditions".

The following is a summary of certain risk factors and 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 under the heading "Risk Factors" and include, hydraulic fracturing, third party risk, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, risks may not be insurable, variations in exchange rates, expiration of licenses and leases, reserves and resources estimates, development and/or

acquisition of oil and natural gas properties, trading of common shares, seasonality, competition, management of growth, conflicts of interest, issuance of debt, title to properties, 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.

Substantial Capital Requirements and Financing

The Company anticipates making substantial capital expenditures for the exploration, development and production of natural gas and oil reserves in the future. The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties. The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. If the Company's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash flow generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects. For more information please refer to "*Liquidity and Capital Resources*".

Volatility of Natural Gas and Oil Prices

The Company's revenues, profitability and future growth and the carrying value of its properties are substantially dependent on prevailing prices of gas and oil. Fluctuations in natural gas or oil prices could have an adverse effect on the Company's operations and financial condition and the value and amount of its reserves. Prices for natural gas fluctuate in response to changes in the supply of and demand for natural gas and oil, market uncertainty and a variety of additional factors beyond the Company's control. Natural gas prices are affected primarily by supply and demand, weather conditions and by prices of alternate sources of energy (including refined product, coal, and renewable energy initiatives). A substantial or extended decline in the price of natural gas or a continued low price environment for natural gas could result in a delay or cancellation of existing or future drilling, development programs or curtailment in production or could result in unutilized transportation commitments, all of which could have an adverse effect on the Company's carrying value of its proved reserves, borrowing capacity, revenues, profitability and cash flows from operations. In addition, a decline in the price of natural gas may result in Corridor having to impair, as a non-cash charge to earnings, the carrying value of its oil and gas properties.

Government Regulation

The oil and natural gas industry (exploration, production, pricing, marketing and transportation) is subject to extensive controls and regulations imposed by various levels of government. See "Industry Conditions" in the Annual Information Form. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Company's costs, any of which may have a material adverse effect on the Company's intended business, financial condition and results of operations. The Company's operations require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development on its properties. It is not expected that any of these controls or regulations will affect the operations of the Company in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted. In particular, in Québec, delays in shale gas development are expected to continue as the Province implements the various recommendations made by the Québec's Bureau d'audiences publiques sur l'environnement ("**BAPE**"), including the main recommendation that a strategic environmental assessment on shale gas development be performed.

Environmental

All phases of the natural gas and liquids businesses are subject to environmental regulation pursuant to a variety of federal, provincial and municipal laws and regulations (collectively, "environmental legislation"). Environmental legislation imposes, among other things, restrictions, liabilities and obligations in connection with the use, generation, handling, storage, transportation, treatment and disposal of chemicals, hazardous substances and waste associated with the finding, production, transmission and storage of the Company's products including the hydraulic fracturing of wells, the decommissioning of facilities and in connection with spills, releases and emissions of various substances to the environment. It also imposes restrictions, liabilities and obligations in connection with the management of fresh or potable water sources that are being used, or whose use is contemplated, in connection with natural gas and oil operations.

Environmental legislation also requires that wells, facility sites and other properties associated with the Company's operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, certain types of operations, including exploration and development projects and changes to certain existing projects, may require the submission and approval of environmental impact assessments or permit applications. Compliance with environmental legislation can require significant expenditures, including expenditures for clean-up costs and damages arising out of contaminated properties and failure to comply with environmental legislation may result in the imposition of fines and penalties.

A number of federal and provincial governments have announced intentions to regulate greenhouse gases and certain air pollutants. These governments are currently developing the regulatory and policy frameworks to deliver on their announcements. In most cases there are few technical details regarding the implementation and coordination of these plans to regulate emissions. However, the Canadian federal government has gone on record as saying that it will align greenhouse gas emission legislation with the United States. As it remains unclear what approach the U.S. federal government will take, or when, it is also unclear whether these federal governments will implement economy-wide greenhouse gas emission legislation or a sector-specific approach, and what type of compliance mechanisms will be available to certain emitters. Currently, certain provinces have implemented greenhouse gas emission legislation that impacts areas in which the Company operates. It is anticipated that other federal, provincial and state announcements and regulatory frameworks to address emissions will continue to emerge.

Corridor believes that it is in material compliance with applicable environmental legislation and is committed to continued compliance. Corridor believes that it is reasonably likely that a trend towards stricter standards in environmental legislation will continue and Corridor anticipates making increased expenditures of both a capital and an expense nature as a result of increasingly stringent environmental laws.

