



**CORRIDOR RESOURCES INC.**

**ANNUAL INFORMATION FORM**  
**For the Year Ended December 31, 2013**

**March 25, 2014**

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## GLOSSARY

In this AIF, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended from time to time;

"**AIF**" means this Annual Information Form of Corridor dated March 25, 2014;

"**Anticosti Joint Venture**" means the joint venture expected to be entered into between Corridor, Ressources Québec, Pétrolia and M&P in respect of Corridor's and Pétrolia's interests in Anticosti Island, Québec, pursuant to a non-binding letter of intent between the parties dated February 13, 2014;

"**Anticosti Partnership**" means the Québec limited partnership to be established by each of Corridor, Ressources Québec, Pétrolia and M&P pursuant to the Anticosti Joint Venture;

"**Apache**" means Apache Canada Ltd.;

"**Apache Agreement**" means the farm-out and option agreement dated December 7, 2009 between Apache and Corridor to appraise and potentially develop oil and natural gas resources in southern New Brunswick;

"**API**" means the American Petroleum Institute;

"**BAPE**" means Québec's Bureau d'audiences publiques sur l'environnement;

"**Board of Directors**" refers to the board of directors of Corridor;

"**CEAA**" means the *Canadian Environmental Assessment Act*;

"**C-NLOPB**" means Canada – Newfoundland and Labrador Offshore Petroleum Board;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook;

"**Common Share**" or "**Common Shares**" mean, respectively, one or more common shares in the capital of Corridor;

"**contingent resources**" refers to those quantities of petroleum estimated, on a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as "contingent resources" the estimated discovered recoverable quantities associated with a project in the early evaluation stage;

"**Corridor**" or "**Corporation**" means Corridor Resources Inc., a corporation incorporated under the ABCA;

"**developed non-producing reserves**" refers to those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown;

"**developed producing reserves**" refers to those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty;

"**developed reserves**" refers to those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing;

"**discovered petroleum initially-in-place**", the equivalent of "**discovered resources**", refers to that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially-in-place includes production, reserves and contingent resources; the remainder is unrecoverable;

"**discovered unrecoverable petroleum initially-in-place**", the equivalent of "**discovered unrecoverable resources**", refers to that portion of discovered petroleum initially-in-place which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks;

"**EA**" refers to a project specific screening level environmental assessment;

"**GLJ**" refers to GLJ Petroleum Consultants Ltd., independent petroleum engineers of Calgary, Alberta;

"**GLJ Reserves Report**" means the report prepared by GLJ dated February 12, 2014 with an effective date of December 31, 2013 and a preparation date of February 12, 2014 setting forth certain information relating to certain natural gas, crude oil and natural gas liquids reserves of Corridor properties, specifically the McCully Field and the Caledonia Field, and the net present value of the estimated future net reserves associated with such reserves;

"**gross reserves**" refers to Corridor's working interest reserves before the deduction of royalties and before including any royalty interests;

"**gross wells**" refers to the total number of wells in which Corridor has an interest;

"**IFRS**" means International Financial Reporting Standards;

"**M&NP**" means the Maritimes & Northeast Pipeline;

"**M&P**" means Maurel & Prom S.A.;

"**NBEUB**" means the New Brunswick Energy and Utilities Board;

"**NEB**" means the National Energy Board;

"**net reserves**" refers to Corridor's working interest reserves after royalty deductions plus royalty interest reserves;

"**net wells**" refers to the aggregate of the numbers obtained by multiplying each gross well by Corridor's percentage working interest in that well;

"**NI 51-101**" refers to National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

"**PCS**" means Potash Corporation of Saskatchewan Inc.;

"**Pétrolia**" means Pétrolia Inc.;

"**possible reserves**" refers to those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves;

"**probable reserves**" refers to those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves;

"**prospective resources**" refers to those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development;

"**proved reserves**" refers to those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;

"**RA**" means the Responsible Authority under the CEAA;

"**reserves**" refers to the estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates;

"**resources**" refers to a general term that may refer to all or a portion of total resources;

"**Ressources Québec**" means Ressources Québec Inc., a subsidiary of Investissement Québec, an affiliate of the Government of Québec, which is a party to the non-binding letter of intent in respect of the Anticosti Joint Venture.

"**Ro**" refers to reflectance suppressed by high oil saturation;

"**Rock Eval**" refers to the method used to identify the type and maturity of organic matter and to detect petroleum potential in sediments;

"**royalties**" refers to royalties paid to others. The royalties deducted from the reserves are based on the percentage royalty calculated by applying the applicable royalty rate or formula;

"**Schlumberger Canada**" means Schlumberger Canada Inc.;

"**SEA**" refers to the Western Newfoundland Strategic Environmental Assessment;

"**Sproule**" means Sproule Associates Limited, independent petroleum engineers of Calgary, Alberta;

"**Sproule Anticosti Resources Report**" means the Resource Assessment of the Macasty Formation in Certain Petroleum and Natural Gas Holdings on Anticosti Island for Pétrolia Inc. and Corridor Resources

Inc. report prepared by Sproule dated July 12, 2011 with an effective date of June 1, 2011 setting forth certain information regarding total petroleum initially-in-place of Corridor's interests in the Macasty shale formation on Anticosti Island;

"**shut-in**" refers to wells that are capable of producing natural gas which are not producing due to lack of available transportation facilities, available markets or other reasons;

"**TCI**" refers to The Children's Investment Fund Management (UK) LLP;

"**TOC**" refers to total organic carbon;

"**total petroleum initially-in-place**" or "**PIIP**", the equivalent of "**total resources**", refers to that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered;

"**TSX**" means the Toronto Stock Exchange;

"**undeveloped reserves**" refers to those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned;

"**undiscovered petroleum initially-in-place**", the equivalent of "**undiscovered resources**", refers to that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially-in-place is referred to as prospective resources, the remainder as unrecoverable;

"**undiscovered unrecoverable petroleum initially-in-place**", the equivalent of "**undiscovered unrecoverable resources**", means that portion of undiscovered petroleum initially-in-place which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks;

"**unproved property**" means a property or part of a property to which no reserves have been specifically attributed; and

"**working interest**" means the percentage of undivided interest held by Corridor in an oil and natural gas property.

## ABBREVIATIONS AND EQUIVALENCIES

The following are abbreviations and definitions of terms used in this AIF.

Crude Oil and Natural Gas Liquids		Natural Gas	
bbl	one barrel equaling 34.972 Imperial gallons or 42 U.S. gallons	btu	British Thermal Units
bblpd	barrels per day	mscf	thousand standard cubic feet
boe <sup>(1)</sup>	barrels of oil equivalent	mscfpd	thousand standard cubic feet per day
boepd	barrels of oil equivalent per day	mmbtu	million British Thermal Units
mboe	thousand barrels of oil equivalent	mmbtupd	million British Thermal Units per day
mdbl	thousand barrels	mmscf	million standard cubic feet
mdblbls	million barrels	mmscfpd	million standard cubic feet per day
NGL or NGLs	natural gas liquids, consisting of any one or more of propane, butane and condensate	scf	standard cubic feet
WTI	West Texas Intermediate crude oil delivered at Cushing, Oklahoma	scfpd	standard cubic feet per day
bboe	billion barrels of oil equivalent	bscf	billion standard cubic feet
mmboe	million barrels of oil equivalent	tscf	trillion standard cubic feet
		psi	pounds per square inch

### Financial

M\$	thousands of dollars (Cdn.)
MM\$	millions of dollars (Cdn.)

**Note:**

- (1) All calculations converting natural gas to crude oil equivalent have been made using a ratio of six mscf of natural gas to one barrel of crude equivalent. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of six mscf of natural gas to one barrel of crude oil equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

## CONVERSION

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
mscf	cubic metres	28.317
cubic metres	cubic feet	35.315
bbls	cubic metres	0.159
cubic metres	bbls	6.289
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

Except as otherwise specified, all references to "dollars", or to "\$" are to Canadian dollars.

## FORWARD-LOOKING INFORMATION

This AIF 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 AIF contains forward-looking statements pertaining to the following:

- business plans and strategies;
- the Anticosti Joint Venture (including the closing of the Anticosti Joint Venture, funds to be received by Corridor in connection with such closing and the development activities of the Anticosti Joint Venture)
- capital budget;
- cash flow from operations;
- capital expenditure programs;
- exploration and development plans, including the 2014 well re-entry and fracturing program in the McCully Field and plans to drill an offshore exploration well on the Old Harry prospect in the Gulf of St. Lawrence;
- the ability to find a joint venture partner in respect of each of the Frederick Brook Formation or the Old Harry prospect;
- plans to update resources reports;
- timing to secure regulatory approvals;
- government support of exploration and development activities;
- operating expenses;
- the quantity of natural gas, oil and natural gas liquids reserves and resources;
- net present values of future net revenues from reserves;
- development costs;
- estimates of production;
- estimates of tax pools;
- timing of taxation;
- abandonment and reclamation costs;
- projections of market prices and premiums;
- projections of costs;
- supply and demand for natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- expectations relating to the renewal of licenses; and
- treatment under governmental regulatory regimes.

Statements relating to "reserves" and "resources" are forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves and resources described, as applicable, exist in the quantities predicted or estimated and can profitably be produced in the future.

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 Corporation and its shareholders.

Forward-looking statements are based on the Corporation's current beliefs as well as assumptions made by, and information currently available to, the Corporation 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 Corporation's forward sales contracts, transportation contracts and Anticosti Joint Venture letter of intent. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. These factors 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 may be found under the heading "*Risk Factors*" in this AIF, and in the Corporation's most recent financial statements, management's discussion and analysis, management information circular, material change reports and news releases. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive.

The forward-looking statements contained in this AIF are made as of the date hereof and the Corporation 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.

## **CORPORATE STRUCTURE**

Corridor Resources Inc. is the continuing corporation resulting from the amalgamation under the ABCA on May 13, 1996 of Corridor Resources Inc., a closely-held corporation, and Contwoyto Goldfields Limited, a corporation with minimal assets and liabilities and with a "reporting issuer" status in British Columbia, Alberta, Ontario, and Québec. On June 14, 2011, the articles of the Corporation were amended to increase the minimum and maximum number of directors of the Corporation to three directors and nine directors, respectively. The Corporation does not have any subsidiaries.

The head office of Corridor is located at 301, 5475 Spring Garden Road, Halifax, Nova Scotia, B3J 3T2 and the registered office is located at 4500, 855 - 2<sup>nd</sup> Street, S.W., Calgary, Alberta, T2P 4K7.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **General**

The Corporation 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. The Corporation currently has natural gas production and reserves in the McCully Field near Sussex, New Brunswick and crude oil reserves in the Caledonia Field near Sussex, New Brunswick. In addition, the Corporation has contingent resources and discovered unrecoverable resources in Elgin, New Brunswick and undiscovered resources on Anticosti Island, Québec where Corridor has ongoing exploration projects.

As at March 25, 2014, Corridor had 17 full time employees and 2 full time consultants.

Corridor's operations are currently focused on its four principal properties, being: the McCully Field, New Brunswick; Anticosti Island, Québec; the Elgin Sub-Basin, New Brunswick; and the Gulf of St. Lawrence.

### ***McCully Field, New Brunswick***

The Corporation drilled the natural gas discovery well at the McCully Field in September 2000. The well was drilled in partnership with PCS as a result of a farm-in which provided that PCS would pay 100% of the costs of the well to earn a 50% working interest in four sections (3,561 acres).

On June 28, 2007, the Corporation commenced the flow of natural gas from the McCully Field into the gas conditioning plant and 50 kilometre lateral pipeline to connect the McCully Field with the M&NP. Corridor continued to produce natural gas at the McCully Field following initial deliveries to M&NP with gross production averaging over 26.1 mmscfd (19.5 mmscfd net) in July 2007.

As at the date hereof, 39 wells have been drilled in the McCully Field, all of which have encountered natural gas. Gross production from the McCully Field was approximately 10.1 mmscfd (7.6 mmscfd net) in December 2013 and 10.7 mmscfd (8.1 mmscfd net) for the year ended December 31, 2013.

The applicable leases are detailed in the "*Description of the Properties – New Brunswick Lands – McCully Field*" and reserve and other information is set forth under "*Statement of Reserves and other Oil and Gas Information*".

### ***Anticosti Island, Québec***

On May 20, 2010, Corridor entered into a joint venture agreement with Pétrolia to conduct a four-well joint exploration drilling program on Anticosti Island.

In June 2011, Corridor and Pétrolia retained Sproule to estimate the quantity of hydrocarbon resource contained within the Macasty Formation shales on Anticosti Island, at which time Sproule categorized the resources as undiscovered petroleum initially-in-place. See "*Resources Information – Sproule Anticosti Resources Report*".

On February 21, 2012, the Corporation announced results of a study by Schlumberger Canada, which suggests that the rock properties of the Macasty shale are similar to those of the Utica shale in Ohio, one of the most prolific shales in the United States.

In the fall of 2012, Corridor and Pétrolia conducted an exploration program on Anticosti Island to advance the understanding of the development potential of the vast shale oil prospect on Anticosti Island. In January 2013, Corridor announced the initial results of the Macasty core analyses from the Pétrolia/Corridor Princeton Lake and High Cliff wells drilled as part of such exploration program, which confirmed that the Macasty Formation is within the oil window at all locations. These results are very positive indicators for the hydrocarbon production potential of the Macasty Formation.

On February 13, 2014, Corridor signed a non-binding letter of intent with Ressources Québec, Pérolia and M&P to create the Anticosti Joint Venture that will appraise and potentially develop hydrocarbon resources on Anticosti Island. For additional information regarding the Anticosti Joint Venture, see "*Description of the Properties - Anticosti Island, Québec – Anticosti Joint Venture*".

The applicable leases are detailed in the "*Description of the Properties – Anticosti Island Québec*".

### ***Elgin Sub-Basin, New Brunswick***

On May 31, 2011, Apache Canada advised the Corporation that it had elected not to proceed with the second phase of the farm-out program with Corridor in respect of the potential shale gas resource development near Elgin, New Brunswick in accordance with the Apache Agreement.

On November 14, 2011, Corridor completed the drilling of the vertical Will DeMille O-59 shale gas appraisal well to a total depth of 3188 meters measured depth. Strong gas shows were encountered within Hiram Brook sandstones and the Upper Frederick Brook shale. Based upon initial analysis of well log information, the well intersected at least eight intervals with significantly elevated gas shows that are considered fracture candidates.

In 2012, Corridor retested the Green Road B-41 well, previously drilled by Apache pursuant to the Apache Agreement, and was successful at removing a tool stuck in this well in 2011. While the well did not flow material amounts of gas, a section of the horizontal leg of this well was made available for future fracturing operations. Based on a consensus among third party expert consultants and Corridor's technical staff, the most significant issues previously identified with the B-41 well performance related to the design of the horizontal well in this high-stress environment and the fracture technique used. After extensive evaluation, Corridor believes that a different well design and fracture program could lead to a commercial development of the Frederick Brook shale.

Corridor is seeking a joint venture partner to participate in the exploration of the Frederick Brook Formation. Corridor's program to select a joint venture partner is on-going and has been negatively impacted by low natural gas prices and uncertainty surrounding New Brunswick regulations and royalties applicable to shale gas development activities. On February 4, 2014, in the 2014-2015 Budget, the New Brunswick Government reconfirmed its support for natural gas development, including shale gas. See "*Risk Factors – Hydraulic Fracturing*".

Corridor's management believes that there are compelling reasons to remain optimistic for new joint venture interest in its shale gas prospect in New Brunswick, including higher natural gas prices over an extended period due to the higher premium to Henry Hub prices received by Corridor as a result of the high basis differential in the New England market, the growing consumption of natural gas in Atlantic Canada, the anticipated decline in other local sources of natural gas, and the strategic potential for the addition of LNG export facilities in Saint John, New Brunswick and/or in Nova Scotia and the associated pipeline transportation infrastructure already in place in the region.

The applicable leases are detailed in the "*Description of the Properties – New Brunswick Lands – Elgin Sub-Basin*". See also "*Resources Information – GLJ Shale Resources Report*" and "*Resources Information – GLJ Elgin Contingent Resources Report*".

## *Gulf of St. Lawrence*

In October 2010, Corridor completed a geohazard survey to identify potential seabed hazards to drilling with the goal to ensure that any future exploration by Corridor on the Old Harry prospect is conducted in a safe and responsible manner.

On February 22, 2011, Corridor submitted a Project Description to the C-NLOPB for the drilling of an exploration well on the Old Harry prospect. Submission of the Project Description commenced the official regulatory process for obtaining the necessary approvals to drill the offshore well. An exploration well is an essential step in the evaluation of the Old Harry prospect, which offers significant hydrocarbon potential and associated benefits for Eastern Canada.

Corridor submitted to the C-NLOPB its completed EA for the Old Harry exploration well in December 2011 and later received regulatory comments from the C-NLOPB review of the document in April 2012. Corridor submitted a revised EA document addressing the regulatory comments in February 2013.

On July 6, 2012, the Minister of Environment designated Corridor's Old Harry EA as a designated project under the *Canadian Environmental Assessment Act* ("CEAA") and, as a result, the screening for the project must be continued and completed under the CEAA.

Corridor continues to monitor the availability of drilling assets which could be used to undertake the exploration program once Corridor obtains a favorable determination on its EA.

On February 28, 2013, further to the update of the 2005 Strategic Environmental Assessment and 2007 Amendment for the Western Newfoundland and Labrador Offshore Area strategic environmental assessment, the C-NLOPB announced it would be preparing a draft SEA update to be released for public review in the second quarter of 2013. Once released, comments on the draft SEA will be reviewed by the SEA working group, which is comprised of representatives from federal and provincial departments, as well as One Ocean, which is a liaison committee formed by the fisheries industry and the offshore oil and gas industry. The final SEA document will then be posted on the C-NLOPB website. The C-NLOPB stated that it feels that there is value in having an updated SEA for the Western Newfoundland Offshore Area prior to the completion and public review of Corridor's Old Harry EA and that the results of the SEA update may contribute to a more informed project-specific EA. The C-NLOPB advised that it is following the two-pronged approach for public review suggested in the letter to the C-NLOPB by federal Environment Minister Peter Kent on August 15, 2011. Once the updated SEA is completed, the C-NLOPB has advised that it will evaluate all options for public review of Corridor's Old Harry EA, including the possible resumption of an independent review. The C-NLOPB has advised that it is committed to ensuring the public have ample opportunity to express their concerns about the potential environmental impacts of offshore oil and gas activity in the Gulf of St. Lawrence.

On July 22, 2013, the C-NLOPB amended Corridor's Exploration Licence 1105 to extend Period 1 of the license from seven to eight years (January 15, 2016). Corridor's exploration license also has a provision whereby Corridor can extend this drilling period by an additional year (January 13, 2017) with the payment of a \$1 million deposit.

The C-NLOPB has recently indicated that the completion of the updated SEA is expected to be published in late April 2014. Corridor currently estimates that the Old Harry EA may take until at least late 2014 to be fully processed based on the expected completion date of the updated SEA and other regulatory requirements. Corridor currently has until January 13, 2017 (with the payment of a deposit) to spud an exploration well at Old Harry. Corridor intends to drill an exploration well on the Old Harry

prospect between 2015 and 2016, subject to the timely completion of the regulatory requirements and obtaining a joint venture partner to participate in exploration activities on the Old Harry prospect.

The applicable leases are detailed in the "*Description of the Properties – Gulf of St. Lawrence – Newfoundland and Labrador and Québec*".

### ***Other Prospects***

The Corporation holds exploration licenses and leases for the following other prospects in eastern Canada:

- (i) a 100% working interest in ONG Lease 06-01 (40,930 acres) and a 50% working interest in ONG Lease 09-01 where one oil well has been drilled in the Caledonia Field near the McCully Field; and
- (ii) a 100% working interest in one exploration license (44,428 gross acres) directly above the McCully Field;

### **Recent Developments**

#### ***Anticosti Island, Québec***

On February 13, 2014, Corridor signed a non-binding letter of intent with Ressources Québec, Pétroliia and M&P to create the Anticosti Joint Venture to appraise and potentially develop hydrocarbon resources on Anticosti Island. For additional information regarding the Anticosti Joint Venture, see "*Description of the Properties - Anticosti Island, Québec – Anticosti Joint Venture*".

#### ***McCully Field, New Brunswick***

On February 3, 2014, Corridor announced that it had entered into a forward sale agreement for the period from November 1, 2014 to March 31, 2015 for an average of 4,000 mmbtu per day of natural gas (approximately 3.8 mmscf per day). This sale is at an average price of \$US11.74/mmbtu, resulting in an estimated netback of approximately \$CAD10/mmscf, and represents approximately 50% of Corridor's existing production base for that period. Corridor also entered into forward sales agreements in 2014 for the sale of 2,258 mmbtupd from March 1, 2014 to March 31, 2014 at an average price of \$US10.76/mmbtu and the sale of 3,000 mmbtupd from April 1, 2014 to April 30, 2014 at an average price of \$US7.25/mmbtu. The forward sale agreements cover approximately two-thirds (including a forward sale agreement entered into in 2013) of Corridor's estimated production for March 2014 and one-third for April 2014.

