



# Third Quarter 2015

## Management's Discussion and Analysis

As of November 11, 2015

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, 2015 should be read in conjunction with Corridor's unaudited condensed financial statements and notes thereto for the three and nine months ended September 30, 2015, audited financial statements and notes thereto for the year ended December 31, 2014 and the MD&A for the year ended December 31, 2014 ("2014 Annual MD&A"), copies of which are available on the Company's website at [www.corridor.ca](http://www.corridor.ca) and through the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://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, 2014 (the "Annual Information Form"), is available on SEDAR at [www.sedar.com](http://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. In addition, Corridor has discovered unrecoverable resources in Elgin, New Brunswick and a 21.67% interest in Anticosti Hydrocarbons L.P. ("Anticosti Hydrocarbons"), a joint venture which has undiscovered resources on Anticosti Island, Québec.

## Selected Financial Information

<i>thousands of dollars except per share amounts</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Sales	\$ 776	\$ 2,433	\$ 12,246	\$ 17,778
Net income (loss)	\$ (1,150)	\$ (199)	\$ 2,073	\$ 10,061
Net income (loss) per share – basic	\$ (0.013)	\$ (0.002)	\$ 0.023	\$ 0.114
Net income (loss) per share – diluted	\$ (0.013)	\$ (0.002)	\$ 0.023	\$ 0.112
Cash flow from operations <sup>(1)</sup>	\$ (947)	\$ 379	\$ 5,742	\$ 9,509
Capital expenditures	\$ 62	\$ 18,090	\$ 774	\$ 20,713
Total assets	\$ 166,312	\$ 204,192	\$ 166,312	\$ 204,192

(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:

<i>thousands of dollars</i>	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
Cash provided by (used in) operating activities	<b>\$ (544)</b>	\$ 689	<b>\$ 7,251</b>	\$ 11,000
Less: increase in non-cash operating working capital	<b>403</b>	310	<b>1,509</b>	1,491
Cash flow from operations	<b>\$ (947)</b>	\$ 379	<b>\$ 5,742</b>	\$ 9,509

## 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;
- 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;
- general and administrative expenses;
- share-based compensation expense;
- timing as to when the Company will be cash taxable;
- capital expenditures;
- cash flow from operations;
- sources of funding;
- 2015 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 2015, which are provided for the purpose of forecasting the financial position of Corridor at the end of the 2015 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 2015 MD&A dated August 14, 2015, which is available on the Company's website at [www.corridor.ca](http://www.corridor.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## Q3 2015 Financial Summary

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Sales	\$ 776	\$ 2,433	\$ 12,246	\$ 17,778
Royalty expense	(12)	(47)	(301)	(1,274)
Revenues, net	764	2,386	11,945	16,504
Expenses				
Depletion, depreciation and amortization	409	2,080	3,572	6,465
Transportation expense	485	837	1,850	2,706
Production expense	392	667	1,643	2,318
General and administrative expenses	903	665	3,183	2,347
Share-based compensation expense	118	141	339	419
Recovery of exploration and evaluation assets	-	-	-	(12)
	2,307	4,390	10,587	14,243
Income (loss) before the following items	(1,543)	(2,004)	1,358	2,261
Gain on sale of exploration assets	-	1,540	1,260	10,040
Interest and other	9	110	298	222
Equity loss	(21)	(80)	(114)	(80)
Income (loss) before income taxes	(1,555)	(434)	2,802	12,443
Deferred income tax expense (recovery)	(405)	(235)	729	2,382
Net income (loss) and comprehensive income (loss)	\$ (1,150)	\$ (199)	\$ 2,073	\$ 10,061

## Third Quarter Summary

- During the quarter, Corridor was producing natural gas only from wells jointly owned with Potash Corporation of Saskatchewan Inc. ("PotashCorp") and delivering volumes necessary to meet the short-term natural gas demands of PotashCorp's Picadilly and Penobsquis mines. On May 1, 2015, Corridor shut-in most of its producing natural gas wells in the McCully Field in New Brunswick due to the significant differential expected in the sale price of natural gas at Algonquin city-gates ("AGT") for the summer of 2015 relative to the winter of 2015/2016. As a result, Corridor's average daily natural gas production decreased to 1.1 mmscfd in Q3 2015 from 6.6 mmscfd in Q3 2014.
- Corridor's cash flow from operations decreased from \$379 thousand in Q3 2014 to a negative \$947 thousand in Q3 2015 due primarily to the lower natural gas production following the shut-in of most of the wells at the McCully Field. At September 30, 2015, Corridor had cash and cash equivalents of \$23,291 thousand, working capital of \$25,741 thousand and no outstanding debt.
- During the quarter, Corridor, along with several New Brunswick businesses and organizations, formed the New Brunswick Responsible Energy Development Alliance ("NBREDA") which will provide fact-based information to New Brunswickers interested in learning more about hydraulic fracturing and the potential for natural gas development in the province. To achieve this objective, NBREDA unveiled a new website ([www.nbnaturalgas.ca](http://www.nbnaturalgas.ca)) aimed at

promoting a two-way dialogue, which includes information about how hydraulic fracturing works, answers to important and frequently asked questions and identifies and provides links to independent, third party studies on the subject.

