



First Quarter 2017

Management's Discussion and Analysis

As of May 10, 2017

This management's discussion and analysis ("MD&A") of financial results and condition of Corridor Resources Inc. ("Corridor" or the "Company") for the three months ended March 31, 2017 should be read in conjunction with Corridor's unaudited condensed financial statements and notes thereto for the three months ended March 31, 2017, audited financial statements and notes thereto for the year ended December 31, 2016 and the MD&A for the year ended December 31, 2016 ("2016 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, 2016 (the "Annual Information Form"), is available on SEDAR at www.sedar.com.

Introduction

Corridor is a 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 a shale gas prospect in New Brunswick, an offshore conventional hydrocarbon prospect in the Gulf of St. Lawrence and an unconventional hydrocarbon prospect through a 21.67% interest in Anticosti Hydrocarbons L.P., a joint venture with undeveloped lands on Anticosti Island, Québec (the "Anticosti Joint Venture").

Selected Financial Information

<i>thousands of dollars except per share amounts</i>	Three months ended March 31	
	2017	2016
Sales	\$ 4,467	\$ 6,495
Net income	\$ 1,825	\$ 1,283
Net income per share – basic and diluted	\$ 0.021	\$ 0.014
Cash flow from operations ⁽¹⁾	\$ 3,683	\$ 3,353
Capital expenditures	\$ 99	\$ 81
Total assets	\$ 105,316	\$ 134,424

(1) "Cash flow from operations" is a non-IFRS financial 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>	Three months ended March 31	
	2017	2016
Cash provided by operating activities	\$ 3,445	\$ 3,249
Less: increase in non-cash operating working capital	(238)	(104)
Cash flow from operations	\$ 3,683	\$ 3,353

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:

- exploration and development plans of Corridor;
- natural gas prices;
- royalty payments in respect of historical production;
- future taxable profits;
- capital expenditures;
- sources of funding; 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 agreements governing the Anticosti Joint Venture. 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, development and production, operational risks, 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, variations in exchange rates, expiration of licenses and leases, reserves estimates, trading of common shares, seasonality, competition, management of growth, conflicts of interest, issuance of debt, title to properties and hedging and the successful conclusion of a negotiation with the Government of Québec for the termination of the Anticosti Joint Venture. 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.

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 following table provides a comparison of Corridor's results for the period from April 1, 2016 to March 31, 2017 as compared to the guidance disclosed in Corridor's 2016 Annual MD&A dated March 30, 2017.

	Actual results	March 30, 2017 guidance
AGT average natural gas price	\$US 3.40/mmbtu	\$US 3.40/mmbtu
USD/CAD average exchange rate	\$ 1.31 USD/CAD	\$ 1.31 USD/CAD
Average natural gas price realized	\$ 5.70/mscf	\$ 5.70/mscf
Average daily natural gas production	5.5 mmscfd	5.5 mmscfd
Field operating netback	\$ 7.2 million	\$ 7.2 million
Cash flow from operations ⁽¹⁾	\$ 4.6 million	\$ 4.4 million
Field operating netback per mscf	\$ 3.58/mscf	\$ 3.55/mscf
Cash flow from operations ⁽¹⁾ per mscf	\$ 2.28/mscf	\$ 2.20/mscf
Working capital as at March 31, 2017	\$ 33.2 million	\$ 33.2 million

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

Corridor's cash flow from operations for the period from April 1, 2016 to March 31, 2017 increased to \$4.6 million from \$4.4 million due to the fluctuation in the USD/CAD exchange rate during the quarter which resulted in higher than expected foreign exchange gains in Q1 2017.