#### ***Other***

On March 6, 2014, Corridor announced that it had authorized a \$27.2 million capital expenditure program for 2014 primarily related to a well re-entry and fracturing program in the McCully Field located in southern New Brunswick. The program is designed to increase natural gas production and revenues from the McCully Field and to evaluate the oil and shale gas potential of the surrounding basin, while maintaining a strong balance sheet with no outstanding debt. Corridor's program priorities for 2014 include: (i) running production casing in two of the four well re-entries and conducting up to nine fracture treatments, including five planned in the Frederick Brook shale and four planned in the Hiram Brook sands in wells connected to the McCully midstream facilities. This is intended to increase natural gas production and provide additional deliverability profiles for Corridor's Frederick Brook shale play; (ii) fracturing and testing the Green Road B-41 well to further evaluate the shale gas potential of the

Frederick Brook formation in the Elgin sub-basin; (iii) testing of the South Branch G-36 oil discovery well at the Caledonia Field based on customized treatment from a paraffin research collaboration program with the University of New Brunswick; (iv) additional well workovers and well optimization programs to increase natural gas production at the McCully Field; and (v) continuing the regulatory process relating to the Old Harry structure in the Gulf of St. Lawrence in preparation for the proposed drilling of an exploration well on the prospect within two years.

The 2014 well re-entry and fracturing program at the McCully Field is subject to the availability of equipment and obtaining the necessary regulatory approvals, among other conditions.

### **Three Year History**

The following is a summary of significant events in the development of the Corporation's business over the past three years.

#### ***Financial Year Ended December 31, 2013***

##### ***McCully Field, New Brunswick***

On August 1, 2013, Corridor began to sell its natural gas production from the McCully Field using the Algonquin city-gate pricing point instead of the Dracut pricing point, as the Dracut sales hub is no longer actively traded. Corridor expects that natural gas prices, net of the additional transportation charge, will be representative of New England market prices, which are expected to continue to be strong compared with Henry Hub.

On October 22, 2013, Corridor announced that it had entered into a forward sale agreement from November 1, 2013 to March 31, 2014 for an average of 3,000 mmbtu per day (approximately 2.8 mmscf per day), at an average price of \$US9.03/mmbtu and an estimated netback of approximately \$6.50/mscf. This forward sale agreement represents approximately one-third of Corridor's estimated production for that period.

On December 6, 2013, Corridor announced that it had entered into a forward sale agreement for the period January 1, 2014 to February 28, 2014 for an average of 2,370 mmbtu per day of natural gas (approximately 2.2 mmscf per day). This sale was at an average price of \$US15.50/mmbtu, resulting in a netback of approximately \$CAD12.50/mscf. Corridor's remaining production was sold at daily market prices which were strong during this period due to the high basis differential in the New England market.

##### ***Anticosti Island, Québec***

In January 2013, Corridor announced the initial results of the Macasty core analyses from the Pétrolia/Corridor Princeton Lake and High Cliff wells that were drilled in the fall of 2012 on Anticosti Island. The Princeton Lake and High Cliff wells intersected 90 meters and 57 meters of highly organic Macasty Formation, respectively. The cores were sampled at 50 cm intervals and analyzed by Weatherford (Princeton Lake) and TerraTek Labs (High Cliff). The results provided an average of 4.0% TOC in both wells. It is important to note that TOC averaged 5.5% through a 10 meter section at the High Cliff well, with the highest TOC measured at 7.1%. At the Princeton Lake well, TOC averaged 6.0% through a 10 meter section with the highest TOC measured at 7.5%. The results include hydrocarbon saturation levels as measured by the S1 (free hydrocarbons within pore spaces) at an average of 5.7 mg/g at Princeton Lake and 4.6 mg/g at High Cliff through the 10 meter sections. The final corehole drilled was at Oil River. It intersected 30 meters of organic Macasty Formation and averaged approximately 4% TOC. The analyses confirmed that the Macasty Formation is within the oil window at all locations. These results are very positive indicators for the hydrocarbon production potential of the Macasty Formation.



### *Gulf of St. Lawrence*

On July 22, 2013, the C-NLOPB amended Corridor's Exploration Licence 1105 to extend Period 1 of the license from seven to eight years (January 15, 2016). Corridor's exploration license also has a provision whereby Corridor can extend this drilling period by an additional year (January 13, 2017) with the payment of a \$1 million deposit. At that time, Corridor believed that the extension would provide it with sufficient time to gain the regulatory permits required to drill the Old Harry prospect in a two year drilling window between 2015 and 2016, provided Corridor obtains a joint venture partner to participate in this exploration well. Most recently, on November 5, 2013, the C-NLOPB provided additional comments to Corridor in respect of the Old Harry EA and Corridor provided responses to the C-NLOPB in respect of these comments on November 29, 2013.

Corridor expects the C-NLOPB to release its updated SEA in April 2014, which is a component of the C-NLOPB's review of the Old Harry EA.

### *Other*

In August, 2013, Corridor renewed its credit facility with a Canadian Chartered bank. As at the date hereof, Corridor has a \$6 million revolving short term credit facility that matures on July 26, 2014.

On February 15, 2013, the New Brunswick Government released rules, "*Responsible Environmental Management of Oil and Natural Gas Activities in New Brunswick*", to support New Brunswick's on-going management of oil and gas activities and to ensure that New Brunswick continues to have the tools needed to guide oil and gas exploration and extraction in an environmentally responsible manner. For further information, see "*Industry Conditions – Environmental Regulation – New Brunswick*", "*Risk Factors – Hydraulic Fracturing*" and "*Industry Conditions – Royalties – New Brunswick*". At this time, the Province of New Brunswick also released for public comment a discussion document, "*Responsible Environmental Management of Oil and Gas Activities in New Brunswick: Sharing of Royalty Revenues From Natural Gas Activities in New Brunswick*", which proposed a new royalty regime in New Brunswick.

On November 4, 2013, the Government of New Brunswick introduced a new two-tier royalty regime for natural gas production, designed to promote natural gas exploration. Operators must pay the greater of a 4% basic royalty based on wellhead revenues and a 2% minimum royalty calculated on gross revenues. After the operator recovers all costs and begins to make a profit, the royalty rate increases to 25%. It is expected that the new royalty regime will be effective April 1, 2014. As of March 25, 2014, the new royalty regime for natural gas has not yet come into effect. See "*Industry Conditions – Royalties – New Brunswick*"

On February 6, 2013, the Québec Government announced that it would table legislation to ban the award of exploration licences and suspend those already granted on shale gas development on an indefinite basis. Notwithstanding this suspension on shale gas development, the Québec Government supports hydrocarbon exploration on Anticosti Island and at the Old Harry prospect. In this regard, on February 13, 2014, the Québec Government announced a significant investment in exploration activities on Anticosti Island by signing a non-binding letter of intent in respect of the Anticosti Joint Venture, which, assuming the Anticosti Joint Venture is established as contemplated, will result in an investment of up to \$100 million in an exploration program on Anticosti Island, a portion of which will be funded by the Québec Government (through its affiliates). The Québec Government's participation in the Anticosti Joint Venture is one component of the Government's policy to secure Québec energy independence, which policy was announced on February 20, 2014 as part of Québec's 2013-2014 Budget. In its budget speech, the Québec Government noted encouraging results from preliminary work on Anticosti Island,

Gaspésie and Old Harry, and concluded that exploration work is required to ascertain Québec's oil potential. See *"Description of the Properties – Anticosti Islands, Québec – Anticosti Joint Venture.*

### ***Financial Year Ended December 31, 2012***

#### ***McCully Field, New Brunswick***

In December 2012, Corridor entered into a forward sale agreement for 6,000 mmbtu per day effective from January 1, 2013 to March 31, 2013, which production represented approximately two-thirds of Corridor's estimated production for this period, at an average price of \$US8.52/mmbtu.

As a result of the drop in natural gas prices at Henry Hub below US\$2.00/mmbtu in the second quarter of 2012, Corridor shut-in four McCully wells from May until early November 2012, with a gross average lost daily production of approximately one mmscfpd during this period. Corridor resumed production of the shut-in wells early in November 2012 when natural gas prices increased due to cold weather.

#### ***Anticosti Island, Québec***

In the fall of 2012, Corridor and Pétrolia conducted an exploration program on Anticosti Island to advance the understanding of the development potential of the vast shale oil prospect on Anticosti Island. The exploration program consisted of three components, including: (i) drilling three stratigraphic coreholes through the highly prospective Macasty Formation at strategic locations across the Island; (ii) an extensive well core and cuttings sampling and analysis project that included 15 previously drilled Anticosti wells to map the organic content and maturity of the shale; and (iii) a baseline study of the Anticosti groundwater system that consisted of drilling and monitoring approximately 14 water wells (13 water wells actually drilled) as well as conducting a number of surface water studies. The objective of the program was to further define the resource estimates across Anticosti Island and to help select optimal locations where the next stage of drilling and testing programs could be initiated, leading toward potential development of this shale oil play.

The first component of the program included drilling three stratigraphic coreholes through the highly prospective Macasty Formation at strategic locations across Anticosti Island. Complete cores of the Macasty shale were preserved and sent to a laboratory specializing in assessing shales. Various tests and analyses were conducted to assist in confirming the quality of the shale. The results of these analyses were intended to provide information on rock parameters such as porosity, permeability, mineralogy and brittleness. A key objective of the coreholes was to test the Macasty intervals thickness on Anticosti Island as well as maturities and organic carbon content.

The second component of the program was an extensive well core and cuttings sampling and analyses project that included 15 wells that were previously drilled on Anticosti Island. This data supplemented the existing core and cuttings analyses previously obtained on Anticosti Island. In addition, three wells were sampled in the laterally equivalent Utica Formation of Ohio where a number of very interesting Initial Production (IP) rates had been recently announced. A Utica well from the St. Lawrence Lowlands was also sampled. A total of 556 samples were collected for Rock Eval (including TOC) analysis and 198 samples were collected for reflectance analysis (determining maturity through organic reflectivity or Ro). This new data, in combination with the existing data, was expected to refine Corridor's understanding of the maturation and TOC (quality) trends on Anticosti Island and help focus our exploration strategy.



The third component of the program was to undertake a baseline study of the Anticosti groundwater system. Thirteen water wells were drilled during the 2012 program for the purposes of groundwater monitoring. A number of surface water studies were conducted as well.

#### *Elgin Sub-Basin, New Brunswick*

In the fall of 2012, the New Brunswick Government amended the *Oil and Natural Gas Act* and the *Licence to Search and Lease Regulation* to allow lessees to consolidate two or more leases into a single contiguous lease. A consolidated lease will have prescribed annual work commitments on a per hectare basis and will be subject to penalties if the annual work commitment is not fulfilled. The lease consolidation mechanism fits with Corridor's plan for shale gas development in the Elgin Sub-basin, and the Corporation began this consolidation process in 2013.

In 2012, Corridor retested the Green Road B-41 well, previously drilled by Apache pursuant to the Apache Agreement, and was successful at removing a tool stuck in this well in 2011. While the well did not flow material amounts of gas, a section of the horizontal leg of this well was made available for future fracturing operations. Based on a consensus among third party expert consultants and Corridor's technical staff, the most significant issues previously identified with the B-41 well performance related to the design of the horizontal well in this high-stress environment and the fracture technique used. Corridor believes that a different well design and fracture program could lead to a commercial development of the Frederick Brook shale.

#### *Gulf of St. Lawrence*

On February 27, 2012, the C-NLOPB issued a decision to dismiss Corridor's application for a prohibition order in respect of Corridor's EL 1105. The application was made by Corridor as a result of what Corridor considered to be duplicative regulatory processes, due to Corridor being subject to a project specific EA (in respect of Old Harry) while a concurrent SEA took place. If granted, the prohibition order would have effectively provided Corridor a "time-out" on its licence during the conduct of the SEA.

The C-NLOPB also decided on February 27, 2012 that the SEA update should be completed before proceeding with the review of the Old Harry EA for the single exploration well proposed to be drilled within Corridor's EL 1105. The C-NLOPB announced that the SEA update would be completed in early 2013 and that the work of the independent reviewer had been terminated.

On July 16, 2012, the Minister of Environment designated Corridor's Old Harry EA as a designated project under the CEAA and, as a result, the screening for the project must be continued and completed under the CEAA. The C-NLOPB, as the RA, was required to take a course of action no later than 365 days after the day on which CEAA 2012 came into force (July 6, 2012). It should be noted that the time taken by the proponent to comply with a request made by an RA is not included in the calculation of time.

Corridor had estimated that the Old Harry EA would take until late 2013 to be fully processed based on the expected completion date of the updated SEA and other regulatory requirements. Corridor then had until January 15, 2016 (with the payment of a deposit) to spud an exploration well at Old Harry.

Corridor released a request for proposal for the provision of drilling management services and also identified a drilling asset which would be available to undertake the Old Harry exploration program within the mid-2014 to January 2016 window.

### *Other*

In July 2012, Corridor renewed its \$6 million revolving short term credit facility with a Canadian Chartered bank.

On March 27, 2012, the Government of New Brunswick announced its 2012-2013 Budget in which it reaffirmed its commitment to exploring the development of a shale gas industry. The budget speech declared that New Brunswick must provide an environment that encourages exploration, development and added value.

On May 17, 2012, the Province of New Brunswick released for public comment *Responsible Environmental Management of Oil and Gas Activities in New Brunswick - Recommendations for Public Discussion* for new proposed environmental requirements which allow for the exploration and development of oil and gas in New Brunswick.

On March 20, 2012, the Québec Government announced its 2012-2013 Budget, which includes provisions that recognize the potential of Québec as an oil and gas producer and outline steps to encourage the development of this potential. The Government noted that it may determine whether it would be necessary to implement a royalty incentive for Anticosti Island. On November 20, 2012, the Québec Government stated in the 2013-2014 budget speech that it intended to develop Québec's oil potential and that it would consult the industry and the stakeholders concerned about natural resources development before making changes to the regimes that establish the framework for developing these non-renewable resources.

Mr. Jack Bray resigned as a director of the Corporation on January 20, 2012. Mr. Bray advised the Corporation that he was of retirement age and was cutting back on business commitments in several areas.

### ***Financial Year Ended December 31, 2011***

#### *McCully Field, New Brunswick*

During the second quarter of 2011, Corridor completed its annual shut-down at the McCully Field. The shut-down was a success with modifications to the compressor to reduce energy costs. In addition, any lost production experienced during the shut-down was replaced after start-up with flush production.

During 2011, workover activities were carried out on selected wells in an effort to optimize and improve production from these wells. Corridor also performed well surveillance activities with optimization of flow cycles and soaping of liquid loading wells. Workover activities and optimization efforts resulted in a gross initial uplift of 1.0 mmscfpd.

#### *Elgin Sub-Basin, New Brunswick*

On May 31, 2011, Apache Canada advised the Corporation that it had elected not to proceed with the second phase of the farm-out program with Corridor in respect of the potential shale gas resource development near Elgin, New Brunswick in accordance with the Apache Agreement. Apache Canada had drilled two horizontal wells (Will DeMille G-59 and Green Road B-41) and hydraulically fracture stimulated these wells pursuant to the Apache Agreement, using similar large slick water techniques, but as at May 31, 2011 the wells had not generated sustained shale gas production. In May 2011, the Will DeMille G-59 well was re-opened and flowed fracture fluid at low rates with minor gas shows over 5 days. It is important to note that, when the Will DeMille G-59 well was shut-in after initial testing in

early December, 2010, it had recovered only approximately 4% of the total fracture fluid. The Green Road B-41 well had been placed on a 45 day gas lift which ended on March 16, 2011. At that time, the well was shut-in after recovering 17% of the fracture fluid. In late May 2011, due to significant well head pressure build-up, the well was reopened and flowed gas at a maximum rate of 0.7 mmscfpd for several hours prior to fracture fluids loading the well causing gas rates to decline. Based on a consensus among third party expert consultants and Corridor technical staff, the most significant issues identified with the G-59 and B-41 well performance relate to the design of the horizontal wells in this high-stress environment and the fracture technique. Corridor believes that a different well design and fracture program could lead to a commercial development of the Frederick Brook shale. Corridor retested the Green Road G-41 well in December 2010, which produced gas at a constant rate of 4 mmscfpd for five days at a final flowing pressure of 1306 psi. During the first quarter of 2011, the G-41 well was used to provide gas lift for the Green Road B-41 well and consistently delivered the required rate of 0.5 mmscfpd during a 45 day test, at a final pressure of 2007 psi.

As part of the termination agreement with Apache, Apache conveyed to Corridor the interest earned in the spacing units in the two horizontal wells drilled in the Elgin area. Apache also abandoned the Will DeMille G-59 well. In exchange, Corridor assumed the abandonment and reclamation obligations for the Green Road B-41 well.

In July 2011, the Corporation engaged MacQuarie Capital Markets to assist in attracting a joint venture partner for the Frederick Brook shale.

On November 14, 2011, Corridor reported that it had completed the drilling of the vertical Corridor Will DeMille O-59 shale gas appraisal well to a total depth of 3188 meters measured depth. Initial interpretation indicated the well intersected 990 meters of measured thickness (approximately 860 meters true thickness) of the Upper Frederick Brook, intersecting the contact with the underlying Lower Frederick Brook at 3160 meters. This Upper Frederick Brook shale interval is hundreds of meters thicker than any Upper Frederick Brook section encountered in New Brunswick to date. Based upon initial analysis of well log information, the well intersected at least eight intervals with significantly elevated gas shows and organic shale, in addition to one 13 meter thick sandstone with good gas shows and visible porosity toward the top of the Upper Frederick Brook. Corridor planned to evaluate these intervals with logs and sidewall cores in order to select a number of intervals for future fracture stimulation. The Upper Frederick Brook shale in the present well can be correlated with confidence to the adjacent Will DeMille G-59 horizontal well and the Corridor Green Road G-41 well located 3.5 km to the northeast. The Will DeMille G-59 horizontal well also exhibited strong gas shows and is significantly over-pressured (13.7 kpa/m or 0.61 psi/ft).

On December 21, 2011, Corridor announced that it had not been successful in attracting a joint venture partner for its shale gas resource exploration prospect in the Elgin Sub-Basin. The predominant reason given was the current economic environment, and specifically the current low level of natural gas prices. Corridor continued its search for a joint venture partner in 2012, which, as at the date hereof, has not resulted in a joint venture partner.

#### *Caledonia Field, New Brunswick*

Corridor investigated several techniques to stimulate flow in the G-36 well, including downhole treatments designed to mitigate the high wax content of the oil, and stream assisted flow techniques. This work achieved limited results in 2011 and the Corporation continued to investigate various options to stimulate oil flow in the G-36 well.

*Anticosti Island, Québec*

On February 9, 2011, Corridor and Pétrolia jointly announced the results of Macasty shale core and petrophysical analyses from the Pétrolia/Corridor Chaloupe #1 well on Anticosti Island. A twenty-seven meter Macasty core was cut during the 2010 summer drilling program and analyzed by Weatherford Labs in Houston and Global Geoenergy Research Ltd. in Halifax. This data was incorporated by Schlumberger Canada into a petrophysical program that calculates shale reservoir properties. Subsequently, the same core was analyzed within the lab facilities of a major, independent E&P company, with extensive shale experience. The cleaning technique used by the second lab provided a more complete organic analysis.

The following table shows the results of the full diameter core cut in the Macasty of the Chaloupe well. It incorporates the parameters from both analyses.

Core Parameters	Macasty Shale
Mineralogy (Average %)	Quartz 37, Carbonate 25, Clays 21, Other 17
Macasty Total Thickness	40 m (131 ft)
Total Matrix Porosity	3.1 to 6.3% (Average 4.9%) <sup>(1)</sup>
Oil Saturation	25.0 to 31.3% (Average 27.8%) <sup>(2)</sup>
Gas Saturation	37.5 to 45.9% (Average 40.9%) <sup>(2)</sup>
Water Saturation	25.2 to 38.1% (Average 31.3%) <sup>(2)</sup>
Permeability	197 to 739 nD <sup>(3)</sup> (Average 497 nD) <sup>(2)</sup>
Total Organic Carbon (TOC)	2.38 to 5.74 wt% (Average 4.34 wt%) <sup>(2)</sup>
Maturity	0.89 (Ro %) <sup>(4)</sup> (Calculated from Tmax) <sup>(5)</sup> <sup>(2)</sup>
Main Kerogen Type	Type II
Oil Gravity	35+ API <sup>(1)</sup>
Desorbed Gas Content (Average)	41 scf/ton <sup>(1)</sup>

**Notes:**

- (1) Information obtained from the Weatherford analysis.
- (2) Information obtained from the E&P analysis.
- (3) nD means nanoDarcies.
- (4) Ro suppressed by high oil saturation.
- (5) Tmax is defined as the pyrolysis temperature at which the maximum amount of hydrocarbon is released by the kerogen in a source rock, and is an indicator of the degree of maturation of the source rock.

The highlight of the analyses is the permeability, which ranges between 197 and 739 nanoDarcies and averages 479 nanoDarcies. In addition, the analyses indicate that the total hydrocarbon saturation of the rock is approaching 70%, which is positive for shale productivity. The TOC results average 4.34% and the Tmax value (a proxy for maturity) would suggest that these rocks are within the late part of the oil window. These exceptional shale permeabilities, combined with the relatively high hydrocarbon saturation and TOC results, are positive factors toward the goal of attaining economic production from the Macasty shale formation. The mineralogy indicates that the rocks should be favorable for fracturing due to the high quartz and carbonate content and the low clay content.

