2013 Management's Discussion and Analysis

As of March 25, 2014

This management's discussion and analysis ("MD&A") of financial results and condition of Corridor Resources Inc. ("Corridor" or the "Company") for the year ended December 31, 2013 should be read in conjunction with Corridor's audited financial statements and notes thereto for the year ended December 31, 2013.

All amounts referred to in this MD&A are in Canadian dollars unless otherwise stated.

Additional information about Corridor, including the Company's annual information form for the year ended December 31, 2013 (the "Annual Information Form"), is available on the Internet through the System for Electronic Document Analysis and Retrieval (SEDAR) found at www.sedar.com.

Introduction

Corridor is an Eastern Canadian junior resource company engaged in the exploration for and development and production of petroleum and natural gas onshore in New Brunswick and Québec and offshore in the Gulf of St. Lawrence. Corridor currently has natural gas production and reserves in the McCully Field near Sussex, New Brunswick and crude oil reserves in the Caledonia Field near Sussex, New Brunswick. In addition, Corridor has contingent resources and discovered unrecoverable resources in Elgin, New Brunswick and undiscovered resources on Anticosti Island, Québec where Corridor has ongoing exploration projects.

Selected Financial Information

	Three months ended December 31		**Twelve months ended December 31**		
thousands of dollars except per share amounts	**2013**	2012	**2013**	2012	2011
Sales	**$ 6,087**	$ 4,962	**$ 21,619**	$ 14,795	$ 23,993
Net income (loss)	**$ 20,586**	$ (42,023)	**$ 22,449**	$ (47,889)	$ (79,585)
Net income (loss) per share					
- basic and diluted	**$ 0.233**	$ (0.475)	**$ 0.254**	$ (0.541)	$ (0.899)
Cash flow from operations[1]	**$ 2,962**	$ 2,431	**$ 10,934**	$ 4,595	$ 9,407
Capital expenditures	**$ 1,856**	$ 1,195	**$ 3,138**	$ 3,763	$ 8,951
Total assets	**$ 181,262**	$ 157,978	**$ 181,262**	$ 157,978	$ 204,017

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

The increase in natural gas prices in 2013 in North America and specifically in the New England market resulted in a significant increase in natural gas sales and cash flow from operations for Corridor for the year ended December 31, 2013 as compared to recent years. From 2009 until November 2012, Corridor's decreased natural gas sales and cash flow from operations were primarily the result of the decrease in the average natural gas sales price. Corridor's average natural gas price increased to $6.91/mscf in 2013 from $4.05/mscf in 2012 and from $5.17/mscf in 2011. In response to the lower natural gas prices, Corridor decreased drilling activities starting in Q2 2009, which resulted in a decrease in Corridor's average daily gas production from 11.5 mmscfpd for the year ended December 31, 2011 to 9.0 mmscfpd for the year ended December 31, 2012 and to 8.1 mmscfpd for the year ended December 31, 2013, and also resulted in reduced capital expenditures and impairment losses. Corridor's net losses for the years ended December 31, 2012 and December 31, 2011 are due to the recognition of impairment losses relating to Corridor's New Brunswick assets of $56,325 thousand for the year ended December 31, 2012 and $90,307 thousand for the year ended December 31, 2011 which was the direct result of lower forecast natural gas prices. However, the increase in the average natural gas price for the year ended December 31, 2013 resulted in a reversal of impairment losses of $28,050 thousand. As a result, the Company's net loss decreased from $79,585 thousand for

the year ended December 31, 2011 to $47,889 thousand for the year ended December 31, 2012 to a net income of $22,449 thousand for the year ended December 31, 2013.

Corridor believes that the elevated price premiums in the New England market will continue for several years and, as a result, the Company is planning to undertake a well re-entry and fracturing program at the McCully Field in 2014, subject to the availability of equipment and regulatory approvals, among other conditions.

Non-IFRS Financial Measures

This MD&A refers to "cash flow from operations" which is a financial measure that is not determined in accordance with IFRS. This measure does not have a standardized meaning and may not be comparable to similar measures presented by other companies. "Cash flow from operations" is used by the Company to analyse operating performance, leverage and liquidity and is included in this MD&A because it is believed to facilitate the understanding of the results of Corridor's operations and financial position. Cash flow from operations represents cash provided by operating activities excluding the change in non-cash operating working capital, as follows:

	Three months ended December 31		**Twelve months ended December 31**		
thousands of dollars	**2013**	2012	**2013**	2012	2011
Cash provided by operating activities	**$ 1,242**	$ 2,005	**$ 9,682**	$ 5,449	$ 10,787
Less: Decrease (increase) in non-cash operating working capital	**(1,720)**	(426)	**(1,252)**	854	1,380
Cash flow from operations	**$ 2,962**	$ 2,431	**$ 10,934**	$ 4,595	$ 9,407

Forward Looking Information

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking information typically contains statements with words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes. In particular, this MD&A contains forward-looking statements pertaining to the following:

- revenues;
- production levels;
- exploration and development plans (including the 2014 well re-entry and fracturing program at the McCully Field and plans to drill an offshore exploration well on the Old Harry prospect in the Gulf of St. Lawrence);
- the Anticosti joint venture (including the closing of the Anticosti joint venture, funds to be received by Corridor in connection with such closing and development activities of the Anticosti joint venture;
- Canadian – U.S. dollar exchange rate;
- natural gas prices and premiums;
- gathering, processing and transportation fees;
- royalty rates and expense;
- production expense;
- transportation expense;
- depletion, depreciation and amortization;
- development costs and reserves;
- general and administrative expenses;
- share-based compensation expense;
- timing as to when the Company will be cash taxable;
- capital expenditures;
- exploration and development drilling program;
- cash flow from operations;
- sources of funding;
- 2014 budget and capital program;
- net positive working capital; and
- level of bank debt.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to the Company and its shareholders.

Forward-looking statements are based on the Company's current beliefs as well as assumptions made by, and information currently available to, the Company including information concerning anticipated financial performance, business prospects, strategies, regulatory developments, future natural gas and oil commodity prices, exchange rates, future natural gas production levels, the ability to obtain equipment in a timely manner to carry out development activities, the ability to market natural gas successfully to current and new customers, the impact of increasing competition, the ability to obtain financing on acceptable terms, the ability to add production and reserves through development and exploration activities and the terms of agreements with third parties such as the Company's forward sales and transportation agreements and the 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.

Unknown risks and uncertainties include, but are not limited to: risks associated with oil and gas exploration, substantial capital requirements and financing, volatility of natural gas and oil prices, government regulation, environmental, hydraulic fracturing, third party risk, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, risks may not be insurable, variations in exchange rates, expiration of licenses and leases, reserves and resources estimates, development and/or acquisition of oil and natural gas properties, trading of common shares, seasonality, competition, management of growth, conflicts of interest, issuance of debt, title to properties and hedging. Further information regarding these factors and additional factors may be found under the heading "Risk Factors" in the Annual Information Form. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive.

Certain of the forward-looking statements in this MD&A may constitute "financial outlooks" as contemplated by National Instrument 51-102 *Disclosure Obligations*, including information related to projected cash flow from operations, revenues, expenses, capital expenditures, working capital and debt levels for 2014, which are provided for the purpose of forecasting the financial position of Corridor at the end of the 2014 financial year. Please be advised that the financial outlook in this MD&A may not be appropriate for purposes other than the one stated above.

The forward-looking statements contained in this MD&A are made as of the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

Outlook Information

The outlook sections of this MD&A contain revisions to the 2013 outlook information disclosed in the Third Quarter 2013 MD&A dated November 12, 2013 and are consistent with the 2014 outlook information disclosed in the Company's press release dated March 6, 2014. Both documents are available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com.

2013 Summary

- Natural gas revenues for the year ended December 31, 2013 increased to $20,346 thousand from $13,345 thousand for the year ended December 31, 2012 due to an increase in the average natural gas sales price to $6.91/mscf in 2013 from $4.05/mscf in 2012 which increase was partially offset by a decrease in Corridor's average daily gas production to 8.1 mmscfpd in 2013 from 9.0 mmscfpd in 2012. However, the decrease in natural gas production in 2013 was mitigated by field optimization efforts during the year which has lessened the rate of decline previously experienced and has resulted in an increase in the ultimate recovery of natural gas from the McCully Field.

- During the year, Corridor began to sell its natural gas production using the Algonquin city-gate ("AGT" or "Algonquin") 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. The premium to

Henry Hub realized in 2013 averaged $US3.19/mmbtu for the year ended December 31, 2013 compared to $US1.10/mmbtu for the year ended December 31, 2012.

- Cash flow from operations increased to $10,934 thousand for the year ended December 31, 2013 from $4,595 thousand for the year ended December 31, 2012 due to the higher average natural gas prices in 2013.

- As at December 31, 2013, Corridor had cash and cash equivalents of $15,514 thousand, net working capital of $17,296 thousand and no outstanding debt.

- On February 13, 2014, the Company entered into a non-binding letter of intent with the Government of Québec, through its affiliates Investissement Québec and Ressources Québec ("RQ"), Pétrolia Inc. ("Pétrolia") and Etablissements Maurel & Prom S.A. ("M&P") to create a joint venture that will appraise and potentially develop hydrocarbon resources on Anticosti Island, Québec. The letter of intent calls for Pétrolia and Corridor to transfer their interests in the Anticosti licenses to the Anticosti joint venture and for RQ and M&P to spend up to $100 million on an exploration program starting in 2014. As a result of this transaction, Corridor will hold an interest of 21.7% in the Anticosti joint venture and receive net cash proceeds of approximately $13.9 million on the closing of the transaction which is expected to occur no later than April 30, 2014, subject to the satisfaction of closing conditions.

- Corridor's net income increased to $22,449 thousand for the year ended December 31, 2013 from a net loss of $47,889 thousand for the year ended December 31, 2012 due primarily to the reversal of impairment losses of $28,050 thousand for the year ended December 31, 2013 which resulted from an increase in forecast natural gas prices used to determine the recoverable amount of the Company's New Brunswick assets. An impairment loss of $56,325 thousand had been recognized for the year ended December 31, 2012.

