First Quarter 2014
Management's Discussion and Analysis
As of May 12, 2014

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, 2014 should be read in conjunction with Corridor's unaudited condensed financial statements and notes thereto for the three months ended March 31, 2014, audited financial statements and notes thereto for the year ended December 31, 2013 and the MD&A dated March 25, 2014 for the year ended December 31, 2013 ("2013 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, 2013 (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 unrecoverable resources in Elgin, New Brunswick and has a 21.67% interest in a joint venture which has undiscovered resources on Anticosti Island, Québec.

Selected Financial Information

	Three months ended March 31	
thousands of dollars except per share amounts	**2014**	2013
Sales	**$ 11,713**	$ 8,114
Net income	**$ 4,009**	$ 2,529
Net income per share – basic and diluted	**$ 0.045**	$ 0.029
Cash flow from operations(1)	**$ 8,073**	$ 5,311
Capital expenditures	**$ 805**	$ 473
Total assets	**$ 183,985**	$ 159,957

(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 International Financial Reporting Standards ("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:

thousands of dollars	Three months ended March 31 **2014**	2013
Cash provided by operating activities	**$ 7,663**	$ 4,948
Less: Increase in non-cash operating working capital	**(410)**	(363)
Cash flow from operations	**$ 8,073**	$ 5,311

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;
- exploration and development plans (including the 2014 well re-entry and fracturing program at the McCully Field);
- Canadian – U.S. dollar exchange rate;
- natural gas prices and premiums;
- gathering, processing and transportation fees;
- royalty rates and expense;
- royalty payments in respect of historical production;
- production expense;
- transportation expense;
- depletion, depreciation and amortization;
- 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;
- 2014 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 the Company's forward sales and transportation agreements and the Anticosti Joint Venture agreement (as defined herein). 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 2014, which are provided for the purpose of forecasting the financial position of Corridor at the end of the 2014 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 2013 Annual MD&A dated March 25, 2014, which is available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com.

Q1 2014 Financial Summary

	Three months ended March 31	
thousands of dollars	**2014**	2013
Sales	**$ 11,713**	$ 8,114
Royalty expense	**(1,152)**	(493)
Revenues, net	**10,561**	7,621
Expenses		
Depletion, depreciation and amortization	**2,237**	2,247
Transportation expense	**973**	936
Production expense	**828**	729
General and administrative expenses	**880**	729
Share-based compensation expense (recovery)	**142**	(332)
	5,060	4,309
Income before the following items	**5,501**	3,312
Interest and finance costs	**58**	59
Foreign exchange gains	**(151)**	(69)
Interest and other income	**(50)**	(24)
Income before income taxes	**5,644**	3,346
Deferred income tax expense	**1,635**	817
Net income and comprehensive income	**$ 4,009**	$ 2,529

First Quarter Summary

- Corridor's netback for Q1 2014 increased to $12.46/mscf from $7.35/mscf for Q1 2013 primarily as a result of higher natural gas sales prices in the New England market (Algonquin city-gate).

- Natural gas sales for Q1 2014 increased to $11,438 thousand from $7,756 thousand for Q1 2013 due to the increase in the average natural gas sales price to $16.80/mscf in Q1 2014 from $10.19/mscf in Q1 2013, which increase was partially offset by the decrease in the average daily natural gas production to 7.6 mmscfpd in Q1 2014 from 8.5 mmscfpd in Q1 2013.

- Corridor's cash flow from operations for Q1 2014 increased to $8,073 thousand from $5,311 thousand in Q1 2013 due primarily to higher natural gas sales, partially offset by higher royalty expenses. As at March 31, 2014, Corridor had cash and cash equivalents of $21,349 thousand, working capital of $24,571 thousand and no outstanding debt.

- Net income for Q1 2014 increased to $4,009 thousand from $2,529 thousand for Q1 2013 due primarily to the higher natural gas sales, partially offset by higher royalty expenses.

- On April 1, 2014, Corridor entered into a joint venture (the "Anticosti Joint Venture") with the Government of Québec, through its affiliate Ressources Québec Inc. ("Ressources Québec"), Pétrolia Inc. ("Pétrolia") and Etablissements Maurel & Prom S.A. ("M&P") to appraise and potentially develop hydrocarbon resources on Anticosti Island, Québec. In connection with the establishment of the Anticosti Joint Venture, each of Pétrolia and Corridor transferred their respective Anticosti exploration licenses to a newly formed Anticosti partnership and Ressources Québec and M&P made a commitment to the Anticosti partnership to spend up to an aggregate $100 million on an exploration program starting in 2014. Corridor has an interest of 21.67% in the Anticosti partnership and received net cash proceeds of approximately $13.5 million as part of the establishment of the Anticosti Joint Venture.

