Third Quarter 2014
Management's Discussion and Analysis
As of November 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 and nine months ended September 30, 2014 should be read in conjunction with Corridor's unaudited condensed financial statements and notes thereto for the three and nine months ended September 30, 2014, audited financial statements and notes thereto for the year ended December 31, 2013 and the MD&A 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 its 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 September 30		Nine months ended September 30	
thousands of dollars except per share amounts	**2014**	2013	**2014**	2013
Sales	**$ 2,433**	$ 3,405	**$ 17,778**	$ 15,532
Net income (loss)	**$ (199)**	$ (1,036)	**$ 10,061**	$ 1,863
Net income (loss) per share – basic	**$ (0.002)**	$ (0.012)	**$ 0.114**	$ 0.021
Net income (loss) per share – diluted	**$ (0.002)**	$ (0.012)	**$ 0.112**	$ 0.021
Cash flow from operations[1]	**$ 379**	$ 907	**$ 9,509**	$ 7,972
Capital expenditures	**$ 18,090**	$ 180	**$ 20,713**	$ 1,282
Total assets	**$ 204,192**	$ 158,419	**$ 204,192**	$ 158,419

(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 September 30** **2014**	2013	**Nine months ended September 30** **2014**	2013
Cash provided by operating activities	**$ 689**	$ 1,467	**$ 11,000**	$ 8,440
Less: Decrease in non-cash operating working capital	**310**	560	**1,491**	468
Cash flow from operations	**$ 379**	$ 907	**$ 9,509**	$ 7,972

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:

- natural gas sales;
- production levels;
- exploration and development plans (including plans of the Anticosti joint venture);
- 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;
- level of bank debt; and
- government regulation.

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 agreements governing the Anticosti joint venture and 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. 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 Second Quarter 2014 MD&A dated August 13, 2014, which is available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com.

Q3 2014 Financial Summary

	Three months ended September 30		**Nine months ended September 30**	
thousands of dollars	**2014**	2013	**2014**	2013
Sales	**$ 2,433**	$ 3,405	**$ 17,778**	$ 15,532
Royalty expense	**(47)**	-	**(1,274)**	(493)
Revenues, net	**2,386**	3,405	**16,504**	15,039
Expenses				
Depletion, depreciation and amortization	**2,080**	2,113	**6,465**	6,585
Transportation expense	**837**	961	**2,706**	2,826
Production expense	**667**	902	**2,318**	2,328
General and administrative expenses	**665**	635	**2,347**	2,063
Recovery of exploration and evaluation assets	**-**	-	**(12)**	-
Share-based compensation expense (recovery)	**141**	136	**419**	(4)
	4,390	4,747	**14,243**	13,798
Income (loss) before the following items	**(2,004)**	(1,342)	**2,261**	1,241
Gain on sale of exploration assets	**(1,540)**	-	**(10,040)**	-
Interest and finance costs	**66**	63	**182**	179
Foreign exchange losses (gains)	**(41)**	28	**(112)**	(77)
Equity loss	**80**	-	**80**	-
Interest and other income	**(135)**	(43)	**(292)**	(103)
Income (loss) before income taxes	**(434)**	(1,390)	**12,443**	1,242
Deferred income tax expense (recovery)	**(235)**	(354)	**2,382**	(621)
Net income (loss) and comprehensive income (loss)	**$ (199)**	$ (1,036)	**$ 10,061**	$ 1,863

Third Quarter Summary

- Natural gas sales for Q3 2014 decreased to $2,066 thousand from $3,041 thousand for Q3 2013 due to the decrease in the average daily natural gas production to 6.6 mmscfpd in Q3 2014 from 7.8 mmscfpd in Q3 2013 and the decrease in the average natural gas sales price to $3.38/mscf in Q3 2014 from $4.23/mscf in Q3 2013.

- Corridor's cash flow from operations for Q3 2014 decreased to $379 thousand from $907 thousand in Q3 2013 due primarily to lower natural gas sales. At September 30, 2014, Corridor had cash and cash equivalents of $30,730 thousand, working capital of $19,669 thousand and no outstanding debt.

- Net loss for Q3 2014 decreased to $199 thousand from $1,036 thousand for Q3 2013 due primarily to the recognition of a gain on sale of exploration assets of $1,540 thousand reflecting the benefit received, in Q3 2014, from the funding by Ressources Québec Inc. and Saint-Aubin E&P Québec Inc. of the exploration program on Anticosti Island as contemplated in the Anticosti joint venture.

- Subsequent to the quarter end, Corridor announced the initial results of its 2014 well re-entry and fracturing program at the McCully Field and Elgin Field in southern New Brunswick. The program successfully accomplished its two main objectives of increasing natural gas production and revenues from the McCully Field and evaluating the potential of the Frederick Brook shale in the McCully and Elgin areas. The program, with an estimated cost of $24 million, resulted in the successful fracture stimulation of two sand intervals in the Hiram Brook and three shale intervals in the Frederick Brook.

