Third Quarter 2013
Management's Discussion and Analysis
As of November 12, 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 and nine months ended September 30, 2013 should be read in conjunction with Corridor's unaudited condensed financial statements and notes thereto for the three and nine months ended September 30, 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

	Three months ended September 30		**Nine months ended September 30**	
thousands of dollars except per share amounts	**2013**	2012	**2013**	2012
Sales	**$ 3,405**	$ 2,969	**$ 15,532**	$ 9,833
Net income (loss)	**$ (1,036)**	$ (1,777)	**$ 1,863**	$ (5,866)
Net income (loss) per share – basic and diluted	**$ (0.012)**	$ (0.020)	**$ 0.021**	$ (0.066)
Cash flow from operations(1)	**$ 859**	$ 630	**$ 7,823**	$ 2,024
Capital expenditures	**$ 180**	$ 928	**$ 1,282**	$ 2,568
Total assets	**$ 158,419**	$ 198,100	**$ 158,419**	$ 198,100

(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:

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2013**	2012	**2013**	2012
Cash provided by operating activities	**$ 1,419**	$ 1,030	**$ 8,291**	$ 3,304
Less:				
Decrease in non-cash operating working capital	**560**	400	**468**	1,280
Cash flow from operations	**$ 859**	$ 630	**$ 7,823**	$ 2,024

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 and premiums;
- 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;
- expectations relating to regulatory approvals;
- cash flow from operations;
- sources of funding;
- 2013 budget and capital program;
- planned drilling 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 Second Quarter 2013 MD&A dated August 12, 2013, which is available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com.

Q3 2013 Financial Summary

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2013**	2012	**2013**	2012
Sales	**$ 3,405**	$ 2,969	**$ 15,532**	$ 9,833
Royalty expense	**-**	-	**(493)**	(8)
Revenues, net	**3,405**	2,969	**15,039**	9,825
Expenses				
Depletion, depreciation and amortization	**2,113**	2,482	**6,585**	8,275
Transportation expense	**961**	923	**2,826**	3,037
Production expense	**902**	766	**2,328**	2,267
General and administrative expenses	**635**	607	**2,063**	2,339
Share-based compensation expense (recovery)	**136**	397	**(4)**	1,257
Recovery of exploration and evaluation assets	**-**	-	**-**	(14)
Capital tax expense	**-**	-	**-**	20
	4,747	5,175	**13,798**	17,181
Income (loss) before the following items	**(1,342)**	(2,206)	**1,241**	(7,356)
Interest and finance costs	**63**	66	**179**	199
Foreign exchange losses (gains)	**28**	41	**(77)**	79
Interest and other income	**(43)**	(26)	**(103)**	(74)
Income (loss) before income taxes	**(1,390)**	(2,287)	**1,242**	(7,560)
Deferred income tax recovery	**(354)**	(510)	**(621)**	(1,694)
Net income (loss)	**$ (1,036)**	$ (1,777)	**$ 1,863**	$ (5,866)

Third Quarter Summary

- Natural gas sales for Q3 2013 increased to $3,041 thousand from $2,616 thousand for Q3 2012 due to the increase in the average natural gas sales price to $4.23/mscf in Q3 2013 from $3.51/mscf in Q3 2012, which increase was partially offset by the decrease in the average daily natural gas production to 7.8 mmscfpd in Q3 2013 from 8.1 mmscfpd in Q3 2012.

- Corridor's cash flow from operations for Q3 2013 increased to $859 thousand from $630 thousand in Q3 2012 due primarily to higher natural gas sales. As at September 30, 2013, Corridor had cash and cash equivalents of $15,240 thousand, working capital of $16,190 thousand and no outstanding debt.

- Net loss for Q3 2013 decreased to $1,036 thousand from $1,777 thousand for Q3 2012 due primarily to the higher natural gas sales.