Results of Operations

Sales

	Three months ended March 31	
thousands of dollars	**2014**	2013
Natural gas	**$ 11,438**	$ 7,756
Condensate	**81**	76
Natural gas and gas liquids sales	**$ 11,519**	$ 7,832
Gathering, processing & transportation fees	**194**	282
Sales	**$ 11,713**	$ 8,114

Production volumes and pricing

	Three months ended March 31	
	2014	2013
Total volumes		
Natural gas production (mmscf)	**681**	761
Condensate production (bbl)	**722**	694
Daily production averages		
Natural gas production per day (mmscfpd)	**7.6**	8.5
Condensate production per day (bblpd)	**8.0**	7.7
Average prices		
Natural gas selling price ($/mscf)	**$ 16.80**	$ 10.19
Condensate selling price ($/bbl)	**$ 112.05**	$ 109.51

Natural gas sales increased to $11,438 thousand in Q1 2014 from $7,756 thousand in Q1 2013 due to the increase in the average natural gas sales price to $16.80/mscf in Q1 2014 from $10.19/mscf in Q1 2013, which increase was partially offset by the decrease in the average daily natural gas production to 7.6 mmscfpd in Q1 2014 from 8.5 mmscfpd in Q1 2013. Corridor's average natural gas price of $16.80/mscf in Q1 2014 includes the following forward sales of Corridor's natural gas production:

- 3,000 mmbtupd from January 1, 2014 to March 31, 2014 at an average price of $US9.03/mmbtu;
- 2,370 mmbtupd from January 1, 2014 to February 28, 2014 at an average price of $US15.50/mmbtu; and
- 2,258 mmbtupd from March 1, 2014 to March 31, 2014 at an average price of $US10.76/mmbtu.

Sales for Q1 2014 were higher than budget by approximately $1.0 million due to higher than expected natural gas price premiums at the Algonquin city-gate (Corridor's pricing point) during the quarter. Corridor's budget for the average natural gas price in Q1 2014 was $15.47/mscf. Natural gas production for Q1 2014 was consistent with the budget.

Outlook

Corridor maintains its estimated Henry Hub price of US$4.75/mmbtu for 2014 but has increased its average premium at the Algonquin city-gate from US$3.10/mmbtu to US$3.35/mmbtu to reflect the higher premiums received in Q1 2014. Corridor has also revised its foreign exchange rate budget for 2014 of $0.95 U.S. per Canadian dollar to $0.93 U.S. per Canadian dollar. As a result, Corridor's 2014 estimated average natural gas sales price has increased from $8.75/mscf to $9.25/mscf. The 2014 estimated average natural gas price includes the forward sale of 3,000 mmbtupd at an average price of $US7.25/mmbtu for the month of April 2014. Corridor has maintained its estimated average net daily gas production of 8.0 mmscfpd for 2014. Based on these revisions, Corridor has increased its budget for total sales from $26.5 million to $28.0 million for 2014.

Gathering, processing and transportation fees

	Three months ended March 31	
thousands of dollars	**2014**	2013
Gathering, processing and transportation fees	**$ 194**	$ 282

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 $194 thousand in Q1 2014 from $282 thousand in Q1 2013 is due to less third party gas flowing through Corridor's midstream facilities. The GPT fees of $194 thousand in Q1 2014 were consistent with the budget.

Outlook

Corridor maintains its 2014 budget for GPT fees from PCS' share of production of $650 thousand.

Royalty Expense

	Three months ended March 31	
thousands of dollars	**2014**	2013
Crown royalties	**$ 1,152**	$ 493
Royalty expense per mscf ($/mscf)	**$ 1.69**	$ 0.65
Percentage of natural gas and gas liquids sales	**10.0%**	6.3%

Corridor's royalty payments are currently based on a royalty rate of 10% of the actual selling price or fair market value of production and 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 2014 to $1,152 thousand from $493 thousand for Q1 2013 is due to the higher natural gas prices in Q1 2014.

Outlook

The Company has increased its effective royalty rate for 2014 from 4% to 5.5% to reflect the increased royalty expense in Q1 2014 due to higher than expected natural gas prices in the quarter.

Subsequent to the quarter end, the Government of New Brunswick implemented a new two-tier royalty regime for natural gas production effective April 1, 2014. The new regime changes the basic royalty rate payable from the existing 10% to a royalty rate equal to the greater of a 4% basic royalty calculated on the wellhead revenues and a 2% minimum royalty calculated on gross revenues. After the Company has recovered all costs and begins to make a profit, the royalty rate increases to 25%. The new royalty regime is expected to decrease royalty payments in the short term but increase royalty payments over the life of a project.