- Subsequent to the quarter end, Corridor provided an update on its joint venture exploration program on Anticosti Island. The first phase of the program, consisting of drilling 15-18 stratigraphic corehole wells, began in Q2 2014. To date, four stratigraphic corehole wells have been drilled into the Macasty formation and the Company is encouraged as the core obtained from these wells has had positive indications of the presence of hydrocarbons. The stratigraphic corehole program experienced start-up delays due to the adoption of a new regulatory framework and the program will be temporarily suspended during the winter season and resume in the spring of 2015. It is expected that the remainder of the stratigraphic corehole program will be completed during the summer of 2015 and that the three exploration wells contemplated in the first phase of the Anticosti exploration program will be drilled and fracture stimulated as soon as possible thereafter.

Results of Operations

Sales

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2014**	2013	**2014**	2013
Natural gas	**$ 2,066**	$ 3,041	**$ 16,894**	$ 14,505
Condensate	**78**	71	**203**	213
Natural gas and gas liquids sales	**2,144**	3,112	**17,097**	14,718
Gathering, processing & transportation fees	**289**	293	**681**	814
Sales	**$ 2,433**	$ 3,405	**$ 17,778**	$ 15,532

Production volumes and pricing

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Total volumes				
Natural gas production (mmscf)	**611**	718	**1,945**	2,233
Condensate production (bbl)	**738**	670	**1,845**	2,012
Daily production averages				
Natural gas production per day (mmscfpd)	**6.6**	7.8	**7.1**	8.2
Condensate production per day (bblpd)	**8.0**	7.3	**6.8**	7.4
Average prices				
Natural gas selling price ($/mscf)	**$ 3.38**	$ 4.23	**$ 8.69**	$ 6.49
Condensate selling price ($/bbl)	**$ 105.83**	$ 106.95	**$ 109.90**	$ 106.02

Natural gas sales for Q3 2014 decreased to $2,066 thousand from $3,041 thousand for Q3 2013 due to the decrease in the average daily natural gas production to 6.6 mmscfpd in Q3 2014 from 7.8 mmscfpd in Q3 2013 and a decrease in the average natural gas sales price to $3.38/mscf in Q3 2014 from $4.23/mscf in Q3 2013. The well re-entry and fracturing program operations at the McCully Field required the temporary shut-in of several wells during Q3 2014 and decreased natural gas production in Q3 2014 more than in previous quarters.

Natural gas sales increased to $16,894 thousand for the nine months ended September 30, 2014 from $14,505 thousand for the nine months ended September 30, 2013 due to the increase in the average natural gas sales price to $8.69/mscf for the nine months ended September 30, 2014 from $6.49/mscf for the nine months ended September 30, 2013, which increase was partially offset by the decrease in the average daily natural gas production to 7.1 mmscfpd for the nine months ended September 30, 2014 from 8.2 mmscfpd for the nine months ended September 30, 2013.

Corridor's average natural gas sales price in Q3 2014 of $3.38/mscf was lower than the forecast of $4.76/mscf due to lower than expected natural gas price premiums at the Algonquin city-gate (Corridor's pricing point) during the quarter. In addition, natural gas production for Q3 2014 of 6.6 mmscfpd was lower than the budget of 6.8 mmscfpd due to the temporary shut-in of wells during the well re-entry and fracturing program operations at the McCully Field. As a result, sales for Q3 2014 were lower than budget by approximately $750 thousand.

Outlook

Corridor has decreased its estimated average net daily gas production for 2014 from 8.0 mmscfpd to 7.3 mmscfpd, as the additional production forecasted from the 2014 well re-entry and fracturing campaign is lower than originally budgeted due to fewer fracture stimulations being completed and the start of the additional production being delayed by approximately one month. However, this will be partially offset by a higher estimated average natural gas price in Q4 2014. Corridor's latest estimate of the average natural gas price for Q4 2014 has increased to $10.40/mscf from $8.70/mscf. Accordingly, Corridor has increased its 2014 estimated average natural gas sales price from $9.00/mscf to $9.20/mscf (based on an estimated Henry Hub price of US$4.35/mmbtu, an average estimated premium at the Algonquin city-gate of US$3.55/mmbtu and an estimate of the exchange rate of $0.91 U.S. per Canadian dollar). The 2014 estimated average natural gas price includes the forward sale of 4,000 mmbtupd at an average price of $US11.74/mmbtu from November 1, 2014 to December 31, 2014. As a result, Corridor has decreased its estimated total sales for 2014 from $27 million to $25.5 million.