Q4 2013 Financial Summary

	Three months ended December 31		**Twelve months ended December 31**	
thousands of dollars	**2013**	2012	**2013**	2012
Sales	**$ 6,087**	$ 4,962	**$ 21,619**	$ 14,795
Royalty expense	**(247)**	(50)	**(740)**	(58)
Revenues, net	**5,840**	4,912	**20,879**	14,737
Expenses				
Depletion, depreciation and amortization	**2,046**	2,979	**8,631**	11,254
Transportation expense	**973**	1,037	**3,799**	4,074
Production expense	**1,034**	715	**3,362**	2,982
General and administrative expenses	**956**	682	**3,019**	3,021
Share-based compensation expense	**153**	297	**149**	1,554
Impairment losses (reversal)	**(28,050)**	56,325	**(28,050)**	56,325
Loss on sale and write-down of inventory	**-**	190	**-**	190
Write-off of exploration and evaluation assets	**12**	86	**12**	72
Capital tax expense	**-**	-	**-**	20
	(22,876)	62,311	**(9,078)**	79,492
Income (loss) before the following items	**28,716**	(57,399)	**29,957**	(64,755)
Interest and finance costs	**61**	61	**240**	260
Foreign exchange losses (gains)	**(43)**	(6)	**(120)**	73
Interest and other income	**(55)**	(23)	**(158)**	(97)
Income (loss) before income taxes	**28,753**	(57,431)	**29,995**	(64,991)
Deferred income tax expense (recovery)	**8,167**	(15,408)	**7,546**	(17,102)
Net income (loss) and comprehensive income (loss)	**$ 20,586**	$ (42,023)	**$ 22,449**	$ (47,889)

Fourth Quarter Summary

- Natural gas revenues for Q4 2013 increased to $5,841 thousand from $4,604 thousand for Q4 2012 due to the increase in the average natural gas sales price to $8.21/mscf in Q4 2013 from $5.63/mscf in Q4 2012 which increase was partially offset by a decrease in natural gas production to 7.7 mmscfpd from 8.9 mmscfpd in Q4 2012.

- Cash flow from operations increased to $2,962 thousand in Q4 2013 from $2,431 thousand in Q4 2012 due to the higher natural gas revenues which was partially offset by higher production expenses due to a workover program at the McCully Field in Q4 2013 and higher general and administrative expenses resulting from increased activities.

- Net income for Q4 2013 increased to $20,586 thousand from a net loss of $42,023 thousand for Q4 2012 due primarily to the reversal of impairment losses in Q4 2013 of $28,050 thousand relating to the Company's New Brunswick assets compared to an impairment loss in Q4 2012 of $56,325 thousand.

Results of Operations

Sales

	Three months ended December 31		Twelve months ended December 31	
thousands of dollars	**2013**	2012	**2013**	2012
Natural gas	**$ 5,841**	$ 4,604	**$ 20,346**	$ 13,345
Condensate	**42**	76	**255**	288
Natural gas and gas liquids revenues	**5,883**	4,680	**20,601**	13,633
Gathering, processing & transportation fees	**204**	282	**1,018**	1,162
	$ 6,087	$ 4,962	**$ 21,619**	$ 14,795

Production volumes and pricing

	Three months ended December 31		Twelve months ended December 31	
	2013	2012	**2013**	2012
Total volumes				
Natural gas production (mmscf)	**712**	818	**2,945**	3,293
Condensate production (bbl)	**619**	726	**2,542**	2,691
Daily production averages				
Natural gas production per day (mmscfpd)	**7.7**	8.9	**8.1**	9.0
Condensate production per day (bblpd)	**6.7**	7.9	**6.9**	7.4
Average prices				
Natural gas selling price ($/mscf)	**$ 8.21**	$ 5.63	**$ 6.91**	$ 4.05
Condensate selling price ($/bbl)	**$ 110.04**	$ 104.68	**$ 106.66**	$ 107.02

Natural gas revenues increased to $5,841 thousand in Q4 2013 from $4,604 thousand in Q4 2012 due to the increase in the average natural gas sales price to $8.21/mscf in Q4 2013 from $5.63/mscf in Q4 2012 which increase was partially offset by the decrease in the average daily natural gas production to 7.7 mmscfpd in Q4 2013 from 8.9 mmscfpd in Q4 2012.

Natural gas revenues increased for the year ended December 31, 2013 to $20,346 thousand from $13,345 thousand for the year ended December 31, 2012 due to the increase in the average natural gas sales price to $6.91/mscf for the year ended December 31, 2013 from $4.05/mscf for the year ended December 31, 2012. This increase was partially offset by a reduction in the average daily gas production to 8.1 mmscfpd for the year ended December 31, 2013 from 9.0 mmscfpd for the year ended December 31, 2012. However, the decrease in natural gas production in 2013 was mitigated by field optimization efforts during the year which has lessened the rate of decline previously experienced and has resulted in an increase in the ultimate recovery of natural gas from the McCully Field. The decrease in production for the three and twelve months ended December 31, 2013 is due to the decreased drilling activities at the McCully Field since 2009 following decreases in natural gas prices.

Natural gas revenues for Q4 2013 were higher by $1.2 million compared to the latest forecast due to the higher than expected average natural gas price of $8.21/mscf. Natural gas production for the year ended December 31, 2013 was higher than Corridor's latest forecast of 8.0 mmscfpd due to the ongoing well optimization efforts in Q4 2013.

Outlook

Corridor estimates total revenues of approximately $26.5 million for 2014 due to higher expected natural gas sales prices. The Company's 2014 budget for revenues is based on an estimated average natural gas sales price of approximately $8.75/mscf and an estimated average net daily gas production of 8.0 mmscfpd. The average natural gas sales price is based on an exchange rate estimate of $0.95 U.S. per Canadian dollar, an estimated Henry Hub price of $US4.75/mmbtu and an average premium at AGT of $US3.10/mmbtu. The 2014 average natural gas price incorporates the following forward sales of Corridor's natural gas production:

- 3,000 mmbtupd from January 1, 2014 to March 31, 2014 at an average price of $US9.03/mmbtu;
- 2,370 mmbtupd from January 1, 2014 to February 28, 2014 at an average price of $US15.50/mmbtu;
- 2,258 mmbtupd from March 1, 2014 to March 31, 2014 at an average price of $US10.76/mmbtu; and
- 4,000 mmbtupd from November 1, 2014 to December 31, 2014 at an average price of $US11.74/mmbtu.

Gathering, processing and transportation fees

	Three months ended December 31		Twelve months ended December 31	
thousands of dollars	**2013**	2012	**2013**	2012
Gathering, processing and transportation fees	**$ 204**	$ 282	**$ 1,018**	$ 1,162

Corridor owns the midstream facilities which process and transport gas from the McCully Field to the Maritimes and Northeast Pipeline ("M&NP"). Third party gas flowing through these facilities, which currently is Potash Corporation of Saskatchewan's ("PCS") share of gas from the McCully Field, is charged a cost of service. The decrease in the gathering, processing and transportation ("GPT") fees to $204 thousand in Q4 2013 from $282 thousand in Q4 2012 and to $1,018 thousand for the year ended December 31, 2013 from $1,162 thousand for the year ended December 31, 2012 reflects a decrease in PCS' share of production going through the midstream facilities due to the decreased overall production from the McCully Field. The GPT fees for the three and twelve months ended December 31, 2013 were consistent with the latest forecast.

Outlook

Corridor's 2014 budget for GPT fees from PCS' share of production is approximately $650 thousand based on an average estimated gross daily gas production of 10.3 mmscfpd for 2014.

Royalty Expense

	Three months ended December 31		Twelve months ended December 31	
thousands of dollars	**2013**	2012	**2013**	2012
Crown royalties	**$ 247**	$ 50	**$ 740**	$ 58
Royalty expense per mscf ($/mscf)	**$ 0.35**	$ 0.06	**$ 0.25**	$ 0.02
Percentage of natural gas and gas liquids revenues	**4.2%**	1.1%	**3.6%**	0.4%

Corridor currently pays a royalty rate of 10% calculated based on the net amount of revenues after deductions for processing and transportation and a recovery of capital costs. The increase in the royalty expense to $247 thousand in Q4 2013 from $50 thousand in Q4 2012 and to $740 thousand for the year ended December 31, 2013 from $58 thousand for the year ended December 31, 2012 is due to the significant increase in the natural gas sales resulting from higher natural gas prices.

Outlook

An effective royalty rate of approximately 4.0% is budgeted for 2014.

While the Company reached a settlement in 2011 with the New Brunswick Department of Finance in respect of royalty payments for the periods from April 2003 to October 2009, discussions continue relating to the calculation of the royalty payments for the periods subsequent to October 2009. The Company has not made any provision for additional royalty payments as the royalty amounts payable during this period were based on management's best estimate.

During the year, the Government of New Brunswick introduced a new two-tier royalty regime which is expected to be effective April 1, 2014. The regime proposes a change in the basic royalty payable from the existing 10% of the actual selling price or fair market value of production to the greater of a 4% basic royalty calculated on the wellhead revenues and a 2% minimum royalty calculated on gross revenues. After the Company has recovered all costs and begins to make a

profit, the royalty rate will increase to 25%. The Company will continue to evaluate the impact of this new regime on Corridor's future financial results as further details become available.

Transportation Expense

thousands of dollars	**Three months ended December 31**		**Twelve months ended December 31**	
	2013	2012	**2013**	2012
Transportation expense	**$ 973**	$ 1,037	**$ 3,799**	$ 4,074
Transportation expense per mscf ($/mscf)	**$ 1.37**	$ 1.27	**$ 1.29**	$ 1.24

Transportation expense decreased to $973 thousand for Q4 2013 from $1,037 thousand for Q4 2012 and to $3,799 thousand for the year ended December 31, 2013 from $4,074 thousand for the year ended December 31, 2012 due to the decrease in natural gas production. The decrease in transportation expense for the three and twelve months ended December 31, 2013 was partially offset by a stronger U.S. dollar, additional interruptible transportation at a higher cost and a new transportation charge on the Algonquin pipeline to access the new Algonquin city-gate pricing point. As a result, transportation expense per mscf for the year ended December 31, 2013 increased to $1.29/mscf from $1.24/mscf for the year ended December 31, 2012. The transportation expense of $1.29/mscf for the year ended December 31, 2013 was consistent with the latest forecast.

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

Outlook

The budget for transportation expense for 2014 of $1.40/mscf is based on an average estimated net daily gas production of 8.0 mmscfpd for 2014 and transportation agreements in place to purchase transportation on the Canadian side of the M&NP from January 1, 2014 to December 31, 2014. The increase in the expected transportation expense per mscf to $1.40/mscf from $1.29/mscf is due to the stronger expected U.S. dollar in 2014 and to the lower discount included in the existing 2014 transportation agreements.