In 2011, the Company reached a settlement with the New Brunswick Department of Finance in respect of royalty payments for the periods from April 2003 to October 2009. Recent discussions with the New Brunswick Department of Finance relating to the calculation of the royalty payments for the periods between October 2009 and April 1, 2014, the effective date of the new royalty regime, indicate that the Company's calculation of the royalty payments during this period is reasonable and therefore the Company has not made any provision for any additional royalty payments relating to this period.

Transportation Expense

thousands of dollars	Three months ended March 31 **2014**	2013
Transportation expense	**$ 973**	$ 936
Transportation expense per mscf ($/mscf)	**$ 1.43**	$ 1.23

Transportation expense increased to $973 thousand in Q1 2014 from $936 thousand in Q1 2013 even though natural gas production was lower in Q1 2014. This increase was due to the stronger U.S. dollar relative to the Canadian dollar in Q1 2014, the higher transportation costs on the Canadian side of the M&NP in Q1 2014 and a small transportation charge on the Algonquin pipeline to access the Algonquin city-gate pricing point starting in Q2 2013. Transportation expense for Q1 2014 of $1.43/mscf was higher than the budget due to the stronger U.S. dollar relative to the Canadian dollar in Q1 2014.

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

Outlook

Corridor increased its transportation expense estimate for 2014 from $1.40/mscf to $1.42/mscf to reflect the change in the foreign exchange rate budget of $0.95 U.S. per Canadian dollar in 2014 to $0.93 U.S. per Canadian dollar.

Production Expense

thousands of dollars	Three months ended March 31 **2014**	2013
Gross production expense	**$ 933**	$ 873
Third party recoveries	**(105)**	(144)
Net production expense	**$ 828**	$ 729
Net production expense per mscf ($/mscf)	**$ 1.22**	$ 0.96

Gross production expense for Q1 2014 increased to $933 thousand from $873 thousand in Q1 2013 primarily due to the payment of a bonus to employees in Q1 2014. Net production expense per mscf of $1.22/mscf in Q1 2014 was consistent with Corridor’s budget.

Outlook

Corridor maintains its net production expense estimate for 2014 of $1.45/mscf.

Depletion, Depreciation and Amortization

thousands of dollars	Three months ended March 31 **2014**	2013
Depletion, depreciation and amortization	**$ 2,237**	$ 2,247
Depletion, depreciation and amortization per mscf ($/mscf)	**$ 3.67**	$ 3.31

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 in Q1 2014 to $2,237 thousand from $2,247 thousand in Q1 2013 is primarily due to the decrease in natural gas production in 2014 mostly offset by the increase in the net book value of the depletion asset base following the Q4 2013 impairment reversal of $28,050 thousand.

Outlook

Corridor maintains its DD&A rate estimate for 2014 of approximately $3.95/mscf.

General and Administrative Expenses

thousands of dollars	Three months ended March 31 2014	2013
Gross expenses	**$ 975**	$ 833
Capitalized overhead	**(93)**	(104)
Operator recoveries	**(2)**	-
Net expenses	**$ 880**	$ 729

Gross general and administrative expenses ("G&A") increased to $975 thousand in Q1 2014 from $833 thousand during Q1 2013 due to the payment of a bonus to employees in Q1 2014 and an increase in the use of consultants to plan for a well re-entry and fracturing program at the McCully Field in 2014.

Outlook

Corridor has increased its 2014 budget for gross G&A from $3,700 thousand to $3,850 thousand to reflect the payment of the bonus to employees during the quarter.

Share-based Compensation

thousands of dollars	Three months ended March 31 2014	2013
Share-based compensation expense (recovery)	**$ 142**	$ (332)

The share-based compensation expense increased to $142 thousand in Q1 2014 from a recovery of $332 thousand in Q1 2013 due to the reversal of approximately $500 thousand of previously expensed share-based compensation in Q1 2013 following the surrender of 1,514 thousand stock options.

Outlook

Corridor maintains its 2014 budget of share-based compensation expense for 2014 of approximately $400 thousand.

Deferred Income Taxes

thousands of dollars	Three months ended March 31 2014	2013
Deferred income tax recovery	**$ 1,635**	$ 817
Effective tax rate	**29.0%**	24.4%
Canadian statutory income tax rate	**28.0%**	26.75%

The increase in the effective tax rate in Q1 2014 compared to Q1 2013 is due to the increase in the Company's deferred income tax rate from 27% to 28.25% in Q2 2013 and to the increase in share-based compensation expense which is a non-deductible tax 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.