Gathering, processing and transportation fees

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2014**	2013	**2014**	2013
Gathering, processing and transportation fees	**$ 289**	$ 293	**$ 681**	$ 814

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 $681 thousand for the nine months ended September 30, 2014 from $814 thousand for the nine months ended September 30, 2013 is due to less PCS gas flowing through Corridor's midstream facilities. However, the GPT fees of $289 thousand in Q3 2014 are consistent with the GPT fees of $293 thousand in Q3 2013 as PCS's gas plant was shut down for part of Q3 2014 resulting in an increase in PCS's share of gas flowing through Corridor's facilities. The GPT fees of $289 thousand in Q3 2014 are higher than the budget for this reason.

Outlook

Corridor increased its 2014 budget for GPT fees from PCS' share of production from $650 thousand to $800 thousand to reflect the higher GPT fees received in Q3 2014.

Royalty Expense

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2014**	2013	**2014**	2013
Crown royalties	**$ 47**	-	**$ 1,274**	$ 493
Royalty expense per mscf ($/mscf)	**$ 0.08**	-	**$ 0.66**	$ 0.22
Percentage of natural gas and gas liquids sales	**2.3%**	-	**7.5%**	3.3%

Effective April 1, 2014, the Government of New Brunswick implemented a new two-tier royalty regime for natural gas production. The new regime changes the basic royalty rate payable from the previous 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 will increase to 25%. The new royalty regime is expected to decrease annual royalty payments in the short term but increase royalty payments over the life of a project. As a result of this new royalty regime and the requirement to pay a minimum royalty rate of 2%, Corridor's royalty expense for Q3 2014 increased to $47 thousand from nil for Q3 2013. The increase in the royalty expense for the nine months ended September 30, 2014 to $1,274 thousand from $493 thousand for the nine months ended September 30, 2013 is also due to the increase in the natural gas sales resulting primarily from higher natural gas prices in Q1 2014.

Outlook
The Company maintains its effective royalty rate for 2014 of 5.5%.

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. Discussions held with the New Brunswick Department of Finance in Q2 2014 indicate that the Company's calculation of the royalty payments is reasonable for the periods between October 2009 and April 1, 2014, the effective date of the new royalty regime. As a result, the Company has not made any provision for any additional royalty payments relating to this period.

Transportation Expense

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2014**	2013	**2014**	2013
Transportation expense	**$ 837**	$ 961	**$ 2,706**	$ 2,826
Transportation expense per mscf ($/mscf)	**$ 1.37**	$ 1.34	**$ 1.39**	$ 1.27

Transportation expense for Q3 2014 decreased to $837 thousand from $961 thousand for Q3 2013 and to $2,706 thousand for the nine months ended September 30, 2014 from $2,826 thousand for the nine months ended September 30, 2013 due to the lower natural gas production in 2014 and the decrease in the cost of Canadian firm transportation effective April 1, 2014. Transportation expense for Q3 2014 was consistent with the budget of $1.40/mscf.

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 and 6,500 mmbtu per day from November 1, 2014 to October 31, 2015.

Outlook
Corridor maintains its transportation expense estimate for 2014 of $1.40/mscf.

Production Expense

	Three months ended September 30		Nine months ended September 30	
thousands of dollars	**2014**	2013	**2014**	2013
Gross production expense	**$ 839**	$ 1,066	**$ 2,710**	$ 2,752
Third party recoveries	**(172)**	(164)	**(392)**	(424)
Net production expense	**$ 667**	$ 902	**$ 2,318**	$ 2,328
Net production expense per mscf ($/mscf)	**$ 1.09**	$ 1.26	**$ 1.19**	$ 1.04

Gross production expense for Q3 2014 decreased to $839 thousand from $1,066 thousand in Q3 2013 due primarily to lower repairs and maintenance and workover expenses. Corridor's annual plant shut-down was conducted in the second quarter of 2014 as opposed to the third quarter of 2013. Gross production expenses for the nine months ended September 30, 2014 of $2,710 thousand were consistent with gross production expenses of $2,752 thousand for the nine months ended September 30, 2013 as the lower production expenses in Q3 2014 were mostly offset by the payment of a bonus to employees in Q1 2014 and higher costs for well optimization efforts during the nine months ended September 30, 2014.

Net production expense per mscf of $1.09/mscf in Q3 2014 was lower than Corridor's budget of $1.45/mscf due primarily to a decrease of $500 thousand in planned workover operations in 2014.

Outlook
Corridor has decreased its net production expense estimate for 2014 from $1.45/mscf to $1.30/mscf to reflect the decrease of $500 thousand in planned workover operations in 2014.

Depletion, Depreciation and Amortization

thousands of dollars	**Three months ended September 30** **2014**	2013	**Nine months ended September 30** **2014**	2013
Depletion, depreciation and amortization	**$ 2,080**	$ 2,113	**$ 6,465**	$ 6,585
Depletion, depreciation and amortization per mscf ($/mscf)	**$ 3.83**	$ 3.30	**$ 3.73**	$ 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 for Q3 2014 to $2,080 thousand from $2,113 thousand in Q3 2013 and to $6,465 thousand for the nine months ended September 30, 2014 from $6,585 thousand for the nine months ended September 30, 2013 is primarily due to the decrease in natural gas production in 2014 partially offset by the increase in the net book value of the depletion asset base following the impairment reversal of $28,050 thousand in Q4 2013 and an increase in capital expenditure additions in 2014.