Corridor and Pétrolia engaged Schlumberger Canada to analyze the petrophysical logs using the results from the core analysis to calibrate the logs. Schlumberger Canada computed an average porosity and an average oil saturation for the Macasty and English Head formations in the Chaloupe #1 well. Schlumberger calculated high hydrocarbon saturations (80%) and porosities (6% effective) in the Macasty Formation, with saturation and porosity declining in the overlying English Head Formation. These results are positive indicators for the potential of significant oil in place within the Macasty shale. Nineteen of the twenty wells drilled across Anticosti Island have intersected the Macasty shale.

The Macasty shale is the lateral equivalent of the Utica shale that is found in Ohio. This data would suggest that the rock properties of the Macasty shale are similar to that of the Utica shale in Ohio.

On March 8, 2011, Québec's Minister of Sustainable Development, Environment and Parks, announced the release by the BAPE, the environmental assessment commission, of a report prepared pursuant to the *Environment Quality Act* (Québec) on sustainable development of the shale gas industry in Québec. The principal recommendations of the BAPE were to (i) conduct a strategic environmental assessment on shale gas in order to make an informed decision regarding the development of shale and in order to make the development of a shale-gas industry more socially acceptable, and (ii) halt new exploratory shale drilling in Québec that involves fracturing.

In response to the BAPE's report, Québec's Minister of Sustainable Development, Environment and Parks announced that a committee of experts and representatives from government, municipalities and industry would be created to conduct a strategic environmental evaluation of shale gas and announced that Québec had placed a moratorium on hydraulic fracturing. Subsequently, on March 16, 2011, Québec's Minister of Natural Resources and Wildlife announced that the Québec Government would no longer authorize any hydraulic fracturing operations in Québec. Fracturing is permitted on Anticosti Island, subject to compliance with the *Regulation respecting the filing of information on certain drilling and fracturing work on gas or petroleum* and *Regulation to amend the Regulation respecting the application of the Environment Quality Act*.

On March 17, 2011, the Québec Minister of Finance tabled the 2011-2012 Budget, which includes the report *"A Fair and Competitive Royalty System for Responsible Shale Gas Production."* The Budget states that "In pursuing the objective of developing Québec's oil and gas resources, the government will ensure that natural gas production is economically profitable, environment-friendly and safe for the public". As part of the 2011-2012 Budget, the Québec Government announced the adoption of a new royalty regime, and that it would update the laws and regulations on oil and gas in Québec.

In June 2011, Corridor and Pétrolia retained Sproule to estimate the quantity of hydrocarbon resource contained within the Macasty Formation shales on Anticosti Island with the goal of using the assessment to determine whether to engage in further investigation into these resources. See *"Resources Information – Sproule Anticosti Resources Report"*.

In July 2011, the Québec Government notified Corridor that the holder of a licence to explore for petroleum, natural gas and underground reservoirs is exempted from performing the work required under the *Mining Act* Québec until the date determined by the Minister, which date may not be later than June 13, 2014. This basically provided Corridor with a time-out on its Québec licences until the strategic environmental assessment is completed.

### *Gulf of St. Lawrence*

On February 22, 2011, Corridor submitted to the C-NLOPB a Project Description for the drilling of an exploration well on the Old Harry prospect. This Project Description, submitted pursuant to the CEAA, commenced the official regulatory process for obtaining the necessary approvals to drill this offshore exploration well. This exploration well is an essential step in the evaluation of the Old Harry prospect. Initially, the C-NLOPB determined that Corridor's application would be subject to a project specific screening level EA. After receiving over 50 comments from the public, the C-NLOPB, although it did not anticipate any significant adverse environmental impacts, recommended to the federal Minister of Environment for Canada that the project be referred to a mediator or review panel. On August 15, 2011, the Minister of Environment responded to this recommendation, noting that the concerns raised in the public comments related to broader policy issues and a project specific EA was not the most appropriate mechanism to address these broader issues, and directed that, instead, the SEA be updated.

Subsequently, the C-NLOPB announced that the EA would be subject to additional public consultation. The SEA update and the Old Harry EA processes were originally planned to take place concurrently. However, subsequently, the C-NLOPB decided that the SEA update would be completed before proceeding with the review of the Old Harry EA and announced that the SEA update would be completed in early 2013. Corridor believed that both the SEA update and the Old Harry EA processes could be completed in a timeline which would accommodate Corridor's proposed project schedule.

In October 2011, the C-NLOPB amended Corridor's Exploration Licence 1105 to extend Period 1 of the licence from five years to seven years (January 15, 2015).

In December 2011, Corridor submitted to the C-NLOPB its completed EA for the Old Harry exploration well and later received regulatory comments from the C-NLOPB review of the document in April 2012.

On March 24, 2011, an accord between the Government of Canada and the Government of Québec was signed to allow for the development of petroleum resources within the Québec sector of the Gulf of St. Lawrence. The accord contains provisions for the issuance of exploration permits equivalent to the licences to explore for petroleum and natural gas previously issued by the Government of Québec in the accord area. Corridor licenses PG963 and PG964 dated March 29, 1996 are located in the accord area.

In May 2011, the Corporation engaged MacQuarie Capital Markets to assist in attracting a joint venture partner for the Old Harry project. To date, Corridor has not been successful in attracting a joint venture partner for the Old Harry project.

#### *Other*

On June 14, 2011, Mr. Martin Fräss-Ehrfeld was appointed to the Board of Directors. Mr. Fräss-Ehrfeld is a partner with The Children's Investment Fund Management (UK) LLP ("**TCI**"), based in London, UK and brought considerable energy investment experience and expertise to the Corridor Board. As of May 31, 2011, TCI controlled 18.14% of the outstanding common shares of Corridor.

In the first quarter of 2011, the Board of Directors approved a 2011 capital budget for \$8 million that consisted of the following: (i) fracture stimulation and work-over activities aimed at increasing production at the McCully Field (\$3.0 million); (ii) Old Harry drilling advancement (\$1.5 million); (iii) gas plant maintenance and corporate (\$2.0 million); (iv) Sally's Brook core hole drilling (\$1.0 million); and (v) seismic program in New Brunswick (\$0.5 million). Subsequently, Corridor revised this budget which resulted in a \$9 million capital budget for 2011 consisting mainly of the drilling of an appraisal well in the Elgin sub-basin.

In July 2011, Corridor renewed its credit facility with a Canadian Chartered bank.

### **TRENDS**

See "*Industry Conditions*" for characteristics of the oil and gas industry in which the Corporation participates.

There are a number of trends that appear to be developing, which may have both long and short-term effects on the industry and the competitive positioning of the Corporation, and include the volatility of commodity prices and also increased environmental regulation. The pricing trends are described briefly below and the environmental regulation trends are described in detail in "*Industry Conditions*" and also



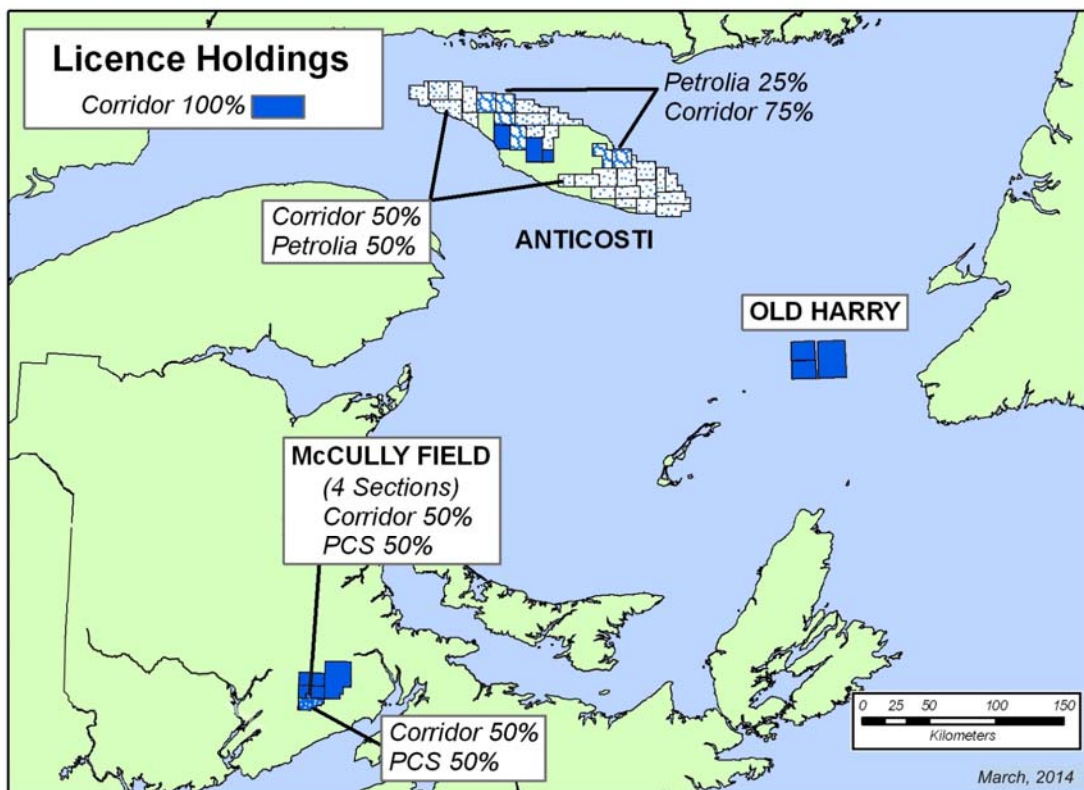
"Risk Factors". The discussion of these trends and their potential impact constitute forward-looking statements. Refer to "Forward-Looking Statements".

With regard to volatility of commodity prices, the market is experiencing a great deal of elasticity in pricing due to a number of factors, including drilling activity, production declines, storage levels, fuel switching, the potential impact of shale gas and North American demand. Weather is another key factor in determining gas demand, making future gas prices highly unpredictable. Volatility in gas prices has a significant impact on the Corporation's revenues as all of the Corporation's production is natural gas. In addition, the fluctuation of the Canadian dollar relative to its U.S. counterpart affects the cash flow available to Canadian oil and gas producers to fund capital expenditures.

Corridor's natural gas production in the McCully Field in New Brunswick (Corridor's only producing field) is connected to the M&NP that supplies customers in the New England market in the United States. The New England market is, and is expected to continue to be, characterized by excess demand. As a result of this recent excess demand, contrary to low prices for natural gas received by Corridor from 2009 to 2012, Corridor has been able to secure elevated premiums for its natural gas in 2013. The premium to Henry Hub realized in 2013 averaged US\$3.19/mmbtu for the year ended December 31, 2013 compared to \$US1.10/mmbtu for the year ended December 31, 2012. The expectation that Corridor will continue to benefit from such premiums in the near future has resulted in Corridor planning to undertake a well re-entry and fracturing program at the McCully Field in 2014, subject to the availability of equipment and regulatory approvals, among other conditions, with the objective of increasing production.

## DESCRIPTION OF THE PROPERTIES

The following is a description of the Corporation's principal oil and natural gas properties. Unless otherwise specified, gross and net acres and well count information is at March 25, 2014.



## **New Brunswick Lands**

Corridor's ability to access premium markets from its existing production at the McCully Field and the Frederick Brook shale gas play in New Brunswick creates a strategic advantage for Corridor's ongoing natural gas development in New Brunswick.

### ***McCully Field***

The Corporation owns various working interests in the McCully Field, located approximately 12 kilometres northeast of Sussex, New Brunswick.

The Corporation's interests in the McCully Field consist of three petroleum and natural gas leases:

- 100% working interest in ONG Lease 06-01 (40,930 acres). At the date hereof, seventeen wells (D-48, H-28, B-58, F-58, E-38, J-38, J-76, H-76, P-76, K-48, J-47, C-48, I-47, C-29, P-47, L-38 and L-37) are located on these lands.
- 50% working interest in ONG Lease 06-02 (3,561 gross acres and 1,780 net acres held jointly with PCS). At the date hereof, twenty wells (A-67, P-56, P-66, K-57, C-67, G-67ST, O-66, D-57, J-67, K-66, M-66, J-66, E-57, I-67, D-66, D-67, E-67, C-57, P-67 and N-66) are located on these lands in which Corridor and PCS each hold a 50% working interest.
- 50% working interest in ONG Lease 09-01 (36,531 gross acres and 18,265 net acres held jointly with PCS) where wells J-65 and C-75 are located, subject to a 15% working interest held by EOG Resources in a ¼ section where well C-75 is located.

For additional information regarding the McCully Field, see "*General Development of the Business – Three Year History*".

The natural gas reserves and other gas information associated with the McCully Field are set forth in the GLJ Reserves Report, which is summarized under "*Statement of Reserves Data and Other Oil and Gas Information*".

### ***Corridor and PCS Arrangements***

The production, transportation, processing and marketing of natural gas from PCS' share of the production from the McCully Field are subject to agreements with PCS for use at the PCS potash mill, located near Sussex, New Brunswick and for processing at Corridor's midstream facilities. PCS' share of the natural gas is either taken in kind and delivered to the PCS potash mill or flows through Corridor's midstream facilities.

### ***Caledonia Field***

The Corporation's interests in the Caledonia Field consist of two petroleum and natural gas leases:

- 100% working interest in ONG Lease 06-01 (40,930 acres). One oil well has been drilled in the Caledonia Field (South Branch G-36 well).
- 50% working interest in ONG Lease 09-01.

On December 3, 2008, Corridor announced a potentially significant oil discovery at the South Branch G-36 well, located three kilometres southeast of the McCully Field in the southern flank of the



Elgin Sub-Basin. The well was cased and two fracture stimulation treatments were carried out over two intervals within the Hiram Brook formation. At the end of 10 days of flowback and clean-up of frac fluids, the well was flowing, through production tubing, clean, 45° API oil and no water, at a measured rate of 59 barrels of oil per day. The well was shut-in awaiting installation of a pump to reduce down-hole pressure and increase the rate of production prior to undertaking long-term testing to evaluate the economic potential of the well. The G-36 oil discovery was named the Caledonia Field in recognition of the southern bounding basement rocks of the Caledonia highlands.

In May 2009, Corridor discontinued the pump testing of the South Branch G-36 oil well and shut-in the well for a pressure build-up. The well produced 45° API oil on pump at a maximum rate of 45 barrels per day before declining to a final rate of approximately 5 barrels per day. Factors that may have contributed to these results are the apparent partial failure of the water/methanol frac in the G-36 well, the presence of oil/water emulsions and wax in the recovered fluids and possibly poorer than expected reservoir quality. The 3-D seismic acquired by Corridor in the fall of 2008 shows extensive potential for numerous additional wells to follow up on this light oil discovery.

Corridor investigated several techniques to stimulate flow in the G-36 well, including downhole treatments designed to reduce the high wax content of the oil, and stream assisted flow techniques. This work achieved limited results in 2011.

The Corporation continued to investigate various options to stimulate oil flow in the G-36 well in 2013 and entered into a paraffin research collaboration program with the University of New Brunswick. Corridor intends to test the South Branch G-36 oil well in 2014 based on customized treatment which will result from this research.

For additional information regarding development activities in the Caledonia Field, see "*General Development of the Business – Three Year History*".

The crude oil reserves and other oil and gas information associated with the Caledonia Field are set forth in the GLJ Reserves Report, which is summarized under "*Statement of Reserves Data and Other Oil and Gas Information*".

### ***Elgin Sub-Basin***

Effective December 31, 2013 Corridor consolidated its 100% working interest in three exploration leases (ONG Lease 05-01, ONG Lease 05-02 south and ONG Lease 05-02 north) into one consolidated lease (ONG Lease 13-02C). The new consolidated lease consists of 118,146 gross acres in the Moncton basin in southeastern New Brunswick and includes a work commitment of \$2,868,780 over its three year term but otherwise has similar terms and conditions.

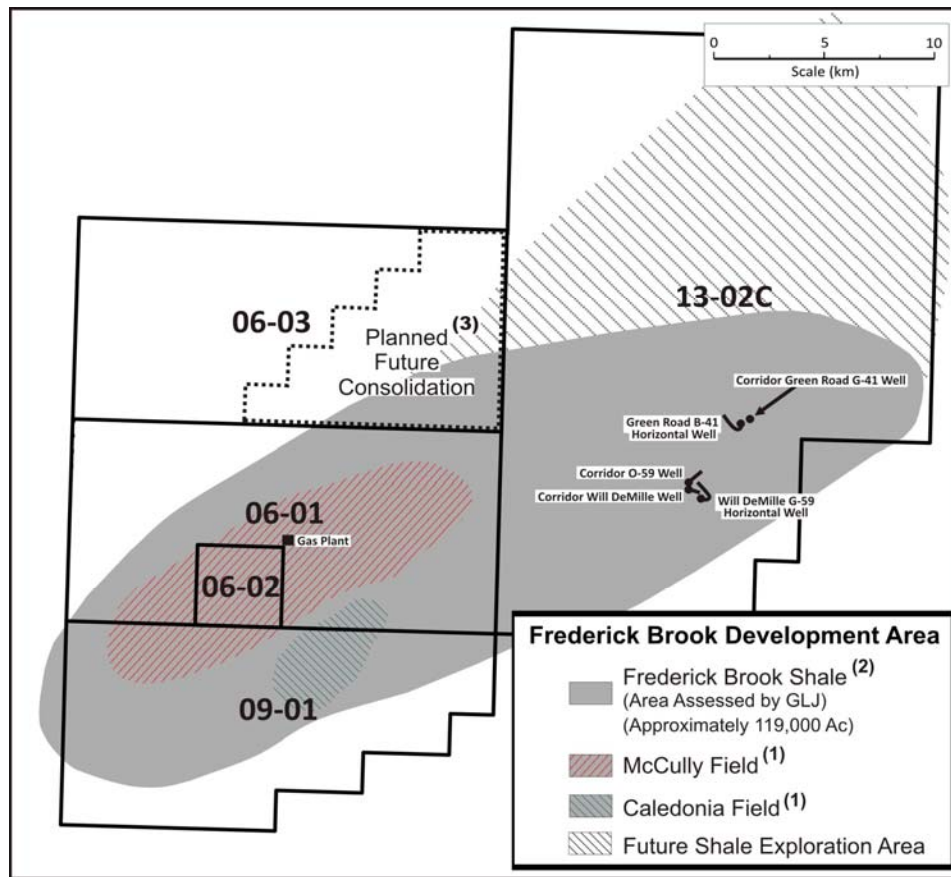
In June 2006, Corridor acquired the remaining 50% working interest in the Elgin leases from Chesapeake Energy Corporation, which had previously acquired these interests when it acquired Columbia Natural Resources Canada, Ltd. in 2005. During the fall of 2006, Corridor acquired 56 km of 2D seismic data across a portion of the Elgin leases.

In 2011, Corridor completed the drilling of the vertical Will DeMille O-59 shale gas appraisal well to a total depth of 3188 meters measured depth. Strong gas shows were encountered within Hiram Brook sandstones and the Upper Frederick Brook shale. Based upon initial analysis of well log information, the well intersected at least eight intervals with significantly elevated gas shows that are considered fracture candidates.

In 2012, Corridor retested the Green Road B-41 well, previously drilled by Apache pursuant to the Apache Agreement, and was successful at removing a tool stuck in this well in 2011. While the well did not flow material amounts of gas, a section of the horizontal leg of this well was made available for future fracturing operations. Based on a consensus among third party expert consultants and Corridor's technical staff, the most significant issues previously identified with the B-41 well performance related to the design of the horizontal well in this high-stress environment and the fracture technique used. After extensive evaluation, Corridor believes that a different well design and fracture program could lead to a commercial development of the Frederick Brook shale and is planning to fracture stimulate this well in 2014.

For additional information regarding development activities in the Elgin Sub-Basin, see "*General Development of the Business – Three Year History*".

The following map highlights certain of Corridor's interest in New Brunswick (and identifies certain of Corridor's leases) and the area subject to the GLJ Reserves Report and the areas subject to GLJ's initial shale resources report and Elgin contingent resources report:



**Notes:**

- (1) Corridor's reserves as evaluated in the GLJ Reserves Report are located primarily in the McCully Field (covering all of ONG lease 06-02 and part of ONG leases 06-01 and 09-01). Some reserves are also located in the Caledonia Field (covering a small part of ONG lease 09-01).
- (2) Corridor's resources that were initially estimated by GLJ in its shale resources report are located in the Frederick Brook shale (covering in large part ONG leases 06-01, 06-02 and 09-01 and partly ONG leases 06-03 and 13-02C). Corridor's resources that were initially evaluated by GLJ in its Elgin contingent resources report are located in the vicinity of the Green Road G-41 well (covering a small part of ONG lease 13-02C and less than 8% of the total Frederick Brook rock volume and total shale gas potential).
- (3) Corridor plans to consolidate a portion of ONG Lease 06-03 with ONG Lease 13-02C effective June 16, 2014.

### ***McCully North***

Corridor has a 100% working interest in one exploration lease (ONG Lease 06-03) covering 44,428 acres located directly above the McCully Field. A portion of this lease (17,774 acres) will be consolidated with ONG Lease 13-02C effective June 16, 2014. The remaining acreage will expire on that date.

### ***Havelock Area***

Corridor's 100% working interest in ONG Lease 05-03 (44,354 acres) located to the north of the McCully Field expired on December 31, 2013.

### ***Corridor/Windsor Energy Lands***

Corridor's 50% ownership in three exploration leases (ONG 09-02, ONG 09-03 and ONG 09-04) located to the west of the McCully Field, covering an area of 106,740 gross acres (53,370 net acres), expired on January 26, 2014.