Results of Operations

Sales

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2013**	2012	**2013**	2012
Natural gas	**$ 3,041**	$ 2,616	**$ 14,505**	$ 8,741
Condensate	**71**	58	**213**	212
Natural gas and gas liquids sales	**$ 3,112**	$ 2,674	**$ 14,718**	$ 8,953
Gathering, processing & transportation fees	**293**	295	**814**	880
Sales	**$ 3,405**	$ 2,969	**$ 15,532**	$ 9,833

Production volumes and pricing

	Three months ended September 30		Nine months ended September 30	
	2013	2012	**2013**	2012
Total volumes				
Natural gas production (mmscf)	**718**	745	**2,233**	2,475
Condensate production (bbl)	**670**	555	**2,012**	1,965
Daily production averages				
Natural gas production per day (mmscfpd)	**7.8**	8.1	**8.2**	9.0
Condensate production per day (bblpd)	**7.3**	6.0	**7.4**	7.2
Average prices				
Natural gas selling price ($/mscf)	**$ 4.23**	$ 3.51	**$ 6.49**	$ 3.53
Condensate selling price ($/bbl)	**$ 106.95**	$ 104.50	**$ 106.02**	$ 107.89

Natural gas sales increased to $3,041 thousand in Q3 2013 from $2,616 thousand in Q3 2012 due to the increase in the average natural gas sales price to $4.23/mscf in Q3 2013 from $3.51/mscf in Q3 2012, which increase was partially offset by the decrease in the average daily natural gas production to 7.8 mmscfpd in Q3 2013 from 8.1 mmscfpd in Q3 2012. The decrease in natural gas production in Q3 2013 as compared to Q3 2012 was not as significant as the decrease experienced in Q1 2013 or Q2 2013 as Corridor had shut-in four wells during Q3 2012. In addition, Corridor completed its annual shut-down at the McCully Field during the quarter in less time than in Q3 2012.

During the quarter, Corridor began to sell its natural gas production using the Algonquin city-gate pricing point instead of the Dracut pricing point as the Dracut sales hub is no longer actively traded. Corridor expects that natural gas prices, net of the additional transportation charge, will be representative of Boston market prices, which are expected to continue to be strong compared with Nymex.

Natural gas sales increased to $14,505 thousand for the nine months ended September 30, 2013 from $8,741 thousand for the nine months ended September 30, 2012 due to the increase in the average natural gas sales price to $6.49/mscf for the nine months ended September 30, 2013 from $3.53/mscf for the nine months ended September 30, 2012, which increase was partially offset by the decrease in the average daily natural gas production to 8.2 mmscfpd for the nine months ended September 30, 2013 from 9.0 mmscfpd for the nine months ended September 30, 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.

Sales for Q3 2013 were consistent with the forecast as lower than expected natural gas prices were offset by higher natural gas production. Corridor's forecast in Q3 2013 was $4.51/mscf for the average natural gas price and 7.3 mmscfpd for natural gas production. Natural gas production was higher than the forecast due to the shorter than expected shut-down time and on-going field optimization efforts during the quarter.

Outlook

Corridor has increased its budget for sales for 2013 from $20 million to $20.4 million to reflect a forward sale agreement effective from November 1, 2013 to March 31, 2014 for an average of 3,000 mmbtupd of Corridor's production at a price of $US9.03/mmbtu, and to reflect an increase in Corridor's 2013 forecast for the average net daily natural gas production from 7.8 mmscfpd to 8.0 mmscfpd as a result of field optimization efforts. Corridor has maintained its 2013 estimated average natural gas sales price of approximately $7.00/mscf for the year as the lower natural gas prices realized in Q3 2013 are offset by the forward sale pricing of $US9.03/mmbtu in November and December 2013. The forecasted natural gas sales price for 2013 is currently based on an exchange rate estimate of $1.02 U.S. per Canadian dollar, an estimated Henry Hub price of US$3.70/mmbtu and an average premium for the New England market of US$2.75/mmbtu.

Gathering, processing and transportation fees

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2013**	2012	**2013**	2012
Gathering, processing and transportation fees	**$ 293**	$ 295	**$ 814**	$ 880

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 $814 thousand for the nine months ended September 30, 2013 from $880 thousand for the nine months ended September 30, 2012 is due to less third party gas flowing through Corridor's midstream facilities. The GPT fees of $293 thousand in Q3 2013 were consistent with Q3 2012 and the budget.

Outlook

Corridor maintains its 2013 budget for GPT fees from PCS' share of production of $1,000 thousand.

Royalty Expense

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2013**	2012	**2013**	2012
Crown royalties	**$ -**	$ -	**$ 493**	$ 8
Royalty expense per mscf ($/mscf)	**$ -**	$ -	**$ 0.22**	$ -
Percentage of natural gas and gas liquids sales	**-**	-	**3.3%**	0.1%

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 the nine months ended September 30, 2013 to $493 thousand from $8 thousand for the nine months ended September 30, 2012 is due to the significant increase in the natural gas sales resulting from higher natural gas prices in Q1 2013.