Outlook

Corridor has decreased its DD&A rate estimate for 2014 from $3.95/mscf to $3.80/mscf to reflect the decrease in the estimated average net daily gas production for 2014 from 8.0 mmscfpd to 7.3 mmscfpd and a decrease in the estimated 2014 capital spending from $27.2 million to $25.7 million.

General and Administrative Expenses

thousands of dollars	**Three months ended September 30** **2014**	2013	**Nine months ended September 30** **2014**	2013
Gross expenses	**$ 759**	$ 707	**$ 2,639**	$ 2,326
Capitalized overhead	**(89)**	(70)	**(285)**	(261)
Operator recoveries	**(5)**	(2)	**(7)**	(2)
Net expenses	**$ 665**	$ 635	**$ 2,347**	$ 2,063

Gross general and administrative expenses ("G&A") of $759 thousand in Q3 2014 are consistent with Q3 2013. The increase in G&A for the nine months ended September 30, 2014 to $2,639 thousand from $2,326 thousand for the nine months ended September 30, 2013 is due to the payment of a bonus to employees in Q1 2014 and an increase in the use of consultants for the 2014 well re-entry and fracturing program.

Outlook

Corridor maintains its 2014 budget for gross G&A of $3,850 thousand.

Share-based Compensation

thousands of dollars	**Three months ended September 30** **2014**	2013	**Nine months ended September 30** **2014**	2013
Share-based compensation expense (recovery)	**$ 141**	$ 136	**$ 419**	$ (4)

The share-based compensation expense increased to $419 thousand for the nine months ended September 30, 2014 from a recovery of $4 thousand for the nine months ended September 30, 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 has increased its 2014 budget of share-based compensation expense for 2014 from $400 thousand to $500 thousand to reflect the increase in the share-based compensation expense incurred to date.

Deferred Income Taxes

thousands of dollars	Three months ended September 30 2014	2013	Nine months ended September 30 2014	2013
Deferred income tax expense (recovery)	**$ (235)**	$ (354)	**$ 2,382**	$ (621)
Effective tax rate	**54.2%**	25.5%	**19.1%**	(50.0)%
Canadian statutory income tax rate	**28.0%**	27.5%	**28.0%**	27.5%

The increase in the effective tax rate for the three and nine months ended September 30, 2014 compared to the three and nine months ended September 30, 2013 is primarily due to the non-taxable portion of the gain on sale of exploration assets which decreased deferred income tax expense by $175 thousand and $1,275 thousand, respectively, in the three and nine months ended September 30, 2014. In addition, the increase in the effective tax rate for the nine months ended September 30, 2014 is due to a deferred income tax recovery of $972 thousand in Q2 2013 resulting from an increase in the Company's deferred income tax rate from 27% to 28.25% following an increase in New Brunswick's corporate income tax rate on July 1, 2013.

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 2014	2013	Nine months ended September 30 2014	2013
Exploration activities	**$ 7,396**	$ 89	**$ 8,721**	$ 988
Development activities	**10,295**	2	**11,170**	11
Production facilities	**186**	17	**204**	17
Capitalized overhead	**89**	70	**285**	261
Office and other assets	**124**	2	**333**	5
	$ 18,090	$ 180	**$ 20,713**	$ 1,282

The capital expenditures increased to $18,090 thousand for Q3 2014 from $180 thousand in Q3 2013 and to $20,713 thousand for the nine months ended September 30, 2014 from $1,282 thousand for the nine months ended September 30, 2013 due to the planned 2014 well re-entry and fracturing program at the McCully Field and Elgin Field in southern New Brunswick.

Capital Expenditures Outlook

Corridor has decreased its 2014 capital budget from $27,200 thousand to $25,700 thousand to reflect the decrease in the estimated cost of the well re-entry and fracturing program.

Statement of Financial Position Changes

Significant changes between Corridor's September 30, 2014 statement of financial position and its December 31, 2013 statement of financial position include:

- $15,216 thousand increase in cash and cash equivalents, primarily reflecting the increase in natural gas sales in the nine months ended September 30, 2014 and net cash proceeds of $13,479 thousand received as part of the establishment of the Anticosti joint venture.
- $1,285 thousand decrease in receivables, primarily reflecting lower natural gas prices and production in September 2014 compared to December 2013.
- $6,561 thousand decrease in exploration and evaluation assets, primarily reflecting the establishment of the Anticosti joint venture which resulted in a decrease of $4,979 thousand in exploration and evaluation assets and a transfer of $10,600 thousand to the investment in Anticosti partnership, partially offset by the increase in expenditures relating to the 2014 well re-entry and fracturing program.
- $11,984 thousand increase in accounts payable and accrued liabilities, primarily reflecting the increase in capital spending in Q3 2014 compared to Q4 2013 relating to the 2014 well re-entry and fracturing program.