### ***Gulf of St. Lawrence***

The Old Harry prospect has simple 4-way closure covering an area of approximately 43,000 acres, and is one of the largest undrilled prospects in Eastern Canada. Six natural oil seeps have been detected on the ocean surface by satellite, apparently emanating from the flanks of "Old Harry". The prospect lies partly in the Québec sector and partly in the Newfoundland and Labrador sector of the Gulf of St. Lawrence.

### ***Québec***

The Corporation holds 100% of two exploration licenses covering 123,550 gross acres over most of the Old Harry prospect, lying in 1,500 feet of water in the Laurentian Channel in Québec. Any drilling in the Québec sector requires agreement between the Québec and Federal governments in order to open up this prospective area of the Gulf to petroleum exploration. In order to permit Corridor to drill on its Québec exploration licence, such agreement would require federal government recognition of such license. On March 24, 2011, an accord between the Government of Canada and the Government of Québec was signed to allow for the development of petroleum resources within the Québec sector of the Gulf of St. Lawrence. The accord contains provisions for the issuance of exploration permits equivalent to the previously held licences to explore for petroleum and natural gas previously issued by the Government of Québec in the accord area. Corridor licenses PG963 and PG964 dated March 29, 1996 are located in the accord area.

In August 2003, Corridor announced the execution of an option agreement with Hydro-Québec whereby Hydro-Québec received the right to obtain a minimum of 18.75% working interest in the Old Harry farm-in opportunity on the same terms as are ultimately negotiated with an operating partner. Hydro-Québec also gained access to the seismic covering the Old Harry and Cape Ray prospects.

In 2009, the Québec Government announced in its April budget that it would be undertaking a strategic environmental assessment program in the Gulf of St. Lawrence to prepare the path for offshore oil and natural gas exploration and development. The time table set out by the government indicated this assessment would be completed over a two and one-half year period. As of the date hereof, the Québec Government has not finalized the strategic environmental assessment report including the final recommendations. Consequently, Corridor believes the earliest time that a permit could be issued by the Canadian and Québec governments to drill an offshore exploration well in the Québec sector of the Gulf

would be in 2015. In its 2013-2014 Budget speech on February 20, 2014, the Québec Government noted encouraging results from preliminary work on Anticosti Island, Gaspésie and Old Harry, and concluded that exploration work is required to ascertain Quebec's oil potential, all of which is its policy to secure Québec energy independence.

### *Newfoundland and Labrador*

Corridor holds a 51,780 hectare (127,948 acres) exploration licence situated on the eastern end of the Old Harry prospect off the west coast of Newfoundland and Labrador in the Gulf of St. Lawrence. The licence carries a minimum work commitment of \$1,521,000 to be conducted over a five year initial term. Acquisition of this licence is part of Corridor's long-term efforts to open up hydrocarbon exploration offshore in the Gulf of St. Lawrence. On July 22, 2013, the C-NLOPB amended Corridor's Exploration Licence 1105 to extend Period 1 of the license from seven to eight years (January 15, 2016). Corridor's exploration license also has a provision whereby Corridor can extend this drilling period by an additional year (January 13, 2017) with the payment of a \$1 million deposit.

In October 2010, Corridor completed a geohazard survey to identify potential seabed hazards to drilling with the goal to ensure that any future exploration by Corridor on the Old Harry prospect is conducted in a safe and responsible manner.

In February, 2011, Corridor submitted to the C-NLOPB a Project Description for the drilling of an exploration well on the Old Harry prospect. The Project Description, submitted pursuant to the CEAA, commenced the official regulatory process for obtaining the necessary approvals to permit Corridor to drill an offshore well then planned for mid-2012 and early 2014. This exploration well is an essential step in the evaluation of the Old Harry prospect, which offers significant hydrocarbon potential and associated benefits for Eastern Canada. Initially, the C-NLOPB determined that Corridor's application would be subject to a project specific screening level EA. After receiving over 50 comments from the public, the C-NLOPB, although it did not anticipate any significant adverse environmental impacts, recommended to the federal Minister of Environment for Canada that the project be referred to a mediator or review panel. On August 15, 2011, the Minister of Environment responded to this recommendation, noting that the concerns raised in the public comments related to broader policy issues and a project specific EA was not the most appropriate mechanism to address these broader issues and directed that, instead, the SEA be updated. Subsequently, the C-NLOPB announced that the EA would be subject to additional public consultation led by an Independent Reviewer and that the SEA update and the Old Harry EA processes would take place concurrently.

In December 2011, Corridor submitted to the C-NLOPB its completed EA for the Old Harry exploration well and later received regulatory comments from the C-NLOPB review of the document in April 2012. Corridor submitted a revised EA document addressing the regulatory comments in February 2013.

On February 27, 2012, the C-NLOPB issued a decision to dismiss Corridor's application for a prohibition order in respect of Corridor's EL 1105. The application was made by Corridor as a result of what Corridor considered to be duplicative regulatory processes, due to Corridor being subject to a project specific EA (in respect of old Harry) while a concurrent SEA took place. If granted, the prohibition order would have effectively provided Corridor a "time-out" on its licence during the conduct of the SEA.

The C-NLOPB also decided on February 27, 2012 that the SEA update should be completed before proceeding with the review of the Old Harry EA for the single exploration well proposed to be drilled within Corridor's EL 1105. The C-NLOPB announced that the SEA update would be completed in early 2013 and that the work of the independent reviewer had been terminated.

On July 6, 2012, the Minister of Environment designated Corridor's Old Harry EA as a designated project under the CEAA and, as a result, the screening for the project must be continued and completed under the CEAA. The C-NLOPB, as the RA, must take a course of action no later than 365 days after the day on which CEAA 2012 came into force (July 6, 2012). It should be noted that the time taken by the proponent to comply with a request made by an RA is not included in the calculation of time.

On February 28, 2013, further to the update of the SEA and 2007 Amendment for the Western Newfoundland and Labrador Offshore Area strategic environmental assessment, the C-NLOPB announced it would be preparing a draft SEA update that would be released for public review in the second quarter of 2013, which release is now expected in April 2014. Comments on the draft SEA will be reviewed by the SEA working group, which is comprised of representatives from federal and provincial departments, as well as One Ocean, which is a liaison committee formed by the fisheries industry and the offshore oil and gas industry. The final SEA document will then be posted on the C-NLOPB website. The C-NLOPB stated that it feels that there is value in having an updated SEA for the Western Newfoundland Offshore Area prior to the completion and public review of Corridor's Old Harry EA and that the results of the SEA update may contribute to a more informed project-specific EA. The C-NLOPB advised that it is following the two-pronged approach for public review suggested in the letter to the C-NLOPB by federal Environment Minister Peter Kent on August 15, 2011. Once the updated SEA is completed, the C-NLOPB advised that it would evaluate all options for public review of Corridor's Old Harry EA, including the possible resumption of an independent review. The C-NLOPB further advised that it is committed to ensuring the public have ample opportunity to express their concerns about the potential environmental impacts of offshore oil and gas activity in the Gulf of St. Lawrence.

On November 5, 2013, C-NLOPB provided additional comments to Corridor in respect of the Old Harry EA, and Corridor provided responses to C-NLOPB in respect of these comments on November 29, 2013.

Corridor currently estimates that the Old Harry EA may take until at least late 2014 to be fully processed based on the estimated timing of the completion of the updated SEA and other regulatory requirements. Corridor currently has until January 13, 2017 (with the payment of a deposit) to spud an exploration well at Old Harry. Corridor intends to drill an exploration well on the Old Harry prospect between 2015 and 2016, subject to the timely completion of the regulatory requirements and obtaining a joint venture partner to participate in its exploration activities on the Old Harry prospect.

For additional information regarding Corridor's interest in the Gulf of St. Lawrence, see "*General Development of the Business – Three Year History*".

### **Anticosti Island, Québec**

Corridor currently has interests varying from 50% to 100% in 1,530,943 gross acres (891,906 net acres) in more than 30 exploration licenses covering lands across most of Anticosti Island. Pétrolia acquired the remaining license percentages from Hydro-Québec in January 2008. In 2009, the Anticosti licenses were converted from exploration licenses to underground storage licenses with new 10 year terms. The underground storage licenses permit the partners to explore for oil and natural gas in a manner similar to the previous exploration licenses. Both Corridor and Pétrolia have agreed to transfer their interests in such licenses to the Anticosti Joint Venture. See "*Anticosti Joint Venture*".

Corridor's licenses cover and offset lands where Shell and Calpine (formerly Encal) conducted 400 kilometers of modern seismic and drilled five exploration wells in 1998 and 1999 pursuant to an earlier farm-out agreement with Corridor. Corridor obtained an independent evaluation from Servipetrol indicating that the Shell/Encal/Corridor Chaloupe #1 well drilled through 44 meters of possible net oil saturated rock in the Trenton Black River formation in 1999. This potential oil zone was not recognized



at the time due to the under-pressured nature of the fractured and partially dolomitized limestone reservoir. There are numerous other structures identified on seismic (large and small) with characteristics similar to the Shell/Encal/Corridor Chaloupe #1 well. This well has not been re-entered due to well issues.

Corridor, in partnership with Hydro-Québec, undertook a three-well exploration drilling program on Anticosti Island between July and early October 2005. The Corridor/Hydro-Québec MacDonald well encountered an excellent reservoir in the Trenton Black River formation which flowed large volumes of salt water on test. The well was subsequently abandoned. The Corridor/Hydro-Québec Chaloupe #1 well was a step-out from the original Shell/Encal/Corridor Chaloupe #1 well drilled in 1999, which had subsequently been evaluated to be possibly oil-bearing. The Corridor/Hydro-Québec Chaloupe #1 well encountered oil shows in the Trenton Black River formation, but failed to encounter any significant permeability at that location. The Corridor/Hydro-Québec Jupiter #1 well penetrated the large Jupiter fault zone, encountering oil shows in the Mingan and Upper Romaine formations but no significant reservoir permeability.

Corridor, in partnership with Pétrolia, undertook a three-well exploration drilling program on Anticosti Island between June and early September 2010. The Jupiter well was a re-entry of the Corridor/Hydro-Québec Jupiter #1 well and was drilled directionally in an attempt to encounter dolomitized and fractured carbonates in the Mingan and Romaine formations. The well encountered live oil shows in the Mingan Formation but no significant reservoir potential, and was subsequently abandoned. The Pétrolia/Corridor Chaloupe #1 well was drilled with a sub-horizontal leg in the Black River section. The well encountered only minor dolomitized carbonates with no apparent reservoir development. Twenty-seven meters of full diameter core were cut within the Macasty organic shale. The Pétrolia/Corridor Saumon #1 well was also drilled with a sub-horizontal leg in the Black River section. The well encountered minor dolomitized carbonates and had very permeable reservoir development in fractured Black River carbonates. The well flowed a total of 47 cubic meters of salt water to surface, including an initial flow of 27 cubic meters (170 barrels) in the first 45 minutes. The high apparent reservoir permeability encountered, while water bearing in this well, is encouraging for future oil exploration in the area.

In July 2011, the Québec Government notified Corridor that the holder of a licence to explore for petroleum, natural gas and underground reservoirs is exempted from performing the work required under the *Mining Act* until the date determined by the Minister, which date may not be later than June 13, 2014.

On February 21, 2012, Corridor announced results of a study conducted by Schlumberger Canada, which suggests that the rock properties of the Macasty shale are similar to those of the Utica shale in Ohio, which is one of the most prolific shales in the United States.

See "*Industry Conditions – Royalties – Québec*" and "*Industry Conditions- Environmental Regulation – Québec*" for a description of the current regulatory regime applicable to Corridor in respect of its interests on Anticosti Island.

### ***Anticosti Joint Venture***

On February 13, 2014, Corridor signed a non-binding letter of intent with Ressources Québec, Pétrolia and M&P to create the Anticosti Joint Venture that will appraise and potentially develop hydrocarbon resources on Anticosti Island. Ressources Québec's proposed participation in the Anticosti Joint Venture is a component of the Québec Government's policy to secure its energy independence. The letter of intent calls for the parties to conduct an exploration program of up to \$100 million in two phases, Phase 1 of which is to consist of an initial program budgeted at \$55 million and not to exceed \$60 million. The Phase 1 program is planned to commence in 2014 and requires the drilling of 15-18 stratigraphic

wells in year one followed by three wells with multiple fracture stimulations in year two. Following a favourable decision of the board of directors of the General Partner of the limited partnership to be formed in its review of the Phase 1 results, a Phase 2 program for the remaining \$40 to \$45 million will be undertaken to drill and fracture stimulate an additional number of wells and conduct certain feasibility studies.

The commercial terms of the joint venture require Corridor and Pétrolia to transfer their respective Anticosti exploration licenses containing 891,906 acres and 639,037 acres, respectively, to a newly formed Anticosti Partnership in exchange for Anticosti Partnership interests of 29.30% (Corridor) and 20.70% (Pétrolia). Concurrently, Ressources Québec and M&P will commit to spend up to \$100 million collectively through the two phase program in exchange for a 50% interest in the Anticosti Partnership; with Ressources Québec committing \$56.67 million to receive a 28.33% interest and M&P committing \$43.33 million to receive a 21.67% interest. Additionally, Corridor will transfer (i) a 6.67% interest in the Anticosti Partnership to Ressources Québec in exchange for a cash payment of \$13.33 million; and (ii) a 0.97% interest in the Anticosti Partnership to Pétrolia in exchange for a cash payment of \$1.93 million. The resulting interests in the Anticosti Partnership will be as follows:

Ressources Québec 35%  
Corridor 21.67%  
Pétrolia 21.67%  
M&P 21.67%

M&P will have the right to exit from the Anticosti Partnership after a minimum of \$35 million has been expended by the Anticosti Partnership in conducting a minimum of 15 stratigraphic wells and the drilling and fracture stimulation of one well. The exercise of M&P of this exit right would be based solely on a reasonable analysis and interpretation of the technical data and results of the Phase 1 program accomplished at that time. In such event, M&P would relinquish its entire interest in the Anticosti Partnership for no consideration. If this were to occur, in completing Phase 1, Ressources Québec would fund up to \$13.26 million of the remaining Phase 1 commitment and would then own 50% of the Anticosti Partnership. Corridor and Pétrolia would each become obligated to pay up to \$3.37 million and each would then own 25% of the Partnership.

The Anticosti Partnership will be managed by a General Partner to be owned by the four joint venture participants. Each of the participants will be entitled to appoint one member to the Board of directors of the general partner, and a fifth and independent director shall be appointed with the unanimous consent of the partners. Pursuant to a contract operating agreement, Pétrolia shall be appointed Contract Operator and M&P shall be designated as Assistant Technical Operator. Each of the participants shall have equal representation on the operating committee and technical services committee of the general partner of the Anticosti Partnership. The partnership will be organized to take advantage of the combined expertise of all the partners so that the programs are implemented in a safe, effective and environmentally responsible manner.

The program is designed to further explore the Macasty Formation on Anticosti Island, which is the lateral equivalent of the Utica Formation in Eastern Ohio. See "*Resources Information - Sproule Anticosti Resources Report*" for information regarding Corridor's resources associated with the Anticosti Joint Venture.

The letter of intent is not legally binding on the parties. Closing of the Anticosti Joint Venture transaction is expected to occur no later than April 30, 2014 and is subject to completion of legally binding definitive agreements and receipt of all necessary approvals.

## STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

### *Disclosure of Reserves Data*

The statement of reserves data and other oil and gas information set forth below is dated February 12, 2014 and is a summary of information contained in the GLJ Reserves Report, which has an effective date of December 31, 2013 and a preparation date of February 12, 2014. The GLJ Reserves Report was prepared in accordance with the COGE Handbook and NI 51-101. The reserves data summarizes the natural gas, oil and natural gas liquids reserves of Corridor and the net present values of future net revenue for these reserves using GLJ's forecast prices and costs. Assumptions and qualifications applicable to the evaluation and contained in the GLJ Reserves Report are set forth in the notes to the tables. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which Corridor believes is important to the readers of this information.

The information relating to the natural gas, oil and natural gas liquids reserves of the Corporation contains forward-looking statements relating to future net revenues, forecast capital expenditures, future development plans and costs related thereto, forecast operating costs, anticipated production and abandonment costs. Refer to "*Forward-Looking Statements*" and "*Risk Factors*".

**All evaluations of future revenue are after the deduction of royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. It should not be assumed that the estimates of future net revenues presented in the following tables represent the fair market value of the Corporation's reserves. There is no assurance that the forecast price and cost assumptions contained in the GLJ Reserves Report will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are included in the GLJ Reserves Report. The recovery and reserves estimates of the Corporation's properties described herein are estimates only. The actual reserves on the Corporation's properties may be greater or less than those calculated. For more information on the risks involved, see "*Forward-Looking Statements*" and "*Risk Factors*".**

In accordance with the requirements of NI 51-101, the Report on Reserves Data by Independent Qualified Reserves Evaluator in Form 51-101F2 and the Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 are attached as Appendices "A" and "B" hereto, respectively.

All of Corridor's reserves are located in the McCully Field and the Caledonia Field in New Brunswick, Canada.

Please note that rounding errors may occur in the tables set forth below in the statement of reserves data and other oil and gas information.



## Reserves Data

Summary of Oil and Gas Reserves as of December 31, 2013 (Forecast Prices and Costs)								
Reserves Category	Light and Medium Oil		Natural Gas		Natural Gas Liquids		Total Oil Equivalent Basis <sup>(1)</sup>	
	Gross (mdbl)	Net (mdbl)	Gross (bscf)	Net (bscf)	Gross (mdbl)	Net (mdbl)	Gross (mboe)	Net (mboe)
<b>Proved Reserves</b>								
Developed Producing	-	-	21.1	20.6	27	26	3,547	3,466
Developed Non Producing	-	-	-	-	-	-	-	-
Undeveloped	87	84	39.4	38.0	50	49	6,699	6,467
<b>Total Proved Reserves</b>	87	84	60.5	58.6	77	75	10,246	9,933
<b>Probable Reserves</b>	174	166	37.8	34.4	48	44	6,527	5,944
<b>Total Proved Plus Probable Reserves</b>	260	250	98.3	93.1	126	119	16,773	15,877
<b>Possible Reserves</b> <sup>(2)</sup>	261	220	106.3	83.7	135	107	18,116	14,283
<b>Total Proved Plus Probable Plus Possible Reserves</b> <sup>(2)</sup>	521	470	204.6	176.8	261	226	34,889	30,160

### Notes:

- (1) Natural gas has been converted to barrels of oil equivalent on the basis of six mscf of natural gas being equal to one barrel of oil.
- (2) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Summary of Net Present Value of Future net Revenue as of December 31, 2013 Before and After Income Taxes <sup>(1)</sup> (Forecast Prices and Costs)							
Reserves Category	Before Income Taxes <sup>(1)</sup> Discounted at (%/Year)					Unit Value Before Income Tax Discounted at 10%/Year <sup>(2)</sup>	
	0% (\$MM)	5% (\$MM)	10% (\$MM)	15% (\$MM)	20% (\$MM)	\$/boe	\$/mscf
<b>Proved Reserves</b>							
Developed Producing	83.6	66.6	55.2	47.1	41.3	15.91	2.65
Developed Non Producing	-	-	-	-	-	-	-
Undeveloped	121.0	66.7	37.5	20.8	10.8	5.80	0.97
<b>Total Proved Reserves</b>	204.7	133.2	92.7	68.0	52.1	9.33	1.55
<b>Probable Reserves</b>	169.5	87.5	50.8	32.3	22.1	8.55	1.42
<b>Total Proved Plus Probable Reserves</b>	374.1	220.8	143.5	100.3	74.2	9.04	1.51
<b>Possible Reserves</b> <sup>(3)</sup>	539.2	232.5	126.4	78.8	53.4	8.85	1.48
<b>Total Proved Plus Probable Plus Possible Reserves</b> <sup>(3)</sup>	913.3	453.3	269.9	179.1	127.7	8.95	1.49

Reserves Category	After Income Taxes <sup>(1)</sup> Discounted at (%/Year)				
	0% (\$MM)	5% (\$MM)	10% (\$MM)	15% (\$MM)	20% (\$MM)
<b>Proved Reserves</b>					
Developed Producing	83.6	66.6	55.2	47.1	41.3
Developed Non Producing	-	-	-	-	-
Undeveloped	113.4	63.7	36.3	20.3	10.6
<b>Total Proved Reserves</b>	197.0	130.3	91.5	67.5	51.9
<b>Probable Reserves</b>	122.6	65.0	38.8	25.5	18.1
<b>Total Proved Plus Probable Reserves</b>	319.6	195.3	130.3	93.0	70.0
<b>Possible Reserves</b> <sup>(3)</sup>	388.3	168.3	92.0	57.9	39.9
<b>Total Proved Plus Probable Plus Possible Reserves</b> <sup>(3)</sup>	707.8	363.5	222.3	150.9	109.8

### Notes:

- (1) The estimated value of future net revenue does not represent the fair market value of Corridor's reserves.
- (2) Unit values are based on Corridor's net reserves.
- (3) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Additional Information Concerning Future Net Revenue (undiscounted) as of December 31, 2013 (Forecast Prices and Costs)								
Reserves Category	Revenue (\$MM)	Royalties (\$MM)	Operating Costs (\$MM)	Development Costs (\$MM)	Abandonment and Reclamation Costs (\$MM)	Future Net Revenue Before Income Taxes (\$MM)	Income Taxes (\$MM)	Future Net Revenue After Income Taxes (\$MM)
<b>Total Proved Reserves</b>	444.2	12.8	104.5	108.1	14.0	204.7	7.7	197.0
<b>Total Proved Plus Probable Reserves</b>	761.2	41.4	162.7	164.1	18.8	374.1	54.6	319.6
<b>Total Proved Plus Probable Plus Possible Reserves<sup>(1)</sup></b>	1,698.9	231.2	290.9	235.3	28.2	913.3	205.5	707.8

**Note:**

- (1) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Net Present Value of Future Net Revenue By Production Group as of December 31, 2013 (Forecast Prices and Costs)				
Reserves Category	Production Group	Future Net Revenue Before Income Taxes (discounted at 10%/yr) (\$MM)	Unit Value <sup>(3)</sup> (\$/boe)	Unit Value <sup>(3)</sup> (\$/mscf)
<b>Total Proved Reserves</b>	Light and Medium Crude Oil <sup>(1)</sup>	5.0	55.55	9.26
	Natural Gas <sup>(2)</sup>	87.7	8.91	1.48
<b>Total Proved Plus Probable Reserves</b>	<b>Total Proved Reserves</b>	92.7	9.33	1.55
	Light and Medium Crude Oil <sup>(1)</sup>	9.1	33.58	5.60
	Natural Gas <sup>(2)</sup>	134.4	8.61	1.44
<b>Total Proved Plus Probable</b>	<b>Total Proved Plus Probable Reserves</b>	143.5	9.04	1.51
	Light and Medium Crude Oil <sup>(1)</sup>	14.4	33.86	5.64
<b>Plus Possible Reserves<sup>(4)</sup></b>	Natural Gas <sup>(2)</sup>	255.5	8.59	1.43
	<b>Total Proved Plus Probable Plus Possible Reserves</b>	269.9	8.95	1.49

**Notes:**

- (1) Including solution gas and other by-products.  
(2) Including by-products but excluding solution gas from oil wells.  
(3) Unit values are based on Corridor's net reserves.  
(4) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

**Pricing Assumptions**

The following table summarizes the prices used by GLJ in the GLJ Reserves Report in calculating the net present value of future net revenue, effective as at January 1, 2014.