- Net general and administrative expenses increased to \$903 thousand in Q3 2015 from \$665 thousand during Q3 2014 due primarily to expenses of \$180 thousand relating to the establishment of the NBREDA in Q3 2015.
- Corridor's net loss increased to \$1,150 thousand in Q3 2015 from \$199 thousand in Q3 2014 due primarily to the lower natural gas production in Q3 2015 and to a gain on sale of exploration assets of \$1,540 thousand in Q3 2014 relating to the Anticosti Joint Venture.
- Subsequent to the quarter end, Corridor entered into a forward sale agreement for 1,000 mmbtu per day of natural gas (approximately 940 mscfpd) for three months at \$US7.00/mmbtu for December 2015, \$US9.40/mmbtu for January 2016 and \$US9.30/mmbtu for February 2016.
- Subsequent to the quarter end, Anticosti Hydrocarbons announced the completion of the first phase of its exploration program on Anticosti Island consisting of the drilling of the last seven of twelve stratigraphic corehole wells. The results of all the cores will help assess the rock quality and determine the optimal location for three test horizontal wells planned for the summer of 2016.

## Results of Operations

### Sales

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Natural gas	\$ 595	\$ 2,066	\$ 11,653	\$ 16,894
Condensate	3	78	42	203
Natural gas and gas liquids sales	598	2,144	11,695	17,097
Gathering, processing & transportation fees	178	289	551	681
Sales	\$ 776	\$ 2,433	\$ 12,246	\$ 17,778

### Production volumes and pricing

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
<b>Total volumes</b>				
Natural gas production (mmscf)	97	611	983	1,945
Condensate production (bbl)	44	738	611	1,845
<b>Daily production averages</b>				
Natural gas production per day (mmscfpd)	1.1	6.6	3.6	7.1
Condensate production per day (bblpd)	0.5	8.0	2.2	6.8
<b>Average prices</b>				
Natural gas selling price (\$/mscf)	\$ 6.10	\$ 3.38	\$ 11.85	\$ 8.69
Condensate selling price (\$/bbl)	\$ 58.80	\$ 105.83	\$ 68.25	\$ 109.90

Natural gas sales decreased to \$595 thousand in Q3 2015 from \$2,066 thousand in Q3 2014 and to \$11,653 thousand for the nine months ended September 30, 2015 from \$16,894 thousand for the nine months ended September 30, 2014 due to management's decision to shut-in wells (other than those wells jointly owned by PotashCorp), resulting in a decrease in the average daily natural gas production to 1.1 mmscfpd in Q3 2015 from 6.6 mmscfpd in Q3 2014 and to 3.6 mmscfpd for the nine months ended September 30, 2015 from 7.1 mmscfpd for the nine months ended September 30, 2014. The realized price of \$6.10/mscf in Q3 2015 was the result of a negotiated agreement with PotashCorp as compared to the average natural gas price of \$3.38/mscf in Q3 2014 which was based on AGT prices.

The increase in the realized price for the nine months ended September 30, 2015 to \$11.85/mscf from \$8.69/mscf for the nine months ended September 30, 2014 is due to management's decision to shut-in most of its natural gas wells at the McCully Field during periods of low natural gas prices and to the higher prices negotiated with PotashCorp since May 1, 2015. Natural gas prices at AGT were in fact lower in 2015 as compared to the nine month period ended September 30, 2014.

## Outlook

Corridor has increased its estimated total sales for 2015 from \$15.0 million to \$17.5 million due primarily to the decision to resume production of the shut-in McCully wells starting on October 29, 2015 rather than December 2015, as previously planned. As a result, the average natural gas production for Q4 2015 is expected to increase to 6 mmscfd from the previous estimate of 2.5 mmscfd resulting in a forecasted increase for 2015 to 4.3 mmscfd from the previous estimate of 3.4 mmscfd. The 2015 realized price is expected to decrease to \$10.68/mscf from the previously estimated price of \$11.30/mscf due to lower expected natural gas prices at AGT in Q4 2015. The 2015 estimated average natural gas price includes the forward sale of 2,500 mmbtupd at an average price of \$US9.25/mmbtu from November 1, 2015 to March 31, 2016 and 1,000 mmbtupd at an average price of \$US7.00/mmbtu for December 2015.

### Gathering, processing and transportation fees

	Three months ended September 30		Nine months ended September 30	
<i>thousands of dollars</i>	2015	2014	2015	2014
Gathering, processing and transportation fees	<b>\$ 178</b>	\$ 289	<b>\$ 551</b>	\$ 681

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 is charged a cost of service. Gathering, processing and transportation (“GPT”) fees for Q3 2015 decreased to \$178 thousand from \$289 thousand in Q3 2014 and to \$551 thousand for the nine months ended September 30, 2015 from \$681 thousand for the nine months ended September 30, 2014 due to a combination of the shut-in of most of the wells in the McCully Field and normal production decline.

## Outlook

Corridor maintains its 2015 budget for GPT fees of \$750 thousand.

## Royalty Expense

	Three months ended September 30		Nine months ended September 30	
<i>thousands of dollars</i>	2015	2014	2015	2014
Crown royalties	<b>\$ 12</b>	\$ 47	<b>\$ 301</b>	\$ 1,274
Royalty expense per mscf (\$/mscf)	<b>\$ 0.12</b>	\$ 0.08	<b>\$ 0.31</b>	\$ 0.66
Percentage of natural gas and gas liquids sales	<b>2.0%</b>	2.3%	<b>2.6%</b>	7.5%

Corridor’s royalty expense for Q3 2015 decreased to \$12 thousand from \$47 thousand for Q3 2014 due to lower natural gas sales in Q3 2015. For the nine months ended September 30, 2015, the royalty expense decreased to \$301 thousand from \$1,274 thousand for the nine months ended September 30, 2014 due primarily to the implementation of a new two-tier royalty regime by the Government of New Brunswick effective April 1, 2014. The new regime changes the basic royalty rate payable for natural gas production 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%.

## Outlook

The Company maintains its effective royalty rate for 2015 of 2.5%.