Cash Flow Summary

thousands of dollars	Three months ended September 30 2014	2013	Nine months ended September 30 2014	2013
Cash provided by operating activities	**$ 689**	$ 1,467	**$ 11,000**	$ 8,440
Cash provided by financing activities	**-**	-	**98**	-
Cash provided by (used in) investing activities	**(5,648)**	(408)	**4,118**	(1,214)
Increase (decrease) in cash and cash equivalents	**$ (4,959)**	$ 1,059	**$ 15,216**	$ 7,226

The decrease in cash provided by operating activities for Q3 2014 to $689 thousand from $1,467 thousand for Q3 2013 is primarily the result of the decrease in natural gas sales resulting from the decrease in natural gas prices and production in Q3 2014. The increase in cash provided by operating activities for the nine months ended September 30, 2014 to $11,000 thousand from $8,440 thousand for the nine months ended September 30, 2013 is primarily the result of the increase in natural gas sales resulting from the increase in natural gas prices in Q1 2014.

The increase in cash used in investing activities for Q3 2014 to $5,648 thousand from $408 thousand for Q3 2013 is due to capital spending on the 2014 well re-entry and fracturing program during the quarter. The increase in cash provided by investing activities for the nine months ended September 30, 2014 to $4,118 thousand from cash used in investing activities of $1,214 thousand for the nine months ended September 30, 2013 is the result of net cash proceeds of $13,479 thousand received in Q2 2014 as part of the establishment of the Anticosti joint venture, net of the increase in capital spending in 2014.

Outlook

Corridor maintains its budgeted 2014 cash flow from operations of $14 million as the lower natural gas sales recognized in Q3 2014 and the expected decrease in the forecasted 2014 natural gas production from 8.0 mmscfpd to 7.3 mmscfpd are expected to be offset by lower estimated production expenses and a higher average natural gas sales price in Q4 2014. Corridor has increased its estimate of the average natural gas price in Q4 2014 to $10.40/mscf from $8.70/mscf. As a result, Corridor has increased its forecast average natural gas sales price for 2014 from $9.00/mscf to $9.20/mscf (based on an estimate of US$4.35/mmbtu at Henry Hub, an average estimated premium at the Algonquin city-gate of US$3.55/mmbtu and an estimate of the exchange rate of $0.91 U.S. per Canadian dollar).

Based on available working capital of $17.3 million at December 31, 2013 and Corridor's revised capital budget of $25.7 million for 2014, Corridor has increased its net positive working capital forecast from $17.6 million to $19.1 million, with no outstanding debt, at December 31, 2014.

Outstanding Share Information

As of October 31, 2014, the outstanding share information was as follows:

Common shares outstanding	**88,593,966**
Stock options to purchase common shares	**2,776,832**
Total common shares outstanding after exercise of all stock options	**91,370,798**

thousands of dollars	
Total proceeds due on exercise of all stock options	**$ 3,587**

Related Party Transactions

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, 2014, legal expenses of nil and $394 thousand are included in general and administrative expenses and property, plant and equipment (three and nine months ended September 30, 2013 – $4 thousand and $61 thousand). The amounts paid are recorded at the amount agreed to between parties and approximate fair value.

Summary of Quarterly Information

	2014			2013				2012
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	**$ 2,066**	$ 3,390	$ 11,438	$ 5,841	**$ 3,041**	$ 3,708	$ 7,756	$ 4,604
Net income (loss)	**$ (199)**	$ 6,251	$ 4,009	$ 20,586	**$ (1,036)**	$ 370	$ 2,529	$ (42,023)
Net income (loss) per share - basic	**$ (0.002)**	$ 0.071	$ 0.045	$ 0.233	**$ (0.012)**	$ 0.004	$ 0.029	$ (0.475)
Net income (loss) per share - diluted	**$ (0.002)**	$ 0.070	$ 0.045	$ 0.233	**$ (0.012)**	$ 0.004	$ 0.029	$ (0.475)
Natural gas production (mmscf)	**611**	653	681	712	**718**	754	761	818
Average natural gas price ($/mscf)	**$ 3.38**	$ 5.19	$ 16.80	$ 8.21	**$ 4.23**	$ 4.92	$ 10.19	$ 5.63
Capital expenditures	**$ 18,090**	$ 1,818	$ 805	$ 1,856	**$ 180**	$ 629	$ 473	$ 1,195

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 Q3 2012, which resulted in decreased natural gas sales and cash flow from operations. In response to these lower prices, Corridor decreased drilling activities at the McCully Field, which resulted in reduced capital expenditures, lower natural gas production and impairment losses. Since November 2012, natural gas prices have generally continued to increase in North America and specifically in the New England market and reached an average of $16.80/mscf in Q1 2014. The increase in the average natural gas price resulted in a reversal of impairment losses of $28,050 thousand in 2013 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 undertook a well re-entry and fracturing program at the McCully Field in Q3 2014 to increase natural gas production. Contrary to the recent trend, in Q3 2014, natural gas prices fell due to unseasonably cooler temperatures in New England during this period, resulting in lower natural gas sales and cash flow from operations for Q3 2014.