Year	Brent Blend Crude Oil FOB North Sea (\$US/bbl)	Exchange Rate US\$/Can\$	Inflation rate	Henry Hub Gas Price US\$/mmbtu
2014	107.50	0.95	2.0%	4.25
2015	107.50	0.95	2.0%	4.50
2016	105.00	0.95	2.0%	4.75
2017	102.50	0.95	2.0%	5.00
2018	102.50	0.95	2.0%	5.25
2019	102.50	0.95	2.0%	5.50
2020	102.50	0.95	2.0%	5.63
2021	103.38	0.95	2.0%	5.74
2022	105.45	0.95	2.0%	5.86
2023	107.56	0.95	2.0%	5.97
Thereafter	+2%/yr	0.95	2.0%	+2%/yr

## Reserves Reconciliation

The following table provides a reconciliation of Corridor's gross reserves of natural gas, oil or natural gas liquids for the year ended December 31, 2013, using forecast prices and costs.

Reserves Reconciliation of Corporation Gross Reserves By Principle Product Type (Forecast Prices and Costs)												
	Light and Medium Oil			Natural Gas			Natural Gas Liquids			Total oil Equivalent Basis		
	Gross Proved (mdbl)	Gross Probable (mdbl)	Gross Proved Plus Probable (mdbl)	Gross Proved (bscf)	Gross Probable (bscf)	Gross Proved Plus Probable (bscf)	Gross Proved (mdbl)	Gross Probable (mdbl)	Gross Proved Plus Probable (mdbl)	Gross Proved (mboe)	Gross Probable (mboe)	Gross Proved Plus Probable (mboe)
December 31, 2012	87	174	260	57.6	36.8	94.5	74	47	121	9,767	6,359	16,126
Extensions and Improved Recovery	-	-	-	2.9	1.4	4.3	4	2	6	489	242	731
Technical Revisions	-	-	-	2.9	(0.4)	2.4	4	(1)	3	482	(75)	407
Production	-	-	-	(2.9)	-	(2.9)	(4)	-	(4)	(492)	-	(492)
<b>December 31, 2013</b>	<b>87</b>	<b>174</b>	<b>260</b>	<b>60.5</b>	<b>37.8</b>	<b>98.3</b>	<b>77</b>	<b>48</b>	<b>126</b>	<b>10,246</b>	<b>6,527</b>	<b>16,773</b>

## ADDITIONAL INFORMATION RELATING TO RESERVES DATA

### Timing of Undeveloped Reserves Assignments

The following table shows the timing of the assignment of proved undeveloped reserves and probable undeveloped reserves of natural gas and crude oil in respect of Corridor's interests in the McCully Field and Caledonia Field. The Corporation attributes proved and probable undeveloped reserves based on the accepted engineering and geological practices as defined under NI 51-101. The practices include the determination of reserves based on the presence of a commercial test rate from production tests, or extensions of known accumulations supported by a combination of geological, geophysical and engineering data.

Company Gross Reserves First Attributed by Year				
<u>Proved Undeveloped Reserves</u>				
	Light & Medium Oil (mdbl)	Natural Gas (mmscf)	Natural Gas Liquids (mdbl)	Total Oil Equivalent (mboe) <sup>(1)</sup>
Prior to Dec 31, 2011	87	35,393	45	6,031
Dec 31 2011	-	-	-	-
Dec 31 2012	-	995	1	167
Dec 31 2013	-	2,985	4	501
<b>Current Total</b>	<b>87</b>	<b>39,373</b>	<b>50</b>	<b>6,699</b>

#### Note:

- (1) Natural gas has been converted to barrels of oil equivalent on the basis of six mscf of natural gas being equal to one barrel of oil.

These reserves are classified as proved undeveloped if they are expected to be recovered, with a high degree of certainty, from new wells on previously undrilled acreage with untested reservoir characteristics, or they are reserves from existing wells that require major capital expenditures to bring them on production.

<b>Probable Undeveloped Reserves</b>				
	<b>Light &amp; Medium Oil (mbbl)</b>	<b>Natural Gas (mmscf)</b>	<b>Natural Gas Liquids (mbbl)</b>	<b>Total Oil Equivalent (mboe)<sup>(1)</sup></b>
Prior to Dec 31 2011	174	27,753	36	4,835
Dec 31 2011	-	3,489	4	586
Dec 31 2012	-	199	-	33
Dec 31 2013	-	1,493	2	251
<b>Current Total</b>	<b>174</b>	<b>32,934</b>	<b>42</b>	<b>5,705</b>

**Note:**

- (1) Natural gas has been converted to barrels of oil equivalent on the basis of six mscf of natural gas being equal to one barrel of oil.

These reserves are classified as probable undeveloped when analysis of drilling, geological, geophysical and engineering data does not demonstrate them to be proved under current technology and existing economic conditions; however, this analysis does suggest that there is a likelihood of their existence and future recovery. Corridor intends to develop its proved undeveloped reserves and probable undeveloped reserves during the next five years.

***Significant Factors or Uncertainties***

Estimates of economically recoverable oil and natural gas reserves (including natural gas liquids) and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as capital expenditures, commodity prices, production performance of re-completed wells and well re-completion success rates, the assumed effects of regulation by government agencies (including royalty regimes) and future operating costs. All of these estimates may vary from actual results. Estimates of the recoverable oil and natural gas reserves attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, may vary. The Corporation's actual production, revenues, taxes, development and operating expenditures with respect to its reserves may vary from such estimates, and such variances could be material, resulting in the delay or acceleration of development activities, as the case may be, see "*Risk Factors*".

***Future Development Costs***

The following table outlines development costs deducted in the estimation of future net revenue calculated using forecast prices and costs, undiscounted, attributable to the reserve categories noted below.

Reserve Category	2014	2015	2016	2017	2018	2019	Remainder	Total	
	(\$MM)	(\$MM)	(\$MM)	(\$MM)	(\$MM)	(\$MM)	(\$MM)	Undiscounted (\$MM)	Discounted at 10% (\$MM)
<b>Proved Reserves</b>	17.6	11.8	13.5	19.3	40.5	3.1	2.4	108.1	80.1
<b>Proved Plus Probable Reserves</b>	17.6	11.8	13.5	19.3	40.5	37.1	24.4	164.1	111.7

On March 6, 2014, Corridor approved a \$27.2 million capital expenditure program for 2014 primarily related to a well re-entry and fracturing program in the McCully Field. The program is designed to increase natural gas production and revenues from the McCully Field and to evaluate the oil and shale gas potential of the surrounding basin. Capital expenditures for 2014 will be sourced from cash currently available and net cash flow projected from natural gas production and sales in 2014. Future development costs may be funded with a combination of cash flow, debt, equity and asset sales or joint venture partnerships.

## RESOURCES INFORMATION

"Total petroleum initially-in-place" or ("PIIP"), the equivalent of "total resources", refers to that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered.

"Undiscovered petroleum initially-in-place", the equivalent of "undiscovered resources", refers to that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially-in-place is referred to as prospective resources, the remainder as unrecoverable.

"Discovered petroleum initially-in-place", the equivalent of "discovered resources", refers to that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially-in-place includes production, reserves, and contingent resources; the remainder is unrecoverable.

"Discovered unrecoverable petroleum initially-in-place", the equivalent of "discovered unrecoverable resources", refers to that portion of discovered petroleum initially-in-place which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

"Undiscovered unrecoverable petroleum initially-in-place", the equivalent of "undiscovered unrecoverable resources", refers to that portion of undiscovered petroleum initially-in-place which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

"Contingent resources" refers to those quantities of petroleum estimated, on a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as "contingent resources" the estimated discovered recoverable quantities associated with a project in the early evaluation stage.

**Resources and contingent resources do not constitute, and should not be confused with, reserves. Actual reserves and resources will vary from the reserve and resource estimates, and those variations could be material.**

### Sproule Anticosti Resources Report

In 2011, Corridor and Pétrolia retained Sproule to estimate the quantity of hydrocarbon resource contained within the Macasty Formation in Anticosti Island with the goal of using the assessment to determine whether to engage in further investigation into these resources. See "*Description of the Properties – Anticosti Island, Québec*". The Sproule Anticosti Resources Report was conducted in accordance with the COGE Handbook and NI 51-101 and addressed only the undiscovered petroleum initially-in-place, since insufficient information was available at such time to estimate the technical or economically recoverable amount of resources within the study area. Sproule subsequently reviewed the pertinent data collected between June 1, 2011 and December 31, 2012 and made no changes to the

original resource estimates provided in the Sproule Anticosti Resources Report. Three core holes were drilled in the fall of 2012 and laboratory results were provided to Sproule on March 14, 2013. In a letter dated November 19, 2013, Sproule indicated that, in their opinion, incorporating the new data from the core results would not result in a material change to the Sproule Anticosti Resources Report. No additional data has been provided to Sproule since the November 19, 2013 letter.

NI 51-101 disclosure requires that the resource estimates must be classified according to the COGE Handbook definitions and disclosed in the most specific category. Under these definitions, Sproule classified the total petroleum initially-in-place as undiscovered resources, based on the following: (i) a core of the Macasty shale from the Chaloupe well contained residual oil; (ii) the Macasty shale has not been flow tested from any well on Anticosti Island; (iii) the resources are inferred to exist based on the interpretation and mapping of limited pyrolysis, core, well log and seismic data and; (iv) this is an unconventional shale oil resource that will require a stimulated completion for evaluation and, until an appropriately researched project has been undertaken to identify and evaluate potentially recoverable volumes, it is premature to speculate whether the Macasty contains recoverable or unrecoverable resources.

**Note: Assuming the Anticosti Joint Venture is completed as contemplated, all of Corridor's and Petrolia's interests in Anticosti Island will be transferred to the Anticosti Joint Venture, of which Corridor will hold a 21.67% partnership interest.** The following table provides a summary of the Sproule Anticosti Resources Report (prior to the completion of the Anticosti Joint Venture):

Estimates of Total Petroleum Initially-In-Place Macasty Shale, Anticosti Island, Québec As At June 1, 2011				
Classification	Company Interest Lands	Low Estimate (P90) <sup>(1)</sup> Bboe <sup>(4)</sup>	Best Estimate (P50) <sup>(2)</sup> Bboe <sup>(4)</sup>	High Estimate (P10) <sup>(3)</sup> Bboe <sup>(4)</sup>
<b>Undiscovered Petroleum Initially- In-Place<sup>(5)</sup></b>	Total Lands	21.4	33.9	53.9
	Corridor Interest	12.3	19.8	31.9

**Notes:**

- (1) The probability that the quantity actually in place is equal to or greater than the estimate is 90%.
- (2) The probability that the quantity actually in place is equal to or greater than the estimate is 50%.
- (3) The probability that the quantity actually in place is equal to or greater than the estimate is 10%.
- (4) These resources are reported as billions of barrels of oil equivalent to reflect uncertainty of hydrocarbon type across the island.
- (5) Undiscovered petroleum initially-in-place (equivalent to "undiscovered resources") are those quantities of petroleum that are estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially-in-place is referred to as "prospective resources", the remainder as unrecoverable. Undiscovered resources carry discovery and development risks. The reported volumes are unrisks. There is no certainty that any portion of these resources will be discovered. A recovery project cannot be defined for this volume of undiscovered petroleum initially-in-place at this time. There is no certainty that it will be commercially viable to produce any portion of the resources.

Corridor believes the significant positive factors relevant to the estimates are:

- The Macasty core from the Chaloupe well drilled in 2010 contained oil and gas. This well is located on the high side of the Jupiter fault, where most of the Corridor acreage is located, and where the shale is interpreted to be in the oil/condensate window;
- The Macasty shale is stratigraphically equivalent to the Utica shale of the St. Lawrence Lowlands of Québec, which has been reported to have produced oil and gas on test;
- Core analysis indicates that the Macasty has similar petrophysical and geochemical characteristics to the Utica fields found in the north-east, US;

- The Macasty shale is a prolific source rock which is interpreted to be within the oil/condensate generation window over approximately three quarters of the island.

## **GLJ Shale Resources Report**

In May 2009, Corridor initially retained GLJ to estimate the quantity of shale gas resources contained within the Frederick Brook Formation in the McCully Field and Elgin Sub-Basin of southern New Brunswick with the goal of assisting Corridor to develop a longer term plan for the appraisal and potential development of this vast resource. See "*Description of the Properties – New Brunswick Lands - Elgin Sub-Basin*". Effective June 1, 2009, GLJ provided Corridor with a best estimate of PIIP which was based on all available seismic and well information within the study area provided by Corridor to GLJ at the time. This report was conducted in accordance with the COGE Handbook and NI 51-101 and addressed only the discovered PIIP, as insufficient information was available at such time to estimate the technical or economically recoverable amount of shale gas within the study area.

GLJ was not engaged in 2013 to provide an update to the original resource estimates provided in 2009 on the basis that Corridor did not conduct any activities in 2013 in respect of the Frederick Brook Formation and plans to conduct a fracturing program in 2014 to further evaluate the shale gas potential of the Frederick Brook formation. Corridor intends to engage GLJ to update its initial shale gas resources estimates in respect of its interest in the Frederick Brook Formation subsequent to the receipt of results from this program.

Consistent with its initial report in 2009 (and confirmed on March 27, 2013), GLJ continues to provide a best estimate of Corridor's gross interest in the Frederick Brook Formation (as described in the map in "*Description of the Properties – New Brunswick Lands - Elgin Sub-Basin*") as of March 25, 2014 of 67.3 tscf of discovered petroleum initially-in-place (or discovered resources), which is unrecoverable. "Discovered unrecoverable petroleum initially-in-place", the equivalent of "discovered unrecoverable resources", refers to that portion of discovered petroleum initially-in-place which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

A recovery project cannot be defined for Corridor's volume of discovered petroleum initially-in-place at this time. Corridor has been seeking a joint venture partner to participate in the exploration of the Frederick Brook Formation. Corridor's program to select a joint venture partner is on-going and has been negatively impacted by low natural gas prices and uncertainty surrounding New Brunswick regulations and royalties applicable to shale gas development activities.

Corridor's management believes that there are compelling reasons to remain optimistic for new joint venture interest in its shale gas prospect in New Brunswick, including higher natural gas prices over an extended period due to the higher premium to Henry Hub prices received by Corridor as a result of the high basis differential in the New England market, the growing consumption of natural gas in Atlantic Canada, the anticipated decline in other local sources of natural gas, and the strategic potential for the addition of LNG export facilities in Saint John, New Brunswick and/or in Nova Scotia and the associated pipeline transportation infrastructure already in place in the region.

**There is no certainty that it will be commercially viable to produce any portion of these discovered resources.**

## GLJ Elgin Contingent Resources Report

In 2009, Corridor initially retained GLJ to evaluate and prepare a contingent resources report for Corridor's shale gas resources in the area surrounding the Green Road G-41 well located four kilometers north of Elgin, New Brunswick, which is only a subset of the area covered by the GLJ Shale Resources Report. See "*Description of the Properties – New Brunswick Lands - Elgin Sub-Basin*". Effective December 31, 2009, GLJ provided Corridor with its initial estimates of contingent resources associated with the Frederick Brook shale. GLJ's analysis of such contingent resources was subsequently updated effective December 31, 2010 to reflect the increased economic risk assigned by GLJ following the initial flowback results of the Green Road B-41 well and Will DeMille G-59 well. Based on these results, GLJ reduced its estimate of gross contingent resources and determined that its initial "low estimate" was not economic based on forecasted natural gas prices as at December 31, 2010. The primary contingencies with respect to Corridor's economic contingent resources include the uncertainty surrounding the economic viability of the related development project due to the early stage of resource evaluation. This includes the uncertainty that all internal and external approvals will be forthcoming along with documented intent to develop the resources within a reasonable time frame. Other commercial considerations that may preclude the classification of contingent resources as reserves include factors such as legal, environmental, political and regulatory matters or a lack of markets.

In 2011, Corridor completed the drilling of the vertical Will DeMille O-59 shale gas appraisal well to a total depth of 3188 meters measured depth. Corridor and GLJ are awaiting future fracturing results from this well prior to updating the contingent resources estimates associated with the shale gas in the area surrounding the Green Road G-41 well in accordance with NI 51-101. Corridor intends to disclose the results of the update to GLJ's contingent resources report once finalized.

**There is no certainty that it will be economically viable to produce any portion of the resources.**

## OTHER OIL AND GAS INFORMATION

### Oil and Gas Properties and Wells

As at December 31, 2013, Corridor had an interest in 38 gross (27.5 net) producing and non-producing natural gas and oil wells as follows:

	Producing		Non-producing	
	Gross	Net	Gross	Net
<b>Crude Oil Wells</b>				
McCully Field.....	-	-	-	-
Caledonia Field .....	-	-	1.0	1.0
Subtotal.....	-	-	1.0	1.0
<b>Natural Gas Wells</b>				
McCully Field.....	29.0	20.0	8.0	6.5
Caledonia Field.....	-	-	-	-
Subtotal.....	29.0	20.0	8.0	6.5
<b>Total.....</b>	<b>29.0</b>	<b>20.0</b>	<b>9.0</b>	<b>7.5</b>

**Note:**

- (1) Non-producing wells in which Corridor has an interest are located no further than 15 kilometres from proposed gathering systems, pipelines or other means of transportation. Excluded are McCully wells C-75 and H-28, and all Elgin wells.



### *Properties with No Attributed Reserves*

The following table sets forth the gross area and net area of unproved properties held by Corridor as at March 25, 2014.

<b>Location</b>	<b>Gross Acres</b>	<b>Net Acres</b>
McCully and Caledonia Fields, New Brunswick	77,461	59,164
Elgin Sub-Basin, New Brunswick	118,146	118,146
McCully North, New Brunswick	44,428	44,428
Gulf of St. Lawrence, Québec <sup>(1)</sup>	123,550	123,550
Gulf of St. Lawrence, Newfoundland and Labrador	127,948	127,948
Anticosti Island, Québec	1,530,943	891,906
<b>Total</b>	<b>2,022,476</b>	<b>1,365,142</b>

**Note:**

- (1) In order for Corridor to drill on its Québec exploration licence, an agreement between the Québec and Federal governments is required and this agreement requires federal government recognition of such license. On March 24, 2011 an accord between the Government of Canada and the Government of Québec was signed to allow for the development of petroleum resources within the Québec sector of the Gulf of St. Lawrence. The accord contains provisions for the issuance of exploration permits equivalent to the previously held licences to explore for petroleum and natural gas previously issued by the Government of Québec in the accord area.

The GLJ Reserves Report evaluates mostly ONG Lease 06-02, however, some proved reserves are located in ONG Lease 09-01 and ONG Lease 06-01. Since only a small portion of these leases were evaluated the acreage for these leases is included in unproved properties in the McCully and Caledonia Fields.

Corridor's license to explore the McCully North area (ONG lease 06-03 totaling 44,428 acres) is up for renewal in 2014. Corridor intends to consolidate a portion of this lease (17,774 acres) with the existing consolidated lease of the Frederick Brook shale, effective June 16, 2014. The remaining acreage will expire on that date.