Outlook

The Company maintains its effective royalty rate for 2013 of approximately 3%.

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, discussions continue 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.

Subsequent to the quarter end, the government of New Brunswick introduced a new two-tier royalty regime which is expected to become effective in 2014. The regime proposes a change in the basic royalty payable from the existing 10% to the greater of a 4% basic royalty calculated on the wellhead price and a 2% minimum royalty calculated on gross revenues. The regime also introduces a royalty payable of 25% on the economic rent of a project which becomes effective after natural gas revenues have exceeded all costs. The Company will continue to evaluate the impact of this new regime on Corridor's future financial results as further details become available. Further information will also be required to determine whether the calculation of the royalty payments subsequent to October 2009 will be impacted by the new royalty regime.

Transportation Expense

thousands of dollars	Three months ended September 30		Nine months ended September 30	
	2013	2012	**2013**	2012
Transportation expense	**$ 961**	$ 923	**$ 2,826**	$ 3,037
Transportation expense per mscf ($/mscf)	**$ 1.34**	$ 1.24	**$ 1.27**	$ 1.23

Transportation expense increased to $961 thousand in Q3 2013 from $923 thousand in Q3 2012 due to the stronger U.S. dollar in 2013 and to a small transportation charge on the Algonquin pipeline to access the new Algonquin city-gate pricing point; however this increase was partially offset by the lower natural gas production in Q3 2013. Transportation expense decreased to $2,826 thousand for the nine months ended September 30, 2013 from $3,037 thousand for the nine months ended September 30, 2012 due to the decrease in natural gas production in 2013.

Transportation expense for Q3 2013 of $1.34/mscf was higher than the budget of $1.24/mscf as a result of the additional transportation charges to access the Algonquin city-gate pricing point and the stronger U.S. dollar relative to the Canadian dollar.

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 has increased its transportation expense estimate for 2013 from $1.24/mscf to $1.29/mscf to reflect the additional transportation charge on the Algonquin pipeline and the stronger U.S. dollar relative to the Canadian dollar.

Production Expense

thousands of dollars	Three months ended September 30		Nine months ended September 30	
	2013	2012	**2013**	2012
Gross production expense	**$ 1,066**	$ 931	**$ 2,752**	$ 2,690
Third party recoveries	**(164)**	(165)	**(424)**	(423)
Net production expense	**$ 902**	$ 766	**$ 2,328**	$ 2,267
Net production expense per mscf ($/mscf)	**$ 1.26**	$ 1.03	**$ 1.04**	$ 0.92

Gross production expense for Q3 2013 increased to $1,066 thousand from $931 thousand in Q3 2012 and to $2,752 thousand for the nine months ended September 30, 2013 from $2,690 thousand for the nine months ended September 30, 2012 due primarily to production expenses incurred in preparation for work-over operations in Q4 2013 and the planned drilling program in 2014. Net production expense per mscf of $1.26/mscf in Q3 2013 is higher than Corridor's budget of $1.20/mscf for 2013 for the same reasons.

Outlook

Corridor has decreased its production expense estimate for 2013 from $1.20/mscf to $1.17/mscf to reflect the increase in the estimated production for 2013 from 7.8 mmscfpd to 8.0 mmscfpd.

Depletion, Depreciation and Amortization

thousands of dollars	Three months ended September 30		Nine months ended September 30	
	2013	2012	**2013**	2012
Depletion, depreciation and amortization	**$ 2,113**	$ 2,482	**$ 6,585**	$ 8,275
Depletion, depreciation and amortization per mscf ($/mscf)	**$ 3.30**	$ 3.78	**$ 3.31**	$ 3.79

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 Q3 2013 to $2,113 thousand from $2,482 thousand in Q3 2012 and to $6,585 thousand for the nine months ended September 30, 2013 from $8,275 thousand for the nine months ended September 30, 2012 is primarily due to the decrease in natural gas production in 2013 and the decrease in the net book value of the depletion asset base following the Q4 2012 impairment charge of $44,432 thousand.

Outlook
Corridor maintains its DD&A rate estimate for 2013 of approximately $3.30/mscf.