Production Expense

thousands of dollars	**Three months ended December 31**		**Twelve months ended December 31**	
	2013	2012	**2013**	2012
Gross production expense	**$ 1,152**	$ 894	**$ 3,904**	$ 3,584
Third party recoveries	**(118)**	(179)	**(542)**	(602)
Net production expense	**$ 1,034**	$ 715	**$ 3,362**	$ 2,982
Net production expense per mscf ($/mscf)	**$ 1.45**	$ 0.87	**$ 1.14**	$ 0.91

Gross production expense for Q4 2013 increased to $1,152 thousand from $894 thousand for Q4 2012 and to $3,904 thousand for the year ended December 31, 2013, from $3,584 thousand for the year ended December 31, 2012 due to a workover program conducted at the McCully Field in Q4 2013 and increased costs related to well optimization efforts.

Net production expense per mscf of $1.14/mscf for the year ended December 31, 2013 is lower than the most recent forecast of $1.17/mscf due to a change in the nature of some workover activities in Q4 2013 which resulted in lower production expenses but higher capital expenses and due to higher than expected natural gas production in Q4 2013.

Outlook

Net production expense of approximately $1.45/mscf is budgeted for 2014 based on an average estimated net daily gas production of 8.0 mmscfpd for 2014. The increase in the expected net production expense to $1.45/mscf from $1.14/mscf in 2013 is due to a planned workover and evaluation program at the McCully Field in 2014 at an estimated cost of $700 thousand.

Depletion, Depreciation and Amortization

thousands of dollars	**Three months ended December 31** **2013**	2012	**Twelve months ended December 31** **2013**	2012
Depletion, depreciation and amortization	**$ 2,046**	$ 2,979	**$ 8,631**	$ 11,254
Depletion, depreciation and amortization per mscf ($/mscf)	**$ 3.22**	$ 4.09	**$ 3.29**	$ 3.86

Depletion expense is calculated using the unit-of-production method which is based on production volumes (excluding penalty wells) in relation to the proved reserves base. The decrease in depletion, depreciation and amortization ("DD&A") expense for Q4 2013 to $2,046 thousand from $2,979 thousand in Q4 2012 and to $8,631 thousand for the year ended December 31, 2013 from $11,254 thousand for the year ended December 31, 2012 is primarily due to the decrease in natural gas production in 2013 and the decrease in the net book value of the depletion asset base following the Q4 2012 impairment charge of $44,432 thousand.

In its December 31, 2013 reserves report in respect of the McCully Field, GLJ Petroleum Consultants Ltd. ("GLJ") increased the estimated future development costs relating to the development of proved reserves to $108,126 thousand from $96,708 thousand in 2012 and increased the estimate of gross proved natural gas reserves by 5.5 bscf to 60.5 bscf.

The DD&A rate per mscf for 2013 of $3.29/mscf is consistent with the latest forecast.

Outlook

The Company's budget for the DD&A rate per mscf for 2014 is approximately $3.95/mscf based on the estimated gross proved natural gas reserves of 60.5 bscf, future development costs of $108,126 thousand, budgeted 2014 capital expenditures of $27.2 million and an average estimated net daily gas production of 8.0 mmscfpd for 2014.

General and Administrative Expenses

thousands of dollars	**Three months ended December 31** **2013**	2012	**Twelve months ended December 31** **2013**	2012
Gross expenses	**$ 1,039**	$ 774	**$ 3,365**	$ 3,380
Capitalized overhead	**(80)**	(91)	**(341)**	(350)
Operator recoveries	**(3)**	(1)	**(5)**	(9)
Net expenses	**$ 956**	$ 682	**$ 3,019**	$ 3,021

Gross general and administrative expenses ("G&A") increased to $1,039 thousand in Q4 2013 from $774 thousand during Q4 2012 due to an increase in the use of consultants required for the planning of the 2014 program at the McCully Field and increased legal expenses relating to the Anticosti joint venture. The increased gross G&A expenses in Q4 2013 offset the lower gross G&A experienced up to that date and as a result, gross G&A of $3,365 thousand for the year ended December 31, 2013 was consistent with the prior year.

Outlook

Gross G&A of approximately $3,700 thousand is budgeted for 2014 primarily to reflect the increase in the use of consultants to prepare for the 2014 well re-entry and fracturing program at the McCully Field.

Share-based Compensation

thousands of dollars	**Three months ended December 31** **2013**	2012	**Twelve months ended December 31** **2013**	2012
Share-based compensation	**$ 153**	$ 297	**$ 149**	$ 1,554

The decrease in share-based compensation expense to $153 thousand for Q4 2013 from $297 thousand for Q4 2012 and to $149 thousand for the year ended December 31, 2013 from $1,554 thousand for the year ended December 31, 2012 is due to the decline in the fair value of stock options granted in 2013 compared to 2012. The decrease for the year ended December 31, 2013 is also due to the surrender of 1,514 thousand stock options in Q1 2013 which resulted in a reversal of approximately $500 thousand of previously expensed share-based compensation in Q1 2013.

Outlook

Corridor's estimate of the 2014 share-based compensation expense is approximately $400 thousand.

Deferred Income Taxes

thousands of dollars	**Three months ended December 31** **2013**	2012	**Twelve months ended December 31** **2013**	2012
Deferred income tax expense (recovery)	**$ 8,167**	$ (15,408)	**$ 7,546**	$ (17,102)
Effective tax rate	**28.4%**	26.8%	**25.2%**	26.3%
Canadian statutory income tax rate	**27.5%**	26.75%	**27.5%**	26.75%

The decrease in the effective tax rate for the year ended December 31, 2013 compared to the year ended December 31, 2012 is due to the deferred income tax recovery of $972 thousand recognized in Q2 2013 resulting from an increase in the Company's deferred income tax rate from 27% to 28.25% following an increase in New Brunswick's corporate income tax rate effective July 1, 2013. The effective tax rates were also impacted by share-based compensation expense which is a non-deductible expense for income tax purposes.

As of December 31, 2013, Corridor's income tax pools were as follows:

thousands of dollars	**December 31 2013**
Canadian exploration expense	**$ 76,949**
Canadian development expense	**75,320**
Canadian oil and natural gas property expense	**3,782**
Undepreciated capital cost	**31,135**
	$ 187,186

Outlook

Based on planned capital expenditure programs and current natural gas price assumptions, the Company does not expect to be cash taxable for the foreseeable future.

Impairment Losses (Reversal)

thousands of dollars	**Three months ended December 31** **2013**	2012	**Twelve months ended December 31** **2013**	2012
Impairment losses (reversal)	**$ (28,050)**	$ 56,325	**$ (28,050)**	$ 56,325

The Company recognized a reversal of impairment losses of $28,050 thousand for the year ended December 31, 2013 and impairment losses of $56,325 thousand for the year ended December 31, 2012 relating to the Company's New Brunswick cash generating unit ("CGU") which includes the McCully Field, a natural gas producing asset, and exploration and evaluation natural gas assets. The 2012 impairment loss was due to a decline in forecast natural gas prices. The reversal of impairment losses in 2013 is the result of an increase in forecast natural gas prices and an increase in GLJ's estimate of Corridor's proved plus probable natural gas reserves as set forth in GLJ's reserves report effective as at December 31, 2013 and as summarized in Corridor's Annual Information Form. The calculations of impairment losses and reversal of impairment losses were based on the difference between the carrying value of the New Brunswick CGU and its recoverable amount. The recoverable amount was determined using fair value less costs to sell based on after-tax future net cash flows of proved plus probable reserves using forecast prices and costs and discounted using 10%.

In 2013, the Company utilized the following benchmark prices to determine the forecast prices in the fair value calculation:

	2014	2015	2016	2017	2018	2019-2023	Thereafter
Henry Hub ($US/mmbtu)	$ 4.25	$ 4.50	$ 4.75	$ 5.00	$ 5.25	$ 5.50-$ 5.97	+2%/year
McCully ($/mscf)	$ 6.40	$ 6.69	$ 6.57	$ 5.76	$ 6.04	$ 6.19-$ 6.56	+2%/year
Exchange rate ($US/$CDN)	$ 0.95	$ 0.95	$ 0.95	$ 0.95	$ 0.95	$ 0.95	$ 0.95

The Henry Hub gas prices are adjusted to reflect the local reference price, transportation costs and heat content to arrive at the McCully gas price. The natural gas prices used in the fair value calculation were consistent with the natural gas prices used in GLJ's reserves report.

Statement of Financial Position Changes

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

- $7,500 thousand increase in cash and cash equivalents, primarily reflecting the increase in natural gas prices in 2013.
- $478 thousand increase in restricted cash reflecting a letter of credit guarantee in connection with a consolidated lease agreement.
- $1,138 thousand increase in receivables, primarily reflecting the increase in natural gas prices in December 2013 compared to December 2012.
- $20,555 thousand increase in property, plant and equipment, primarily reflecting the reversal of impairment losses of $28,050 thousand net of the depletion and depreciation expenses in 2013.
- $7,546 thousand decrease in deferred income tax assets, primarily reflecting the deferred income tax impact of $7,924 thousand on the reversal of the impairment losses of $28,050 thousand.
- $1,307 thousand increase in accounts payable and accrued liabilities, primarily reflecting increased capital expenditures in Q4 2013 compared to Q4 2012.

Capital Expenditures

	Three months ended December 31		**Twelve months ended December 31**	
thousands of dollars	**2013**	2012	**2013**	2012
Exploration activities	**$ 735**	$ 1,104	**$ 1,723**	$ 3,212
Development activities	**1,039**	-	**1,050**	64
Midstream facilities and tie-ins	**1**	-	**18**	108
Capitalized overhead	**80**	91	**341**	350
Office and other equipment	**1**	-	**6**	29
	$ 1,856	$ 1,195	**$ 3,138**	$ 3,763

The decrease in total capital expenditures to $3,138 thousand for the year ended December 31, 2013 from $3,763 thousand for the year ended December 31, 2012 is consistent with the Company's planned decrease in capital spending in 2013 as compared to 2012.

The increase to $1,856 thousand for Q4 2013 from $1,195 thousand for Q4 2012 is primarily due to a workover program aimed at increasing production at the McCully Field and front end engineering work for a planned well re-entry and fracturing program at the McCully Field in 2014. During Q4 2012, the Company incurred costs related to its exploration program on Anticosti Island, Québec with its partner, Pétrolia Inc and to the retesting of the Green Road B-41 shale gas well in Elgin, New Brunswick. Corridor was successful at removing a tool stuck in this well and freeing a section of the horizontal leg for future fracturing operations, which are currently planned in 2014.