Unaudited Statements of Income (Loss) and Comprehensive Income (Loss)

(thousands of dollars, except per share data)

For the	Three months ended March 31	
	2013	2012
Sales	\$ 8,114	\$ 4,156
Royalty expense	(493)	(8)
Revenues, net	7,621	4,148
Expenses		
Depletion, depreciation and amortization	2,247	3,011
Transportation expense	936	1,096
Production expense	729	795
General and administrative expenses	729	891
Share-based compensation expense (recovery) (note 11)	(332)	383
Recovery of exploration and evaluation assets	-	(14)
Capital tax expense	-	13
	4,309	6,175
Income (loss) before the following items	3,312	(2,027)
Interest and finance costs	59	65
Foreign exchange losses (gains)	(69)	43
Interest and other income	(24)	(20)
Income (loss) before income taxes	3,346	(2,115)
Deferred income tax expense (recovery) (note 4)	817	(461)
Net income (loss) and comprehensive income (loss)	\$ 2,529	\$ (1,654)
Net income (loss) per share – basic and diluted	\$ 0.029	\$ (0.019)
Weighted average number of common shares		
Basic and diluted (note 5)	88,464	88,464

The accompanying notes are an integral part of these interim unaudited condensed financial statements.

Unaudited Statements of Financial Position

(thousands of dollars)

As at	March 31 2013	December 31 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 12,523	\$ 8,014
Restricted cash	650	650
Receivables (note 13 a iv)	1,810	2,089
Inventory	737	737
Capital taxes receivable	43	25
Prepays and security deposits	565	184
	16,328	11,699
Non-current assets		
Property, plant and equipment (notes 6 & 8)	97,613	99,901
Exploration and evaluation assets (note 7)	23,437	22,969
Deferred income tax assets	20,244	21,061
Investment tax credits	1,671	1,671
Intangible assets	284	297
Restricted cash	380	380
Total assets	\$ 159,957	\$ 157,978
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,253	\$ 1,462
Non-current liabilities		
Decommissioning liability (note 9)	7,706	7,715
Total liabilities	8,959	9,177
Shareholders' Equity		
Capital stock (note 10)	247,496	247,496
Contributed surplus	9,174	9,506
Deficit	(105,672)	(108,201)
Total shareholders' equity	150,998	148,801
Total liabilities and shareholders' equity	\$ 159,957	\$ 157,978

The accompanying notes are an integral part of these interim unaudited condensed financial statements.

Contingency (note 16)

On behalf of the Board

Signed "Phillip R. Knoll" Director

Signed "Robert D. Penner" Director

Unaudited Statements of Changes in Shareholders' Equity

(thousands of dollars)

For the	Three months ended March 31	
	2013	2012
Capital stock, beginning and end of period	\$ 247,496	\$ 247,496
Contributed surplus, beginning of period	\$ 9,506	\$ 7,952
Share-based compensation expense (recovery)	(332)	383
Contributed surplus, end of period	\$ 9,174	\$ 8,335
Deficit, beginning of period	\$ (108,201)	\$ (60,312)
Net income (loss) and comprehensive income (loss)	2,529	(1,654)
Deficit, end of period	\$ (105,672)	\$ (61,966)
Shareholders' equity, end of period	\$ 150,998	\$ 193,865

The accompanying notes are an integral part of these interim unaudited condensed financial statements.

Unaudited Statements of Cash Flows

(thousands of dollars)

For the	Three months ended March 31	
	2013	2012
Operating Activities		
Net income (loss)	\$ 2,529	\$ (1,654)
Adjustments not affecting cash:		
Depletion, depreciation and amortization	2,247	3,011
Share-based compensation expense (recovery)	(332)	383
Recovery of exploration and evaluation assets	-	(14)
Deferred income tax expense (recovery)	817	(461)
Other operating activities	-	25
	5,261	1,290
Decrease (increase) in non-cash operating working capital (note 12)	(363)	865
Cash provided by operating activities	4,898	2,155
Financing Activities		
Other financing activities	50	35
Cash provided by financing activities	50	35
Investing Activities		
Property, plant and equipment expenditures	(5)	(107)
Exploration and evaluation expenditures	(468)	(680)
Decrease in restricted cash	-	1,500
Decrease (increase) in non-cash investing working capital (note 12)	34	(1,530)
Cash used in investing activities	(439)	(817)
Increase in cash and cash equivalents	4,509	1,373
Cash and cash equivalents, beginning of period	8,014	6,396
Cash and cash equivalents, end of period	\$ 12,523	\$ 7,769
Cash and cash equivalents consists of:		
Cash	\$ 7,473	\$ 2,799
Short-term investments	5,050	4,970
Cash and cash equivalents, end of period	\$ 12,523	\$ 7,769

The accompanying notes are an integral part of these interim unaudited condensed financial statements.