General and Administrative Expenses

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2013**	2012	**2013**	2012
Gross expenses	**$ 707**	$ 690	**$ 2,326**	$ 2,606
Capitalized overhead	**(70)**	(81)	**(261)**	(259)
Operator recoveries	**(2)**	(2)	**(2)**	(8)
Net expenses	**$ 635**	$ 607	**$ 2,063**	$ 2,339

Gross general and administrative expenses ("G&A") increased to $707 thousand in Q3 2013 from $690 thousand during Q3 2012 due to an increase in the use of consultants in Q3 2013 to plan for a drilling program at the McCully Field in 2014. Gross G&A expenses decreased to $2,326 thousand for the nine months ended September 30, 2013 from $2,606 thousand for the nine months ended September 30, 2012 due to the reduced number of employees of Corridor in 2013 and the decrease in the use of consultants during this period.

Outlook
Corridor maintains its 2013 budget for gross G&A of approximately $3,450 thousand.

Share-based Compensation

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2013**	2012	**2013**	2012
Share-based compensation expense (recovery)	**$ 136**	$ 397	**$ (4)**	$ 1,257

The share-based compensation expense decreased to $136 thousand in Q3 2013 from $397 thousand in Q3 2012 as no stock options have been granted in Q3 2013 compared to 977 thousand stock options granted in Q3 2012. In addition, share-based compensation decreased to a recovery of $4 thousand for the nine months ended September 30, 2013 from an expense of $1,257 thousand for the nine months ended September 30, 2012 due to the surrender of 1,514 thousand stock options in Q1 2013. This surrender of options resulted in a reversal of approximately $500 thousand of previously expensed share-based compensation in Q1 2013.

Outlook
Corridor maintains its 2013 budget of share-based compensation expense for 2013 of approximately $100 thousand.

Deferred Income Taxes

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2013**	2012	**2013**	2012
Deferred income tax recovery	**$ (354)**	$ (510)	**$ (621)**	$ (1,694)
Effective tax rate	**25.5%**	22.3%	**(50.0)%**	22.4%
Canadian statutory income tax rate	**27.5%**	26.75%	**27.5%**	26.75%

In Q2 2013, the Company increased its deferred income tax rate from 27% to 28.25% following the New Brunswick Government's 2013 budget which resulted in the Province's corporate income tax rate being increased from 10% to 12% effective July 1, 2013. As a result, Corridor's deferred income tax recovery increased by $972 thousand for the three and nine months ended September 30, 2013. The effective tax rates were also impacted by share-based compensation 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.

Capital Expenditures

thousands of dollars	Three months ended September 30 2013	2012	Nine months ended September 30 2013	2012
Exploration activities	**$ 89**	$ 799	**$ 988**	$ 2,108
Development activities	**2**	24	**11**	62
Production facilities	**17**	19	**17**	109
Capitalized overhead	**70**	81	**261**	259
Office and other equipment	**2**	5	**5**	30
	$ 180	$ 928	**$ 1,282**	$ 2,568

The decrease in total capital expenditures for the three and nine months ended September 30, 2013 to $180 thousand and $1,282 thousand respectively, from $928 thousand and $2,568 thousand for the three and nine months ended September 30, 2012 respectively, reflects the Company's planned decrease in capital spending in 2013 as compared to 2012.

Capital Expenditures Outlook

Corridor has increased its 2013 capital budget from $2,700 thousand to $2,900 thousand to reflect a planned work-over program aimed at increasing production at the McCully Field. However, this was partially offset by a decrease in the expenditures forecasted for the Old Harry drilling advancement program due to a delay in the regulatory approvals process. Corridor currently estimates that all related regulatory approvals for the Old Harry drilling program will not be fully processed until the second half of 2014. The 2013 capital budget now consists of the following:

thousands of dollars	
Front end engineering work for 2014 drilling program	$ 1,100
Old Harry drilling advancement	300
Work-over operations aimed at increasing production	400
Laboratory work for 2012 Anticosti coring program	200
Gas plant maintenance and corporate	900
	$ 2,900

Statement of Financial Position Changes

Significant changes between Corridor's September 30, 2013 statement of financial position and its December 31, 2012 statement of financial position include:

- $7,226 thousand increase in cash and cash equivalents, primarily reflecting the increase in natural gas sales in the nine months ended September 30, 2013 and the decrease in capital spending.
- $1,112 thousand decrease in receivables, primarily reflecting lower natural gas prices in September 2013 compared to December 2012 and the decrease in receivables outstanding from third parties and joint venture partners.
- $474 thousand decrease in accounts payable and accrued liabilities, primarily reflecting the decrease in capital spending in Q3 2013 compared to Q4 2012.