The total capital expenditures for 2013 are slightly higher than Corridor's latest forecast due to a change in the nature of some workover activities in Q4 2013 which resulted in higher capital expenses but lower production expenses.

Outlook

Corridor's 2014 capital expenditure budget of $27.2 million relates primarily 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 will 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.

Cash Flow Summary

thousands of dollars	**Three months ended December 31** **2013**	2012	**Twelve months ended December 31** **2013**	2012
Cash provided by operating activities	**$ 1,242**	$ 2,005	**$ 9,682**	$ 5,449
Cash used by financing activities	**-**	-	**-**	(14)
Cash used in investing activities	**(968)**	(1,721)	**(2,182)**	(3,817)
Increase in cash and cash equivalents	**$ 274**	$ 284	**$ 7,500**	$ 1,618

The increase in cash provided by operating activities for the year ended December 31, 2013 compared to the year ended December 31, 2012 is primarily the result of the increase in natural gas revenues resulting from the higher natural gas prices.

Cash used in investing activities has decreased for the year ended December 31, 2013 primarily as a result of the decrease in capital spending.

Outlook

Corridor is forecasting cash flow from operations of $14 million in 2014, which is based on an estimated average natural gas sales price of approximately $8.75/mscf and an estimated average net daily gas production of 8.0 mmscfpd. The average natural gas sales price is based on an exchange rate estimate of $0.95 U.S. per Canadian dollar, an estimated Henry Hub price of $US4.75/mmbtu and an average premium at Algonquin of $US3.10/mmbtu. The 2014 estimated average natural gas price includes the impact of Corridor's forward sales of natural gas production.

Based on available working capital of $17.3 million at December 31, 2013 and Corridor's 2014 capital budget of $27.2 million, Corridor is forecasting a net positive working capital of approximately $18.0 million at December 31, 2014, with no outstanding debt. The budget assumes that the Anticosti joint venture announced on February 13, 2014 will be established and that the net cash proceeds of approximately $13.9 million will be received by Corridor on closing.

Summary of Quarterly Information

	2013				**2012**			
thousand of dollars, except per share amounts and average natural gas price	Three months ended				Three months ended			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	**Dec. 31**	Sep. 30	Jun. 30	Mar. 31
Natural gas revenues	**$ 5,841**	$ 3,041	$ 3,708	$ 7,756	**$ 4,604**	$ 2,616	$ 2,361	$ 3,764
Net income (loss)	**$ 20,586**	$ (1,036)	$ 370	$ 2,529	**$ (42,023)**	$ (1,777)	$ (2,435)	$ (1,654)
Net income (loss) per share basic and diluted	**$ 0.233**	$ (0.012)	$ 0.004	$ 0.029	**$ (0.475)**	$ (0.020)	$ (0.028)	$ (0.019)
Natural gas production (mmscf)	**712**	718	754	761	**818**	745	826	904
Average natural gas price ($/mscf)	**$ 8.21**	$ 4.23	$ 4.92	$ 10.19	**$ 5.63**	$ 3.51	$ 2.86	$ 4.16
Capital expenditures	**$ 1,856**	$ 180	$ 629	$ 473	**$ 1,195**	$ 928	$ 853	$ 787

The significant increase in natural gas sales and cash flow from operations for the three and twelve months ended December 31, 2013 is primarily the result of the increase in natural gas prices in 2013 in North America and specifically in the New England market. In Q1 2013, the average natural gas sales price increased to $10.19/mscf, the highest average natural gas price in a quarter since Q1 2009. Prior to Q1 2013, Corridor's decreased natural gas sales and cash flow from operations were primarily the result of the decrease in the average natural gas sales price from as high as $14.38/mscf in Q1 2009 to as low as $2.86/mscf in Q2 2012 and the decision by Corridor, in response to these lower prices, to decrease drilling activities at the McCully Field, which resulted in reduced capital expenditures, natural gas production and

impairment losses. However, the increase in the average natural gas price in 2013 resulted in a reversal of impairment losses of $28,050 thousand and an increase in the Company's net income to $20,586 thousand in Q4 2013.

Outstanding Share Information

As of February 28, 2014, the outstanding share information was as follows:

Common shares outstanding	**88,473,133**
Stock options to purchase common shares	**3,567,333**
Total common shares outstanding after exercise of all stock options	**92,040,466**
thousands of dollars	
Total proceeds due on exercise of all stock options	**$ 5,139**

Liquidity and Capital Resources

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

At December 31, 2013, Corridor had access to a $6 million revolving credit facility with a Canadian chartered bank. The credit facility currently provides that any principal amount outstanding from time to time under the credit facility will bear interest at the lender's prime rate plus 1% per annum, with interest payable monthly. The credit facility will mature, subject to mutual agreement to extend, on July 26, 2014 and is subject to customary terms and conditions for borrowings of this nature and secured by the Company's property, plant and equipment. The Company is in compliance with all material terms of the agreements governing the credit facility.

The credit currently available to the Company is in part determined by the Company's borrowing base which is largely dependant on the Company's reserves. If, at any time during the term of the credit facility, the lender has reason to believe that the borrowing base has materially declined below the $6 million credit facility, the lender can recalculate the Company's borrowing base and could, as a result, decrease the credit currently available to the Company. As of the date hereof, no amounts were drawn on this credit facility and $6 million remained available thereunder.

At this time, Corridor does not intend to access its credit facility in 2014 consistent with the Company's 2014 budget. The 2014 budget assumes that, other than the net cash proceeds of approximately $13.9 million expected on the closing of the Anticosti joint venture, no additional funds will be utilized from other sources such as equity financings, corporate debt or asset sales.

The Company has sufficient financial resources to undertake its planned activities for 2014, subject to the qualifications described. However, Corridor does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties. Future exploration and development of the Company's properties will depend, therefore, on the Company's cash flow from operations and its ability to obtain additional financing through joint ventures, debt financings, equity financings or other means. Failure to obtain any financing necessary for Corridor's capital expenditure plans may result in a delay in development or production on Corridor's properties.

Corridor's short-term investments consist of bank deposits with 90 days or less to maturity.

Contractual Obligations

As of December 31, 2013, Corridor had the following contractual obligations and commitments:

thousands of dollars	**Total**	2014	2015	2016	2017	2018	Thereafter
Transportation commitments	**$ 2,810**	$ 1,617	$ 1,193	$ -	$ -	$ -	$ -
Operating leases	**2,618**	659	663	431	371	322	172
Decommissioning liabilities	**16,058**	-	163	-	-	-	15,895
	$ 21,486	$ 2,276	$ 2,019	$ 431	$ 371	$ 322	$ 16,067

Given the Company's available liquid resources and the Company's 2014 budget, management expects to have sufficient available funds to meet the current and foreseeable contractual obligations and commitments.

Related Party Transactions

A director of Corridor is a partner in a law firm that provides legal services which amounted to $27 thousand and $88 thousand for the three and twelve months ended December 31, 2013 (three and twelve months ended December 31, 2012 - $20 thousand and $59 thousand). The amounts paid are recorded at the amount agreed to between the parties and approximate fair value.

Internal Controls over Financial Reporting

The President and the Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109").

As of the year ended December 31, 2013, an evaluation of the effectiveness of Corridor's disclosure controls and procedures, as defined by NI 52-109, was performed. Based on that evaluation, each of the President and the Chief Financial Officer of Corridor has concluded that the disclosure controls and procedures are effective and provide reasonable assurance that material information was made known to them and recorded, processed, summarized and reported within the time periods required particularly during the period in which the annual filings are being prepared.

The President and the Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting to a standard which provides reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

The President and the Chief Financial Officer evaluated the effectiveness of Corridor's internal controls over financial reporting and concluded that the Company's internal controls over financial reporting are effective as at December 31, 2013. In making its assessment, management used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework in *Internal Control – Integrated Framework*.

During the year ended December 31, 2013, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to affect, the Company's internal control over financial reporting.

Critical Accounting Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingencies and commitments. Actual results could differ materially from those estimates. The Company has identified the following significant critical accounting estimates.

Depletion

Capitalized costs, estimated future development costs to develop proved reserves and asset retirement costs are depleted based on estimated proved natural gas reserves. Changes in proved reserves estimates could materially impact future depletion expense.

Asset Impairments

Determination as to whether and how much an asset is impaired, or no longer impaired, involves management estimates on highly uncertain matters such as future commodity prices, discount rates, production, operating costs, future capital costs

and reserves. Changes in circumstances may impact these estimates which may impact the recoverable amount of assets. An impairment loss or reversal of impairment loss could have a material financial impact in future periods but future depletion expense would be impacted as a result.

For the year ended December 31, 2013, the Company recognized a reversal of impairment losses of $28,050 thousand relating to the Company's New Brunswick CGU. The recoverable amount was determined using fair value less costs to sell based on after-tax future net cash flows of proved plus probable reserves using forecast prices and costs and discounted using 10%. The discount rate is based on Corridor's post-tax weighted average cost of capital and is consistent with Corridor's peer group.

The following table demonstrates the impact on the reversal of impairment losses for the year ended December 31, 2013 of a one percent change in the discount rate:

(thousands of dollars)

	2013	
	1% rate increase	1% rate decrease
Increase (decrease) in reversal of impairment losses	$ (9,924)	$ 11,313

Decommissioning Liabilities

The decommissioning liability is measured based on the estimated cost of abandonment discounted to its net present value. The determination of decommissioning liabilities requires the recalculation of the decommissioning liability and related asset at each Statement of financial position date using a current discount rate. Future changes in interest rates, or in the assumptions relating to the expected timing of the future abandonment costs, could result in a material change in the decommissioning liability and related asset. As a result, there could be significant adjustments to the provisions established which could materially affect future financial results.

Contingent Liabilities

Provisions for contingent liabilities are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the obligation can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation and are discounted to present value when the effect is material. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Business Conditions and Risks

An overview of the industry conditions in which the Company operates is set forth in the Annual Information Form under the heading "Industry Conditions".