The Company is currently undergoing an audit by the New Brunswick Department of Finance relating to the calculation of the royalty payments for the periods between November 1, 2009 and December 31, 2014. The Company has not made any provision for any liability which may arise out of this audit as the royalty amounts paid during this period were based on management’s best estimate.

## Transportation Expense

	Three months ended September 30		Nine months ended September 30	
<i>thousands of dollars</i>	2015	2014	2015	2014
Transportation expense	<b>\$ 485</b>	\$ 837	<b>\$ 1,850</b>	\$ 2,706
Transportation expense per mscf (\$/mscf)	<b>\$ 4.98</b>	\$ 1.37	<b>\$ 1.88</b>	\$ 1.39

Transportation expense decreased to \$485 thousand for Q3 2015 from \$837 thousand for Q3 2014 and to \$1,850 thousand for the nine months ended September 30, 2015 from \$2,706 thousand for the nine months ended September 30, 2014 due to the decrease in natural gas production in those periods. However, this was partially offset by the Company’s firm transportation

commitment to purchase 6,500 mmbtu per day of transportation on the Canadian side of the M&NP until October 31, 2015. As a result, transportation expense per mscf increased to \$4.98/mscf from \$1.37/mscf in Q3 2014. The Company does not anticipate making long-term transportation commitments over the summer months in the future.

### Outlook

Corridor maintains its transportation expense estimate for 2015 of \$1.80/mscf.

## Production Expense

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Gross production expense	\$ 458	\$ 839	\$ 1,883	\$ 2,710
Third party recoveries	(66)	(172)	(240)	(392)
Net production expense	\$ 392	\$ 667	\$ 1,643	\$ 2,318
Net production expense per mscf (\$/mscf)	\$ 4.02	\$ 1.09	\$ 1.67	\$ 1.19

Gross production expense for Q3 2015 decreased to \$458 thousand from \$839 thousand in Q3 2014 and to \$1,883 thousand for the nine months ended September 30, 2015 from \$2,710 thousand for the nine months ended September 30, 2014 due primarily to the shut-in of most of the wells in the MCully Field and to a downsize in personnel.

### Outlook

Corridor has increased its estimated net production expense for 2015 from \$2,350 thousand to \$2,400 thousand to reflect the increase in the estimated average net daily gas production from 3.4 mmscfd to 4.3 mmscfd in 2015. However, this will result in a decrease in the estimated net production expense per mscf from \$1.91/mscf to \$1.55/mscf for 2015.

## Depletion, Depreciation and Amortization

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Depletion, depreciation and amortization	\$ 409	\$ 2,080	\$ 3,572	\$ 6,465
Depletion, depreciation and amortization per mscf (\$/mscf)	\$ 4.19	\$ 3.83	\$ 3.99	\$ 3.73

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 to \$409 thousand for Q3 2015 from \$2,080 thousand in Q3 2014 and to \$3,572 thousand for the nine months ended September 30, 2015 from \$6,465 thousand for the nine months ended September 30, 2014 is primarily due to the decrease in natural gas production for the three and nine months ended September 30, 2015 and the decrease in the net book value of the depletion asset base in Q4 2014 following the recognition of an impairment loss of \$33,700 thousand.

### Outlook

Corridor maintains its DD&A rate estimate for 2015 of \$4.00/mscf.

## General and Administrative Expenses

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Gross expenses	\$ 940	\$ 759	\$ 3,328	\$ 2,639
Capitalized overhead	(9)	(89)	(82)	(285)
Operator recoveries	(28)	(5)	(63)	(7)
Net expenses	\$ 903	\$ 665	\$ 3,183	\$ 2,347

Gross general and administrative expenses (“G&A”) increased to \$940 thousand in Q3 2015 from \$759 thousand during Q3 2014 and to \$3,328 thousand for the nine months ended September 30, 2015 from \$2,639 thousand for the nine months ended September 30, 2014 due to expenses incurred on the establishment of the NBREDA of approximately \$180 thousand for Q3 2015 and \$250 thousand for the nine months ended September 30, 2015. The G&A also increased for the nine months ended September 30, 2015 due to the payment of severances of approximately \$400 thousand following a reduction in the personnel of the Company in Q2 2015.

## Outlook

Corridor maintains its 2015 budget for gross G&A of \$4,300 thousand. The 2015 G&A costs are at an unusually high level compared to 2014 due to the payment of severances in Q2 2015 and expected costs of \$500 thousand on the establishment of the NBREDA in 2015. Management expects G&A will return to a normal level of approximately \$3,350 thousand in 2016.

## Share-based Compensation

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Share-based compensation expense	<b>\$ 118</b>	\$ 141	<b>\$ 339</b>	\$ 419

The decrease in the share-based compensation expense to \$118 thousand for Q3 2015 is consistent with Q3 2014.

## Outlook

Corridor maintains its 2015 budget of share-based compensation expense of \$400 thousand.

## Gain on Sale of Exploration Assets

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Gain on sale of exploration assets	<b>\$ -</b>	\$ 1,540	<b>\$ 1,260</b>	\$ 10,040

In connection with the establishment of the Anticosti Joint Venture on April 1, 2014, Corridor transferred its Anticosti exploration licenses to Anticosti Hydrocarbons in exchange for an interest of 21.67% in Anticosti Hydrocarbons and net cash proceeds of \$13,479 thousand, which resulted in an initial gain on the sale of exploration assets of \$8,500 thousand in Q2 2014. As part of their commitment to Anticosti Hydrocarbon's exploration program, Ressources Québec and Saint-Aubin E&P Québec Inc. contributed nil and \$9,255 thousand during the three and nine months ended September 30, 2015 and \$11,299 thousand during the three and nine months ended September 30, 2014. As a result, Corridor recognized an additional gain on sale of nil and \$1,260 thousand during the three and nine months ended September 30, 2015 and \$1,540 thousand during the three and nine months ended September 30, 2014.