No other rights of Corridor to explore, develop or exploit any of unproved properties will expire before December 31, 2014. The development of properties with no attributed reserves can be affected by a number of factors including, but not limited to, project economics, regulatory approvals and government regimes, forecasted price assumptions, cost estimates and access to infrastructure. These and other factors may lead to the delay or acceleration of projects related to these properties.

### *Forward Contracts*

Corridor has agreed to sell all of its natural gas produced from the McCully Field and surrounding areas in southern New Brunswick pursuant to a long term agreement with Repsol Energy Canada Ltd. This agreement became effective on April 1, 2009 and provides Corridor with year round access to natural gas markets in Maritimes Canada and the U.S. Northeast and allows it to receive corresponding market prices including those in periods of peak demand. The agreement provides the basis for Corridor to sell present and future production at market prices (referenced to Algonquin city-gate less pipeline transportation costs on M&NP and Algonquin Pipeline), as it expands its exploration and development of the natural gas potential of sandstone and shale reservoirs in the McCully Field and Elgin Sub-basin.

The Corporation has a commitment to purchase 7,500 mmbtu per day of transportation on the Canadian side of the M&NP from November 1, 2013 to October 31, 2014 and 6,500 mmbtu per day from November 1, 2014 to October 31, 2015.

Corridor's natural gas production is subject to the following forward sale agreements, being (i) an agreement for the sale of 3,000 mmbtupd from January 1, 2014 to March 31, 2014 at an average price of

\$US9.03/mmbtu; (ii) an agreement for the sale of 2,370 mmbtupd from January 1, 2014 to February 28, 2014 at an average price of \$US15.50/mmbtu; (iii) an agreement for the sale of 2,258 mmbtupd from March 1, 2014 to March 31, 2014 at an average price of \$US10.76/mmbtu; (iv) an agreement for the sale of 3,000 mmbtupd from April 1, 2014 to April 30, 2014 at an average price of \$US7.25/mmbtu, and (v) an agreement for the sale of 4,000 mmbtupd from November 1, 2014 to March 31, 2015 at an average price of \$US11.74/mmbtu.

### ***Abandonment & Reclamation Costs***

The total future abandonment and site reclamation costs are based on management's estimate of costs to remediate, reclaim and abandon wells and facilities having regard to Corridor's working interest and the estimated timing of the costs to be incurred in future periods. Corridor has developed a process to calculate these estimates, which considers applicable regulations, actual and anticipated costs, type and size of the well or facility and the geographic location. Corridor estimates that the total cost to abandon and reclaim all wells drilled as of December 31, 2013, specifically two wells drilled in Prince Edward Island, one well in the Caledonia Field, three wells in the Elgin Sub-Basin, 28 net wells drilled in the McCully Field and three wells on Anticosti Island, is approximately \$16.1 million (net present value of \$7.1 million at a 3.12% discount). Corridor anticipates spending an estimated \$0.2 million in total future abandonment and reclamation costs in the next three years.

Future liabilities for abandonment and site reclamation costs are estimated by using standard engineering design cost estimating techniques. GLJ estimates in the GLJ Reserves Report that the total cost to abandon and reclaim all wells plus related facilities in the proved plus probable case is \$18.8 million (\$2.1 million at a 10% discount) and \$14.0 million (\$2.6 million at a 10% discount) for 37 net wells under the proved reserves case. GLJ's estimate of abandonment and reclamation costs for the McCully and Caledonia Fields are included in the GLJ Reserves Report and therefore considered in their estimate of future net revenue.

### ***Tax Horizon***

The Corporation did not pay any income taxes in the year ended December 31, 2013. As at December 31, 2013, the Corporation had approximately \$187 million of tax pools available to be applied against future income for tax purposes (not all tax pools can be fully utilized in any single year).

Based on planned capital expenditure programs and current natural gas price assumptions, the Corporation does not expect to be cash taxable for several years. On a total proved reserves basis, the GLJ Reserves Report estimates that the Corporation will be taxable in 2029. On a proved plus probable reserves basis, the GLJ Reserves Report indicates the Corporation will be taxable in 2022. The GLJ Reserves Report does not include capital spending on projects that have not been assigned proved plus probable reserves. This additional spending could extend the Corporation's tax horizon.

The Corporation's tax horizon is dependent on, among other things, anticipated levels of production and the current commodity price forecast, anticipated capital spending, and the current tax regime. Changes in these factors from estimates used by the Corporation could result in the Corporation paying income taxes earlier or later than expected.

### *Costs Incurred*

The following table outlines costs incurred by Corridor during the year ended December 31, 2013 for acquisitions, dispositions and capital expenditures.

<b>Nature of Cost</b>	<b>Amount (\$M)</b>
Acquisition Costs	-
Exploration Costs	2.1
Development Costs	1.1
<b>Total</b>	<b>3.2</b>

### *Exploration and Development Activities*

Corridor did not complete any wells during the year ended December 31, 2013. Corridor's exploration and development activities in the near term will be focused on the Properties discussed under the heading "*Description of the Properties*" in accordance with its 2014 well re-entry and fracturing program as described in "*General Development of the Business – Recent Developments – Other*" and also activities to be conducted pursuant to the Anticosti Joint Venture.

### *Production Estimates*

The following table summarizes the volume of total proved gross working interest production estimated for the financial year ended December 31, 2014 using forecast prices and costs. The McCully Field accounts for all of this production.

<b>2014 Estimated Production Forecast Prices and Costs</b>		
	<b>Total Proved</b>	<b>Total Proved Plus Probable</b>
Light and Medium Oil (bblpd)	33	50
Natural Gas (mmscfpd)	8.4	8.7
Natural Gas Liquids (bblpd)	11	11
<b>Total (boepd)</b>	<b>1,436</b>	<b>1,507</b>

### *Production History and Netbacks*

The average daily production volumes, prices, royalties, production costs and netbacks for Corridor's natural gas for each quarter in 2013 and the financial year ended December 31, 2013 are set out below. Corridor did not produce any crude oil and had only nominal sales of natural gas liquids in 2013. The McCully Field accounted for all of this production.

	<b>Three months ended</b>				<b>Year Ended</b>
	<b>March 31, 2013</b>	<b>June 30, 2013</b>	<b>September 30, 2013</b>	<b>December 31, 2013</b>	<b>December 31, 2013</b>
<b>Natural Gas</b>					
Average Daily Gas Production (mmscfpd)	8.5	8.3	7.8	7.7	8.1
Price (\$/mscf)	\$10.19	\$4.92	\$4.23	\$8.21	\$6.91
Royalties (\$/mscf)	0.65	-	-	0.35	0.25
Production & Transportation Costs (\$/mscf)	2.19	2.15	2.60	2.82	2.43
<b>Netback (\$/mscf)</b>	<b>\$7.35</b>	<b>\$2.77</b>	<b>\$1.63</b>	<b>\$5.04</b>	<b>\$4.23</b>

## **INDUSTRY CONDITIONS**

### **Government Regulation**

The oil and natural gas industry in Canada is subject to extensive controls and regulations imposed by various levels of government, and the Corporation's oil and gas operations are subject to various Canadian federal, provincial, territorial, and local laws and regulations. These laws and regulations may be changed in response to economic or political conditions, and regulate, among other things, land tenure and the exploration, development, production, handling, storage, transportation, and disposal of oil and gas, oil and gas by-products, and other substances and materials produced or used in connection with oil and gas operations.

More particularly, matters subject to current governmental regulation and/or pending legislative or regulatory changes include the licensing for drilling of wells, the method and ability to produce wells, surface usage, transportation of production from wells, conservation matters, the discharge or other release into the environment of wastes and other substances in connection with drilling and production activities (including fracture stimulation operations), bonds or other financial responsibility requirements to cover drilling contingencies and well plugging and abandonment costs, reports concerning the Corporation's operations, the spacing of wells, unitization and pooling of properties, and royalties and taxation. Failure to comply with the laws and regulations in effect from time to time may result in the assessment of administrative, civil, and criminal penalties, the imposition of remedial obligations, and the issuance of injunctions that could delay, limit, or prohibit certain of Corridor's operations. Corridor cannot predict the ultimate cost of compliance with these requirements or their effect on its operations.

Federal authorities do not regulate the price of oil and gas in export trade. Legislation exists, however, that regulates the quantities of oil and natural gas which may be removed from the provinces and exported from Canada in certain circumstances. At various times, regulatory agencies have imposed price controls and limitations on oil and gas production. In order to conserve supplies of oil and gas, these agencies may also restrict the rates of flow of oil and gas wells below actual production capacity. Further, a significant spill from one of the Corporation's facilities could have a material adverse effect on its results of operations, competitive position, or financial condition.

Although Corridor does not expect that these controls and regulations will affect its operations in a manner materially different than they would affect other oil and gas companies of similar size, the controls and regulations should be considered carefully by investors in the oil and gas industry. All current legislation is a matter of public record and Corridor is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

### **Pricing and Marketing**

#### ***Crude Oil***

Producers of crude oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Such price depends, in part, on crude oil quality, prices of competing fuels, distance to market, the value of refined products, the supply/demand balance, other contractual terms, and the world price of oil. Oil may be exported from Canada pursuant to export contracts with terms not exceeding one year in the case of light crude, and not exceeding two years in the case of heavy crude, provided that an order approving such export has been obtained from the NEB. Any oil exported under a contract of longer duration (to a maximum of 25 years) requires the exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the Governor in Council

## ***Natural Gas***

In Canada, the price of natural gas sold in intra-provincial, interprovincial and international trade is determined by negotiations between buyers and sellers. Such price depends, in part, on natural gas quality, prices of competing natural gas and other fuels, distance to market, access to downstream transportation, length of contract term, weather conditions, the supply/demand balance and other contractual terms. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain criteria prescribed by the NEB and the Government of Canada. Natural gas exports for a term of less than two years or for a term of two to 20 years (in quantities not exceeding 30,000 m<sup>3</sup>/day) are subject to an NEB order. Any natural gas exported under a contract of longer duration (to a maximum of 25 years) or in larger quantities requires the exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the NEB and the Governor in Council.

## ***Natural Gas Liquids***

The price of condensate and other natural gas liquids ("NGLs") sold in intraprovincial, interprovincial and international trade is determined by negotiations between buyers and sellers. Such price depends, in part, on the quality of the NGLs, prices of competing chemical stock, distance to market, access to downstream transportation, length of contract term, the supply/demand balance and other contractual terms. NGLs exported from Canada are subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain criteria prescribed by the NEB and the Government of Canada. NGLs may be exported for a term of not more than one year in respect of propane and butane and not more than two years in respect of ethane – with all exports requiring an order of the NEB.

## **The North American Free Trade Agreement**

The North American Free Trade Agreement ("NAFTA") among the Canadian, United States and Mexican governments came into effect on January 1, 1994. Under NAFTA, the Canadian Government is free to determine whether exports of energy resources to the United States or Mexico should be allowed, provided that export restrictions do not: (i) reduce the proportion of energy resources exported relative to energy resources consumed domestically (with the most recent 36 month period proportion used as the basis for comparison); (ii) impose a higher export price than domestic price (subject to an exception relating to certain voluntary measures that restrict the volume of exports); and (ii) disrupt normal channels of supply.

NAFTA prohibits discriminatory border restrictions and export taxes and also prohibits the imposition of minimum or maximum export or import price requirements except with respect to the enforcement of countervailing and anti-dumping orders and undertakings. Discipline on regulators is addressed as the signatories to NAFTA agree to ensure that their regulatory bodies provide equitable implementation of regulatory measures and minimize the disruption of contractual arrangements

## **Land Tenure**

Rights are granted to energy companies to explore for and produce oil and natural gas pursuant to leases, licenses, and permits and regulations as legislated by the respective Provincial and Federal governments. Lease terms vary in length, usually from two to five years. Other terms and conditions to maintain a mineral lease are set forth in the relevant legislation or are negotiated. Tenure is the process of leasing and administering petroleum and natural gas rights owned by the Crown.

Companies that obtain licenses or leases to explore and develop Crown resources are subject to the relevant regulatory requirements.

Oil and natural gas can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

## **Pipeline Capacity**

Despite some recent oil pipeline capacity expansions, the overall pipeline capacity in Canada is tight. Notwithstanding limited pipeline capacity in Canada, Corridor projects an excess availability of capacity on the Canadian sector of the M&NP for the foreseeable future. Corridor sells all of its natural gas produced from the McCully Field and surrounding areas in southern New Brunswick pursuant to a long term agreement which includes the transportation on M&NP US. Corridor does not foresee any restricted access to the U.S. markets for the foreseeable future.

## **Royalties**

### ***General***

For crude oil, natural gas and related production from Federal or Provincial government lands, the royalty regime is a significant factor in the profitability of the Corporation's production. Crown royalties payable in respect of crown lands are determined by governmental regulation and are typically calculated as a percentage of the value of gross production. The value of the production and the rate of royalties payable generally depend on prescribed reference prices, well productivity, geographical location, the field discovery rate and the type of product produced.

From time to time, Provincial Governments have established incentive programs for exploration and development. Such programs often provide for royalty reductions, credits and holidays, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry.

### ***New Brunswick***

On November 4, 2013, the Government of New Brunswick introduced a new two tier royalty regime for natural gas production, designed to promote natural gas exploration. Operators must pay the greater of a 4% basic royalty based on the wellhead revenues and a 2% minimum royalty calculated on gross revenues. After the operator recovers all costs and begins to make a profit, the royalty rate increases to 25%. It is expected that the new royalty regime will be effective April 1, 2014. As of March 25, 2014, the new royalty regime for natural gas has not yet come into effect.

The current Crown royalty rate for natural gas, based on monthly production, is set at 10% of the actual selling price or fair market value at the time and place of production, whichever is greater, free of any deductions. The royalty payable on oil is based on monthly production from each well and ranges from 5 to 12%, calculated on the actual selling price or fair market value at the time and place of production, whichever is greater, free of any deductions.

### ***Québec***

At this time, Québec does not have a legislative and regulatory regime that is specific to the oil and gas industry and, accordingly, oil and gas exploration and development in Québec is subject to regulation under various laws and regulations. Currently, Québec's oil and gas resources are regulated principally pursuant to the Province's mining laws and regulations pursuant to which, among other things,

royalty rates of 5 - 12.5% for crude oil and 10 - 12.5% for natural gas apply, depending on the quantity produced. An attempt to amend the *Mining Act*, Bill 43, was defeated in the National Assembly on October 31, 2013. On December 10, 2013, Bill 70 – *An Act to amend the Mining Act*, was given Royal Assent, which amends certain provisions of the *Mining Act*, including providing local municipalities with more decision-making powers; however, these amendments do not change any provisions relating to the royalty rates for oil and natural gas.

In March 2011, the Québec Government proposed a new shale gas royalty regime that would come into effect once a strategic environmental assessment reviewing hydraulic fracturing was completed and the legal and regulatory framework had been adapted to its conclusions. Corridor's interests in Québec are limited to Anticosti Island and the Old Harry prospect. In respect of Anticosti Island, the Québec Government recently announced its proposed participation in the Anticosti Joint Venture to conduct exploration activities on Anticosti Island as one component of its policy to secure Québec energy independence. In respect of the Old Harry prospect, as an offshore prospect, the issue of shale gas is not relevant. In February 2014, the Committee for Strategic Environmental Assessment released a report detailing some of the regulatory changes which the government of Québec could implement with options ranging from a 25 year moratorium on the shale gas industry to allowing development but to control it by adopting directives, regulations or laws. The report notes that any such directives would likely include a reminder that compliance with the following norms is expected: (i) obtain a certificate of authorization in accordance with section 22 of the *Environment Quality Act*; (ii) inform and consult the public; (iii) deliver the proper information and documentation supporting the request; and (iv) obtain the requisite authorization before using water in accordance with section 22 of the *Environment Quality Act* and applicable regulations. The details of the proposed shale gas royalty regime are summarized in "*A Fair and Competitive Royalty System for Responsible Shale Gas Production*" which was presented as part of the 2011-2012 Budget.

The proposed royalty regime contemplates the following measures:

- A progressive royalty rate, calculated on a per well basis, ranging from 5% to 35% would apply for shale gas.
- The current provincial 15% tax credit for resources would be eliminated with respect to shale gas exploration and replaced by a non-refundable royalty credit for exploration.
- Businesses that have completed wells before introduction of the new system would be able to continue operating under the current royalty regime throughout the production life of those wells, even after the new royalty regime takes effect.
- The Government intends to also introduce a gas development program, the stated objective of which would be to encourage exploration by allowing businesses to pay lower royalties in the initial development and commercialization stages of authorized projects in exchange for progressively higher royalties once they have recouped their investments. The program would provide for a minimum royalty of 2% of gross revenue starting at the time that a well is brought into production until eligible investment and operating costs plus interest have been recouped (subject to a maximum of ten years of rate relief), and increased rates thereafter. After eligible investment and operating costs plus interest have been recouped or ten years, whichever comes first, royalty rates would increase to the higher of 5% of gross revenue and (i) 15% of net revenue, until the business has achieved a 25% rate of return plus interest on its initial investment; (ii) 20% of net revenue, until the business has achieved a 100% rate of return plus interest on its initial investment; and (iii) 25% of net revenue after the business has achieved a 100% rate of return plus interest on its initial investment.



- During the transition period leading to the introduction of the new royalty regime, businesses would have the option of continuing under the current royalty system or participating in the new gas development program. Businesses participating in the strategic environmental assessment would also be allowed to make their wells subject retroactively to the gas development program.
- In addition to royalty-related measures, the Government announced that municipalities would be compensated for quantifiable additional costs attributable to shale gas exploration and production and would also receive \$100,000 for each shale gas well operated on its territory, to be paid over a ten-year period, in each case to be financed by industry in a manner yet to be determined.

## **Environmental Regulation**

As an operator of oil and natural gas properties in Canada, Corridor is subject to stringent federal, provincial, territorial, and local laws and regulations relating to environmental protection as well as controlling the manner in which various substances, including wastes generated in connection with oil and gas exploration, production, and transportation operations, are released into the environment. Compliance with these laws and regulations can affect the location or size of wells and facilities, prohibit or limit the extent to which exploration and development may be allowed, and require proper abandonment of wells and restoration of properties when production ceases. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, or criminal penalties, imposition of remedial obligations, incurrence of capital or increased operating costs to comply with governmental standards, and even injunctions that limit or prohibit exploration and production activities or that constrain the disposal of substances generated by oil field operations.

Corridor currently operates or leases, and has in the past operated or leased, a number of properties that have been used for the exploration and production of oil and gas. Although Corridor utilizes and has utilized standard industry operating and disposal practices, hydrocarbons or other wastes may have been disposed of or released on or under the properties operated or leased by us or on or under other locations where such wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes was not under Corridor's control. These properties and the wastes disposed thereon may be subject to laws and regulations imposing joint and several or strict liability without regard to fault or the legality of the original conduct that could require us to remove previously disposed of wastes or remediate property contamination, or to perform well plugging or pit closure or other actions of a remedial nature to prevent future contamination.

Corridor believes that it is reasonably likely that the trend in environmental legislation and regulation will continue toward stricter standards. A recent example of this trend is the high-level of regulatory attention that the practice of hydraulic fracturing continues to receive in various jurisdictions.

## ***New Brunswick***

On February 15, 2013 new rules for New Brunswick's oil and gas industry were released in a document entitled "*Responsible Environmental Management of Oil and Natural Gas Activities in New Brunswick*". The new rules are intended to build upon existing regulations governing the oil and gas industry and incorporate best practices into the province's management framework. These new rules will be implemented primarily as conditions to various approvals issued under existing legislation. Several key issues addressed in the document include: protecting and monitoring water quality; protecting communities and the environment; well-bore integrity; managing waste water; addressing air emissions; and public safety and emergency planning.

In addition, the Department of Energy and Mines worked with several other departments to create a blueprint for oil and gas development. Its focus is on the following objectives: environmental responsibility; effective regulation and enforcement; community and First Nations engagement; stability of supply; and sustainable economic development. The blueprint was released on May 9, 2013 and addresses the strategic economic, social and public dimensions of New Brunswick's oil and natural gas industry.

The New Brunswick Government is committed to the development of its natural resources, including in particular, the development of shale gas, which commitment was reconfirmed by the Government on February 4, 2014 in its 2014-2015 Budget. While there is support for natural gas development in New Brunswick, there is public opposition to hydraulic fracturing, and the New Brunswick opposition parties have called for a moratorium on shale gas development. This opposition is relevant in light of a provincial election set for September 2014.

### *Québec*

There is currently a moratorium on all shale gas activity in Québec, which is expected to continue until the comprehensive strategic environmental assessment is complete. The particulars of any further prohibitions, restrictions or other requirements, including their duration, transitional provisions and exceptions, if any, that may arise from the strategic environmental assessment are not yet known. Corridor's interests in Québec are limited to Anticosti Island and the Old Harry prospect. In respect of Anticosti Island, the Québec Government recently announced its proposed participation in the Anticosti Joint Venture to conduct exploration activities on Anticosti Island as one component of its policy to secure Québec energy independence. In respect of the Old Harry prospect, as an offshore prospect, the issue of shale gas is not relevant.