Notes to the Unaudited Condensed Financial Statements

March 31, 2013

1. Nature of operations

Corridor Resources Inc. ("Corridor" or the "Company") is an Eastern Canadian junior resource company engaged in the exploration for and development and production of petroleum and natural gas onshore in New Brunswick and Québec and offshore in the Gulf of St. Lawrence. Corridor is a public company incorporated under the Alberta Business Corporations Act with common shares listed on the Toronto Stock Exchange under the symbol "CDH". Corridor's head office is located at 5475 Spring Garden Road, Halifax, Nova Scotia, B3J 3T2.

2. Basis of presentation

These unaudited condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and in accordance with IAS 34 - *Interim Financial Reporting*. The unaudited condensed financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2012.

These unaudited condensed financial statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended December 31, 2012, except as disclosed in note 3.

On May 9, 2013, the unaudited condensed financial statements were approved by the Board of Directors and signed by the chair of the Audit Committee and the President and Chief Executive Officer of the Company.

3. Changes in accounting policies

As at January 1, 2013, the Company adopted IFRS 11 - *Joint Arrangements* but, after a review of its joint arrangements, concluded that no changes were necessary in the accounting for its joint arrangements.

The adoption of IFRS 13 - *Fair value measurement* did not require any adjustments to the valuation techniques used by the Company and did not result in any measurement adjustments as at January 1, 2013.

4. Income taxes

Deferred income tax expense (recovery) differs from the amount which would be obtained by applying the Canadian statutory income tax rates to the income (loss) before income taxes as follows:

(thousands of dollars)

	Three months ended March 31	
	2013	2012
Income (loss) before income taxes	\$ 3,346	\$ (2,115)
Blended Canadian statutory income tax rate	26.75%	26.75%
Expected income tax expense (recovery)	\$ 895	\$ (566)
Increase resulting from:		
Non-deductible (non-taxable) share-based compensation expense (recovery)	(89)	102
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	8	(4)
Other	3	7
	\$ 817	\$ (461)

During the quarter, the New Brunswick government announced, in its 2013 provincial budget, that New Brunswick's corporate income tax rate would increase from 10% to 12% effective July 1, 2013. The Company's deferred income tax assets will be adjusted to reflect this higher income tax rate, once it has been substantively enacted, resulting in an estimated decrease in the deferred income tax expense of \$930 thousand.

Notes to the Unaudited Condensed Financial Statements

March 31, 2013

5. Income (loss) per share

For the three months ended March 31, 2013, stock options of 2,466 thousand (three months ended March 31, 2012 – 3,269 thousand) 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)

	Oil and gas properties	Production facilities	Inventory	Office and other assets	Total
Cost					
Balance at December 31, 2011	\$ 218,756	\$ 76,513	\$ 3,185	\$ 2,670	\$ 301,124
Additions	64	108	-	29	201
Changes in future abandonment costs	1,726	-	-	-	1,726
Investment tax credits	-	(11)	-	-	(11)
Balance at December 31, 2012	\$ 220,546	\$ 76,610	\$ 3,185	\$ 2,699	\$ 303,040
Additions	4	-	-	1	5
Changes in future abandonment costs	(59)	-	-	-	(59)
Balance at March 31, 2013	\$ 220,491	\$ 76,610	\$ 3,185	\$ 2,700	\$ 302,986
Accumulated impairment, depletion and depreciation					
Balance at December 31, 2011	\$ 110,337	\$ 33,505	\$ 2,276	\$ 1,295	\$ 147,413
Depletion or depreciation expense	8,871	2,121	-	214	11,206
Impairment losses	31,336	13,096	-	-	44,432
Write-down of inventory	-	-	88	-	88
Balance at December 31, 2012	\$ 150,544	\$ 48,722	\$ 2,364	\$ 1,509	\$ 203,139
Depletion or depreciation expense	1,875	328	-	31	2,234
Balance at March 31, 2013	\$ 152,419	\$ 49,050	\$ 2,364	\$ 1,540	\$ 205,373
Net book value					
At December 31, 2012	\$ 70,002	\$ 27,888	\$ 821	\$ 1,190	\$ 99,901
At March 31, 2013	\$ 68,072	\$ 27,560	\$ 821	\$ 1,160	\$ 97,613

The calculation of depletion includes estimated future development costs relating to the development of proved reserves of \$96,708 thousand for the three months ended March 31, 2013 (three months ended March 31, 2012 - \$72,193 thousand). Costs of property, plant and equipment excluded from costs subject to depletion, depreciation and amortization amounted to \$7,366 thousand at March 31, 2013 (March 31, 2012 - \$7,378 thousand).