Capital Expenditures

thousands of dollars	Three months ended March 31 2014	2013
Exploration activities	**$ 437**	$ 364
Development activities	**240**	4
Production facilities	**16**	-
Capitalized overhead	**93**	104
Office and other equipment	**19**	1
	$ 805	$ 473

The increase in total capital expenditures in Q1 2014 to $805 thousand from $473 thousand in Q1 2013 is consistent with the Company's planned 2014 capital program and reflects front-end engineering work for the well re-entry and fracturing program at the McCully Field in 2014.

Capital Expenditures Outlook

Corridor maintains its 2014 capital budget of $27,200 thousand.

Statement of Financial Position Changes

Significant changes between Corridor's March 31, 2014 statement of financial position and its December 31, 2013 statement of financial position include:

- $5,835 thousand increase in cash and cash equivalents, primarily reflecting the increase in natural gas sales in the three months ended March 31, 2014.
- $1,142 thousand decrease in accounts payable and accrued liabilities, primarily reflecting the decrease in capital spending in Q1 2014 compared to Q4 2013.

Cash Flow Summary

	Three months ended March 31	
thousands of dollars	**2014**	2013
Cash provided by operating activities	**$ 7,663**	$ 4,948
Cash provided by financing activities	**7**	-
Cash used in investing activities	**(1,835)**	(439)
Increase in cash and cash equivalents	**$ 5,835**	$ 4,509

The increase in cash provided by operating activities in Q1 2014 to $7,663 thousand from $4,948 thousand for Q1 2013 is primarily the result of the increase in natural gas sales resulting from the significant increase in natural gas prices in Q1 2014.

Cash used in investing activities has increased in Q1 2014 primarily as a result of the settlement of amounts payable outstanding at December 31, 2013 which were higher as compared to Q1 2014 due to higher capital expenditures in Q4 2013.

Outlook

Corridor has increased its budgeted 2014 cash flow from operations from $14 million to $15 million to reflect the increase in the estimated natural gas sales in 2014. Based on available working capital of $17.3 million at December 31, 2013 and Corridor's 2014 capital budget of $27.2 million, Corridor has increased its net positive working capital forecast from $18.0 million to $18.6 million at December 31, 2014, with no outstanding debt. The 2014 budget includes net cash proceeds of approximately $13.5 million received by Corridor on the closing of the Anticosti Joint Venture on April 1, 2014.

Outstanding Share Information

As of April 30, 2014, the outstanding share information was as follows:

Common shares outstanding	**88,498,966**
Stock options to purchase common shares	**3,541,500**
Total common shares outstanding after exercise of all stock options	**92,040,466**

thousands of dollars	
Total proceeds due on exercise of all stock options	**$ 5,120**

Summary of Quarterly Information

thousands of dollars, except per share amounts and average natural gas price	2014	2013				2012		
	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	**$ 11,438**	$ 5,841	$ 3,041	$ 3,708	**$ 7,756**	$ 4,604	$ 2,616	$ 2,361
Net income (loss)	**$ 4,009**	$ 20,586	$ (1,036)	$ 370	**$ 2,529**	$ (42,023)	$ (1,777)	$ (2,435)
Net income (loss) per share - basic and diluted	**$ 0.045**	$ 0.233	$ (0.012)	$ 0.004	**$ 0.029**	$ (0.475)	$ (0.020)	$ (0.028)
Natural gas production (mmscf)	**681**	712	718	754	**761**	818	745	826
Average natural gas price ($/mscf)	**$ 16.80**	$ 8.21	$ 4.23	$ 4.92	**$ 10.19**	$ 5.63	$ 3.51	$ 2.86
Capital expenditures	**$ 805**	$ 1,856	$ 180	$ 629	**$ 473**	$ 1,195	$ 928	$ 853

The significant increase in natural gas sales and cash flow from operations for the three months ended March 31, 2014 is primarily the result of the continued increase in natural gas prices in 2014 in North America and specifically in the New England market. In Q1 2014, the average natural gas sales price increased to $16.80/mscf, the highest average natural gas price in a quarter since Q1 2013. From 2009 until November 2012, Corridor's natural gas sales prices fell, from as high as $14.38/mscf in Q1 2009 to as low as $2.86/mscf in Q2 2012, which resulted in decreased natural gas sales and cash flow from operations. In response to these lower prices, Corridor determined to decrease drilling activities at the McCully Field, which resulted in reduced capital expenditures, natural gas production and impairment losses. However, the increase in the average natural gas price in 2013 resulted in a reversal of impairment losses of $28,050 thousand and an increase in the Company’s net income to $20,586 thousand in Q4 2013. Corridor believes that the elevated price premiums in the New England market (and specifically the Algonquin city-gate) will continue for several years and, as a result, the Company plans to undertake a well re-entry and fracturing program at the McCully Field in 2014, subject to the availability of equipment and regulatory approvals, among other conditions.