## Deferred Income Taxes

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Deferred income tax expense (recovery)	<b>\$ (405)</b>	\$ (235)	<b>\$ 729</b>	\$ 2,382
Effective tax rate	<b>26.1%</b>	54.2%	<b>26.0%</b>	19.1%
Canadian statutory income tax rate	<b>28.0%</b>	28.0%	<b>28.0%</b>	28.0%

The change in the effective tax rate for the three and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014 is due to the non-taxable portion of the gain on sale of exploration assets to Anticosti Hydrocarbons which decreased deferred income tax expense by nil and \$160 thousand for the three and nine months ended September 30, 2015 and by \$175 thousand and \$1,275 thousand for the three and nine months ended September 30, 2014.

## 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

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Exploration activities	<b>\$ 49</b>	\$ 7,396	<b>\$ 295</b>	\$ 8,721
Development activities	<b>(57)</b>	10,295	<b>16</b>	11,170
Production facilities	<b>54</b>	186	<b>326</b>	204
Capitalized overhead	<b>9</b>	89	<b>82</b>	285
Office and other assets	<b>7</b>	124	<b>55</b>	333
	<b>\$ 62</b>	\$ 18,090	<b>\$ 774</b>	\$ 20,713

The capital expenditures of \$774 thousand for the nine months ended September 30, 2015 consist primarily of tie-in costs and other costs related to the Company's 2014 well re-entry and fracturing program at the McCully Field and Elgin Field in southern New Brunswick. The decrease in capital expenditures to \$774 thousand from \$20,713 thousand for the nine months ended September 30, 2014 is consistent with the Company's planned decrease in capital spending in 2015. The Company has not planned to incur any significant capital expenditures in New Brunswick in 2015 due to the ongoing moratorium on hydraulic fracturing imposed by the New Brunswick government.

During the nine months ended September 30, 2015, Anticosti Hydrocarbons advised that it has incurred capital costs of approximately \$8.5 million on an exploration program consisting of the drilling of seven stratigraphic core holes on Anticosti Island.

### Capital Expenditures Outlook

Corridor maintains its 2015 capital budget of \$1.1 million.

## Cash Flow Summary

<i>thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Cash provided by (used in) operating activities	\$ (544)	\$ 689	\$ 7,251	\$ 11,000
Cash provided by financing activities	-	-	-	98
Cash provided by (used in) investing activities	(212)	(5,648)	(3,167)	4,118
Increase (decrease) in cash and cash equivalents	\$ (756)	\$ (4,959)	\$ 4,084	\$ 15,216

The decrease in cash provided by operating activities for the three and nine months ended September 30, 2015 is primarily the result of the decrease in natural gas sales resulting from the lower natural gas production in 2015.

The cash used in investing activities decreased for Q3 2015 due to the capital spending relating to the 2014 well re-entry and fracturing program in Q3 2014. The cash used in investing activities increased for the nine months ended September 30, 2015 as the increased capital spending relating to the 2014 well re-entry and fracturing program was offset by the receipt on April 1, 2014 of net cash proceeds of \$13,479 thousand as part of the establishment of the Anticosti Joint Venture.

### Outlook

Corridor's revised cash flow from operations forecast of \$8.2 million in 2015 reflects the expected increase in the estimated average net daily gas production for 2015 from 3.4 mmscfpd to 4.3 mmscfpd due to the decision to resume production of previously shut-in wells on October 29, 2015 rather than in December 2015, as previously planned. Based on available working capital of \$20.9 million at December 31, 2014 and Corridor's 2015 capital budget of \$1.1 million, Corridor is forecasting a net positive working capital of approximately \$28 million at December 31, 2015, with no outstanding debt.

## Outstanding Share Information

As of October 31, 2015, the outstanding share information was as follows:

Common shares outstanding	<b>88,621,966</b>
Stock options to purchase common shares	<b>3,430,832</b>
Total common shares outstanding after exercise of all stock options	<b>92,052,798</b>
<i>thousands of dollars</i>	
Total proceeds due on exercise of all stock options	<b>\$ 4,405</b>

The weighted average exercise price for the stock options outstanding at October 31, 2015 was \$1.28.

## Statement of Financial Position Changes

Significant changes between Corridor's September 30, 2015 statement of financial position and its December 31, 2014 statement of financial position include:



- \$2,062 thousand decrease in receivables, primarily reflecting lower natural gas prices and production in September 2015 compared to December 2014.
- \$2,709 thousand decrease in accounts payable and accrued liabilities, primarily reflecting the decrease in capital spending in Q3 2015 compared to Q4 2014 relating to the Company's 2014 well re-entry and fracturing program.

## Summary of Quarterly Information

<i>thousands of dollars, except per share amounts and average natural gas price</i>	2015				2014			2013
	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	\$ 595	\$ 1,170	\$ 9,889	\$ 5,241	\$ 2,066	\$ 3,390	\$ 11,438	\$ 5,841
Net income (loss)	\$ (1,150)	\$ (469)	\$ 3,692	\$ (27,767)	\$ (199)	\$ 6,251	\$ 4,009	\$ 20,586
Net income (loss) per share - basic	\$ (0.013)	\$ (0.005)	\$ 0.042	\$ (0.313)	\$ (0.002)	\$ 0.071	\$ 0.045	\$ 0.233
Net income (loss) per share - diluted	\$ (0.013)	\$ (0.005)	\$ 0.042	\$ (0.311)	\$ (0.002)	\$ 0.070	\$ 0.045	\$ 0.233
Natural gas production (mmscfpd)	1.1	2.9	6.9	6.9	6.6	7.2	7.6	7.7
Average natural gas price (\$/mscf)	\$ 6.10	\$ 4.48	\$ 15.84	\$ 8.30	\$ 3.38	\$ 5.19	\$ 16.80	\$ 8.21
Capital expenditures	\$ 62	\$ 167	\$ 545	\$ 2,736	\$ 18,090	\$ 1,818	\$ 805	\$ 1,856