## **Greenhouse Gases and Industries Air Pollutants**

### *Climate Change Regulation*

#### *Federal*

Internationally, Canada is a signatory to the United Nations Framework Convention on Climate Change and previously ratified the Kyoto Protocol established thereunder, which set legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide, and other GHGs. The first commitment period under the Kyoto Protocol is the five year period from 2008-2012. In December 2011, the Canadian Government announced that it would not agree to a second commitment period under the Kyoto Protocol after 2012. The Federal Government instead endorsed the Durban Platform, a broad agreement reached among the 194 countries that are party to the United Nations Framework Convention on Climate Change, during a conference held in Durban, South Africa in December 2011. The Durban Platform sets forth a process for negotiating a new climate change treaty that would create binding commitments for all major GHG emitters. The Canadian Government expressed cautious optimism that agreement on a new treaty could be reached by 2015. The Durban Platform followed the Copenhagen Accord reached in December 2009 as Government representatives met in Copenhagen, Denmark to negotiate a successor to the Kyoto Protocol. The Copenhagen Accord represents a broad political consensus and reinforces commitments to reducing GHG emissions but is not a binding international treaty. Although Canada had committed under the Copenhagen Accord to reduce its GHG emissions by 17% from 2005 levels by 2020, the target is not legally binding. The impact of Canada's withdrawal from the Kyoto Protocol on prior GHG emission reduction initiatives is uncertain.

Domestically, the Canadian Government released in 2007 its *Regulatory Framework for Air Emissions*, which was updated in March 2008 in a document entitled *Turning the Corner: Regulatory*

*Framework for Industrial Greenhouse Gas Emissions.* Canada's previous GHG emission reduction target was 20% from 2006 levels by 2020, but on January 30, 2010 the Canadian Government announced a new GHG emission reduction target consistent with its commitment under the Copenhagen Accord to reduce GHG emissions to 17% below 2005 levels by 2020. Canada's framework proposes mandatory emissions intensity reduction obligations on a sector-by-sector basis. To date, regulations for Canada's renewable fuels transportation and coal-fired electricity sectors have been developed. The *Renewable Fuels Regulation* seeks to reduce GHG emissions by mandating an average 5% renewable fuel content based on the gasoline volume. This regulation may affect persons who: produce or import gasoline, diesel fuel or heating distillate oil, produce or import renewable fuel, elect under section 11 of the regulations to create compliance units as participants in the trading system, and persons who sell for export renewable fuel or liquid petroleum fuel that contains renewable fuel. Various requirements apply to such persons. The precise nature of any such requirements depends upon the nature of the activities of such persons. However, none have been developed for the oil and gas sector and regulations for the electricity sector aren't expected to take effect until 2015. In 2009, the Canadian Government announced its commitment to work with the provincial governments to implement a North America-wide cap and trade system for GHG emissions, in cooperation with the United States, under which Canada would have its own cap-and-trade market for Canadian-specific industrial sectors that could be integrated into a North American market for carbon permits. The Government of Canada currently proposes to enter into equivalency agreements with provinces to establish a consistent regulatory regime for GHGs, but the success of any such plan is uncertain, possibly leaving overlapping levels of regulation. It is uncertain whether or when either Canadian federal GHG regulations for the oil and gas industry or an integrated North American cap-and-trade system will be implemented, or what obligations might be imposed under any such systems.

### ***New Brunswick***

The Province of New Brunswick released a Climate Change Action Plan 2007 – 2012 and has set a target of reducing its GHG emissions to 1990 levels by 2012 with an additional 10% reduction below 1990 levels by 2020 with the assistance of federal initiatives. The plan includes actions in such areas as renewable energy and energy efficiency, transportation, waste reduction and diversion, industrial sources, government leading by example, adaptation, and partnerships and communication. However, the Province of New Brunswick has not implemented GHG emission reduction legislation at this time.

On February 15, 2013, the New Brunswick Government released rules, titled "*Responsible Environmental Management of Oil and Natural Gas Activities in New Brunswick*", to support New Brunswick's on-going management of oil and gas activities and to ensure that New Brunswick continues to have the tools needed to guide oil and gas exploration and extraction in an environmentally responsible manner. The rules are based on recommendations contained in *Responsible Environmental Management of Oil and Gas Activities in New Brunswick - Recommendations for Public Discussion* which was released for public comment on May 17, 2012. The requirements described in the February, 2013 rules document built upon existing regulations governing the oil and natural gas industry in New Brunswick and for the most part will be implemented as conditions to Approvals and Certificates of Determination issued under existing legislation including the *Oil and Natural Gas Act*, *Clean Environment Act*, the *Clean Air Act* and the *Clean Water Act*. Corridor is working with the New Brunswick Government and other stakeholders to ensure best practices are followed and oil and gas activities can be completed in a safe and responsible manner. The additional measures included in these rules allows for ongoing exploration and development of natural gas resources in New Brunswick. The additional requirements are extensive and in several cases incorporate industry best practices.

## **Québec**

The Province of Québec is operating under the 2013 – 2020 Climate Change Action Plan ("**Québec Climate Plan**"), which calls for a 20% reduction in GHG emissions below 1990 levels by 2020. The Québec Climate Plan includes fuel oil energy efficiency measures, measures to encourage cleaner energy alternatives and tightened fuel oil sulphur level standards. As part of the overall Plan, the Province has passed the *Environmental Quality Act*, which empowers the Government to set emission limits, establish reporting requirements for GHG emitters and also enables it to take part in the implementation of a cap-and-trade system.

Since January 1, 2013, large emitters in industrial and electricity sectors whose GHG emissions total 25,000 tonnes of CO<sub>2</sub> are subject to a new GHG cap-and-trade system within the framework of the Western Climate Initiative ("**WCI**"). The WCI is an organization currently made up of the provinces of British Columbia, Québec, Ontario, Manitoba and the state of California designed to assist in implementing GHG emissions trading programs. Within the Québec framework, businesses are obligated to remit to the Government the emission allowances for each ton of GHG emitted. Without sufficient emission allowances, the company will be forced to purchase them on the carbon market. The objective being that a company will reduce its emissions to avoid the costs of purchasing emission allowances.

In September, 2013, the California Air Resources Board, the California agency governing the state's cap-and-trade system, and the Government of Québec, signed an agreement to harmonize and integrate the cap-and-trade systems of California and Québec. The agreement requires that the cap-and-trade regimes in California and Québec mutually recognize the emission credits and allowances issued by either jurisdiction. Accordingly, GHG emitters in both California and Québec will have the ability to purchase and sell emission allowances and carbon offset credits issued by either jurisdiction. Other key terms of the agreement include the development of a common electronic registry between the jurisdictions, mutual cooperation between the jurisdictions for enforcement purposes, and the holding of joint auctions of emission allowances using harmonized procedures. The agreement was implemented through the amendment of the *Regulation respecting a cap-and-trade system for greenhouse gas emission allowances*. However, the effect that Québec's GHG emission cap-and-trade system will have on the oil and gas industry in New Brunswick is uncertain at this time.

Québec has also enacted a carbon tax on the consumption of fossil fuels in the province, under the *Regulation respecting the annual duty payable to the Green Fund*. The Québec Climate Plan also notes that the applicability of this tax will be extended to December, 2014.

## **RISK FACTORS**

The Corporation is exposed to a number of risks inherent in exploring for, developing and producing natural gas and oil. The following list describes some of the risks that could have a material impact on the business, operations and financial condition of the Corporation. Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision.

### **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 Corporation 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 Corporation 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 Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Corporation will be able to locate satisfactory properties for acquisition or participation.

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. In particular, the Corporation is unable to predict whether or not bitumen will be encountered in the pore space within the Hiram Brook reservoir sands and to what extent the bitumen may impair the gas productivity of these reservoirs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, insufficient storage or transportation capacity or other geological and mechanical conditions.

While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees. In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition of the Corporation.

The marketability of any oil and gas acquired or discovered will be affected by numerous factors beyond the control of the Corporation. These factors include market fluctuations, proximity and capacity of oil and gas pipelines and processing equipment and government regulations (including regulations relating to royalties, allowable production, importing and exporting of oil and gas, and environmental protection).

### **Substantial Capital Requirements and Financing**

Substantial capital expenditures are required to finance the exploration, development and production of the Corporation's oil and natural gas properties. The Corporation's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. If the Corporation'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 Corporation. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations or prospects.

The Corporation does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties. The exploration and development of the Corporation'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 on 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 Corporation 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 Corporation could result in the loss or substantial dilution of the Corporation's interests (as existing or as proposed to be acquired) in its properties.

On February 13, 2014, Corridor signed a non-binding letter of intent with respect to the Anticosti Joint Venture. Provided the Anticosti Joint Venture is established as contemplated, the partners will conduct an exploration program of up to \$100 million in two phases and Corridor will receive a net cash payment of approximately \$13.9 million. The failure to establish the Anticosti Joint Venture or the failure of any Anticosti Joint Venture partner to finance the Anticosti Joint Venture could adversely affect the Corporation's ability to complete the exploration or development of Anticosti Island as currently contemplated.

As at the date hereof, Corridor has a \$6 million revolving short term loan with a Canadian chartered bank that matures, subject to mutual agreement to extend, on July 26, 2014 and there is no amount drawn on this facility. The funds under the loan are to be used by the Corporation for development and exploration activities. Variations in interest rates could result in changes in the amount required to be applied to service the amount outstanding under the loan. Based on its current exploration and development plans on the McCully Field and Anticosti Island, Corridor does not intend to access its credit facility in 2014.

Although it is believed that the loan is sufficient, there can be no assurance that the amount will be adequate to meet the financial obligations of the Corporation or, if required, that additional funds can be obtained. The credit currently available to the Corporation is in part determined by the Corporation's borrowing base which is largely dependent on the Corporation's reserves. If, at any time during the term of the credit facility, the lender has reason to believe that the borrowing base has materially declined, the lender can recalculate the Corporation's borrowing base and could as a result, decrease the credit currently available to the Corporation. The lender has been provided with security over the assets of the Corporation. If the Corporation is unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, the lender may foreclose on or sell the Corporation's oil and gas properties and other assets.

### **Volatility of Natural Gas and Oil Prices**

The Corporation'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 Corporation'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 and demand for natural gas and oil, market uncertainty and a variety of additional factors beyond the Corporation'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). Oil prices are largely determined by international supply and demand. Factors which affect oil prices include the actions of the Organization of Petroleum Exporting Countries, world economic conditions, government regulation, political stability in the Middle East and elsewhere, the foreign supply of oil, the price of foreign imports, the availability of alternate fuel sources, transportation and infrastructure constraints and weather conditions. 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 Corporation's revenues, profitability and cash flows.

The Corporation's ability to borrow and to obtain additional capital on attractive terms is also substantially dependent upon natural gas and oil prices and, in particular, natural gas prices in the New England market in northeastern United States. Prices for gas and oil are subject to large fluctuations in response to relatively minor changes in the supply of and demand for gas and oil, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include economic conditions in the United States and Canada, consumer demand, the actions of the Organization of Petroleum Exporting Countries, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of gas and oil, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of gas and oil would have an adverse effect on the Corporation's carrying value of its proved reserves, borrowing capacity, revenues, profitability and cash flows from operations. In addition, a decline in the price of gas may result in Corridor having to impair, as a non-cash charge to earnings, the carrying value of its oil and gas properties. Under IFRS, the Corporation is required to perform impairment tests on oil and gas properties whenever events or changes in circumstances indicate that the carrying value of its properties may not be recoverable. To the extent a decline in the price of gas results in a reduction in the fair value of the Corporation's oil and gas properties below the carrying value, an impairment loss will be required to reduce the carrying value of the properties to their estimated fair value. The Corporation may incur impairment losses in the future, however these impairment losses could also be reversed in the future in the event of a recovery of fair value. Impairment losses and reversal of impairment losses could materially affect the Corporation's results of operations in the period incurred, adding more volatility to the Corporation's results of operations. Such impairment losses may also be viewed unfavourably by the market. No assurance can be given that prices for natural gas and oil will be sustained at levels that will enable the Corporation to operate profitably.

Volatile gas and oil prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploration 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. See "*Industry Conditions*". 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 Corporation's costs, any of which may have a material adverse effect on the Corporation's intended business, financial condition and results of operations. The Corporation's operations require licenses from various governmental authorities. There can be no assurance that the Corporation 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 Corporation 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 Corporation is unable to predict what additional legislation or amendments may be enacted. However, such legislation may have a material adverse effect on its business, financial condition, results of operations and cash flows of the Corporation.



In New Brunswick, the Government is committed to the development of its natural resources, including in particular, the development of shale gas, which commitment was stated by the Government on February 4, 2014 in its 2014-2015 Budget. While there is support for natural gas development in New Brunswick, there is public opposition to hydraulic fracturing, and the New Brunswick opposition parties have called for a moratorium on shale gas development. This opposition is relevant in light of a provincial election set for September 2014. In Québec, delays in shale gas development are expected to continue as the Province implements the various recommendations made by the BAPE, including the main recommendation that a strategic environmental assessment on shale gas development be performed. Corridor's interests in Québec are limited to Anticosti Island and the Old Harry prospect. In respect of Anticosti Island, the Québec Government recently announced its proposed participation in the Anticosti joint venture to conduct exploration activities on Anticosti Island as one component of its policy to secure Québec energy independence. In respect of the Old Harry prospect, an offshore prospect, the issue of shale gas is not relevant. See "*Description of the Properties – Anticosti Island, Québec – Anticosti Joint Venture.*"

## **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 Corporation's products including the hydraulic fracturing of wells, the decommissioning of facilities and in connection with spills, releases and emissions of various substances to the environment. It also imposes restrictions, liabilities and obligations in connection with the management of fresh or potable water sources that are being used, or whose use is contemplated, in connection with natural gas and oil operations.

Environmental legislation also requires that wells, facility sites and other properties associated with the Corporation'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 GHG regulations, existing and proposed, may adversely affect the Corporation'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 Corporation'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 the 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 Corridor and it is possible that such legislation may have a material adverse effect on its business, financial condition, results of operations and cash flows.

Corridor believes that it is in material compliance with applicable environmental legislation and is committed to continued compliance. Corridor believes that it is reasonably likely that a trend towards stricter standards in environmental legislation will continue and the Corporation 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 of Corridor.

### **Hydraulic Fracturing**

Canadian and U.S. federal, provincial and state 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 information regarding hydraulic fracturing and have not provided specific details with regard to any significant actual, proposed or contemplated changes to the regulatory framework. Concern has been expressed over the potential environmental impact of hydraulic fracturing operations, including harm to surface water and drinking water sources.

Corridor is unable to predict the total impact of the potential regulations upon Corridor and its operations. However, federal, provincial, and local legislative and regulatory initiatives relating to hydraulic fracturing, as well as governmental reviews of such activities could result in increased costs, additional operating restrictions or delays, and adversely affect Corridor's production. Public perception of environmental risks associated with hydraulic fracturing can further increase pressure to adopt new laws, regulation or permitting requirements or lead to regulatory delays, legal proceedings and/or reputational impacts. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delay, increased operating costs, and third-party or governmental claims. They could also increase the Corporation's costs of compliance and doing business as well as delay the development of hydrocarbon (natural gas and oil) resources from shale formations, which may not be commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of natural gas and oil that the Corporation is ultimately able to produce from its resources. In the event provincial, local, or municipal legal restrictions are adopted in areas where Corridor is currently conducting, or in the future plan to conduct operations, Corridor may incur additional costs to comply with such requirements that may be significant in nature, experience delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps even be precluded from the drilling of wells. In addition, if hydraulic fracturing becomes more regulated, the Corporation's fracturing activities could become subject to additional permitting requirements and result in permitting delays as well as potential increases in costs. Restrictions on hydraulic fracturing could also reduce the amount of natural gas and oil that the Corporation is ultimately able to produce from its resources.

In New Brunswick, the Government is committed to the development of its natural resources, including in particular the development of shale gas, which commitment was stated by the Government on February 4, 2014 in its 2014-2015 Budget. While there is support for natural gas development in New Brunswick, there is an element of public opposition to hydraulic fracturing, and the New Brunswick opposition parties have called for a moratorium on shale gas development. This opposition is relevant in

light of a New Brunswick provincial election set for September 2014. There is currently a moratorium on all shale gas activity in Québec, which is expected to continue until the comprehensive strategic environmental assessment is complete. Corridor's interests in Québec are limited to Anticosti Island and the Old Harry prospect. In respect of Anticosti Island, the Québec Government recently announced its proposed participation in the Anticosti Joint Venture to conduct exploration activities on Anticosti Island as one component of its policy to secure Québec energy independence. In respect of the Old Harry prospect, as an offshore prospect, the issue of shale gas is not relevant.

Corridor engages third parties to conduct fracturing and other well stimulation services in respect of its operations in New Brunswick.

### **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.

In addition, assuming the Anticosti Joint Venture is established, Corridor will be dependent upon such 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 its properties on Anticosti Island.

### **Dependence on Key Personnel**

The success of the Corporation will be largely dependent upon the quality of its management and personnel. Loss of the services of such persons, or the inability to attract personnel of equal ability, could materially adversely affect Corridor's business operations and prospects. The Corporation has not, as yet, purchased "key man" insurance on any of its directors, officers or key employees, and has no current plans to do so.

### **Co-Existence with Mining Operations**

PCS has a pre-existing potash mining lease granted by the Government of New Brunswick that overlays a substantial portion of the McCully Field. Applicable legislation requires that oil and gas activities not interfere with mining operations and that mining activities not interfere with oil and gas operations. The Corporation has to date succeeded in conducting its business activities in a manner that does not interfere with such mining operations. For example, several of the wells previously drilled by the Corporation have been drilled directionally to access natural gas beneath the potash mine. PCS is currently placing a new mine in operation at the McCully Field area. There can be no assurance that the Corporation's future exploration and development activities will not be adversely affected as a result of the current or future potash mining operations, including the possibility that a portion of the McCully Field may not be accessible for natural gas development.

### **Availability of Drilling Equipment and Access**

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

## **Risks May Not be Insurable**

The Corporation's operations are subject to the risks normally incident to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, blow-outs and fires, all of which could result in personal injuries, loss of life and damage to property of Corridor and others. In accordance with customary industry practice, Corridor is not fully insured against all of these risks, nor are all such risks insurable. As referred to under "*Industry Conditions–Environmental Regulation*", environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The Corporation expects it will be able to fully comply with all regulatory requirements in this regard.

## **Variations in Exchange Rates**

The Corporation'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 Corporation. Any material increase in the value of the Canadian dollar will negatively impact the Corporation'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 Corporation's reserves as determined by independent evaluators. The Corporation has not engaged in any risk management activities related to the Canada/United States exchange rate. To the extent that Corridor engages in risk management activities related to the Canadian/United States exchange rates, it will be subject to credit risk associated with counterparties with which it contracts.

## **Expiration of Licenses and Leases**

The Corporation's properties are held in the form of licences and leases and working interests in licences and leases. If the Corporation or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Corporation's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Corporation's results of operation and business.

## **Reserves and Resources Estimates**

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and resources, including many factors beyond the Corporation's control. The reserve, resources and associated cash flow information of the Corporation represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and of resources are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of gas and oil, royalty rates, environmental conditions, governmental and other regulatory factors and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves and resources are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves and resources attributable to any particular group of properties, classification of such reserves and resources based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves and resources will vary from estimates thereof and such variations could be material.

Geological complexities of the McCully Field make it difficult to predict the success of future exploration and development activities in the area. These complexities include the sporadic presence of overpressured "perched" water in some portions of the reservoir, the presence of significant amounts of bitumen in some parts of the reservoir, as well as depositional and structural character of the reservoir.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, GLJ has used forecast price and cost estimates in calculating reserve quantities included in the "*Statement of Reserves and Other Oil and Gas Information*". Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the effect of inflation on costs.

Actual production and revenues derived therefrom will vary from the estimates contained in the GLJ Reserves Report with an effective date of December 31, 2013 setting forth certain information relating to certain natural gas reserves of Corridor's properties, specifically the McCully Field and the Caledonia Field in New Brunswick, and the estimated present value associated with such reserves and such variations could be material. The reserves and estimated cash flows to be derived therefrom contained in the GLJ Reserves Report and the resources estimated by Sproule in the Sproule Anticosti Resources Report, will be reduced to the extent that such activities do not achieve the level of success assumed in such reports.

### **Development and/or acquisition of oil and natural gas properties**

The Corporation's future success depends upon its ability to develop and/or acquire additional oil and natural gas reserves that are economically recoverable. If the Corporation is unable to increase its reserves, the Corporation's business will be adversely affected because it will eventually deplete its reserves. The cost of drilling, completing and operating wells is often uncertain. The Corporation may experience unexpected cost increases, overruns, delays or cancellations of projects in their entirety as a result of numerous factors, many of which are beyond its control, including, but not limited to, weather conditions, required compliance with governmental laws and regulations, the ability to obtain stakeholder support and approvals, and shortages or delays in the delivery of equipment and services. There is the risk that no commercially productive reservoirs will be encountered, that the Corporation will not recover all or any portion of its investment, and that the Corporation's reserves, revenues and cash flow will decline. The Corporation cannot guarantee that it will be able to find and develop additional reserves at an acceptable cost or at all. The successful acquisition and development of oil and natural gas properties requires an assessment of recoverable reserves, future oil, natural gas and NGLs prices and operating and capital costs, potential environmental and other liabilities, and productivity of new wells drilled. These assessments are inexact and, if the Corporation makes them inaccurately, it might not recover the purchase price of a property from the sale of production from the property or might not recognize an acceptable return from properties it acquires.