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 recorded in general and administrative expenses in Q1 2014 or Q1 2013.

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, 2014, 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 26, 2014 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 2014 consistent with the Company’s 2014 budget. The 2014 budget assumes that no additional funds will be utilized from other sources such as equity financings, corporate debt or asset sales.

The Company has sufficient financial resources to undertake its planned activities in 2014. 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 2014 budget, management expects to have sufficient available funds to meet the current and foreseeable contractual obligations and commitments disclosed in the Company's 2013 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 the 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 IFRS. During the three months ended March 31, 2014, 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 and 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, 2014, there were no changes in the critical accounting estimates disclosed in Corridor's 2013 Annual MD&A.

Changes in Accounting Policies

Corridor's interim unaudited condensed financial statements for the three months ended March 31, 2014 have been prepared in accordance with IFRS, 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, 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, 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

Substantial capital expenditures are required to finance the exploration, development and production of the Company's natural gas and oil properties. 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 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. 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. However, such legislation may have a material adverse effect on the business, financial condition, results of operations and cash flows of the Company. In New Brunswick, the Government is committed to the development of the Province's natural resources, including in particular, the development of shale gas, which commitment was stated by the Government on February 4, 2014 in its 2014-2015 Budget. While there is support in natural gas development in New Brunswick, there is public opposition to hydraulic fracturing, and the New Brunswick opposition parties have called for a moratorium on shale gas development. This opposition is relevant in light of a provincial election set for September 2014. 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. Corridor's interests in Québec are limited to Anticosti Island and the Old Harry prospect. In respect of Anticosti Island, Québec, the Québec Government announced that its participation in the Anticosti Joint Venture to appraise and potentially develop hydrocarbon resources on Anticosti Island is one component of its policy to secure Québec energy independence. In respect of the Old Harry prospect, an offshore prospect, the issue of shale gas is not relevant.

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. The direct and indirect costs of the various greenhouse gas regulations, existing and proposed, may adversely affect the Company's business, operations and financial results. Equipment that meets future emission standards may not be available on an economic basis and other compliance methods to reduce the Company's emissions or emissions intensity to future required levels may significantly increase operating costs or reduce the output of the projects. Offset, performance or fund credits may not be available for acquisition or may not be available on an economic basis. Any failure to meet emission reduction compliance obligations may materially adversely affect Corridor's business and result in fines, penalties and the suspension of operations. There is also a risk that one or more levels of government could impose additional emissions or emissions intensity reduction requirements or taxes on emissions created by Corridor or by consumers of Corridor's products. The imposition of such measures might negatively affect Corridor's costs and prices for Corridor's products and have an adverse effect on earnings and results of operations.

Future federal legislation, including the implementation of potential international requirements enacted under Canadian law, as well as provincial emissions reduction requirements, may require the reduction of GHG or other industrial air emissions, or emissions intensity, from Corridor's operations and facilities. Mandatory emissions reduction requirements may result in increased operating costs and capital expenditures for oil and natural gas producers. Corridor is unable to predict the impact of emissions reduction legislation on the Company and it is possible that such legislation may have a material adverse effect on its business, financial condition, results of operations and cash flows.

Unaudited Statements of Income and Comprehensive Income

(thousands of dollars, except per share data)