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, 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 25, 2015 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 revised 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 September 30, 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 September 30, 2014, there were no changes in the critical accounting estimates disclosed in Corridor's 2013 Annual MD&A.

Changes in Accounting Policies

Corridor's unaudited condensed financial statements for the nine months ended September 30, 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 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. On September 22, 2014, a new Government was elected in New Brunswick, which political party campaigned on a platform to place a moratorium on hydraulic fracture stimulation but, to date, no specific moratorium has been imposed. Although Corridor expects one to be imposed, the duration and scope of this moratorium is unclear. 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 (Loss) and Comprehensive Income (Loss)

(thousands of dollars, except per share data)

For the	Three months ended September 30 **2014**	2013	Nine months ended September 30 **2014**	2013
Sales	**$ 2,433**	$ 3,405	**$ 17,778**	$ 15,532
Royalty expense	**(47)**	-	**(1,274)**	(493)
Revenues, net	**2,386**	3,405	**16,504**	15,039
Expenses				
Depletion, depreciation and amortization	**2,080**	2,113	**6,465**	6,585
Transportation expense	**837**	961	**2,706**	2,826
Production expense	**667**	902	**2,318**	2,328
General and administrative expenses	**665**	635	**2,347**	2,063
Recovery of exploration and evaluation assets	**-**	-	**(12)**	-
Share-based compensation expense (recovery) (*note 10*)	**141**	136	**419**	(4)
	4,390	4,747	**14,243**	13,798
Income (loss) before the following items	**(2,004)**	(1,342)	**2,261**	1,241
Gain on sale of exploration assets (*note 6*)	**(1,540)**	-	**(10,040)**	-
Interest and finance costs	**66**	63	**182**	179
Foreign exchange losses (gains)	**(41)**	28	**(112)**	(77)
Equity loss	**80**	-	**80**	-
Interest and other income	**(135)**	(43)	**(292)**	(103)
Income (loss) before income taxes	**(434)**	(1,390)	**12,443**	1,242
Deferred income tax expense (recovery) (*note 3*)	**(235)**	(354)	**2,382**	(621)
Net income (loss) and comprehensive income (loss)	**$ (199)**	$ (1,036)	**$ 10,061**	$ 1,863
Net income (loss) per share – basic	**$ (0.002)**	$ (0.012)	**$ 0.114**	$ 0.021
Net income (loss) per share – diluted	**$ (0.002)**	$ (0.012)	**$ 0.112**	$ 0.021
Weighted average number of common shares				
Basic	**88,594**	88,464	**88,535**	88,464
Diluted *(note 4)*	**89,802**	88,582	**89,794**	88,470

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 2014**	December 31 2013
Assets		
Current assets		
Cash and cash equivalents	**$ 30,730**	$ 15,514
Restricted cash	**1,467**	1,128
Receivables *(note 12 a iv)*	**1,942**	3,227
Capital taxes receivable	**-**	10
Prepaids and security deposits	**283**	186
	34,422	20,065
Non-current assets		
Property, plant and equipment *(notes 5 & 7)*	**125,948**	120,456
Exploration and evaluation assets *(note 6)*	**18,364**	24,925
Investment in Anticosti partnership *(note 6)*	**12,060**	-
Deferred income tax assets	**11,133**	13,515
Investment tax credits	**1,673**	1,673
Intangible assets	**212**	248
Restricted cash	**380**	380
Total assets	**$ 204,192**	$ 181,262
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 14,753**	$ 2,769
Non-current liabilities		
Decommissioning liability *(note 8)*	**7,462**	7,094
Total liabilities	**22,215**	9,863
Shareholders' Equity		
Capital stock *(note 9)*	**247,653**	247,496
Contributed surplus *(note 10)*	**10,015**	9,655
Deficit	**(75,691)**	(85,752)
Total shareholders' equity	**181,977**	171,399
Total liabilities and shareholders' equity	**$ 204,192**	$ 181,262

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

Contingencies *(note 15)*

On behalf of the Board

Signed *"Stephen J. Moran"* Director

Signed *"Robert D. Penner"* Director

Unaudited Statements of Changes in Shareholders' Equity

(thousands of dollars)