Natural gas prices are typically highest in the first quarter of each year, reaching an average of \$16.80/mscf in Q1 2014 and \$15.84/mscf in Q1 2015, and lowest in the second and third quarters of each year. However, since 2014, natural gas prices at AGT have trended down (notwithstanding favourable prices in certain forward sales agreements) resulting in reduced natural gas prices year over year. From May 1, 2015 to October 29, 2015, management decided to shut-in most of its producing natural gas wells in the McCully Field in New Brunswick due to the significant differential expected in the sale price of natural gas at AGT for the summer of 2015 relative to the winter of 2015/2016, which resulted in a decrease in natural gas production to 1.1 mmscfpd and lower natural gas sales of \$595 thousand in Q3 2015.

In Q4 2013, an increase in the average natural gas price resulted in a reversal of impairment losses of \$28,050 thousand and an increase in the Company's net income to \$20,586 thousand. In response to higher expected natural gas prices, Corridor undertook a well re-entry and fracturing program at the McCully Field in Q3 2014 to increase natural gas production. However, late in 2014, the forecast for future natural gas prices decreased and the New Brunswick Government announced a moratorium on hydraulic fracturing contributing in part to the decrease in the Company's proved plus probable natural gas reserves which resulted in the recognition of an impairment loss of \$39,150 thousand and a net loss of \$27,767 thousand in Q4 2014.

## Liquidity and Capital Resources

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

The 2015 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 2015. However, Corridor does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties or any additional properties to be acquired. 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 2015 budget, management expects to have sufficient available funds to meet the current and foreseeable contractual obligations and commitments disclosed in the Company's 2014 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, 2015, 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 nine months ended September 30, 2015, there were no changes in the critical accounting estimates disclosed in Corridor's 2014 Annual MD&A.

## **Changes in Accounting Policies**

Corridor's unaudited condensed financial statements for the nine months ended September 30, 2015 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, 2014.

## **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. See also "*Forward-Looking Statements*" in this MD&A.

## **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.

As a condition of the development of any oil and gas resources in Québec, the Québec Government has mandated a comprehensive strategic environmental assessment process (the "Québec SEA") in respect of the entire oil and gas sector in Québec, which shall include a specific individual assessment of Anticosti Island (the "Anticosti SEA"). The Québec SEA in respect of Anticosti Island is being carried out in tandem with the exploration work of the Anticosti Joint Venture. The Québec

SEA will help assess the likely consequences of oil and gas development and estimate the economic effects of development of the oil and gas sector in Québec. Through the Québec SEA, the Québec Government intends to undertake a comprehensive review and modernization of legislation and the regulatory framework governing oil and gas exploration and development. The Anticosti SEA will study the social and economic impacts of oil and gas development on the island and identify best practices and technologies for development, as well as identify methods to foster local economic spinoffs.

## Hydraulic Fracturing

While the New Brunswick Government has reconfirmed its support of natural resources development, on March 27, 2015, it enacted *An Act to Amend the Oil and Natural Gas Act*, which creates a moratorium on all forms of hydraulic fracturing in New Brunswick, regardless of whether the process uses water, propane or another substance to extract natural gas from shale rock beneath the earth's surface. The New Brunswick Government advised that the moratorium will not be lifted until the following conditions are satisfied: (i) a social license for hydraulic fracturing is established; (ii) there is clear and credible information about the impacts of hydraulic fracturing on health, environment and water, so that a regulatory regime may be developed; (iii) a plan is established that mitigates the impacts on New Brunswick's public infrastructure and that addresses issues such as waste water disposal; (iv) a process is in place to respect New Brunswick's obligations under the duty to consult with First Nations; and (v) a proper royalty structure is developed to ensure that the benefits of fracturing are maximized for residents of New Brunswick. On March 24, 2015, the New Brunswick Government also announced the appointment of a panel with a mandate to review and report on, within 12 months, whether the five conditions necessary to lift the New Brunswick moratorium can be met. While it is not possible to predict the final outcome of the ongoing or proposed studies and legislation or regulation, any such restrictions will increase the costs as well as delay or halt Corridor's ability to develop its oil and gas properties in New Brunswick (McCully Field, Caledonia Field and the Elgin Sub-Basin).

## 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; and 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.

For regulations regarding hydraulic fracturing, see "*Hydraulic Fracturing*" above.

# Unaudited Statements of Income and Comprehensive Income

(thousands of dollars, except per share data)