For the	Three months ended March 31 2014	2013
Sales	**$ 11,713**	$ 8,114
Royalty expense	**(1,152)**	(493)
Revenues, net	**10,561**	7,621
Expenses		
Depletion, depreciation and amortization	**2,237**	2,247
Transportation expense	**973**	936
Production expense	**828**	729
General and administrative expenses	**880**	729
Share-based compensation expense (recovery) (*note 10*)	**142**	(332)
	5,060	4,309
Income before the following items	**5,501**	3,312
Interest and finance costs	**58**	59
Foreign exchange gains	**(151)**	(69)
Interest and other income	**(50)**	(24)
Income before income taxes	**5,644**	3,346
Deferred income tax expense (*note 3*)	**1,635**	817
Net income and comprehensive income	**$ 4,009**	$ 2,529
Net income per share – basic and diluted	**$ 0.045**	$ 0.029
Weighted average number of common shares		
Basic	**88,473**	88,464
Diluted *(note 4)*	**89,688**	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 2014	December 31 2013
Assets		
Current assets		
Cash and cash equivalents	**$ 21,349**	$ 15,514
Restricted cash	**1,128**	1,128
Receivables *(note 12 a iv)*	**3,200**	3,227
Capital taxes receivable	**10**	10
Prepaids and security deposits	**511**	186
	26,198	20,065
Non-current assets		
Property, plant and equipment *(notes 5 & 7)*	**118,163**	120,456
Exploration and evaluation assets *(note 6)*	**25,455**	24,925
Deferred income tax assets	**11,880**	13,515
Investment tax credits	**1,673**	1,673
Intangible assets	**236**	248
Restricted cash	**380**	380
Total assets	**$ 183,985**	$ 181,262
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 1,627**	$ 2,769
Non-current liabilities		
Decommissioning liability *(note 8)*	**6,801**	7,094
Total liabilities	**8,428**	9,863
Shareholders' Equity		
Capital stock *(note 9)*	**247,507**	247,496
Contributed surplus *(note 10)*	**9,793**	9,655
Deficit	**(81,743)**	(85,752)
Total shareholders' equity	**175,557**	171,399
Total liabilities and shareholders' equity	**$ 183,985**	$ 181,262

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

Contingencies *(note 15)*
Subsequent event *(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 **2014**	2013
Capital stock, beginning of period	**$ 247,496**	$ 247,496
Exercise of stock options for cash	**7**	-
Amount previously expensed for stock options exercised	**4**	-
Capital stock, end of period	**$ 247,507**	$ 247,496
Contributed surplus, beginning of period	**$ 9,655**	$ 9,506
Share-based compensation expense (recovery)	**142**	(332)
Amount previously expensed for stock options exercised	**(4)**	-
Contributed surplus, end of period	**$ 9,793**	$ 9,174
Deficit, beginning of period	**$ (85,752)**	$ (108,201)
Net income and comprehensive income	**4,009**	2,529
Deficit, end of period	**$ (81,743)**	$ (105,672)
Shareholders' equity, end of period	**$ 175,557**	$ 150,998

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 **2014**	2013
Operating Activities		
Net income	**$ 4,009**	$ 2,529
Adjustments not affecting cash:		
Depletion, depreciation and amortization	**2,237**	2,247
Share-based compensation expense (recovery)	**142**	(332)
Deferred income tax expense	**1,635**	817
Other operating activities	**50**	50
	8,073	5,311
Increase in non-cash operating working capital *(note 11)*	**(410)**	(363)
Cash provided by operating activities	**7,663**	4,948
Financing Activities		
Proceeds from common share issues	**7**	-
Cash provided by financing activities	**7**	-
Investing Activities		
Property, plant and equipment expenditures	**(275)**	(5)
Exploration and evaluation expenditures	**(530)**	(468)
Decrease (increase) in non-cash investing working capital *(note 11)*	**(1,030)**	34
Cash used in investing activities	**(1,835)**	(439)
Increase in cash and cash equivalents	**5,835**	4,509
Cash and cash equivalents, beginning of period	**15,514**	8,014
Cash and cash equivalents, end of period	**$ 21,349**	$ 12,523
Cash and cash equivalents consists of:		
Cash	**$ 6,727**	$ 7,473
Short-term investments	**14,622**	5,050
Cash and cash equivalents, end of period	**$ 21,349**	$ 12,523

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

Notes to the Unaudited Condensed Financial Statements
March 31, 2014

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, 2013. 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, 2013.

On May 12, 2014, 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. Income taxes

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

(thousands of dollars)

	Three months ended March 31	
	2014	2013
Income before income taxes	**$ 5,644**	$ 3,346
Blended Canadian statutory tax rate	**28%**	26.75%
Expected income tax expense	**$ 1,580**	$ 895
Increase (decrease) resulting from:		
Non-deductible (non-taxable) share-based compensation expense (recovery)	**40**	(89)
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	**15**	8
Other	**-**	3
	$ 1,635	$ 817

4. Income per share

For the three months ended March 31, 2014, stock options of 1,415 thousand (three months ended March 31, 2013 – 2,466 thousand) were excluded from the dilution calculation since the average market price for the period was lower than the exercise price.