Cash Flow Summary

thousands of dollars	Three months ended September 30 2013	2012	Nine months ended September 30 2013	2012
Cash provided by operating activities	**$ 1,419**	$ 1,030	**$ 8,291**	$ 3,304
Cash provided by financing activities	**48**	47	**149**	126
Cash used in investing activities	**(408)**	(1,305)	**(1,214)**	(2,096)
Increase (decrease) in cash and cash equivalents	**$ 1,059**	$ (228)	**$ 7,226**	$ 1,334

The increase in cash provided by operating activities for the three and nine months ended September 30, 2013 to $1,419 thousand and $8,291 thousand respectively, from $1,030 thousand and $3,304 thousand for the three and nine months ended September 30, 2012 respectively, is primarily the result of the increase in natural gas sales resulting from the significant increase in natural gas prices in 2013.

Cash used in investing activities has decreased for the three and nine months ended September 30, 2013 as a result of the decrease in capital spending.

Outlook

Corridor has increased its budgeted 2013 cash flow from operations from $9 million to $9.5 million to reflect a forward sale agreement effective from November 1, 2013 to March 31, 2014 for an average of 3,000 mmbtupd of Corridor's production at a price of $US9.03/mmbtu, and to reflect an increase in Corridor's 2013 forecast for the average net daily natural gas production from 7.8 mmscfpd to 8.0 mmscfpd. Corridor has maintained its forecast average natural gas sales price for 2013 of approximately $7.00/mscf (consisting of US$3.70/mmbtu at Henry Hub, an average premium for the New England market of US$2.75/mmbtu and an estimate of the exchange rate of $1.02 U.S. per Canadian dollar).

Based on available working capital of $10.2 million at December 31, 2012 and Corridor's revised capital budget of approximately $2.9 million for 2013, Corridor has increased its net positive working capital forecast from $16.5 million to approximately $16.8 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 which amounted to $4 thousand and $61 thousand for the three and nine months ended September 30, 2013 (three and nine months ended September 30, 2012 – nil and $39 thousand). The amounts paid are recorded at the amount agreed to between parties and approximate fair value.

Outstanding Share Information

As of October 31, 2013 the outstanding share information was as follows:

Common shares outstanding	**88,464,133**
Stock options to purchase common shares	**2,714,998**
Total common shares outstanding after exercise of all stock options	**91,179,131**

thousands of dollars	
Total proceeds due on exercise of all stock options	**$ 4,581**

Summary of Quarterly Information

	2013			**2012**				**2011**
thousands of dollars, except per share amounts and average natural gas price	Three months ended			Three months ended				Three months ended
	Sep. 30	Jun. 30	Mar. 31	Dec. 31	**Sep. 30**	Jun. 30	Mar. 31	Dec. 31
Natural gas sales	**$ 3,041**	$ 3,708	$ 7,756	$ 4,604	**$ 2,616**	$ 2,361	$ 3,764	$ 4,194
Net income (loss)	**$ (1,036)**	$ 370	$ 2,529	$ (42,023)	**$ (1,777)**	$ (2,435)	$ (1,654)	$ (71,416)
Net income (loss) per share - basic and diluted	**$ (0.012)**	$ 0.004	$ 0.029	$ (0.475)	**$ (0.020)**	$ (0.028)	$ (0.019)	$ (0.807)
Natural gas production (mmscf)	**718**	754	761	818	**745**	826	904	985
Average natural gas price ($/mscf)	**$ 4.23**	$ 4.92	$ 10.19	$ 5.63	**$ 3.51**	$ 2.86	$ 4.16	$ 4.26
Capital expenditures	**$ 180**	$ 629	$ 473	$ 1,195	**$ 928**	$ 853	$ 787	$ 4,383

The significant increase in natural gas sales and cash flow from operations for the three and nine months ended September 30, 2013 is primarily the result of the increase in natural gas prices in 2013 in North America and specifically in the New England market. In Q1 2013, the average natural gas sales price increased 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. The average natural gas sales price in Q3 2013 of $4.23/mmscf was also higher than the comparable period in 2012. Corridor believes that the elevated price premiums in the New England market will continue for several years and, as a result, the Company is planning to undertake a drilling program at the McCully Field in 2014, subject to the availability of equipment and regulatory approvals.

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 September 30, 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 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 2013 consistent with the Company’s revised 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 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 generally accepted accounting principles. During the three months ended September 30, 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 and liabilities, revenues and expenses and disclosures of contingencies and commitments. Actual results could differ materially from those estimates. During the three months ended September 30, 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 nine months ended September 30, 2013 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, 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* as at January 1, 2013 did not require any adjustments to the valuation techniques used by the Company and did not result in any measurement adjustments.