The following is a summary of certain risk factors and should not be construed as exhaustive. There are numerous factors both known and unknown, that could cause actual results or events to differ materially from forecast results. Additional risk factors are included in the Annual Information Form under the heading "Risk Factors" and include, hydraulic fracturing, third party risk, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, risks may not be insurable, variations in exchange rates, expiration of licenses and leases, development and/or acquisition of oil and natural gas properties, trading of common shares, seasonality, competition, management of growth, conflicts of interest, issuance of debt, title to properties, and hedging.

Risks Associated with Oil and Gas Exploration

There can be no assurance that commercial quantities of hydrocarbons will be recovered by Corridor in the future. Natural gas and oil exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by the Company will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. In addition, hazards such as unusual or unexpected formations, pressures or other conditions are involved in drilling and operating wells.

The Company currently has a number of specific identified exploration and development prospects. Management will continue to evaluate prospects on an ongoing basis in a manner consistent with industry standards and their past practices. The long

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

Substantial Capital Requirements and Financing

Substantial capital expenditures are required to finance the exploration, development and production of the Company's natural gas and oil properties. The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties. The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. If the Company's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects. For more information please refer to "*Liquidity and Capital Resources*".

Volatility of Natural Gas and Oil Prices

The Company's revenues, profitability and future growth and the carrying value of its properties are substantially dependent on prevailing prices of gas and oil. Fluctuations in natural gas or oil prices could have an adverse effect on the Company's operations and financial condition and the value and amount of its reserves. Prices for natural gas fluctuate in response to changes in the supply of and demand for natural gas and oil, market uncertainty and a variety of additional factors beyond the Company's control. Natural gas prices are affected primarily by supply and demand, weather conditions and by prices of alternate sources of energy (including refined product, coal, and renewable energy initiatives). A substantial or extended decline in the price of natural gas or a continued low price environment for natural gas could result in a delay or cancellation of existing or future drilling, development programs or curtailment in production or could result in unutilized transportation commitments, all of which could have an adverse effect on the Company's carrying value of its proved reserves, borrowing capacity, revenues, profitability and cash flows from operations. In addition, a decline in the price of natural gas may result in Corridor having to impair, as a non-cash charge to earnings, the carrying value of its oil and gas properties.

Government Regulation

The oil and natural gas industry (exploration, production, pricing, marketing and transportation) is subject to extensive controls and regulations imposed by various levels of government. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Company's costs, any of which may have a material adverse effect on the Company's intended business, financial condition and results of operations. The Company's operations require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development on its properties. It is not expected that any of these controls or regulations will affect the operations of the Company in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted. However, such legislation may have a material adverse effect on the business, financial condition, results of operations and cash flows of the Company. In New Brunswick, the Government is committed to the development of the Province's 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 Québec's Bureau d'audiences publiques sur l'environnement ("**BAPE**"), including the main recommendation that a strategic environmental assessment on shale gas development be performed. Corridor's interests in Québec are limited to Anticosti Island and the Old Harry prospect. In respect of Anticosti Island, 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.

Environmental

All phases of the natural gas and liquids businesses are subject to environmental regulation pursuant to a variety of federal, provincial and municipal laws and regulations (collectively, "environmental legislation"). Environmental legislation imposes,

among other things, restrictions, liabilities and obligations in connection with the use, generation, handling, storage, transportation, treatment and disposal of chemicals, hazardous substances and waste associated with the finding, production, transmission and storage of the Company's products including the hydraulic fracturing of wells, the decommissioning of facilities and in connection with spills, releases and emissions of various substances to the environment. It also imposes restrictions, liabilities and obligations in connection with the management of fresh or potable water sources that are being used, or whose use is contemplated, in connection with natural gas and oil operations. Environmental legislation also requires that wells, facility sites and other properties associated with the Company's operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, certain types of operations, including exploration and development projects and changes to certain existing projects, may require the submission and approval of environmental impact assessments or permit applications. Compliance with environmental legislation can require significant expenditures, including expenditures for clean-up costs and damages arising out of contaminated properties and failure to comply with environmental legislation may result in the imposition of fines and penalties.

A number of federal and provincial governments have announced intentions to regulate greenhouse gases and certain air pollutants. The direct and indirect costs of the various greenhouse gas regulations, existing and proposed, may adversely affect the Company's business, operations and financial results. Equipment that meets future emission standards may not be available on an economic basis and other compliance methods to reduce the Company's emissions or emissions intensity to future required levels may significantly increase operating costs or reduce the output of the projects. Offset, performance or fund credits may not be available for acquisition or may not be available on an economic basis. Any failure to meet emission reduction compliance obligations may materially adversely affect Corridor's business and result in fines, penalties and the suspension of operations. There is also a risk that one or more levels of government could impose additional emissions or emissions intensity reduction requirements or taxes on emissions created by Corridor or by consumers of Corridor's products. The imposition of such measures might negatively affect Corridor's costs and prices for Corridor's products and have an adverse effect on earnings and results of operations.

Future federal legislation, including the implementation of potential international requirements enacted under Canadian law, as well as provincial emissions reduction requirements, may require the reduction of GHG or other industrial air emissions, or emissions intensity, from 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 the Company and it is possible that such legislation may have a material adverse effect on its business, financial condition, results of operations and cash flows.

Reserves Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves, including many factors beyond the Company's control. The reserve and associated cash flow information of the Company represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves 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 are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves 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 Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

In accordance with applicable securities laws, GLJ has used forecast price and cost estimates in calculating reserves. 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 and oil 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 will be reduced to the extent that such activities do not achieve the level of success assumed in such report.

Management's Report

The accompanying financial statements are the responsibility of management. The financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include amounts based on management's best estimates and judgments. If alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances.

Management of the Company has established and maintains a system of internal control that provides reasonable assurance as to the integrity of the financial statements and the safeguarding of the Company's assets.

The Board of Directors, through its Audit Committee, oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The financial statements have been approved by the Board of Directors on recommendation from the Audit Committee. The external auditors have full and free access to the Audit Committee.

PricewaterhouseCoopers LLP has been appointed to serve as the Company's external auditors. They have examined the financial statements and the Company's internal control over financial reporting and provided their auditor's report.

March 25, 2014

Signed *"Phillip R. Knoll"*
Phillip R. Knoll
President and Chief Executive Officer

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

March 25, 2014

Independent Auditor's Report

To the Shareholder of Corridor Resources Inc.

We have audited the accompanying financial statements of Corridor Resources Inc., which comprise the statements of financial position as at December 31, 2013 and December 31, 2012 and the statements of Income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Corridor Resources Inc. as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) *"PricewaterhouseCoopers LLP"*

Chartered Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Statements of Income (Loss) and Comprehensive Income (Loss)

(thousands of dollars, except per share data)

For the years ended December 31	**2013**	2012
Sales *(note 6)*	**$ 21,619**	$ 14,795
Royalty expense	**(740)**	(58)
Revenues, net	**20,879**	14,737
Expenses		
Depletion, depreciation and amortization	**8,631**	11,254
Transportation expense	**3,799**	4,074
Production expense *(note 7)*	**3,362**	2,982
General and administrative expenses *(note 7)*	**3,019**	3,021
Share-based compensation expense *(note 18)*	**149**	1,554
Impairment losses (reversal) *(notes 11 and 13)*	**(28,050)**	56,325
Loss on sale and write-down of inventory *(note 10)*	**-**	190
Write-off of exploration and evaluation assets *(note 13)*	**12**	72
Capital tax expense	**-**	20
	(9,078)	79,492
Income (loss) before the following items	**29,957**	(64,755)
Interest and finance costs	**240**	260
Foreign exchange losses (gains)	**(120)**	73
Interest and other income	**(158)**	(97)
Income (loss) before income taxes	**29,995**	(64,991)
Deferred income tax expense (recovery) *(note 8)*	**7,546**	(17,102)
Net income (loss) and comprehensive income (loss)	**$ 22,449**	$ (47,889)
Net income (loss) per share – basic and diluted	**$ 0.254**	$ (0.541)
Weighted average number of common shares		
Basic	**88,464**	88,464
Diluted *(note 5)*	**88,550**	88,464

See accompanying notes to the financial statements.

Statements of Financial Position

(thousands of dollars) As at December 31	**2013**	2012
Assets		
Current assets		
Cash and cash equivalents	**$ 15,514**	$ 8,014
Restricted cash *(note 22 b)*	**1,128**	650
Receivables *(notes 9 & 20 a i)*	**3,227**	2,089
Inventory *(note 10)*	**-**	737
Capital taxes receivable	**10**	25
Prepaids and security deposits	**186**	184
	20,065	11,699
Non-current assets		
Property, plant and equipment *(notes 11 & 16)*	**120,456**	99,901
Exploration and evaluation assets *(note 13)*	**24,925**	22,969
Deferred income tax assets *(note 8)*	**13,515**	21,061
Investment tax credits	**1,673**	1,671
Intangible assets *(note 12)*	**248**	297
Restricted cash *(note 22 b)*	**380**	380
Total assets	**$ 181,262**	$ 157,978
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities *(note 14)*	**$ 2,769**	$ 1,462
Non-current liabilities		
Decommissioning liability *(note 15)*	**7,094**	7,715
Total liabilities	**9,863**	9,177
Shareholders' Equity		
Capital stock *(note 17)*	**247,496**	247,496
Contributed surplus	**9,655**	9,506
Deficit	**(85,752)**	(108,201)
Total shareholders' equity	**171,399**	148,801
Total liabilities and shareholders' equity	**$ 181,262**	$ 157,978

See accompanying notes to the financial statements.

Commitments *(note 22)*
Contingencies *(note 23)*
Subsequent events *(note 24)*

On behalf of the Board

Signed *"Phillip R. Knoll"* Director   Signed "*Robert D. Penner"* Director

Statements of Changes in Shareholders' Equity

(thousands of dollars)

For the years ended December 31	**2013**	2012
Capital stock, beginning and end of year *(note 17)*	**$ 247,496**	$ 247,496
Contributed surplus, beginning of year	**$ 9,506**	$ 7,952
Share-based compensation expense *(note 18)*	**149**	1,554
Contributed surplus, end of year	**$ 9,655**	$ 9,506
Deficit, beginning of year	**$ (108,201)**	$ (60,312)
Net income (loss) and comprehensive income (loss)	**22,449**	(47,889)
Deficit, end of year	**$ (85,752)**	$ (108,201)
Shareholders' equity, end of year	**$ 171,399**	$ 148,801

See accompanying notes to the financial statements.