For the	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Sales	\$ 776	\$ 2,433	\$ 12,246	\$ 17,778
Royalty expense	(12)	(47)	(301)	(1,274)
Revenues, net	<b>764</b>	2,386	<b>11,945</b>	16,504
Expenses				
Depletion, depreciation and amortization	<b>409</b>	2,080	<b>3,572</b>	6,465
Transportation expense	<b>485</b>	837	<b>1,850</b>	2,706
Production expense	<b>392</b>	667	<b>1,643</b>	2,318
General and administrative expenses	<b>903</b>	665	<b>3,183</b>	2,347
Share-based compensation expense (note 11)	<b>118</b>	141	<b>339</b>	419
Recovery of exploration and evaluation assets	-	-	-	(12)
	<b>2,307</b>	4,390	<b>10,587</b>	14,243
Income (loss) before the following items	<b>(1,543)</b>	(2,004)	<b>1,358</b>	2,261
Gain on sale of exploration assets (note 8)	-	1,540	<b>1,260</b>	10,040
Interest and other (note 3)	<b>9</b>	110	<b>298</b>	222
Equity loss	<b>(21)</b>	(80)	<b>(114)</b>	(80)
Income (loss) before income taxes	<b>(1,555)</b>	(434)	<b>2,802</b>	12,443
Deferred income tax expense (recovery) (note 4)	<b>(405)</b>	(235)	<b>729</b>	2,382
Net income (loss) and comprehensive income				
(loss)	<b>\$ (1,150)</b>	\$ (199)	<b>\$ 2,073</b>	\$ 10,061
Net income (loss) per share – basic	<b>\$ (0.013)</b>	\$ (0.002)	<b>\$ 0.023</b>	\$ 0.114
Net income (loss) per share – diluted	<b>\$ (0.013)</b>	\$ (0.002)	<b>\$ 0.023</b>	\$ 0.112
Weighted average number of common shares				
Basic	<b>88,622</b>	88,594	<b>88,622</b>	88,535
Diluted (note 5)	<b>88,622</b>	89,802	<b>88,622</b>	89,794

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 2015	December 31 2014
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 23,291	\$ 19,207
Restricted cash	650	650
Receivables (note 13 a iv)	1,289	3,351
Inventory held for sale	1,278	1,278
Prepays and security deposits	245	141
	<b>26,753</b>	24,627
Non-current assets		
Property, plant and equipment (note 6)	93,585	96,625
Exploration and evaluation assets (note 7)	8,566	8,141
Investment in Anticosti partnership (note 8)	13,790	12,511
Deferred income tax assets	21,381	22,110
Investment tax credits	1,694	1,673
Intangible assets	163	200
Restricted cash	380	380
<b>Total assets</b>	<b>\$ 166,312</b>	<b>\$ 166,267</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,012	\$ 3,721
Non-current liabilities		
Decommissioning liability (note 9)	8,618	8,276
<b>Total liabilities</b>	<b>9,630</b>	11,997
Shareholders' Equity		
Capital stock (note 10)	247,685	247,685
Contributed surplus (note 11)	10,382	10,043
Deficit	(101,385)	(103,458)
<b>Total shareholders' equity</b>	<b>156,682</b>	154,270
<b>Total liabilities and shareholders' equity</b>	<b>\$ 166,312</b>	<b>\$ 166,267</b>

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

Contingencies (note 16)  
Subsequent events (note 17)

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	
	2015	2014
Capital stock, beginning of period	\$ 247,685	\$ 247,496
Exercise of stock options for cash	-	98
Amount previously expensed for stock options exercised	-	59
Capital stock, end of period	\$ 247,685	\$ 247,653
Contributed surplus, beginning of period	\$ 10,043	\$ 9,655
Share-based compensation expense	339	419
Amount previously expensed for stock options exercised	-	(59)
Contributed surplus, end of period	\$ 10,382	\$ 10,015
Deficit, beginning of period	\$ (103,458)	\$ (85,752)
Net income and comprehensive income	2,073	10,061
Deficit, end of period	\$ (101,385)	\$ (75,691)
Shareholders' equity, end of period	\$ 156,682	\$ 181,977

*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	
	2015	2014
<b>Operating Activities</b>		
Net income	<b>\$ 2,073</b>	\$ 10,061
Adjustments not affecting cash:		
Depletion, depreciation and amortization	<b>3,572</b>	6,465
Share-based compensation expense	<b>339</b>	419
Deferred income tax expense	<b>729</b>	2,382
Gain on sale of exploration assets	<b>(1,260)</b>	(10,040)
Equity loss	<b>114</b>	80
Other operating activities	<b>175</b>	142
	<b>5,742</b>	9,509
Decrease in non-cash operating working capital (note 12)	<b>1,509</b>	1,491
Cash provided by operating activities	<b>7,251</b>	11,000
<b>Financing Activities</b>		
Proceeds from the exercise of stock options	-	98
Cash provided by financing activities	-	98
<b>Investing Activities</b>		
Property, plant and equipment expenditures	<b>(397)</b>	(11,885)
Exploration and evaluation expenditures	<b>(377)</b>	(8,828)
Proceeds from sale of exploration assets	-	13,479
Increase in restricted cash	-	(339)
Contribution in Anticosti partnership	<b>(133)</b>	-
Decrease (increase) in non-cash investing working capital (note 12)	<b>(2,260)</b>	11,691
Cash provided by (used in) investing activities	<b>(3,167)</b>	4,118
Increase in cash and cash equivalents	<b>4,084</b>	15,216
Cash and cash equivalents, beginning of period	<b>19,207</b>	15,514
Cash and cash equivalents, end of period	<b>\$ 23,291</b>	\$ 30,730
<b>Cash and cash equivalents consists of:</b>		
Cash	<b>\$ 4,098</b>	\$ 1,392
Short-term investments	<b>19,193</b>	29,338
Cash and cash equivalents, end of period	<b>\$ 23,291</b>	\$ 30,730

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



# Notes to the Unaudited Condensed Financial Statements

## September 30, 2015

### 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, 2014. 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, 2014.