Q1 2017 Financial Summary

<i>thousands of dollars</i>	Three months ended March 31	
	2017	2016
Sales	\$ 4,467	\$ 6,495
Royalties	(92)	(137)
Revenues, net	4,375	6,358
Expenses		
Depletion, depreciation and amortization	1,932	2,152
Transportation expense	428	1,355
Production expense	789	717
General and administrative expense	651	720
Financial derivatives gain	(1,347)	-
Share-based compensation expense	70	125
	2,523	5,069
Income before the following items	1,852	1,289
Gain on sale of exploration assets	-	110
Interest and other	6	(290)
Equity loss	(33)	(32)
Income before income taxes	1,825	1,077
Deferred income tax recovery	-	(206)
Net income and comprehensive income	\$ 1,825	\$ 1,283

First Quarter Summary

- Natural gas sales for Q1 2017 decreased to \$4,166 thousand from \$6,314 thousand for Q1 2016 due to the decrease in the average natural gas sales price to \$6.45/mscf in Q1 2017 from \$8.54/mscf in Q1 2016 and to the decrease in the average daily natural gas production to 7.2 mmscfd in Q1 2017 from 8.1 mmscfd in Q1 2016. The decrease in Corridor's average daily natural gas production is partially due to the higher flush production achieved in Q1 2016 following the shut-in of most of Corridor's McCully wells from May 1 to October 29, 2015 as opposed to the flush production achieved in Q1 2017 from the partial shut-in of natural gas production between September 2016 and November 2016.

- The decrease in the average natural gas sales price was mitigated by the Company's financial hedges in place during Q1 2017 which resulted in a realized gain of \$1,094 thousand in Q1 2017. In Q1 2016, the Company had forward sale agreements in place for the physical delivery of natural gas and no financial hedges.
- Transportation expense decreased to \$428 thousand in Q1 2017 from \$1,355 thousand in Q1 2016 due primarily to the Company's forward sale agreement in effect from December 1, 2016 to March 31, 2017 for the sale of 4,755 mmbtup of natural gas production to the local Maritimes market as opposed to the New England market.
- Corridor's cash flow from operations increased to \$3,683 thousand in Q1 2017 from \$3,353 thousand in Q1 2016 primarily due to higher foreign exchange gains in Q1 2017. The decrease in natural gas sales in Q1 2017 of \$2,028 thousand was for the most part offset by the decrease in transportation expenses of \$927 thousand and realized financial derivatives gains of \$1,094 thousand in Q1 2017.
- At March 31, 2017, Corridor had cash and cash equivalents of \$30,669 thousand, working capital of \$33,226 thousand, and no outstanding debt.
- Corridor's net income increased to \$1,825 thousand in Q1 2017 from \$1,283 thousand in Q1 2016 primarily due to higher foreign exchange gains during the quarter and the change in unrealized gain on financial derivatives of \$253 thousand.
- On April 11, 2017, Corridor entered into a financial hedge for the period from December 1, 2017 to March 31, 2018 for 2,500 mmbtu per day of natural gas production (approximately 2.3 mmscf per day) at a fixed price of \$US7.40/mmbtu. As security for this financial hedge, the bank has the authority to hold Corridor funds in the amount of \$US3.7 million.
- On April 6, 2017, Corridor announced that the Company, together with other partners of Anticosti Hydrocarbons L.P., entered into negotiations with the Government of Québec with the goal of terminating the Anticosti Joint Venture.

Results of Operations

Sales

<i>thousands of dollars</i>	Three months ended March 31	
	2017	2016
Natural gas	\$ 4,166	\$ 6,314
Condensate	47	15
Natural gas and gas liquids sales	4,213	6,329
Gathering, processing & transportation fees	254	166
Sales	\$ 4,467	\$ 6,495

Production volumes and pricing

	Three months ended March 31	
	2017	2016
Natural gas production (mmscf)	646	739
Natural gas production per day (mmscfpd)	7.2	8.1
Average natural gas selling price (\$/mmscf)	\$ 6.45	\$ 8.54

Natural gas sales for Q1 2017 decreased to \$4,166 thousand from \$6,314 thousand for Q1 2016 due to the decrease in the average natural gas sales price to \$6.45/mmscf in Q1 2017 from \$8.54/mmscf in Q1 2016 and to the decrease in the average daily natural gas production to 7.2 mmscfpd in Q1 2017 from 8.1 mmscfpd in Q1 2016. The decrease in Corridor's average daily natural gas production is partially due to the higher flush production achieved in Q1 2016 following the shut-in of most of Corridor's McCully wells from May 1 to October 29, 2015 as opposed to the flush production achieved in Q1 2017 from the partial shut-in of natural gas production between September 2016 and November 2016.