Statements of Cash Flows

(thousands of dollars)

For the years ended December 31	**2013**	2012
Operating Activities		
Net income (loss)	**$ 22,449**	$ (47,889)
Adjustments not affecting cash:		
Depletion, depreciation and amortization	**8,631**	11,254
Share-based compensation expense	**149**	1,554
Write-downs of assets and impairment losses (reversal)	**(28,038)**	56,587
Deferred income tax expense (recovery)	**7,546**	(17,102)
Other operating activities	**197**	191
	10,934	4,595
Decrease (increase) in non-cash operating working capital *(note 19)*	**(1,252)**	854
Cash provided by operating activities	**9,682**	5,449
Financing Activities		
Other financing activities	**-**	(14)
Cash used in financing activities	**-**	(14)
Investing Activities		
Exploration and evaluation expenditures	**(2,064)**	(3,562)
Property, plant and equipment expenditures	**(1,074)**	(201)
Proceeds from sale of inventory	**-**	31
Decrease (increase) in restricted cash	**(478)**	1,500
Decrease (increase) in non-cash investing working capital *(note 19)*	**1,434**	(1,585)
Cash used in investing activities	**(2,182)**	(3,817)
Increase in cash and cash equivalents	**7,500**	1,618
Cash and cash equivalents, beginning of year	**8,014**	6,396
Cash and cash equivalents, end of year	**$ 15,514**	$ 8,014
Cash and cash equivalents consists of:		
Cash	**$ 5,892**	$ 2,964
Short-term investments	**9,622**	5,050
Cash and cash equivalents, end of year	**$ 15,514**	$ 8,014

See accompanying notes to the financial statements.

Notes to the Financial Statements
Years ended December 31, 2013 and 2012

1. Nature of operations

Corridor Resources Inc. (“Corridor” or the “Company”) is an Eastern Canadian junior resource company engaged in the exploration for and development and production of petroleum and natural gas onshore in New Brunswick and Québec and offshore in the Gulf of St. Lawrence. Corridor is a public company incorporated under the Alberta Business Corporations Act with common shares listed on the Toronto Stock Exchange under the symbol "CDH". Corridor’s head office is located at 5475 Spring Garden Road, Halifax, Nova Scotia, B3J 3T2.

2. Basis of preparation and adoption of IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

On March 25, 2014, the financials statements were approved by the Board of Directors and signed by the chair of the Audit Committee and the President and Chief Executive Officer.

3. Significant accounting policies

The financial statements have been prepared by management using the following IFRS accounting policies. The accounting policies have been applied consistently for all periods presented in these financial statements.

a) Basis of measurement

These financial statements are prepared on a going concern basis under the historical cost basis. These financial statements are presented in Canadian dollars, the Company’s functional currency, with all information presented in thousands of Canadian dollars, except where otherwise indicated.

b) Exploration and evaluation assets

Once the legal right to explore has been acquired, costs directly associated with an exploration activity are capitalized as exploration and evaluation intangible assets and grouped by licensed exploration area. Capitalized costs include lease acquisition costs, geological and geophysical expenses, the portion of general and administrative expenses directly related to exploration activities and costs of drilling both productive and non-productive wells. Costs are capitalized until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and the presence of reserves has been established, after which capitalized costs are transferred to oil and gas properties after being assessed for impairment.

All exploration and evaluation assets are subject to a review for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Exploration and evaluation assets are assessed for impairment based on a technical, commercial and management review. When the Company believes that exploration and evaluation assets are no longer viable for future economic development the assets are written-off to the Statement of Income and Comprehensive Income.

Exploration and evaluation assets are not depleted.

c) Oil and gas properties

Oil and gas properties are stated at cost, less accumulated depletion and accumulated impairment losses. The costs of drilling development wells, including unsuccessful development or delineation wells, are capitalized within oil and gas properties in property, plant and equipment. Capitalized costs consist of the purchase price or construction cost including any costs directly attributable to bringing the well into operation, the present value of the estimated decommissioning obligation and borrowing costs for qualifying assets.

Once commercial production has commenced, depletion of oil and gas properties is calculated using the unit-of-production basis over the estimated proved reserves before royalties, as determined by qualified independent reserves engineers. Depletion is calculated at the field level and takes into account expenditures incurred to date together with future development expenditures to develop the proved reserves.

3. Significant accounting policies (continued)

When an asset in oil and gas properties is disposed of the carrying amount of the asset is derecognized with any gain or loss recorded in the Statement of Income and Comprehensive Income.

d) Property, plant and equipment

The initial costs of property, plant and equipment consist of its purchase price or construction cost, the present value of the estimated decommissioning obligation and borrowing costs for qualifying assets.

Inventories held for exploration and development activities are capitalized in property, plant and equipment and stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price less applicable selling expenses.

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses, and is depreciated using the following methods and estimated useful lives:

Asset	Method	Basis
Buildings	Declining Balance	4%
Equipment and furniture	Declining Balance	10% - 30%
Computer hardware and software	Declining Balance	30% - 50%
Vehicles	Declining Balance	30%
Production facilities	Unit of Production	Proved reserves

Depreciation rates and useful lives are reviewed on an annual basis.

Expenditures on major turnarounds, inspections or repairs consist of the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Costs associated with turnarounds are capitalized and amortized over the period to the next turnaround. Maintenance costs associated with routine maintenance are expensed as incurred.

When an asset in property, plant and equipment is disposed of the carrying amount of the asset is derecognized with any gain or loss recorded in the Statement of Income and Comprehensive Income.

e) Joint arrangements

Corridor has joint arrangements with Potash Corporation of Saskatchewan Inc. ("PCS") and Petrolia Inc. ("Petrolia"). As of December 31, 2013, Corridor and PCS jointly own 22 of the 39 wells drilled in the McCully Field in New Brunswick and Corridor has interests averaging 58% in more than 30 exploration licenses on Anticosti Island with the remaining 42% held by Petrolia. The Company only accounts for its share of the jointly controlled assets and liabilities and revenues and expenses incurred in relation to Corridor's interest in the jointly held assets. These financial statements reflect only the Company's proportionate share in those activities.

f) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. A CGU includes a group of assets that generates cash flows that are largely independent of the cash inflows from other groups of assets. A CGU may also include certain aggregated exploration and evaluation assets. If any indication of impairment exists, the Company estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount with the impairment loss recognized in the Statement of Income and Comprehensive Income.

A previously recognized impairment loss is reversed if there has been a change in the assumptions used to determine the asset's or CGU's recoverable amount when the impairment loss was initially recognized. However, the amount of the impairment loss reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been recognized, net of depletion, depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Any reversal of previously recognized impairment losses is recognized in the Statement of Income and Comprehensive Income.

3. Significant accounting policies (continued)

g) Investment tax credits

Investment tax credits are accrued when the Company has made the qualifying expenditures and there is reasonable assurance that the credits will be realized. Investment tax credits are deducted from the related qualifying assets with depletion calculated on the net amount.

h) Intangible assets

Intangible assets consist of computer software and are carried at cost, less accumulated amortization and less any accumulated impairment losses. Intangible assets are depreciated on a straight line basis over the estimated useful life of ten years.

i) Revenue recognition

Revenue from the sale of natural gas is recognized when the title passes to the customer and delivery has taken place. Revenue reported represents only the Company's share of the joint operations and is shown net of royalties. Natural gas liquids revenue is recognized when delivery has taken place. Other revenue is recognized in the period that the service is provided.

j) Share-based compensation

The Company records share-based compensation expense for stock options granted to directors, officers, employees and consultants using the fair value method. The fair value of each vesting installment of the stock options granted is determined using the Black-Scholes option pricing model. Share-based compensation expense is calculated over the vesting period based on the number of stock options expected to vest. Forfeiture estimates are based on historical information and reviewed at each reporting date, with any impact recognized immediately in the Statement of Income and Comprehensive Income. Share-based compensation expense is recorded in the Statement of Income and Comprehensive Income with a corresponding increase to contributed surplus. When stock options are exercised the consideration received and the amount previously recognized in contributed surplus are recorded as an increase to capital stock.

k) Current taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities using income tax rates that are enacted or substantively enacted at the reporting date.

l) Deferred taxes

Deferred income tax is recorded using the liability method of accounting. Deferred income tax is recognized for the temporary differences between the tax basis and carrying value of assets and liabilities. Deferred income tax is measured using the enacted or substantively enacted tax rates expected to be in effect when the deferred income tax assets are estimated to be realized or the deferred income tax liabilities are estimated to be settled. Deferred income tax assets are recognized to the extent future recovery is probable. The effect of a change in income tax rates that are substantively enacted is recognized in the Statement of Income and Comprehensive Income in the period the change occurs. Deferred income tax assets and liabilities are presented as non-current. Deferred income tax relating to items recognized directly in equity is recognized in equity.

m) Earnings per share

Earnings per share amounts are calculated based on the weighted-average number of common shares outstanding during the year. Diluted earnings per share are calculated giving effect to the potential dilution that would occur if the stock options were exercised, using the treasury stock method. This method assumes that the proceeds received upon exercise of all outstanding stock options, with an exercise price below the average market price, would be used to repurchase the Company's common shares at the average market price for the period.

n) Operating segment

In measuring performance, Corridor does not distinguish or group its operations on a geographic or any other basis, and accordingly, results have been aggregated into a single reportable segment.

3. Significant accounting policies (continued)

o) Foreign currency translation

Foreign currency transactions are translated using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the date of the Statement of Financial Position. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities at the Statement of Financial Position date are recognized in the Statement of Income and Comprehensive Income.

p) Financial assets and liabilities

All financial instruments, including derivatives and embedded derivatives in certain contracts, must initially be recognized on the Statement of Financial Position at fair value which is based on the following hierarchy:

-Level 1 - quoted prices in active markets;
-Level 2 - internal models using observable market information as inputs; and
-Level 3 - internal models without observable market information as inputs.

Subsequent measurement of the financial instruments is based on their classification. Non-financial derivatives must be recorded at fair value on the Statement of Financial Position unless they are exempt from derivative treatment based upon expected purchase, sale or usage requirements. The Company has classified each financial instrument into the following categories:

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets and consist of cash and cash equivalents and trade receivables. Their carrying values approximate fair values because of their short term to maturity. Loans and receivables are initially recognized at the amount expected to be received less a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method less a provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the original effective interest rate.

ii) Financial liabilities at amortized cost

Financial liabilities at amortized cost include accounts payable and accrued liabilities. They approximate their fair values because of their short term to maturity or because the interest rates approximate market rates at the end of the year. Trade payables are initially recognized at the amount required to be paid less a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest rate method, which generally corresponds to cost.

q) Provisions

i) Decommissioning provision

A decommissioning liability is recognized for the present value of the future cost of abandonment of oil and gas wells and related production facilities and calculated based on engineering estimates. A decommissioning liability is recognized only when a legal or constructive obligation exists. The liability is measured at each reporting date at the fair value of the estimated expenditures expected to settle the obligation using a risk-free interest rate. An equivalent amount is capitalized as part of exploration and evaluation assets or property, plant and equipment and depleted along with the related asset.