For the	Nine months ended September 30 **2014**	2013
Capital stock, beginning of period	**$ 247,496**	$ 247,496
Exercise of stock options for cash	**98**	-
Amount previously expensed for stock options exercised	**59**	-
Capital stock, end of period	**$ 247,653**	$ 247,496
Contributed surplus, beginning of period	**$ 9,655**	$ 9,506
Share-based compensation expense (recovery)	**419**	(4)
Amount previously expensed for stock options exercised	**(59)**	-
Contributed surplus, end of period	**$ 10,015**	$ 9,502
Deficit, beginning of period	**$ (85,752)**	$ (108,201)
Net income and comprehensive income	**10,061**	1,863
Deficit, end of period	**$ (75,691)**	$ (106,338)
Shareholders' equity, end of period	**$ 181,977**	$ 150,660

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 **2014**	2013
Operating Activities		
Net income	**$ 10,061**	$ 1,863
Adjustments not affecting cash:		
Depletion, depreciation and amortization	**6,465**	6,585
Share-based compensation expense (recovery)	**419**	(4)
Deferred income tax expense (recovery)	**2,382**	(621)
Gain on sale of exploration assets	**(10,040)**	-
Equity loss	**80**	-
Recovery of exploration and evaluation assets	**(12)**	-
Other operating activities	**154**	149
	9,509	7,972
Decrease in non-cash operating working capital *(note 11)*	**1,491**	468
Cash provided by operating activities	**11,000**	8,440
Financing Activities		
Proceeds from the exercise of stock options	**98**	-
Cash provided by financing activities	**98**	-
Investing Activities		
Property, plant and equipment expenditures	**(11,885)**	(33)
Exploration and evaluation expenditures	**(8,828)**	(1,249)
Proceeds from sale of exploration assets	**13,479**	-
Increase in restricted cash	**(339)**	-
Decrease in non-cash investing working capital *(note 11)*	**11,691**	68
Cash provided by (used in) investing activities	**4,118**	(1,214)
Increase in cash and cash equivalents	**15,216**	7,226
Cash and cash equivalents, beginning of period	**15,514**	8,014
Cash and cash equivalents, end of period	**$ 30,730**	$ 15,240
Cash and cash equivalents consists of:		
Cash	**$ 1,392**	$ 5,140
Short-term investments	**29,338**	10,100
Cash and cash equivalents, end of period	**$ 30,730**	$ 15,240

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

Notes to the Unaudited Condensed Financial Statements
September 30, 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 November 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 (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	
	2014	2013	**2014**	2013
Income (loss) before income taxes	**$ (434)**	$ (1,390)	**$ 12,443**	$ 1,242
Blended Canadian statutory tax rate	**28%**	27.5%	**28%**	27.5%
Expected income tax expense (recovery)	**$ (122)**	$ (382)	**$ 3,484**	$ 342
Increase (decrease) resulting from:				
Non-taxable portion of gain on sale of exploration assets	**(175)**	-	**(1,275)**	-
Non-deductible (non-taxable) share-based compensation expense (recovery)	**39**	37	**117**	(1)
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	**-**	(9)	**33**	10
Effect of provincial tax rate change	**-**	-	**-**	(972)
Other	**23**	-	**23**	-
	$ (235)	$ (354)	**$ 2,382**	$ (621)

4. Income (loss) per share

For the three and nine months ended September 30, 2014, stock options of 917 thousand (three and nine months ended September 30, 2013 – 1,456 thousand and 2,400 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
September 30, 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	10,946	204	671	64	11,885
Inventory transfers	224	-	(402)	-	(178)
Changes in future abandonment costs	214	-	-	-	214
Balance at September 30, 2014	**$ 227,735**	**$ 76,831**	**$ 4,241**	**$ 2,769**	**$ 311,576**
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	5,344	1,003	-	82	6,429
Balance at September 30, 2014	**$ 138,844**	**$ 42,704**	**$ 2,364**	**$ 1,716**	**$ 185,628**
Net book value					
At December 31, 2013	$ 82,851	$ 34,926	$ 1,608	$ 1,071	$ 120,456
At September 30, 2014	**$ 88,891**	**$ 34,127**	**$ 1,877**	**$ 1,053**	**$ 125,948**

The calculation of depletion includes estimated future development costs relating to the development of proved reserves of $108,126 thousand for the three and nine months ended September 30, 2014 (three and nine months ended September 30, 2013 - $96,708 thousand). Costs of property, plant and equipment excluded from costs subject to depletion, depreciation and amortization amounted to $10,325 thousand at September 30, 2014 (September 30, 2013 - $7,366 thousand).

6. Exploration and evaluation assets

(thousands of dollars)

	Nine months ended September 30, 2014	Year ended December 31, 2013
Balance, beginning of period	**$ 24,925**	$ 22,969
Additions	**8,828**	2,064
Sale of exploration assets	**(4,979)**	-
Transfer to investment in Anticosti partnership	**(10,600)**	-
Inventory transfers	**178**	-
Recovery (write-off) of exploration and evaluation assets	**12**	(12)
Changes in future abandonment costs	**-**	(96)
Balance, end of period	**$ 18,364**	$ 24,925

On April 1, 2014, the Company entered into a joint venture with the Government of Québec, through its affiliate Ressources Québec (“RQ”), Pétrolia Inc. (“Pétrolia”) and Saint-Aubin E&P Québec Inc. (“Saint-Aubin”).