The decrease in the average natural gas sales price was mitigated by the Company's financial hedges in place during Q1 2017 which resulted in a realized gain of \$1,094 thousand in Q1 2017. In Q1 2016, the Company had forward sale agreements in place for the physical delivery of natural gas and no financial hedges.

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 is currently limited to Potash Corporation of Saskatchewan's ("PCS") share of gas from the McCully Field, is charged a cost of service. The increase in the gathering, processing and transportation ("GPT") fees to \$254 thousand for Q1 2017 from \$166 thousand for Q1 2016 is due to an increase in PCS's share of natural gas production flowing through Corridor's gas plant in Q1 2017.

Financial Derivatives Gain

<i>thousands of dollars</i>	Three months ended March 31	
	2017	2016
Realized financial derivatives gain	\$ 1,094	-
Change in unrealized gain on financial derivatives	253	-
Financial derivatives gain	\$ 1,347	-

In 2016, Corridor entered into financial hedges to manage the risks associated with fluctuations in natural gas prices. During Q1 2017, the settlement of contracts resulted in a realized gain of \$1,094 thousand due to a higher average contract price for natural gas sales than the market price. Corridor had the following financial hedges in place in Q1 2017: 2,500 mmbtupd of natural gas production at a fixed price of \$US6.50/mmbtu for the period from December 1, 2016 to March 31, 2017; 1,000 mmbtupd at a fixed price of \$US7.30/mmbtu for the period from January 1, 2017 to February 28, 2017, and 1,000 mmbtupd at a fixed price of \$US9.55/mmbtu for January 2017.

No contracts are outstanding at March 31, 2017, however, on April 11, 2017, Corridor entered into a financial hedge for the period from December 1, 2017 to March 31, 2018 for 2,500 mmbtu per day of natural gas production (approximately 2.3 mmscf per day) at a fixed price of \$US7.40/mmbtu.

Royalties

<i>thousands of dollars</i>	Three months ended March 31	
	2017	2016
Crown royalties	\$ 92	\$ 137
Royalties per mscf (\$/mscf)	\$ 0.14	\$ 0.19
Percentage of natural gas and gas liquids sales	2.2%	2.2%

Corridor's royalties for Q1 2017 decreased to \$92 thousand from \$137 thousand for Q1 2016 due to lower natural gas sales in Q1 2017.

An audit by the New Brunswick Department of Finance ("DOF") relating to the Company's calculation of the royalty payments for the periods between November 1, 2009 and December 31, 2014 is still ongoing. The Company has filed a Notice of Appeal to object to the Notice of Debt received by the DOF seeking a total of \$300 thousand, with Corridor's share estimated at \$200 thousand. Corridor has not made a provision for any of the amount identified in the DOF's Notice of Debt, as management believes a successful claim by the DOF is not probable given previous discussions and conclusions reached with Government of New Brunswick officials.

Transportation Expense

<i>thousands of dollars</i>	Three months ended March 31	
	2017	2016
Transportation expense	\$ 428	\$ 1,355
Transportation expense per mscf (\$/mscf)	\$ 0.66	\$ 1.83

Transportation expense for Q1 2017 decreased significantly to \$428 thousand from \$1,355 thousand in Q1 2016 primarily due to the Company's forward sale agreement in effect from December 1, 2016 to March 31, 2017 for the sale of 4,755 mmbtupd of natural gas production to the local Maritimes market as opposed to the New England market. As a result, transportation expense per mscf decreased from \$1.83/mscf in Q1 2016 to \$0.66/mscf in Q1 2017.

Production Expense

<i>thousands of dollars</i>	Three months ended March 31	
	2017	2016
Gross production expense	\$ 966	\$ 794
Third party recoveries	(177)	(77)
Net production expense	\$ 789	\$ 717
Net production expense per mscf (\$/mscf)	\$ 1.22	\$ 0.97

Gross production expense for Q1 2017 increased to \$966 thousand from \$794 thousand for Q1 2016 due primarily to an increase in repairs and maintenance and workover expenses incurred in Q1 2017. Third party recoveries increased to \$177 thousand from \$77 thousand in Q1 2016 due to an increase in PCS's share of natural gas production flowing through Corridor's gas plant in Q1 2017.