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 September 30 **2013**	2012	Nine months ended September 30 **2013**	2012
Sales	**$ 3,405**	$ 2,969	**$ 15,532**	$ 9,833
Royalty expense	**-**	-	**(493)**	(8)
Revenues, net	**3,405**	2,969	**15,039**	9,825
Expenses				
Depletion, depreciation and amortization	**2,113**	2,482	**6,585**	8,275
Transportation expense	**961**	923	**2,826**	3,037
Production expense	**902**	766	**2,328**	2,267
General and administrative expenses	**635**	607	**2,063**	2,339
Share-based compensation expense (recovery) (*note 11*)	**136**	397	**(4)**	1,257
Recovery of exploration and evaluation assets	**-**	-	**-**	(14)
Capital tax expense	**-**	-	**-**	20
	4,747	5,175	**13,798**	17,181
Income (loss) before the following items	**(1,342)**	(2,206)	**1,241**	(7,356)
Interest and finance costs	**63**	66	**179**	199
Foreign exchange losses (gains)	**28**	41	**(77)**	79
Interest and other income	**(43)**	(26)	**(103)**	(74)
Income (loss) before income taxes	**(1,390)**	(2,287)	**1,242**	(7,560)
Deferred income tax recovery (*note 4*)	**(354)**	(510)	**(621)**	(1,694)
Net income (loss) and comprehensive income (loss)	**$ (1,036)**	$ (1,777)	**$ 1,863**	$ (5,866)
Net income (loss) per share – basic and diluted	**$ (0.012)**	$ (0.020)	**$ 0.021**	$ (0.066)
Weighted average number of common shares				
Basic	**88,464**	88,464	**88,464**	88,464
Diluted (*note 5*)	**88,582**	88,464	**88,470**	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	**September 30 2013**	December 31 2012
Assets		
Current assets		
Cash and cash equivalents	**$ 15,240**	$ 8,014
Restricted cash	**650**	650
Receivables *(note 13 a iv)*	**977**	2,089
Inventory *(note 6)*	**-**	737
Capital taxes receivable	**10**	25
Prepaids and security deposits	**301**	184
	17,178	11,699
Non-current assets		
Property, plant and equipment *(notes 6 & 8)*	**93,159**	99,901
Exploration and evaluation assets *(note 7)*	**24,087**	22,969
Deferred income tax assets	**21,682**	21,061
Investment tax credits	**1,673**	1,671
Intangible assets	**260**	297
Restricted cash	**380**	380
Total assets	**$ 158,419**	$ 157,978
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 988**	$ 1,462
Non-current liabilities		
Decommissioning liability *(note 9)*	**6,771**	7,715
Total liabilities	**7,759**	9,177
Shareholders' Equity		
Capital stock *(note 10)*	**247,496**	247,496
Contributed surplus *(note 11)*	**9,502**	9,506
Deficit	**(106,338)**	(108,201)
Total shareholders' equity	**150,660**	148,801
Total liabilities and shareholders' equity	**$ 158,419**	$ 157,978

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

Contingency *(note 16)*
Subsequent event *(note 17)*

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	Nine months ended September 30 **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)	**(4)**	1,257
Contributed surplus, end of period	**$ 9,502**	$ 9,209
Deficit, beginning of period	**$ (108,201)**	$ (60,312)
Net income (loss) and comprehensive income (loss)	**1,863**	(5,866)
Deficit, end of period	**$ (106,338)**	$ (66,178)
Shareholders' equity, end of period	**$ 150,660**	$ 190,527

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

Unaudited Statements of Cash Flows

(thousands of dollars)

For the	Nine months ended September 30 2013	2012
Operating Activities		
Net income (loss)	**$ 1,863**	$ (5,866)
Adjustments not affecting cash:		
Depletion, depreciation and amortization	**6,585**	8,275
Share-based compensation expense (recovery)	**(4)**	1,257
Recovery of exploration and evaluation assets	**-**	(14)
Deferred income tax recovery	**(621)**	(1,694)
Other operating activities	**-**	66
	7,823	2,024
Decrease in non-cash operating working capital *(note 12)*	**468**	1,280
Cash provided by operating activities	**8,291**	3,304
Financing Activities		
Other financing activities	**149**	126
Cash provided by financing activities	**149**	126
Investing Activities		
Property, plant and equipment expenditures	**(33)**	(201)
Exploration and evaluation expenditures	**(1,249)**	(2,367)
Decrease in restricted cash	**-**	1,500
Proceeds on the sale of inventory	**-**	31
Decrease (increase) in non-cash investing working capital *(note 12)*	**68**	(1,059)
Cash used in investing activities	**(1,214)**	(2,096)
Increase in cash and cash equivalents	**7,226**	1,334
Cash and cash equivalents, beginning of period	**8,014**	6,396
Cash and cash equivalents, end of period	**$ 15,240**	$ 7,730
Cash and cash equivalents consists of:		
Cash	**$ 5,140**	$ 2,680
Short-term investments	**10,100**	5,050
Cash and cash equivalents, end of period	**$ 15,240**	$ 7,730