7. Exploration and evaluation assets

(thousands of dollars)

	March 31 2013	December 31 2012
Balance, beginning of period	\$ 22,969	\$ 30,982
Impairment losses	-	(11,893)
Additions	468	3,562
Write-off of exploration and evaluation assets	-	(72)
Changes in future abandonment costs	-	390
Balance, end of period	\$ 23,437	\$ 22,969

Notes to the Unaudited Condensed Financial Statements

March 31, 2013

8. Credit facility

Corridor has a \$6 million revolving short term credit facility with a Canadian chartered bank. The interest rate on the loan is currently based on the bank's prime rate plus 1% and the credit facility expires, subject to mutual agreement to extend, on July 27, 2013. Outstanding amounts drawn on the credit facility are secured by a \$75 million demand debenture on the Company's property, plant and equipment. At March 31, 2013 and December 31, 2012, there was no amount drawn on the credit facility.

9. Decommissioning liability

The change in the decommissioning liability is due to the following:

(thousands of dollars)

	March 31 2013	December 31 2012
Balance, beginning of period	\$ 7,715	\$ 5,408
Change in discount rate	(59)	648
Change in estimate	-	1,468
Finance costs	50	191
Balance, end of period	\$ 7,706	\$ 7,715

The total undiscounted amount of estimated cash flows required to settle these obligations is \$14,903 thousand (December 31, 2012 - \$14,903 thousand). Management estimates the settlement of these obligations between 2014 and 2040. A risk-free rate of 2.45% (December 31, 2012 - 2.42%) and an inflation rate of 2% (December 31, 2012 - 2%) was used to calculate the estimated fair value of the decommissioning liability.

10. Capital stock

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

b) **Issued and outstanding**

(thousands of dollars and thousands of shares)

	March 31, 2013		December 31, 2012	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning and end of period	88,464	\$ 247,496	88,464	\$ 247,496

11. Share-based compensation

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 generally vest over a three year period and expire five years after the grant date. Participants of the stock option plan can elect to surrender any vested option in exchange for a cash payment based on the difference between the market value of the common share and the exercise price of the option. The Board of Directors has the sole discretion to consent or deny this election.

Notes to the Unaudited Condensed Financial Statements

March 31, 2013

11. Share-based compensation (continued)

The following table summarizes the changes in the outstanding stock options:

	Three months ended March 31, 2013		Year ended December 31, 2012	
	Number of options (000's)	Weighted average exercise price	Number of options (000's)	Weighted average exercise price
Options outstanding, beginning of period	3,980	\$ 3.28	3,489	\$ 4.14
Surrendered	(1,514)	\$ 5.68	-	-
Granted	-	-	977	\$ 0.76
Forfeited and cancelled	-	-	(486)	\$ 4.40
Options outstanding, end of period	2,466	\$ 1.81	3,980	\$ 3.28
Options exercisable, end of period	1,170	\$ 2.03	2,159	\$ 4.49

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

	March 31, 2013	December 31, 2012
Weighted average fair value of options granted	-	\$ 0.47
Risk-free interest rate	-	1.4%
Expected life (years)	-	4.7
Expected volatility	-	80%

For the three months ended March 31, 2013, the Company recorded a recovery of stock-based compensation with an offsetting decrease to contributed surplus of \$332 thousand following the surrender of 1,514 stock options during the period. For the three months ended March 31, 2012, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$383 thousand.

The range of exercise prices of stock options outstanding and exercisable as at March 31, 2013 is as follows:

Exercise prices	Outstanding options			Exercisable options		
	Number of options outstanding (000's)	Weighted average remaining term (years)	Weighted average exercise price	Number of options exercisable (000's)	Weighted average exercise price	
\$ 0.50 - \$ 1.99	977	4.4	\$ 0.76	326	\$ 0.76	
\$ 2.00 - \$ 4.99	1,489	2.8	\$ 2.50	844	\$ 2.52	
	2,466	3.4	\$ 1.81	1,170	\$ 2.03	

Notes to the Unaudited Condensed Financial Statements

March 31, 2013

12. Supplemental cash flow information

(thousands of dollars)