### **Trading of Common Shares**

The Corporation's net asset value from time to time will vary depending upon a number of factors beyond its control, including natural gas prices. The trading price of the Common Shares from time to

time is determined by a number of factors, some of which are beyond the Corporation's control and such trading price may be greater or less than its net asset value.

### **Seasonality**

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable, and cause local flooding in the river valleys. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of drilling rigs and other heavy equipment, thereby reducing activity levels. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of the Corporation.

### **Competition**

Oil and gas exploration is intensely competitive in all its phases and involves a high degree of risk. The Corporation competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Corridor's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of Corridor. The Corporation's ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Competition may also be presented by alternate fuel sources.

### **Management of Growth**

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Corridor to deal with this growth could have a material adverse impact on its business, operations and prospects.

### **Conflicts of Interest**

There are potential conflicts of interest to which some of the directors and officers of Corridor may be subject in connection with its operations. Conflicts of interest, if any, will be subject to and governed by the procedures and remedies set forth in the ABCA.

### **Issuance of Debt**

From time to time the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Depending on future exploration and development plans, if any, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.



## **Title to Properties**

Prior to the drilling of a well for oil and gas, it is not uncommon for the person or Corporation acting as the operator of the well to hire a lawyer to examine the title to the spacing unit within which the proposed oil and gas well is to be drilled. Frequently, as a result of such examination, certain curative work must be done to correct deficiencies in the marketability of the title, and the curative work entails expense. The work might include obtaining affidavits of heirship or causing an estate to be administered. From time to time, the examination made by the title lawyers reveals that the oil and gas lease or leases are worthless, having been purchased in error from a person who is not the owner of the mineral interest desired. In such instances, the amount paid for such oil and gas lease or leases may be lost.

There may be title defects which affect lands comprising a portion of the Corporation's properties. The Corporation is not aware of any title defects in respect of any of the Corporation's properties.

## **Hedging**

The Corporation may from time to time enter into agreements to receive fixed prices on its natural gas production to offset the risk of revenue losses if commodity prices decline. However, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements.

Corridor may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Corporation will not benefit from the fluctuating exchange rate.

## **DIVIDENDS**

The Corporation has not paid any dividends to date. Any decision to pay dividends in the future will depend upon the earnings and financial position of the Corporation and such other factors which the Board of Directors may consider appropriate in the circumstances.

## **DESCRIPTION OF CAPITAL STRUCTURE**

Corridor is authorized to issue an unlimited number of Common Shares. As at March 25, 2014, there were 88,473,133 Common Shares issued and outstanding. The following is a summary of the rights, privileges and conditions attaching to the Common Shares. Each Common Share entitles the holder to receive notice of and to attend all meetings of the shareholders of the Corporation and to one vote at such meetings. The holders of Common Shares are, at the discretion of the Board of Directors and subject to applicable legal restrictions, entitled to receive any dividends declared by the Board of Directors. The holders of Common Shares are entitled to share equally in any distribution of the assets of the Corporation upon the liquidation, dissolution, bankruptcy or winding-up of the Corporation or other distribution of its assets among its shareholders for the purpose of winding-up its affairs.



## MARKET FOR SECURITIES

### Trading Price and Volume

The Common Shares of Corridor are listed for trading on the TSX under the symbol "CDH". The following tables set forth the market price ranges and the aggregate volume of trading of the Common Shares on the TSX for the financial year ended December 31, 2013:

<b>Period</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume (Common Shares)</b>
<b>2013</b>			
January.....	0.83	0.64	1,779,890
February.....	0.80	0.65	1,118,215
March.....	0.75	0.67	627,800
April.....	0.71	0.60	1,015,747
May.....	0.82	0.60	4,229,267
June.....	1.20	0.70	2,076,730
July.....	0.94	0.75	886,888
August.....	0.94	0.80	742,192
September.....	0.86	0.77	1,228,899
October.....	0.90	0.73	1,710,334
November.....	0.86	0.71	1,813,988
December.....	1.42	0.79	6,588,008

### PRIOR SALES

During the 12 month period ended December 31, 2013, the Corporation did not issue any Common Shares. During the 12 month period ended December 31, 2013, the Corporation granted options exercisable for 1,241,000 Common Shares, the particulars of which are set forth in the following table:

<b>Date of Grant</b>	<b>Exercise Price (\$)</b>	<b>Number of Options <sup>(1)</sup> Issued</b>
May 14, 2013	\$0.73	320,000
November 15, 2013	\$0.74	921,000

Note:

(1) Each option entitles the holder to acquire one Common Share, on the terms and conditions set forth in the Corporation's stock option plan.

## DIRECTORS AND EXECUTIVE OFFICERS

### Directors and Officers

The following table sets forth the name, municipality of residence, principal occupation for the prior five years and position of each of the directors and executive officers of Corridor:

Name and Municipality of Residence	Director Since	Office or Position with Corridor	Present Occupation and Positions Held During the Last Five Years
Phillip R. Knoll Halifax, Nova Scotia	September 21, 2010	Director, President and Chief Executive Officer	President and Chief Executive Officer of Corridor since October 18, 2010. Prior thereto, Mr. Knoll was President of Knoll Energy Inc. (a private energy consulting company) since 2005.
Norman W. Miller <sup>(2) (3)</sup> Calgary, Alberta	March 1995	Director	Retired since October 2010. Prior thereto, was President and Chief Executive Officer of Corridor since 1995.
J. Douglas Foster <sup>(2)</sup> Calgary, Alberta	May 1998	Director and Chairman	Partner, Bennett Jones LLP (law firm).
Achille E. Desmarais <sup>(1)(3)</sup> Montréal, Québec	January 2006	Director	Independent consultant since July 2003. Prior thereto, Senior Portfolio Manager and Investment Analyst at Caisse de dépôt et placement du Québec since 1989.
Martin Fräss-Ehrfeld London, England	June 14, 2011	Director	Partner of The Children's Investment Fund Management (UK) LLP since August 2009. Prior thereto, Principal of the Blackstone Group from August 2001 to July 2009.
Robert D. Penner <sup>(1)(2)</sup> Calgary, Alberta	January 2006	Director	Independent consultant since April 2004. Prior thereto, senior tax partner with KPMG LLP (accounting firm).
W.C. (Mike) Seth <sup>(1)(3)</sup> Calgary, Alberta	January 2006	Director	Independent consultant since July 1, 2005. Prior thereto, President and Managing Director of McDaniel and Associates Ltd. (reservoir evaluation) since 1989.
Lisette F. Hachey Halifax, Nova Scotia	–	Chief Financial Officer	Chief Financial Officer of Corridor since April 2006.
Douglas Bailey Rothesay, New Brunswick	–	Production Operations Manager	Production Operations Manager since October 2006.
Dr. Tom Martel Halifax, Nova Scotia	–	Chief Geologist	Chief Geologist since April 1998.
Paul Durling Halifax, Nova Scotia	–	Chief Geophysicist	Chief Geophysicist since June 1997

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance Committee.
- (3) Member of the Reserves Committee.

The term of office of each of the directors of Corridor will expire at the next annual meeting of shareholders of Corridor.

As at March 25, 2014, the directors and executive officers of Corridor, as a group, beneficially owned or controlled or directed, directly or indirectly, 3,123,455 Common Shares, representing

approximately 3.5% of the issued and outstanding Common Shares. In addition, directors and executive officers held options to purchase an additional 2,474,333 Common Shares, resulting in directors and executive officers holding 6.1% of the Common Shares on a fully diluted basis. The information as to Common Shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective individuals.

### **Corporate Cease Trade Orders or Bankruptcies, Penalties or Sanctions and Personal Bankruptcies**

To the knowledge of Corridor, other than as described below: (a) no director or executive officer of Corridor is, as at the date hereof, or has been, within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "**Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) no director or executive officer of Corridor and no Shareholder holding a sufficient number of securities of Corridor to affect materially the control of Corridor, is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) no director or executive officer of Corridor and no shareholder holding a sufficient number of securities of Corridor to affect materially the control of Corridor, has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

Mr. Penner had been a director of Storm Cat Energy Corporation ("Storm Cat") since January 2005. In November 2008, the U.S. subsidiaries of Storm Cat filed for a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code, which reorganization did not include Storm Cat. Storm Cat was subsequently delisted from the Toronto Stock Exchange and the NYSE Alternext U.S. LLC (formerly, the American Stock Exchange), which delistings remain in effect as of the date hereof. In April 2009, pursuant to an order of the Ontario Securities Commission, the securities of Storm Cat were cease traded for a failure to file audited annual financial statements, management's discussion and analysis and an annual information form, all for the year ended December 31, 2008. This cease trade order remains in effect as of the date hereof, subject to a partial revocation by the Ontario Securities Commission solely to permit the sale of certain Storm Cat shares, subject to certain conditions. Mr. Penner resigned as a director of Storm Cat in 2011.

To the knowledge of Corridor, no director or executive officer of Corridor, and no shareholder holding a sufficient number of securities of Corridor to affect materially the control of Corridor, nor any personal holding company thereof, (a) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **Conflicts of Interest**

Certain directors of the Corporation are associated with other companies, which may give rise to conflicts of interest. In accordance with the ABCA, directors who have an interest in a material contract or a material transaction, whether made or proposed, with Corridor are required, subject to certain exceptions, to disclose the nature and extent of the interest. A director required to disclose such interest shall abstain from voting on any resolution to approve the contract or transaction, except as otherwise permitted by the ABCA. In addition, each director is required to act honestly and in good faith with a view to the best interests of Corridor.

## **LEGAL PROCEEDINGS**

The Corporation is not involved in or aware of any present or pending material legal proceedings against the Corporation involving it jointly or separately as a party.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as discussed herein, there are no material interests, direct or indirect, of directors, executive officers of the Corporation or any person or company that is the direct or indirect beneficial owner of or who exercises control or direction over, more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Corporation.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal office in Calgary, Alberta and Toronto, Ontario.

## **MATERIAL CONTRACTS**

Corridor does not have any material contracts entered into within the most recently completed financial year or before the most recently completed financial year but still in effect.

## **INTERESTS OF EXPERTS**

PricewaterhouseCoopers LLP, Chartered Accountants, are the Corporation's auditors and have audited the financial statements of the Corporation for the year ended December 31, 2013. As at the date hereof, PricewaterhouseCoopers LLP are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Nova Scotia.

Information relating to reserves of the Corporation set forth in the "*Statement of Reserves Data and Other Oil and Gas Information*" and certain resources set forth in the "*Resources Information*" was evaluated by GLJ, as independent qualified reserves evaluator. Information relating to certain resources of the Corporation set forth in the "*Resources Information*" was estimated by Sproule, an independent qualified reserves evaluator. As at the date hereof, the principals of GLJ and Sproule, did not hold any registered or beneficial ownership interests, directly or indirectly in the Common Shares.

## AUDIT COMMITTEE

### Charter of the Audit Committee

A copy of the Terms of Reference of the Audit Committee is attached at Appendix "C" hereto.

### Composition of the Audit Committee

The current members of the Audit Committee are: Robert Penner, Achille Desmarais and Mike Seth, each of whom is independent and financially literate within the meaning of NI 52-110.

### Relevant Education and Experience

The current members of the Audit Committee have the following relevant education and experience:

Robert Penner	Mr. Penner is a Chartered Accountant. Until his retirement in 2004, his entire career was spent in private practice with KPMG LLP focused primarily on providing advisory services on taxation and related matters.
Achille Desmarais	Mr. Desmarais is a Chartered Financial Analyst with more than 14 years of experience as a senior portfolio manager and investment analyst with the Caisse de dépôt et placement du Québec specializing in the energy sector, oil and gas, pipelines and public utilities.
Mike Seth	Mr. Seth is an independent consultant who retired as President and Managing Director of McDaniel and Associates Consultants Ltd., having been with the firm for over 37 years. He graduated with a B.Sc. in mechanical engineering from the University of British Columbia in 1966. Mr. Seth is financially literate by virtue of over 40 years of entrepreneurial business experience.

### External Auditor Service Fees

PricewaterhouseCoopers LLP are Corridor's auditors for the years ended December 31, 2013 and 2012. The following table sets forth the Audit Fees, Audit – Related Fees, Tax Fees and All Other Fees billed by PricewaterhouseCoopers LLP in the financial years ended December 31, 2013 and December 31, 2012.

	<b>2013</b>	<b>2012</b>
Audit Fees <sup>(1)</sup>	\$120,332	\$148,006
Audit-Related Fees <sup>(2)</sup>	–	–
Tax Fees <sup>(3)</sup>	4,240	5,600
All Other Fees <sup>(4)</sup>	–	–
<b>Total</b>	<b>\$124,572</b>	<b>\$153,606</b>

#### Notes:

- (1) "Audit Fees" means the aggregate fees billed by the issuer's external auditor in each of the last two fiscal years for audit fees. These fees also relate to the quarterly review of financial statements.
- (2) "Audit-Related Fees" means the aggregate fees billed in each of the last two fiscal years for assurance and related services by the issuer's external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under "Audit Fees" above.
- (3) "Tax Fees" means the aggregate fees billed in each of the last two fiscal years for professional services rendered by the issuer's external auditor for tax compliance, tax advice, and tax planning.

- (4) "All Other Fees" means the aggregate fees billed in each of the last two fiscal years for products and services provided by the issuer's external auditor, other than the services reported under clauses Audit-Related Fees, Tax Fees and All Other Fees above.

### **ADDITIONAL INFORMATION**

Additional information, including director's and officer's remuneration and indebtedness, principal holders of Common Shares and Common Shares authorized for issuance under the Corporation's Stock Option Plan, is contained in the information circular of the Corporation relating to the most recent meeting of holders of Common Shares. Additional financial information is also provided in the Corporation's financial statements and management's discussion and analysis for the year ended December 31, 2013.

Additional information relating to the Corporation is available on the Corporation's website at [www.corridor.ca](http://www.corridor.ca) and on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) and may also be obtained upon request by contacting the Chief Financial Officer of the Corporation at 301, 5475 Spring Garden Road, Halifax, Nova Scotia, B3J 3T2, phone: (902) 429-4511, facsimile: (902) 429-0209.

**APPENDIX "A"**

**Form 51-101F2**



**FORM 51-101F2**  
**REPORT ON RESERVES DATA**  
**BY**  
**INDEPENDENT QUALIFIED RESERVES**  
**EVALUATOR OR AUDITOR**

To the board of directors of Corridor Resources Inc. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2013. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2013, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2013, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate - M\$)			
			Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants	Corporate Summary February 12, 2014	Canada	-	143,477	-	<b>143,477</b>

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

EXECUTED as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, February 12, 2014.



Jodi L. Anhorn, M. Sc., P. Eng.  
Executive Vice President & COO

## APPENDIX "B"

### FORM 51-101F3 REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND INFORMATION

Management of Corridor Resources Inc. (the "**Corporation**") is responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with the securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2013, estimated using forecast prices and costs.

An independent qualified reserve evaluator has evaluated the Corporation's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Corporation has:

- (a) reviewed the Corporation's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of the Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

*"Phillip R. Knoll"*  
Phillip R. Knoll  
Chief Executive Officer

*"W. C. (Mike Seth)"*  
W. C. (Mike Seth)  
Director

*"Norman W. Miller"*  
Norman W. Miller  
Director

*"Lisette F. Hachey"*  
Lisette F. Hachey  
Chief Financial Officer

March 25, 2014

## APPENDIX "C"

### CORRIDOR RESOURCES INC.

#### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

##### *Policy Statement*

It is the policy of Corridor Resources Inc. (the "**Corporation**") to establish and maintain an Audit Committee, to assist the Board of Directors (the "**Board**") in carrying out their oversight responsibility for the Corporation's financial reporting process. The primary objectives of the Audit Committee are to:

- help directors meet their legal duties and responsibilities;
- provide better communications between the Board and the external auditor;
- enhance the independence of the external auditor;
- increase the credibility and objectivity of financial reports; and
- strengthen the role of the Board by facilitating in-depth discussions among directors, management and the external auditor.

The Audit Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If determined necessary by the Audit Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

##### *Composition of the Committee*

- 1) The Audit Committee shall consist of a minimum of three directors of the Corporation.
- 2) Members of the Audit Committee shall be appointed by the Board and may be removed by the Board in its discretion.
- 3) The members of the Audit Committee shall elect a Chair from among their number.
- 4) A majority of the members of the Audit Committee must not be officers or employees of the Corporation or an affiliate of the Corporation.

##### *Meetings of the Committee*

- 5) Subject to the following requirements, the Audit Committee may determine its own meeting procedures.
- 6) The Audit Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Audit Committee and whenever a meeting is requested by the Board, a member of the Audit Committee, the auditors, or senior management of the Corporation. Scheduled meetings of the Audit Committee shall correspond with the review of the year-end and quarterly financial statements and management discussion and analysis.

- 7) Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee and to the auditors, who shall attend any meeting upon the request of the Audit Committee.
- 8) Notice of a meeting of the Audit Committee shall: (a) be in writing, (b) state the nature of the business to be transacted at the meeting in reasonable detail; (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and (d) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.
- 9) A quorum for the transaction of business at a meeting of the Audit Committee shall consist of a majority of the members of the Audit Committee.
- 10) A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
- 11) In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting. In addition, the members of the Audit Committee shall choose one of the persons present to be the Secretary of the meeting.
- 12) The Chairman of the Board, senior management of the Corporation and other parties may attend meetings of the Audit Committee; however the Audit Committee (a) shall meet with the external auditors independent of management, and (b) may meet separately with management.
- 13) Minutes shall be kept of all meetings of the Audit Committee and shall be signed by the Chair and the Secretary of the meeting.
- 14) The Audit Committee may invite such officers, directors and employees of the Corporation or affiliates as it sees fit from time to time to attend meetings of the Audit Committee and to assist thereat in the discussion of matters being considered by the Audit Committee.
- 15) The members of the Audit Committee shall, for the purpose of performing their duties, have the right to inspect all the books, records and operations of the Corporation and its affiliates, and to discuss such books, records and operations with the officers and employees of the Corporation and its affiliates.

#### **Duties and Responsibilities of the Committee**

- 16) The Audit Committee is generally responsible for managing, on behalf of shareholders of the Corporation, the relationship between the Corporation and its external auditor. This includes:
  - a) identifying and monitoring the management of the principal risks that could impact the financial reporting of the Corporation;
  - b) monitoring the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
  - c) monitoring the independence and performance of the Corporation's external auditors;

- d) dealing directly with the external auditors to approve external audit plans, other services (if any) and fees;
  - e) directly oversee the external audit process and results (in addition to items described in Section 19 below);
  - f) providing an avenue of communication among the external auditors, management and the Board;
  - g) ensuring that an effective "whistle blowing" procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual.
- 17) The Audit Committee shall have the authority to:
- a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;
  - b) discuss with the management of the Corporation, its subsidiaries and affiliates and senior staff of the Corporation, any affected party and the external auditors, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;
  - c) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
  - d) to set and pay the compensation for any advisors employed by the Audit Committee.
- 18) The Audit Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
- 19) The Audit Committee shall:
- a) review the audit plan with the Corporation's external auditors and with management;
  - b) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting;
  - c) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
  - d) review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
  - e) review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;



- f) review audited annual financial statements and related documents in conjunction with the report of the external auditors and obtain an explanation from management of all significant variances between comparative reporting periods;
  - g) consider and review with management, the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses;
  - h) review with financial management and the external auditors the quarterly unaudited financial statements and management discussion and analysis before release to the public;
  - i) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectuses, annual reports, annual information forms, management discussion and analysis and press releases; and
  - j) oversee, any of the financial affairs of the Corporation, its subsidiaries or affiliates, and, if deemed appropriate, make recommendations to the Board, external auditors or management.
- 20) The Audit Committee shall:
- a) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditor or the discharge of the external auditor when circumstances are warranted;
  - b) consider the recommendations of management in respect of the appointment of the external auditors;
  - c) recommend to the Board the compensation of the external auditor;
  - d) pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its external auditors', or the external auditors of the Corporation's subsidiary entities;
  - e) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors;
  - f) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation required pursuant to National Policy 51-102 (or any successor legislation) of the Canadian Securities Administrators and the planned steps for an orderly transition period; and
  - g) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors.

- 21) The Audit Committee shall:
  - a) review with management at least annually, the financing strategy and plans of the Corporation; and
  - b) review all securities offering documents (including documents incorporated therein by reference) of the Corporation.
- 22) The Audit Committee shall review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.
- 23) The Audit Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Audit Committee by any member of the Board, a shareholder of the Corporation, the external auditors, or senior management.
- 24) The Audit Committee shall periodically review with management the need for an internal audit function.
- 25) The Audit Committee shall review the Corporation's accounting and reporting of environmental costs, liabilities and contingencies.
- 26) The Audit Committee shall establish and maintain procedures for:
  - a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting controls, or auditing matters; and
  - b) the confidential, anonymous submission by employees of the Corporation or concerns regarding questionable accounting or auditing matters.
- 27) The Audit Committee shall review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
- 28) The Audit Committee shall review and approve the Corporation's hiring policies regarding partners, employees, former partners and former employees of the present and former external auditors.
- 29) The Audit Committee shall review with the Corporation's legal counsel, at least on an annual basis or as otherwise appropriate, any legal matter that could have a significant impact on the Corporation's financial statements, and any enquiries received from regulators, or government agencies.
- 30) The Audit Committee shall assess, on an annual basis, the adequacy of this Mandate and the performance of the Audit Committee.