Depletion, Depreciation and Amortization

<i>thousands of dollars</i>	Three months ended March 31	
	2017	2016
Depletion, depreciation and amortization	\$ 1,932	\$ 2,152
Depletion, depreciation and amortization per mscf (\$/mscf)	\$ 3.33	\$ 3.23

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 \$1,932 thousand for Q1 2017 from \$2,152 thousand in Q1 2016 is due to the decrease in natural gas production in Q1 2017 and the decrease in the net book value of the depletion asset base following the recognition of net impairment losses of \$15.7 million in 2016.

General and Administrative Expenses

<i>thousands of dollars</i>	Three months ended March 31	
	2017	2016
Gross expenses	\$ 681	\$ 775
Capitalized overhead	(30)	(27)
Operator recoveries	-	(28)
Net expenses	\$ 651	\$ 720

Gross general and administrative expenses ("G&A") decreased to \$681 thousand in Q1 2017 from \$775 thousand during Q1 2016 due to costs incurred of approximately \$45 thousand relating to the New Brunswick Responsible Energy Development Alliance in Q1 2016. The decrease in G&A also reflects management's efforts to reduce costs.

Deferred Income Taxes

<i>thousands of dollars</i>	Three months ended March 31	
	2017	2016
Deferred income tax recovery	-	\$ 206
Canadian statutory income tax rate	29.3%	28.0%

In Q2 2016, the Company wrote-down its remaining deferred income tax asset balance as management determined it was no longer probable that there would be sufficient taxable profits from operations and sufficient reversal of taxable temporary differences to facilitate the utilization of the underlying tax deductible amounts. As a result, the Company has not recognized deferred income taxes in Q1 2017.

At March 31, 2017, the Company had approximately \$179 million of tax pools available to be applied against future taxable income. 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.

As of March 31, 2017, Corridor's income tax pools were approximately as follows:

<i>thousands of dollars</i>	
Canadian exploration expense	\$ 93,890
Canadian development expense	61,670
Canadian oil and natural gas property expense	2,950
Undepreciated capital cost	20,320
	\$ 178,830

Capital Expenditures

<i>thousands of dollars</i>	Three months ended March 31	
	2017	2016
Exploration, development and production	\$ 64	\$ 30
Capitalized overhead	30	27
Office and other assets	5	24
	\$ 99	\$ 81

The Company does not plan to incur any significant capital expenditures in New Brunswick while the moratorium on hydraulic fracturing remains in place.

Statement of Financial Position Changes

Significant changes between Corridor's March 31, 2017 statement of financial position and its December 31, 2016 statement of financial position include:

- \$3,397 thousand increase in cash and cash equivalents, primarily reflecting the natural gas sales in Q1 2017.
- \$100 thousand decrease in receivables, primarily reflecting lower natural gas prices in March 2017 compared to December 2016.

Cash Flow Summary

<i>thousands of dollars</i>	Three months ended March 31	
	2017	2016
Cash provided by operating activities	\$ 3,445	\$ 3,249
Cash provided by financing activities	13	-
Cash used in investing activities	(61)	(102)
Increase in cash and cash equivalents	\$ 3,397	\$ 3,147

The increase in cash provided by operating activities for Q1 2017 to \$3,445 thousand from \$3,249 thousand for Q1 2016 is due primarily to higher foreign exchange gains in Q1 2017.

Outstanding Share Information

As of April 30, 2017, the outstanding share information was as follows:

Common shares outstanding	88,655,299
Stock options to purchase common shares	3,398,167
Total common shares outstanding after exercise of all stock options	92,053,466
<i>thousands of dollars</i>	
Total proceeds due on exercise of all stock options	\$ 2,638

The weighted average exercise price for the stock options outstanding at April 30, 2017 was \$0.78.