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

Notes to the Unaudited Condensed Financial Statements September 30, 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 November 12, 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* as at January 1, 2013 did not require any adjustments to the valuation techniques used by the Company and did not result in any measurement adjustments.

4. Income taxes

Deferred income tax 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 September 30		**Nine months ended September 30**	
	2013	2012	**2013**	2012
Income (loss) before income taxes	**$ (1,390)**	$ (2,287)	**$ 1,242**	$ (7,560)
Blended Canadian statutory tax rate	**27.5%**	26.75%	**27.5%**	26.75%
Expected income tax expense (recovery)	**$ (382)**	$ (612)	**$ 342**	$ (2,022)
Increase (decrease) resulting from:				
Non-deductible (non-taxable) share-based compensation expense (recovery)	**37**	106	**(1)**	336
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	**(9)**	(5)	**10**	(16)
Effect of provincial tax rate change	**-**	-	**(972)**	-
Other	**-**	1	**-**	8
	$ (354)	$ (510)	**$ (621)**	$ (1,694)

During the period, the Company increased its deferred income tax rate from 27% to 28.25% following the New Brunswick Government's 2013 budget which resulted in the Province's corporate income tax rate being increased from 10% to 12% effective July 1, 2013. As a result, Corridor's deferred income tax recovery increased by $972 thousand for the nine months ended September 30, 2013.

Notes to the Unaudited Condensed Financial Statements
September 30, 2013

5. Income (loss) per share

For the three and nine months ended September 30, 2013, stock options of 1,456 thousand and 2,400 thousand (three and nine months ended September 30, 2012 – 4,011 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	11	17	1	4	33
Transfer from current assets	-	-	737	-	737
Investment tax credits	-	(1)	-	-	(1)
Changes in future abandonment costs	(962)	-	-	-	(962)
Balance at September 30, 2013	**$ 219,595**	**$ 76,626**	**$ 3,923**	**$ 2,703**	**$ 302,847**
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	5,491	964	-	94	6,549
Balance at September 30, 2013	**$ 156,035**	**$ 49,686**	**$ 2,364**	**$ 1,603**	**$ 209,688**
Net book value					
At December 31, 2012	$ 70,002	$ 27,888	$ 821	$ 1,190	$ 99,901
At September 30, 2013	**$ 63,560**	**$ 26,940**	**$ 1,559**	**$ 1,100**	**$ 93,159**

The calculation of depletion includes estimated future development costs relating to the development of proved reserves of $96,708 thousand for the three and nine months ended September 30, 2013 (three and nine months ended September 30, 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 September 30, 2013 and September 30, 2012.

During the period, Corridor reclassified $737 thousand of inventory from current assets to property, plant and equipment as the Company is no longer actively pursuing the sale of this inventory.

7. Exploration and evaluation assets

(thousands of dollars)

	Nine months ended September 30, 2013	Year ended December 31, 2012
Balance, beginning of period	**$ 22,969**	$ 30,982
Impairment losses	**-**	(11,893)
Additions	**1,249**	3,562
Write-off of exploration and evaluation assets	**-**	(72)
Changes in future abandonment costs	**(131)**	390
Balance, end of period	**$ 24,087**	$ 22,969

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 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 September 30, 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)

	Nine months ended September 30, 2013	Year ended December 31, 2012
Balance, beginning of period	**$ 7,715**	$ 5,408
Change in discount rate	**(1,093)**	648
Change in estimate	**-**	1,468
Finance costs	**149**	191
Balance, end of period	**$ 6,771**	$ 7,715

The total undiscounted amount of estimated cash flows required to settle these obligations is $14,758 thousand (December 31, 2012 - $14,903 thousand). Management estimates the settlement of these obligations between 2014 and 2040. A risk-free rate of 2.95% (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)

	September 30, 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.