	Three months ended March 31	
	2013	2012
Change in non-cash operating working capital:		
Receivables	\$ (92)	\$ 1,514
Prepays and security deposits	(381)	(218)
Accounts payable and accrued liabilities	128	(399)
Capital taxes receivable	(18)	(32)
	\$ (363)	\$ 865
Change in non-cash investing working capital:		
Receivables	\$ 371	\$ 339
Accounts payable and accrued liabilities	(337)	(1,869)
	\$ 34	\$ (1,530)
Interest and taxes paid:		
Interest paid	\$ 10	\$ 21
Interest received	\$ 8	\$ 4
Capital and other taxes paid	\$ 8	\$ 20

13. Risk management

a) 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. With the Board of Directors' approval, Corridor will enter into forward sale commitments, in limited quantities and at fixed prices, when appropriate. The Company does not use derivative financial instruments for speculative purposes.

During the quarter, the Company had a forward sale commitment for approximately two-thirds of its production at a fixed natural gas price. For the Company's remaining production, a 5% decrease in the price of natural gas would have resulted in a decrease of approximately \$90 thousand in the Company's net income for the three months ended March 31, 2013 (March 31, 2012 – \$125 thousand increase in net loss) due to lower natural gas sales. Conversely, a 5% increase in the price of natural gas would have resulted in an increase of approximately \$90 thousand in the Company's net income (March 31, 2012 – \$125 thousand decrease in net loss) due to higher natural gas sales.

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 had the following financial instruments denominated in U.S. dollars at the balance sheet dates.

(thousands of U.S. dollars)

	March 31, 2013	December 31, 2012
Cash	\$ 3,060	\$ 1,918
Receivables	1,397	1,226
Financial instruments in U.S. dollars	\$ 4,457	\$ 3,144

Notes to the Unaudited Condensed Financial Statements

March 31, 2013

13. Risk management (continued)

At March 31, 2013, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of approximately \$165 thousand in the Company's net income (March 31, 2012 – \$50 thousand increase in net loss) due to a decrease in the financial instruments denominated in U.S. dollars. Conversely, a 5% increase in the U.S. dollar relative to the Canadian dollar would have resulted in an increase of approximately \$165 thousand in the Company's net income (March 31, 2012 – \$50 thousand decrease in net loss).

iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At March 31, 2013, the Company was holding cash and cash equivalents of \$12,523 thousand and had \$6 million available from its revolving credit facility (as disclosed in note 8). The credit currently available to the Company is in part determined by the Company's borrowing base which is largely dependant on the Company's petroleum and natural gas reserves. If, at any time during the term of the credit facility, the lender has reason to believe that the current approved borrowing base has declined below the credit facility limit of \$6 million, the lender can recalculate the Company's borrowing base and could, as a result, decrease the credit currently available to the Company.

Given the Company's available liquid resources and the Company's 2013 budget, management expects to have sufficient available funds to meet the current and foreseeable financial liabilities as disclosed in the Company's December 31, 2012 audited financial statements.

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 banks with high credit-ratings assigned by international credit-rating agencies. Management believes the risk of loss is low.

b) 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, its credit facility as well as 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. To maximize ongoing development and exploration activities, the Company will not pay out dividends during the year.

14. Financial instruments

The Company has classified each financial instrument into the following categories:

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets and consist of cash and cash equivalents and trade receivables. Their carrying values approximate fair values because of their short term to maturity.

ii) Financial liabilities at amortized cost

Financial liabilities at amortized cost include accounts payable and accrued liabilities and obligations under finance lease. They approximate their fair values because of their short term to maturity or because the interest rates approximate market rates at the end of the year.

Notes to the Unaudited Condensed Financial Statements

March 31, 2013

15. Related parties

A director of Corridor is a partner in a law firm that provides legal services to the Company. For the three months ended March 31, 2013 and March 31, 2012, no legal expenses are included in general and administrative expenses. At March 31, 2013, no amount was included in accounts payable and accrued liabilities (December 31, 2012 - \$39 thousand). The amounts paid are recorded at the amount agreed to between the parties which management believes is representative of fair value.

16. Contingency

In 2011, the Company reached a settlement of \$188 thousand with the New Brunswick Department of Finance in connection with their audit of the Company's crown royalty payments for the periods from April 2003 to October 2009. However, negotiations are still ongoing relating to the calculation of the royalty payments for the periods subsequent to October 2009. The Company has not made any provision as the royalty amounts payable during this period were based on management's best estimate.