Summary of Quarterly Information

	2017	2016				2015		
<i>thousands of dollars, except per share amounts and average natural gas price</i>	Three months ended	Three months ended				Three months ended		
	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30
Natural gas sales	\$ 4,166	\$ 2,199	\$ 1,878	\$ 2,205	\$ 6,314	\$ 3,433	\$ 595	\$ 1,170
Net income (loss)	\$ 1,825	\$ 12,316	\$ (1,261)	\$ (41,629)	\$ 1,283	\$ (33,952)	\$ (1,150)	\$ (469)
Net income (loss) per share - basic	\$ 0.021	\$ 0.139	\$ (0.014)	\$ (0.469)	\$ 0.014	\$ (0.383)	\$ (0.013)	\$ (0.005)
Net income (loss) per share - diluted	\$ 0.021	\$ 0.139	\$ (0.014)	\$ (0.469)	\$ 0.014	\$ (0.383)	\$ (0.013)	\$ (0.005)
Natural gas production (mmscfpd)	7.2	3.0	5.1	6.9	8.1	5.3	1.1	2.9
Average natural gas price (\$/mscf)	\$ 6.45	\$ 7.88	\$ 3.98	\$ 3.53	\$ 8.54	\$ 6.99	\$ 6.10	\$ 4.48
Capital expenditures	\$ 99	\$ 175	\$ 41	\$ 123	\$ 81	\$ 163	\$ 62	\$ 167

Since 2014, natural gas prices at AGT have trended down (notwithstanding favourable prices obtained by the Company as a result of certain forward sales agreements) resulting in reduced natural gas prices year over year. In recent years, the AGT market has been characterized by excess demand during the winter season resulting in elevated prices for natural gas as compared to prices in other areas of North America. In response to this trend in natural gas prices, and to take advantage of the expected significant differential in the sale price of natural gas at AGT for the summer of 2015 relative to the winter of 2015/2016, management shut-in most of Corridor's producing natural gas wells in the McCully Field in New Brunswick from May 1, 2015 to October 29, 2015, which resulted in a decrease in natural gas production during this period. Due to a build-up in the formation pressure in the wells during this shut-in period, the shut-in wells produced at flush rates and natural gas production increased to 8.1 mmscfpd in Q1 2016 and 6.9 mmscfpd in Q2 2016. Corridor determined to continue this strategy in Q3 2016 and partially shut-in its natural gas production between September and November 2016 which resulted in a decrease in natural gas production to 3.0 mmscfpd in Q4 2016 and an increase in natural gas production to 7.2 mmscfpd in Q1 2017.

The reduction in forecast natural gas prices at AGT in 2015 resulted in the recognition of an impairment loss of \$21,300 thousand, a write-down of deferred income tax assets of \$10,654 thousand and a net loss of \$33,952 thousand in Q4 2015. In Q2 2016, the New Brunswick Government announced its decision to continue its previously announced moratorium on hydraulic fracturing for an indefinite period. As a result, GLJ Petroleum Consultants Ltd. ("GLJ") provided an updated reserves report which reduced the estimate of the Company's proved plus probable natural gas reserves effective December 31, 2015, resulting in the recognition of an impairment loss of \$28,400 thousand, a write-down of deferred income tax assets of \$11,456 thousand and a net loss of \$41,629 thousand in Q2 2016. GLJ prepared a reserves report effective as of December 31, 2016 and increased the estimate of future natural gas revenues resulting in the recognition of an impairment loss reversal of \$12,700 thousand and a net income of \$12,316 thousand in Q4 2016.

Liquidity and Capital Resources

Corridor's liquidity depends upon cash flow from operations, supplemented as necessary by equity and debt financings and bank debt. At March 31, 2017, the Company was holding cash and cash equivalents of \$30,669 thousand, working capital of \$33,226 thousand and had no outstanding debt. The Company has sufficient financial resources to undertake its planned activities in 2017 and assumes that no additional funds will be utilized from other sources such as equity financings, corporate debt or asset sales, recognizing that the Company does not plan to incur any significant capital expenditures in New Brunswick while the moratorium on hydraulic fracturing remains in place. Corridor does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties or any additional properties that may be acquired in the future. Future exploration and development of the Company's properties will depend, therefore, on the termination of the moratorium in New Brunswick, the receipt of required government approvals, the outcome of negotiations with the Government of Québec in respect of the Anticosti Joint Venture, 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.