Changes in the estimated timing of settlement or future cash flows are dealt with prospectively by recording an adjustment to the decommissioning liability and a corresponding adjustment to the related asset. The unwinding of the discount on the decommissioning liability is included as a finance cost in the Statement of Income and Comprehensive Income. Actual expenditures are charged against the liability as incurred.

3. Significant accounting policies (continued)

ii) General

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the obligation can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation and are discounted to present value where the effect is material.

r) New accounting standards and amendments

i) Accounting standards and amendments adopted during the year

- As at January 1, 2013, the Company adopted IFRS 11 - *Joint Arrangements* but, after a review of its joint arrangements, concluded that no changes were necessary in the accounting for its joint arrangements.

- The adoption of IFRS 13 - *Fair Value Measurement* as at January 1, 2013 did not require any adjustments to the valuation techniques used by the Company and did not result in any measurement adjustments.

ii) Future accounting standards and amendments not yet adopted

The following listing of standards and amendments are those the Company reasonably expects may have an impact on disclosure, financial position and/or financial performance when applied at a future date. The Company has not yet fully assessed the impact of these standards and amendments but does not expect any material impact.

- Amendments to IAS 36 "*Impairment of Assets*" clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments are required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted.

- IFRIC 21 "*Levies*," clarifies that an entity recognizes a liability for a levy when the activity that triggers the payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. Corridor is currently assessing and quantifying the effect on its financial statements.

- The IASB has undertaken a three-phase project to replace IAS 39 "*Financial Instruments: Recognition and Measurement*" with IFRS 9 "*Financial Instruments*". In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. In November 2013, the IASB issued the third phase of IFRS 9 which details the new general hedge accounting model. In July 2013, the IASB deferred the mandatory effective date of IFRS 9 but early adoption is permitted. The full impact of the standard on Corridor's financial statements will not be known until the project is finalized.

4. Critical judgments and accounting estimates

The preparation of the Company's financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions are evaluated at each reporting date and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from the estimated amounts as future confirming events occur and more information is obtained by management. The Company has identified the following areas requiring significant judgments, assumptions or estimates.

4. Critical judgments and accounting estimates (continued)

Recoverability of asset carrying values

At each reporting date, the Company assesses its property, plant and equipment, oil and gas properties and exploration and evaluation assets for possible impairment, to determine if there is any indication that the carrying amounts of the assets may not be recoverable. An assessment is also made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. Determination as to whether and how much an asset is impaired, or no longer impaired, involves management estimates on highly uncertain matters such as future commodity prices, discount rates, production profiles, operating costs, future capital costs and reserves. Changes in circumstances may impact these estimates which may impact the recoverable amount of assets. Any change in the impairment loss or reversal of impairment loss could have a material financial impact in future periods but future depletion expense would be impacted as a result.

Natural gas and oil reserves

All of Corridor's reserves are evaluated and reported on by independent reserves engineers. Reserves estimates have a material impact on the depletion expense, impairment test calculation and decommissioning liability, all of which could possibly have a material impact on financial results. The estimation of economically recoverable natural gas and oil reserves is based on a number of variable factors and assumptions, such as historical production, ultimate reserve recovery, timing and amount of capital expenditures, commodity prices, royalty rates and future costs, all of which may vary from actual results. Assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Decommissioning liability

Decommissioning costs will be incurred by the Company at the end of the productive life of some of the Company's facilities and assets. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing can also change in response to changes in reserves or changes in laws and regulations. As a result, there could be significant adjustments to the provisions established which could materially affect future financial results.

Income taxes

The Company calculates deferred income taxes based on rates substantively enacted at each reporting period and expected to be in effect when temporary differences reverse. Any changes in the estimated timing of these reversals could impact the deferred income tax rate and could materially impact the Company's deferred income tax recovery. In addition, all income tax filings are subject to audit and potential reassessment by the Canada Revenue Agency. As a result, the actual deferred income tax asset could differ from the amount estimated by management and the impact on the Company's deferred income tax recovery could be material.

Share-based compensation

The calculation of share-based compensation expense includes estimates of risk-free interest rates, forfeiture estimates, expected volatility of the Company's share price and expected life of the outstanding options. By their nature, these estimates are subject to measurement uncertainty and could materially impact the financial statements.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

5. Income (loss) per share

For the year ended December 31, 2013, stock options of 1,415 thousand (December 31, 2012 – 3,980 thousand) were excluded from the dilution calculation since the average market price for the year was lower than the exercise price.

Notes to the Financial Statements
Years ended December 31, 2013 and 2012

6. Sales

Sales consist of the following:

(thousands of dollars)

	2013	2012
Natural gas sales	**$ 20,346**	$ 13,345
Gathering, processing and transportation fees	**1,018**	1,162
Natural gas liquids sales	**255**	288
Sales	**$ 21,619**	$ 14,795

7. Expenses by nature

Production expenses by nature consist of the following:

(thousands of dollars)

	2013	2012
Wages and benefits	**$ 949**	$ 941
Utilities expense	**862**	917
Repairs and maintenance	**516**	542
Property taxes and insurance	**398**	396
Office expenses	**95**	95
Workover activities and field maintenance	**414**	130
Other production expenses	**670**	563
	3,904	3,584
Third party recoveries	**(542)**	(602)
Production expenses	**$ 3,362**	$ 2,982

General and administrative expenses by nature consist of the following:

(thousands of dollars)

	2013	2012
Wages and benefits	**$ 1,589**	$ 1,624
Directors fees	**182**	173
Consultants	**398**	393
Legal and accounting	**380**	321
Office expenses	**312**	316
Software maintenance and licensing	**121**	132
Other general and administrative expenses	**383**	421
	3,365	3,380
Third party recoveries & capitalized overhead	**(346)**	(359)
General and administrative expenses	**$ 3,019**	$ 3,021

8. Income taxes

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

(thousands of dollars)

	2013	2012
Income (loss) before income taxes	**$ 29,995**	$ (64,991)
Blended Canadian statutory income tax rate	**27.5%**	26.75%
Expected income tax expense (recovery)	**$ 8,249**	$ (17,385)
Increase (decrease) resulting from:		
Non-deductible share-based compensation	**41**	416
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	**226**	(159)
Effect of provincial tax rate change	**(972)**	-
Other	**2**	26
	$ 7,546	$ (17,102)

In 2013, the Company increased its deferred income tax rate from 27% to 28.25% following the New Brunswick Government's 2013 budget which resulted in the Province's corporate income tax rate being increased from 10% to 12% effective July 1, 2013. As a result, Corridor's deferred income tax expense decreased by $972 thousand for the year ended December 31, 2013.

The continuity of the Company's deferred income tax assets is as follows:

(thousands of dollars)

	December 31 2012 deferred income tax balance	**December 31 2013 deferred income tax expense**	**December 31 2013 deferred income tax balance**
Property, plant and equipment and exploration and evaluation assets	$ 19,620	**$ (7,437)**	**$ 12,183**
Decommissioning liability	1,441	**(109)**	**1,332**
	$ 21,061	**$ (7,546)**	**$ 13,515**

(thousands of dollars)

	December 31 2011 deferred income tax balance	December 31 2012 deferred income tax recovery (expense)	December 31 2012 deferred income tax balance
Property, plant and equipment and exploration and evaluation assets	$ 2,972	$ 16,648	$ 19,620
Decommissioning liability	818	623	1,441
Share issue costs	169	(169)	-
	$ 3,959	$ 17,102	$ 21,061

There are no temporary differences which are expected to reverse in the next twelve months.

The Company has $1,673 thousand of outstanding investment tax credits which expire between 2028 and 2033.

At December 31, 2013, the Company has recognized deferred income tax assets of $13,515 thousand for which it is probable there will be sufficient taxable profits from operations to facilitate the utilization of the underlying tax deductible amounts.

9. Receivables

Receivables consist of the following:

(thousands of dollars)

	December 31 2013	December 31 2012
Trade receivables	**$ 2,778**	$ 1,608
Receivables from joint venture partners	**224**	423
Sales taxes receivable from government	**159**	32
Interest receivable	**66**	26
	$ 3,227	$ 2,089

Receivables generally have a 30 day term and have mostly all been received subsequent to the year end. Corridor sells all of its production to one large credit-worthy purchaser under normal industry payment terms. Corridor's receivables from joint venture partners are also subject to normal credit risks in the natural gas industry. Management believes credit risk on these amounts is low and has not made any provision for an allowance for bad debts.

10. Inventory

During the year, the Company reclassified $737 thousand of inventory from current assets to property, plant and equipment as the Company is no longer actively pursuing the sale of this inventory. In 2012, the Company incurred losses of $190 thousand mainly due to the write-down of its inventory to net realizable value.

11. Property, plant and equipment

(thousands of dollars)

	Oil and gas properties	**Production facilities**	**Inventory**	**Office and other assets**	**Total**
Cost					
Balance at December 31, 2011	$ 214,284	$ 76,513	$ 3,185	$ 2,670	$ 296,652
Additions	64	108	-	29	201
Changes in future abandonment costs	1,726	-	-	-	1,726
Investment tax credits	-	(11)	-	-	(11)
Balance at December 31, 2012	$ 216,074	$ 76,610	$ 3,185	$ 2,699	$ 298,568
Additions	1,000	18	50	6	1,074
Transfers from current assets	-	-	737	-	737
Changes in future abandonment costs	(723)	-		-	(723)
Investment tax credits	-	(1)	-	-	(1)
Balance at December 31, 2013	**$ 216,351**	**$ 76,627**	**$ 3,972**	**$ 2,705**	**$ 299,655**
Accumulated depletion and depreciation					
Balance at December 31, 2011	$ 105,865	$ 33,505	$ 2,276	$ 1,295	$ 142,941
Depletion or depreciation expense	8,871	2,121	-	214	11,206
Impairment losses	31,336	13,096	-	-	44,432
Write-down of inventory	-	-	88	-	88
Balance at December 31, 2012	$ 146,072	$ 48,722	$ 2,364	$ 1,509	$ 198,667
Depletion or depreciation expense	7,213	1,244	-	125	8,582
Reversal of impairment losses	(19,785)	(8,265)	-	-	(28,050)
Balance at December 31, 2013	**$ 133,500**	**$ 41,701**	**$ 2,364**	**$ 1,634**	**$ 179,199**
Net book value at December 31, 2012	$ 70,002	$ 27,888	$ 821	$ 1,190	$ 99,901
Net book value at December 31, 2013	**$ 82,851**	**$ 34,926**	**$ 1,608**	**$ 1,071**	**$ 120,456**

11. Property, plant and equipment (continued)

The calculation of depletion expense includes estimated future development costs relating to the development of proved reserves of $108,126 thousand for the year ended December 31, 2013 (December 31, 2012 - $96,708 thousand). Costs of property, plant and equipment excluded from costs subject to depletion, depreciation and amortization amounted to $7,366 thousand at December 31, 2013 and December 31, 2012.