Notes to the Unaudited Condensed Financial Statements
March 31, 2014

5. Property, plant and equipment

(thousands of dollars)

	Oil and gas properties	Production facilities	Inventory	Office and other assets	Total
Cost					
Balance at December 31, 2012	$ 216,074	$ 76,610	$ 3,185	$ 2,699	$ 298,568
Additions	1,000	18	50	6	1,074
Transfers from current assets	-	-	737	-	737
Changes in future abandonment costs	(723)	-	-	-	(723)
Investment tax credits	-	(1)	-	-	(1)
Balance at December 31, 2013	$ 216,351	$ 76,627	$ 3,972	$ 2,705	$ 299,655
Additions	232	16	8	19	275
Changes in future abandonment costs	(344)	-	-	-	(344)
Balance at March 31, 2014	**$ 216,239**	**$ 76,643**	**$ 3,980**	**$ 2,724**	**$ 299,586**
Accumulated impairment, depletion and depreciation					
Balance at December 31, 2012	$ 146,072	$ 48,722	$ 2,364	$ 1,509	$ 198,667
Depletion or depreciation expense	7,213	1,244	-	125	8,582
Reversal of impairment losses	(19,785)	(8,265)	-	-	(28,050)
Balance at December 31, 2013	$ 133,500	$ 41,701	$ 2,364	$ 1,634	$ 179,199
Depletion or depreciation expense	1,846	352	-	26	2,224
Balance at March 31, 2014	**$ 135,346**	**$ 42,053**	**$ 2,364**	**$ 1,660**	**$ 181,423**
Net book value					
At December 31, 2013	$ 82,851	$ 34,926	$ 1,608	$ 1,071	$ 120,456
At March 31, 2014	**$ 80,893**	**$ 34,590**	**$ 1,616**	**$ 1,064**	**$ 118,163**

The calculation of depletion includes estimated future development costs relating to the development of proved reserves of $108,126 thousand for the three months ended March 31, 2014 (three months ended March 31, 2013 - $96,708 thousand). Costs of property, plant and equipment excluded from costs subject to depletion, depreciation and amortization amounted to $7,366 thousand at March 31, 2014 and March 31, 2013.

6. Exploration and evaluation assets

(thousands of dollars)

	Three months ended March 31, 2014	Year ended December 31, 2013
Balance, beginning of period	**$ 24,925**	$ 22,969
Additions	**530**	2,064
Write-off of exploration and evaluation assets	**-**	(12)
Changes in future abandonment costs	**-**	(96)
Balance, end of period	**$ 25,455**	$ 24,925

7. 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 26, 2014. 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, 2014 and December 31, 2013, there was no amount drawn on the credit facility.

8. Decommissioning liability

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

(thousands of dollars)

	Three months ended March 31, 2014	Year ended December 31, 2013
Balance, beginning of period	$ 7,094	$ 7,715
Change in discount rate	(344)	(1,448)
Change in estimate	-	629
Finance costs	51	198
Balance, end of period	$ 6,801	$ 7,094

The total undiscounted amount of estimated cash flows required to settle these obligations is $16,058 thousand (December 31, 2013 - $16,058 thousand). Management estimates the settlement of these obligations between 2015 and 2040. At March 31, 2014, a risk-free rate of 3.33% (December 31, 2013 – 3.12%) and an inflation rate of 2% (December 31, 2013 – 2%) was used to calculate the estimated fair value of the decommissioning liability.

9. Capital stock

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

b) Issued and outstanding

(thousands of dollars and thousands of shares)

	Three months ended March 31, 2014		Year ended December 31, 2013	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	88,464	$ 247,496	88,464	$ 247,496
Exercise of stock options for cash and	9	7	-	-
amount recognized from contributed surplus	-	4	-	-
Balance, end of period	88,473	$ 247,507	88,464	$ 247,496

10. 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.

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

	March 31, 2014	December 31, 2013
Weighted average fair value of options granted	-	$ 0.42
Risk-free interest rate	-	1.5%
Expected life (years)	-	4.3
Expected volatility	-	75%

10. Share-based compensation (continued)

For the three months ended March 31, 2014, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of $142 thousand. 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 which resulted in the reversal of approximately $500 thousand of previously expensed share-based compensation.