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 and internal control over financial reporting to provide reasonable assurance that: (i) material information relating to the Company is made known to them, 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 disclosure controls and procedures and internal control over financial reporting to a standard which provides reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the three months ended March 31, 2017, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Critical Accounting Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures of contingencies and commitments. Actual results could differ materially from those estimates. During the three months ended March 31, 2017, there were no changes in the critical accounting estimates disclosed in Corridor's 2016 Annual MD&A.

Changes in Accounting Policies

Corridor's unaudited condensed financial statements for the three months ended March 31, 2017 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, 2016.

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, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, expiration of licenses and leases, 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, Development and Production

The long-term success of Corridor depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves from exploration, development or acquisition activities, Corridor's existing reserves and production will decline over time. Production decline rates will vary by the type of reservoir, age of the wells and other factors and are not necessarily indicative of future performance. Future increases in Corridor's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to generate or raise sufficient capital to make the necessary investments to replace or expand its oil and natural gas reserves. Future oil and gas

exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

There is no assurance that expenditures made on future exploration, development or acquisition by Corridor will result in new discoveries of oil or natural gas in commercial quantities.

Operational Risks

Corridor's oil and natural gas operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, mechanical or pipe failure, cratering and oil spills, acts of vandalism, or other unexpected or dangerous conditions. Any of these hazards can interrupt operations, impact Corridor's reputation, cause a loss of life or personal injury, result in a loss of, or damage to, equipment or property and cause environmental damage that may include polluting water, land or air.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including drilling into unexpected formations or unexpected pressures, premature decline of reservoirs, the invasion of water into producing formations and sour gas from wells. Losses resulting from the occurrence of any of these risks may have a material adverse effect on Corridor's business, financial condition, results of operations and cash flows.

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 and any other properties that may be acquired by the Company. The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties. The Company's cash flows 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.

The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties. The exploration and development of the Company's properties depend, therefore, on Corridor's ability to obtain additional financing through joint ventures, debt financing, equity financing or other means. Failure to obtain any financing necessary for Corridor's capital expenditure plans may result in a delay in development or production of Corridor's properties. There can be no assurance that Corridor's efforts to raise such funding or to enter into a joint venture with a partner will be successful, or achieved on terms favourable to the Company or its existing shareholders. The failure of Corridor to obtain additional financing or enter into a joint venture on a timely basis or on terms favourable to the Company could result in the loss or substantial dilution of the Company's interests (as existing or as proposed to be acquired) in its properties.

Volatility of Natural Gas and Oil Prices

Corridor's revenues, cash flows, results of operations and financial condition are dependent upon, among other things, the price it receives from the sale of its natural gas production. A substantial or extended decline in the price of natural gas or a continued low price environment for natural gas could have a material adverse effect on Corridor's revenues, cash flows, financial condition and the value of the Company's oil and gas reserves.

Corridor's natural gas production is sold at prices referenced to AGT. The New England market has in recent years been characterized by excess demand during the winter season resulting in elevated prices for natural gas as compared to prices in other areas of North America, and this excess demand is expected to continue until new pipeline infrastructure is available to increase the supply of natural gas into this market. While numerous projects are proposed which could alleviate supply constraints in the New England market by 2018, it is not known whether the required regulatory approvals will be received and, if the projects proceed, the timing of completion of these projects.

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. These regulations include, among other things, matters related to land tenure, drilling, production practices, environmental protection, royalties, carbon tax, marketing and pricing and various taxes and levies. 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 gas industry could have a material adverse impact on Corridor's business, financial condition, results of operations and cash flows.