On November 11, 2015, 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. Interest and other

Interest and other consist of the following:

(thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Interest and other income	\$ 74	\$ 135	\$ 233	\$ 292
Foreign exchange gains (losses)	(4)	41	249	112
Interest and finance costs	(61)	(66)	(184)	(182)
	\$ 9	\$ 110	\$ 298	\$ 222

### 4. Income taxes

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

(thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Income (loss) before income taxes	\$ (1,555)	\$ (434)	\$ 2,802	\$ 12,443
Blended Canadian statutory tax rate	28%	28%	28%	28%
Expected income tax expense (recovery)	\$ (435)	\$ (122)	\$ 785	\$ 3,484
Increase (decrease) resulting from:				
Non-taxable portion of gain on sale of exploration assets	-	(175)	(160)	(1,275)
Non-deductible share-based compensation expense	33	39	95	117
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	(3)	-	9	33
Other	-	23	-	23
	\$ (405)	\$ (235)	\$ 729	\$ 2,382

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2015

### 5. Income per share

For the three and nine months ended September 30, 2015, stock options of 3,431 thousand (three and nine months ended September 30, 2014 – 917 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
<b>Cost</b>					
Balance at December 31, 2013	\$ 216,351	\$ 76,627	\$ 3,972	\$ 2,705	\$ 299,655
Additions	17,946	378	739	131	19,194
Transfers	698	-	(587)	-	111
Changes in future abandonment costs	885	-	-	-	885
Sale of inventory	-	-	(17)	-	(17)
Transfer to current assets	-	-	(1,278)	-	(1,278)
Balance at December 31, 2014	\$ 235,880	\$ 77,005	\$ 2,829	\$ 2,836	\$ 318,550
Additions	16	326	-	55	397
Investment tax credits	-	(21)	-	-	(21)
Changes in future abandonment costs	119	-	-	-	119
<b>Balance at September 30, 2015</b>	<b>\$ 236,015</b>	<b>\$ 77,310</b>	<b>\$ 2,829</b>	<b>\$ 2,891</b>	<b>\$ 319,045</b>
<b>Accumulated impairment, depletion and depreciation</b>					
Balance at December 31, 2013	\$ 133,500	\$ 41,701	\$ 2,364	\$ 1,634	\$ 179,199
Depletion or depreciation expense	7,457	1,415	-	110	8,982
Impairment losses	24,640	9,060	-	-	33,700
Write-down of inventory	-	-	44	-	44
Balance at December 31, 2014	\$ 165,597	\$ 52,176	\$ 2,408	\$ 1,744	\$ 221,925
Depletion or depreciation expense	2,960	498	-	77	3,535
<b>Balance at September 30, 2015</b>	<b>\$ 168,557</b>	<b>\$ 52,674</b>	<b>\$ 2,408</b>	<b>\$ 1,821</b>	<b>\$ 225,460</b>
<b>Net book value</b>					
At December 31, 2014	\$ 70,283	\$ 24,829	\$ 421	\$ 1,092	\$ 96,625
<b>At September 30, 2015</b>	<b>\$ 67,458</b>	<b>\$ 24,636</b>	<b>\$ 421</b>	<b>\$ 1,070</b>	<b>\$ 93,585</b>

The calculation of depletion includes estimated future development costs relating to the development of proved reserves of \$78,954 thousand for the three and nine months ended September 30, 2015 (three and nine months ended September 30, 2014 - \$108,126 thousand). At September 30, 2014, property, plant and equipment costs amounting to \$10,325 thousand were excluded from costs subject to depletion, depreciation and amortization.

### 7. Exploration and evaluation assets

(thousands of dollars)

	Nine months ended September 30, 2015	Year ended December 31, 2014
Balance, beginning of period	\$ 8,141	\$ 24,925
Additions	377	4,255
Sale of exploration assets	-	(4,979)
Transfer to investment in Anticosti partnership	-	(10,600)
Impairment losses	-	(5,450)
Transfers to property, plant and equipment	-	(111)
Recovery of exploration and evaluation assets	-	12
Changes in future abandonment costs	48	89
Balance, end of period	<b>\$ 8,566</b>	\$ 8,141

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2015

### 7. Exploration and evaluation assets (continued)

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”). In connection with the establishment of the joint venture, Pétrolia and Corridor transferred their respective Anticosti exploration licenses to Anticosti Hydrocarbons L.P. (“Anticosti Hydrocarbons”) 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 Anticosti Hydrocarbons and net cash proceeds of \$13,479 thousand, which 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.

### 8. Investment in Anticosti partnership

(thousands of dollars)

	<b>Nine months ended September 30, 2015</b>	Year ended December 31, 2014
Balance, beginning of period	\$ 12,511	\$ -
Transfer from exploration and evaluation assets	-	10,600
Gain on sale of exploration assets	1,260	1,930
Contributions	133	80
Equity loss	(114)	(99)
Balance, end of period	<b>\$ 13,790</b>	\$ 12,511

During the nine months ended September 30, 2015, the Company recognized a gain on sale of exploration assets of \$1,260 thousand (year ended December 31, 2014 - \$1,930 thousand) to reflect the benefit received from the funding by RQ and Saint-Aubin of \$9,255 thousand (December 31, 2014 - \$14,126 thousand) of their commitment to spend up to an aggregate \$100 million on Anticosti Hydrocarbon’s planned exploration program.

### 9. Decommissioning liability

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

(thousands of dollars)

	<b>Nine months ended September 30, 2015</b>	Year ended December 31, 2014
Balance, beginning of period	\$ 8,276	\$ 7,094
Change in discount rate	167	974
Finance costs	175	208
Balance, end of period	<b>\$ 8,618</b>	\$ 8,276

The total undiscounted amount of estimated cash flows required to settle these obligations is \$14,277 thousand (December 31, 2014 - \$14,489 thousand). Management estimates the settlement of these obligations between 2020 and 2037. At September 30, 2015, a risk-free rate of 2.44% (December 31, 2014 – 2.75%) and an inflation rate of 2% (December 31, 2014 – 2%) was used to calculate the estimated fair value of the decommissioning liability.