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

	Three months ended March 31, 2014		Year ended December 31, 2013	
	Number of options (000's)	Weighted average exercise price	Number of options (000's)	Weighted average exercise price
Options outstanding, beginning of period	3,576	$ 1.44	3,980	$ 3.28
Exercised	(9)	$ 0.76	-	-
Surrendered	-	-	(1,514)	$ 5.68
Granted	-	-	1,241	$ 0.74
Forfeited and cancelled	-	-	(131)	$ 1.74
Options outstanding, end of period	3,567	$ 1.44	3,576	$ 1.44
Options exercisable, end of period	1,823	$ 1.82	1,523	$ 2.03

The range of exercise prices of stock options outstanding and exercisable as at March 31, 2014 is as follows:

	Outstanding options			Exercisable options	
Exercise prices	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	2,152	4.02	$ 0.75	713	$ 0.76
$ 2.00 - $ 4.99	1,415	1.77	$ 2.50	1,110	$ 2.50
	3,567	3.13	$ 1.44	1,823	$ 1.82

11. Supplemental cash flow information

(thousands of dollars)

	Three months ended March 31 2014	2013
Change in non-cash operating working capital:		
Receivables	$ (17)	$ (92)
Prepaids and security deposits	(325)	(381)
Accounts payable and accrued liabilities	(68)	128
Capital taxes receivable	-	(18)
	$ (410)	$ (363)
Change in non-cash investing working capital:		
Receivables	$ 44	$ 371
Accounts payable and accrued liabilities	(1,074)	(337)
	$ (1,030)	$ 34
Interest and taxes paid:		
Interest received	$ (16)	$ (8)
Interest paid	$ 7	$ 10
Capital and other taxes paid	$ -	$ 8

12. 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 period, the Company had forward sale commitments at a fixed natural gas price for a portion of its production. For the remaining production, a 5% decrease in the price of natural gas would have resulted in a decrease of approximately $200 thousand in the Company's net income (March 31, 2013 – $115 thousand) due to lower natural gas sales. Conversely, a 5% increase in the price of natural gas would have resulted in an increase of approximately $200 thousand in the Company's net income (March 31, 2013 – $115 thousand) 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 Statement of financial position dates.

(thousands of U.S. dollars)

	March 31, 2014	December 31, 2013
Cash	**$ 3,009**	$ (24)
Receivables	**2,461**	2,499
Financial instruments in U.S. dollars	**$ 5,470**	$ 2,475

At March 31, 2014, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of approximately $215 thousand in the Company's net income (March 31, 2013 – $165 thousand) 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 $215 thousand in the Company's net income (March 31, 2013 – $165 thousand).

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, 2014, the Company was holding cash and cash equivalents of $21,349 thousand and had $6 million available from its revolving credit facility (as disclosed in note 7). 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 2014 budget, management expects to have sufficient available funds to meet the current and foreseeable financial liabilities as disclosed in the Company's December 31, 2013 audited financial statements.

12. Risk management (continued)

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 objectives when managing capital are 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.

13. 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. 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 period.

14. 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, 2014 and March 31, 2013, no legal expenses are included in general and administrative expenses. At March 31, 2014, $15 thousand was included in accounts payable and accrued liabilities (December 31, 2013 - $46 thousand). The amounts paid are recorded at the amount agreed to between the parties which management believes is representative of fair value.

15. Contingencies

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. During the quarter, the government of New Brunswick implemented a new royalty regime which will become effective April 1, 2014. Recent discussions with the New Brunswick Department of Finance relating to the calculation of the royalty payments for the periods between October 2009 and April 1, 2014, the effective date of the new royalty regime, indicate that the Company's calculation of the royalty payments during this period is reasonable and therefore the Company has not made any provision for any further royalty amounts payable relating to this period.

On August 23, 2013, the Company was served with a statement of claim by Geophysical Services Incorporated ("GSI") relating to the access and disclosure of confidential seismic information. GSI is seeking damages of $1.7 million. The Company has not recorded any liability as management believes a successful claim is not probable.

16. Subsequent event

On April 1, 2014, the Company entered into a joint venture with the Government of Québec, through its affiliate Ressources Québec ("Ressources Québec"), Pétrolia Inc. ("Pétrolia") and Etablissements Maurel & Prom S.A. ("M&P") to appraise and potentially develop hydrocarbon resources on Anticosti Island, Québec. In connection with the establishment of the joint venture, Pétrolia and Corridor transferred their respective Anticosti exploration licenses to a newly formed Anticosti partnership and Ressources Québec and M&P made a commitment to spend up to an aggregate $100 million on an exploration program starting in 2014. Corridor holds an interest of 21.67% in the Anticosti partnership and received net cash proceeds of approximately $13.5 million on the closing of this agreement which will result in a gain of approximately $8.5 million before taxes in the statement of income in the second quarter of 2014. The remaining exploration and evaluation expenditures of approximately $10 million relating to the Company's Anticosti exploration licenses will thereafter be reflected as an investment in the Anticosti partnership in the statement of financial position. The Company will account for any future transactions using the equity method of accounting.