Hydraulic Fracturing

There has been public concern over the hydraulic fracturing process. Most of these concerns have raised questions regarding the drilling fluids used in the fracturing process, their effect on fresh water aquifers, the use of water in connection with completion operations, the ability of such water to be recycled, and induced seismicity associated with fracturing. The U.S. and Canadian federal governments and certain U.S. state and Canadian provincial governments are currently reviewing certain aspects of the scientific, regulatory and policy framework under which hydraulic fracturing operations are conducted. At present, most of these governments are primarily engaged in the collection, review and assessment of technical information regarding the hydraulic fracturing process and, with the exception of increased chemical disclosure requirements in certain of the jurisdictions in which the Company operates, have not provided specific details with respect to any significant actual, proposed or contemplated changes to the hydraulic fracturing regulatory construct.

It is anticipated that federal, provincial and state regulatory frameworks to address concerns related to hydraulic fracturing will continue to emerge. While the Company is unable to predict the impact of any potential regulations upon its business, the implementation of new laws, regulations or permitting regulations with respect to water usage or disposal, or hydraulic fracturing generally could increase the Company's costs of compliance, operating costs, the risk of litigation and environmental liability, or negatively impact the Company's production and prospects, any of which may have a material adverse effect on the Company's business, financial condition and results of operations.

On May 27, 2016, the New Brunswick Government announced its decision to extend the moratorium on the use of hydraulic fracturing for an indefinite period. Corridor utilizes hydraulic fracturing in connection with its drilling and completion activities in New Brunswick. As a result of the moratorium, management has not forecast any capital spending in New Brunswick. While the moratorium is in effect, Corridor's ability to continue to maintain or increase production through the development of the McCully Field is materially and adversely affected and the ability to obtain a joint venture partner to develop the Frederick Brook prospect in the Elgin Sub-Basin is negatively affected.

Environmental

Corridor's natural gas and oil operations are subject to significant environmental local, provincial and federal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills and releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be constructed, operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with environmental legislation can require significant expenditures and failure to comply with these laws and regulations may result in the assessment of fines and penalties, orders to remediate property contamination and the issuance of injunctions that could limit or prohibit our operations, all of which could have a material impact on Corridor. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Corridor to incur costs to remedy such discharge. It is likely the trend to stricter environmental legislation will continue. Changes in environmental laws and regulations may be enacted which could impose higher environmental standards which may increase the cost of the Company's operations and have a material adverse effect on our business, financial condition, results of operations and cash flows. No assurance can be given that future environmental laws and regulations will not adversely impact Corridor's ability to develop or operate its properties.

Corridor believes that it is reasonably likely that a trend towards stricter standards in environmental legislation will continue and the Company anticipates making increased expenditures of both a capital and an expense nature as a result of increasingly stringent environmental laws, and such legislation may have a material adverse effect on its business, financial condition, results of operations and cash flows.

In January 2017, the Québec Government announced its decision to support the designation of Anticosti Island as a UNESCO World Heritage site. If designated as a UNESCO World Heritage site, the Anticosti Joint Venture would not be permitted to engage in development or production of oil and gas on Anticosti Island.

Third Party Risk

In the normal course of its business, Corridor has entered into contractual arrangements with third parties which subject Corridor to the risk that such parties may default on their obligations. Corridor sells all of its production to large credit-worthy purchasers under normal industry payment terms.

Corridor is dependent upon the Anticosti Joint Venture partners to fund their contractual share of the planned exploration expenditures related to the Anticosti Joint Venture. If these partners do not approve or are unable to fund their share of certain

expenditures or otherwise fulfill their obligations, this may result in delays or additional future costs to Corridor in respect of the development of the properties on Anticosti Island.

In addition, Corridor can give no assurance that the negotiations with the Québec Government for termination of the Anticosti Joint Venture will be successfully concluded.

Variations in Exchange Rates

The Company's sales of natural gas from the McCully Field are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the prices received by the Company. Any material increase in the value of the Canadian dollar will negatively impact the Company's natural gas revenues. This increase in the exchange rate for the Canadian dollar and future Canadian/United States exchange rates could accordingly impact the future value of the Company's reserves as determined by independent evaluators. The Company has not engaged in any risk management activities related to the Canada/United States exchange rate.