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

	Nine months ended September 30, 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	320	$ 0.73	977	$ 0.76
Forfeited and cancelled	(71)	$ 1.55	(486)	$ 4.40
Options outstanding, end of period	2,715	$ 1.69	3,980	$ 3.28
Options exercisable, end of period	1,277	$ 1.92	2,159	$ 4.49

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

	September 30, 2013	December 31, 2012
Weighted average fair value of options granted	$ 0.40	$ 0.47
Risk-free interest rate	1.2%	1.4%
Expected life (years)	3.7	4.7
Expected volatility	77%	80%

For the nine months ended September 30, 2013, the Company recorded a recovery of stock-based compensation with an offsetting decrease to contributed surplus of $4 thousand due to the surrender of 1,514 stock options during the three months ended March 31, 2013 which resulted in the reversal of approximately $500 thousand of previously expensed share-based compensation. For the three months ended September 30, 2013, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of $136 thousand (three and nine months ended September 30, 2012 - $397 thousand and $1,257 thousand).

The range of exercise prices of stock options outstanding and exercisable as at September 30, 2013 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	1,259	4.1	$ 0.75	432	$ 0.75
$ 2.00 - $ 4.99	1,456	2.3	$ 2.50	845	$ 2.52
	2,715	3.1	$ 1.69	1,277	$ 1.92

12. Supplemental cash flow information

(thousands of dollars)

	Nine months ended September 30	
	2013	2012
Change in non-cash operating working capital:		
Receivables	**$ 771**	$ 1,639
Prepaids and security deposits	**(117)**	(187)
Accounts payable and accrued liabilities	**(201)**	(384)
Capital taxes receivable	**15**	212
	$ 468	$ 1,280
Change in non-cash investing working capital:		
Receivables	**$ 341**	$ 597
Accounts payable and accrued liabilities	**(273)**	(1,656)
	$ 68	$ (1,059)
Interest and taxes paid:		
Interest paid	**$ 24**	$ 55
Interest received	**$ (87)**	$ (78)
Capital and other taxes received	**$ (25)**	$ (216)

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.

The Company had a forward sale commitment at a fixed natural gas price for approximately two-thirds of its production during the three months ended March 31, 2013. For the remaining production, a 5% decrease in the price of natural gas would have resulted in a decrease of approximately $110 thousand and $350 thousand in the Company's net income for the three and nine months ended September 30, 2013 (three and nine months ended September 30, 2012 – $95 thousand and $320 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 $110 thousand and $350 thousand in the Company's net income for the three and nine months ended September 30, 2013 (three and nine months ended September 30, 2012 – $95 thousand and $320 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)

	September 30, 2013	December 31, 2012
Cash	**$ 850**	$ 1,918
Receivables	**468**	1,226
Financial instruments in U.S. dollars	**$ 1,318**	$ 3,144

13. Risk management (continued)

At September 30, 2013, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of approximately $50 thousand in the Company's net income for the nine months ended September 30, 2013 (September 30, 2012 – $15 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 $50 thousand in the Company's net income for the nine months ended September 30, 2013 (September 30, 2012 – $15 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 September 30, 2013, the Company was holding cash and cash equivalents of $15,240 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 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.

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. 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.

15. Related parties

A director of Corridor is a partner in a law firm that provides legal services to the Company. For the three and nine months ended September 30, 2013, legal expenses of $4 thousand and $61 thousand are included in general and administrative expenses and property, plant and equipment (three and nine months ended September 30, 2012 – nil and $39 thousand). At September 30, 2013, $4 thousand 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, discussions continue 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.

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.

17. Subsequent event

Subsequent to the quarter end, the Company entered into an agreement to sell an average of 3,000 mmbtu per day of natural gas production from November 1, 2013 to March 31, 2014 at a fixed price of $US9.03/mmbtu.

Subsequent to the quarter end, the government of New Brunswick introduced a new two-tier royalty regime which is expected to become effective in 2014. The regime proposes a change in the basic royalty payable from the existing 10% to the greater of a 4% basic royalty calculated on the wellhead price and a 2% minimum royalty calculated on gross revenues. The regime also introduces a royalty payable of 25% on the economic rent of a project which becomes effective after natural gas revenues have exceeded all costs. The Company will continue to evaluate the impact of this new regime on Corridor's future financial results as further details become available. Further information will also be required to determine whether the calculation of the royalty payments subsequent to October 2009 will be impacted by the new royalty regime.