6. Exploration and evaluation assets (continued)

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 RQ and Saint-Aubin made a commitment to spend up to an aggregate $100 million on an exploration program starting in 2014. In exchange, Corridor received an interest of 21.67% in the Anticosti partnership and net cash proceeds of $13,479 thousand. This resulted in an initial gain on the sale of exploration assets of $8,500 thousand and a decrease in exploration and evaluation assets of $4,979 thousand. The remaining Anticosti exploration costs of $10,600 thousand were transferred to the investment in Anticosti partnership which will be accounted for using the equity method of accounting. During the quarter, an additional gain on sale of $1,540 thousand was recognized to reflect the funding of $11,299 thousand by RQ and Saint-Aubin towards the exploration program.

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 25, 2015. 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, 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)

	Nine months ended September 30, 2014	Year ended December 31, 2013
Balance, beginning of period	**$ 7,094**	$ 7,715
Change in discount rate	**214**	(1,448)
Change in estimate	**-**	629
Finance costs	**154**	198
Balance, end of period	**$ 7,462**	$ 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 September 30, 2014, a risk-free rate of 2.91% (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)

	Nine months ended September 30, 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	**130**	**98**	-	-
amount recognized from contributed surplus	**-**	**59**	-	-
Balance, end of period	**88,594**	**$ 247,653**	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 following table summarizes the changes in the outstanding stock options:

	Nine months ended September 30, 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	**(130)**	**$ 0.76**	-	-
Expired	**(498)**	**$ 2.56**	-	-
Surrendered	**-**	**-**	(1,514)	$ 5.68
Granted	**-**	**-**	1,241	$ 0.74
Forfeited and cancelled	**-**	**-**	(131)	$ 1.74
Options outstanding, end of period	**2,948**	**$ 1.28**	3,576	$ 1.44
Options exercisable, end of period	**1,308**	**$ 1.55**	1,523	$ 2.03

The range of exercise prices of stock options outstanding and exercisable as at September 30, 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	2,031	3.55	$ 0.75	697	$ 0.75
$ 2.00 - $ 4.99	917	2.08	$ 2.46	611	$ 2.46
	2,948	3.09	$ 1.28	1,308	$ 1.55

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

	September 30, 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%

For the three and nine months ended September 30, 2014, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of $141 thousand and $419 thousand (three months ended September 30, 2013 - $136 thousand). 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 following 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.

11. Supplemental cash flow information

(thousands of dollars)

	Nine months ended September 30	
	2014	2013
Change in non-cash operating working capital:		
Receivables	**$ 2,199**	$ 771
Prepaids and security deposits	**(97)**	(117)
Accounts payable and accrued liabilities	**(621)**	(201)
Capital taxes receivable	**10**	15
	$ 1,491	$ 468
Change in non-cash investing working capital:		
Receivables	**$ (914)**	$ 341
Accounts payable and accrued liabilities	**12,605**	(273)
	$ 11,691	$ 68
Interest and taxes paid:		
Interest received	**$ 156**	$ 87
Interest paid	**$ (29)**	$ (24)
Capital and other taxes received	**$ 10**	$ 25

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 in the Company's net income of approximately $75 thousand and $370 thousand for the three and nine months ended September 30, 2014 (three and nine months ended September 30, 2013 – $110 thousand and $350 thousand) due to lower natural gas sales. Conversely, a 5% increase in the price of natural gas would have resulted in an increase in the Company's net income of approximately $75 thousand and $370 thousand for the three and nine months ended September 30, 2014 (three and nine months ended September 30, 2013 – $110 thousand and $350 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)

	September 30, 2014	December 31, 2013
Cash (bank indebtedness)	**$ 17**	$ (24)
Receivables	**400**	2,499
Financial instruments in U.S. dollars	**$ 417**	$ 2,475

12. Risk management (continued)

At September 30, 2014, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of approximately $20 thousand in the Company's net income (September 30, 2013 – $50 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 $20 thousand in the Company's net income (September 30, 2013 – $50 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 September 30, 2014, the Company was holding cash and cash equivalents of $30,730 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.

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.

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14. 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, 2014, legal expenses of nil and $394 thousand, respectively, are included in general and administrative expenses and property, plant and equipment (three and nine months ended September 30, 2013 – $4 thousand and $61 thousand). At September 30, 2014, $10 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. The government of New Brunswick implemented a new royalty regime effective April 1, 2014. Discussions held with the New Brunswick Department of Finance during the quarter indicate that the Company's calculation of the royalty payments is reasonable for the periods between October 2009 and April 1, 2014, the effective date of the new royalty regime. As a result, the Company has not made any provision for any additional royalty payments 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.