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2015

### 10. 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, 2015		Year ended December 31, 2014	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	88,622	\$ 247,685	88,464	\$ 247,496
Exercise of stock options	-	-	158	189
Balance, end of period	88,622	\$ 247,685	88,622	\$ 247,685

### 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. On May 12, 2014, the Board of Directors determined that non-employee directors would no longer be eligible to receive stock option grants. 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, 2015		Year ended December 31, 2014	
	Number of options (000's)	Weighted average exercise price	Number of options (000's)	Weighted average exercise price
Options outstanding, beginning of period	3,649	\$ 1.28	3,576	\$ 1.44
Granted	-	-	900	\$ 1.24
Exercised <sup>(1)</sup>	-	-	(158)	\$ 0.75
Expired	-	-	(498)	\$ 2.56
Forfeited and cancelled	(218)	1.27	(171)	\$ 1.08
Options outstanding, end of period	3,431	\$ 1.28	3,649	\$ 1.28
Options exercisable, end of period	2,057	\$ 1.43	1,826	\$ 1.58

*(1) The Company's weighted average share price, at the date of exercise, for stock options exercised during the year ended December 31, 2014 was \$1.73 per common share.*

The range of exercise prices of stock options outstanding and exercisable as at September 30, 2015 is as follows:

Exercise prices	Outstanding options			Exercisable options	
	Number of options outstanding (000's)	Weighted average remaining term (years)	Weighted average exercise price	Number of options exercisable (000's)	Weighted average exercise price
\$ 0.50 - \$ 0.99	1,714	2.31	\$ 0.75	1,240	\$ 0.75
\$ 1.00 - \$ 1.99	900	4.13	\$ 1.24	-	-
\$ 2.00 - \$ 2.49	817	0.95	\$ 2.46	817	\$ 2.46
	3,431	2.47	\$ 1.28	2,057	\$ 1.43

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2015

### 11. Share-based compensation (continued)

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

	September 30, 2015	December 31, 2014
Weighted average fair value of options granted	-	\$ 0.70
Risk-free interest rate	-	1.4%
Expected life (years)	-	4.4
Expected volatility	-	73%

For the three and nine months ended September 30, 2015, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of \$118 thousand and \$339 thousand (three and nine months ended September 30, 2014 - \$141 thousand and \$419 thousand).

### 12. Supplemental cash flow information

*(thousands of dollars)*

	Nine months ended September 30	
	2015	2014
Change in non-cash operating working capital:		
Receivables	\$ 1,738	\$ 2,199
Prepays and security deposits	(104)	(97)
Accounts payable and accrued liabilities	(125)	(611)
	<b>\$ 1,509</b>	<b>\$ 1,491</b>
Change in non-cash investing working capital:		
Receivables	\$ 324	\$ (914)
Accounts payable and accrued liabilities	(2,584)	12,605
	<b>\$ (2,260)</b>	<b>\$ 11,691</b>
Interest paid (received):		
Interest received	\$ (249)	\$ (156)
Interest paid	\$ 11	\$ 29

### 13. Risk management

a) The Company is exposed to the following risks:

#### i) Commodity price risk

The Company is exposed to risks from fluctuations in the natural gas sales prices. During the period, the Company did not have any derivative financial instruments in place to manage this risk. With the Board of Directors' approval, Corridor will enter into forward sale commitments, in limited quantities and at fixed prices, when appropriate. The Company does not use derivative financial instruments for speculative purposes.

During the 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 nil and approximately \$130 thousand for the three and nine months ended September 30, 2015 (three and nine months ended September 30, 2014 - \$75 thousand and \$370 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 nil and approximately \$130 thousand for the three and nine months ended September 30, 2015 (three and nine months ended September 30, 2014 - \$75 thousand and \$370 thousand) due to higher natural gas sales.

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2015

### 13. Risk management (continued)

#### 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, 2015	December 31, 2014
Cash	\$ 6	\$ 18
Receivables	-	1,767
Accounts payable and accrued liabilities	(74)	-
Financial instruments in U.S. dollars	\$ (68)	\$ 1,785

At September 30, 2015, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in an increase of \$3 thousand in the Company's net income (September 30, 2014 – \$20 thousand decrease in net income) 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 a decrease of \$3 thousand in the Company's net income (September 30, 2014 – \$20 thousand increase in net income).

#### 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, 2015, the Company was holding cash and cash equivalents of \$23,291 thousand.

Given the Company's available liquid resources and the Company's 2015 budget, management expects to have sufficient available funds to meet the current and foreseeable financial liabilities as disclosed in the Company's December 31, 2014 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 and 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 does not anticipate paying out dividends during the year.

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2015

### 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 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 was a partner in a law firm that provided legal services to the Company until December 31, 2014. For the nine months ended September 30, 2014, \$394 thousand of legal expenses are included in general and administrative expenses and property, plant and equipment. At December 31, 2014, \$154 thousand was included in accounts payable and accrued liabilities. The amounts paid are recorded at the amount agreed to between the parties which management believes is representative of fair value.

### 16. Contingencies

The Company is currently undergoing an audit by the New Brunswick Department of Finance relating to the calculation of the royalty payments for the periods between November 1, 2009 and December 31, 2014. The Company has not made any provision for any liability which may arise out of this audit as the royalty amounts paid during this period were based on management's best estimate.

On August 23, 2014, 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 events

Subsequent to the quarter end, the Company entered into an agreement to sell 1,000 mmbtu per day of natural gas production at a fixed price of \$US7.00/mmbtu for December 2015, \$US9.40/mmbtu for January 2016 and \$US9.30/mmbtu for February 2016.

Subsequent to the quarter end, the Company entered into a commitment to purchase 5,000 mmbtu per day of transportation on the Canadian side of the Maritimes and Northeast Pipeline for November 2015.