For the year ended December 31, 2013, the Company reversed impairment losses, previously recognized during the year ended December 31, 2012, relating to the Company's New Brunswick CGU. The New Brunswick CGU includes the McCully Field, a natural gas producing asset, and exploration and evaluation natural gas assets. The reversal of impairment losses for the year ended December 31, 2013 (December 31, 2012 - impairment losses) were allocated as follows:

(thousands of dollars)

	2013	2012
Oil and gas properties and production facilities	**$ (28,050)**	$ 44,432
Exploration and evaluation assets	**-**	11,893
	$ (28,050)	$ 56,325

The reversal of impairment losses for the year ended December 31, 2013 resulted from an increase in forecast natural gas prices and an increase in natural gas reserves. The reversal of impairment losses was based on the difference between the carrying value of the New Brunswick CGU and its recoverable amount. The recoverable amount was determined using fair value less costs to sell based on after-tax future net cash flows of proved plus probable reserves using forecast prices and costs and a discount rate of 10 percent. For the year ended December 31, 2013, the Company utilized the following benchmark prices to determine the forecast prices in the fair value calculation:

	2014	2015	2016	2017	2018	2019-2023	Thereafter
Henry Hub ($US/mmbtu)	$ 4.25	$ 4.50	$ 4.75	$ 5.00	$ 5.25	$ 5.50-$ 5.97	+2%/year
McCully ($/mscf)	$ 6.40	$ 6.69	$ 6.57	$ 5.76	$ 6.04	$ 6.19-$ 6.56	+2%/year
Exchange rate ($US/$CDN)	$ 0.95	$ 0.95	$ 0.95	$ 0.95	$ 0.95	$ 0.95	$ 0.95

The Henry Hub gas prices are adjusted to reflect the local reference price, transportation costs and heat content to arrive at the McCully gas price. The following table demonstrates the impact on the 2013 reversal of impairment losses of a change in the discount rate of 1%:

(thousands of dollars)

	2013	
	1% rate increase	**1% rate decrease**
Increase (decrease) in impairment reversal	$ (9,924)	$ 11,313

12. Intangible assets

(thousands of dollars)

	2013	2012
Cost		
Balance, beginning and end of year	**$ 479**	$ 479
Accumulated amortization		
Balance, beginning of year	**$ 182**	$ 134
Amortization	**49**	48
Balance, end of year	**231**	182
Net book value, end of year	**$ 248**	$ 297

13. Exploration and evaluation assets

(thousands of dollars)

	2013	2012
Balance, beginning of year	**$ 22,969**	$ 30,982
Impairment losses	**-**	(11,893)
Additions	**2,064**	3,562
Write-off of exploration and evaluation assets	**(12)**	(72)
Changes in future abandonment costs	**(96)**	390
Balance, end of year	**$ 24,925**	$ 22,969

The Company wrote-off exploration and evaluation assets in the amount of $12 thousand for the year ended December 31, 2013 (December 31, 2012 - $72 thousand) as the prospects were no longer commercially viable.

For the year ended December 31, 2012, the Company recorded an impairment loss of $11,893 thousand relating to the impairment of the Company's New Brunswick CGU, as explained in note 11.

14. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

(thousands of dollars)

	December 31 2013	December 31 2012
Trade payables	**$ 1,185**	$ 647
Accrued liabilities	**1,254**	716
Payables to joint venture partners	**284**	70
Payables to related parties	**46**	29
	$ 2,769	$ 1,462

Payables are non-interest bearing and are normally settled on a 30 to 60 day term.

15. Decommissioning liability

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

(thousands of dollars)

	2013	2012
Balance, beginning of year	**$ 7,715**	$ 5,408
Change in discount rate	**(1,448)**	648
Change in estimate	**629**	1,468
Finance costs	**198**	191
Balance, end of year	**$ 7,094**	$ 7,715

The total undiscounted amount of estimated cash flows required to settle these obligations is $16,058 thousand (December 31, 2012 - $14,903 thousand). Management estimates the settlement of these obligations between 2015 and 2040. At December 31, 2013, a risk-free rate of 3.12% (December 31, 2012 – 2.42%) and an inflation rate of 2% (December 31, 2012 – 2%) were used to calculate the estimated fair value of the decommissioning liability.

16. Credit facility

Corridor has a $6 million revolving short term credit facility with a Canadian chartered bank. The interest rate on the loan is currently based on the bank's prime rate plus 1% and the credit facility expires, subject to mutual agreement to extend, on July 26, 2014. Outstanding amounts drawn on the credit facility are secured by a $75 million demand debenture on the Company's property, plant and equipment. At December 31, 2013 and December 31, 2012, there was no amount drawn on the credit facility.

17. Capital stock

a) **Authorized –** Unlimited common shares without nominal or par value.

b) **Issued and outstanding**

(thousands of dollars and thousands of shares)

	2013		2012	
	Number of shares	**Amount**	Number of shares	Amount
Balance, beginning and end of year	**88,464**	**$ 247,496**	88,464	$ 247,496

18. Share-based compensation

The Company has a stock option plan under which options to purchase common shares of the Company may be granted to directors, officers, employees and consultants of the Company. The stock option plan is limited to 8,262,513 common shares with no more than 5% being issued to any one officer, director or employee. The exercise price of each option is based on the market price for the common share on the close of the day prior to the date the option was granted. Options granted under the plan generally vest over a three year period and expire five years after the grant date. Participants of the stock option plan can elect to surrender any vested option in exchange for a cash payment based on the difference between the market value of the common share and the exercise price of the option. The Board of Directors has the sole discretion to consent or deny this election.

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

	2013		2012	
	Number of options (000's)	**Weighted average exercise price**	Number of options (000's)	Weighted average exercise price
Options outstanding, beginning of year	**3,980**	**$ 3.28**	3,489	$ 4.14
Surrendered	**(1,514)**	**$ 5.68**	-	-
Granted	**1,241**	**$ 0.74**	977	$ 0.76
Forfeited and cancelled	**(131)**	**$ 1.74**	(486)	$ 4.40
Options outstanding, end of year	**3,576**	**$ 1.44**	3,980	$ 3.28
Options exercisable, end of year	**1,523**	**$ 2.03**	2,159	$ 4.49

For the year ended December 31, 2013, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of $149 thousand (December 31, 2012 - $1,554 thousand).

18. Share-based compensation (continued)

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

	2013	2012
Weighted average fair value of options granted	**$ 0.42**	$ 0.47
Risk-free interest rate	**1.5%**	1.4%
Expected life (years)	**4.3**	4.7
Expected volatility	**75%**	80%

The range of exercise prices of stock options outstanding and exercisable as at December 31, 2013 is as follows:

	Outstanding options			**Exercisable options**	
Exercise prices	**Number of options outstanding (000's)**	**Weighted average remaining term (years)**	**Weighted average exercise price**	**Number of options exercisable (000's)**	**Weighted average exercise price**
$ 0.50 - $ 1.99	2,161	4.26	$ 0.75	413	$ 0.75
$ 2.00 - $ 4.99	1,415	2.02	$ 2.50	1,110	$ 2.50
	3,576	3.37	$ 1.44	1,523	$ 2.03

19. Supplemental cash flow information

(thousands of dollars)

	2013	2012
Change in non-cash operating working capital:		
Receivables	**$ (1,462)**	$ 860
Prepaids and security deposits	**(2)**	(77)
Accounts payable and accrued liabilities	**197**	(133)
Capital taxes receivable	**15**	204
	$ (1,252)	$ 854
Change in non-cash investing working capital:		
Receivables	**$ 324**	$ 279
Accounts payable and accrued liabilities	**1,110**	(1,864)
	$ 1,434	$ (1,585)
Interest and taxes paid:		
Interest paid	**$ 36**	$ 65
Interest received	**$ (107)**	$ (91)
Capital and other taxes received	**$ (25)**	$ (208)

20. Risk management

a) The Company is exposed to the following risks:

i) Credit risk

Corridor sells all of its production to one large credit-worthy purchaser under normal industry payment terms. Corridor's receivables from joint venture partners are also subject to normal credit risks in the natural gas industry. Management believes credit risk on these amounts is low and has not made any provision for an allowance for bad debts.

The cash equivalents consist mainly of guaranteed investment certificates held with banks with high credit-ratings assigned by international credit-rating agencies. Management believes the risk of loss is low.

20. Risk management (continued)

ii) Commodity price risk

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

During the year, the Company had forward sale commitments at a fixed natural gas price for a portion of its production. For the remaining production, a 5% decrease in the price of natural gas would have resulted in a decrease of approximately $500 thousand in the Company's net income (December 31, 2012 – $485 thousand increase in net loss) due to lower natural gas sales. Conversely, a 5% increase in the price of natural gas would have resulted in an increase of approximately $500 thousand in the Company's net income (December 31, 2012 – $485 thousand decrease in net loss) due to higher natural gas sales.

iii) Foreign currency risk

The Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar. Natural gas prices, condensate prices and transportation expenses are based upon reference prices denominated in U.S. dollars, while the Company's remaining expenses are denominated in Canadian dollars. The Company does not have any derivative financial instruments in place to manage this risk.

The Company had the following financial instruments denominated in U.S. dollars at the Statement of Financial Position dates.

(thousands of U.S. dollars)

	December 31, 2013	December 31, 2012
Cash (bank indebtedness)	**$ (24)**	$ 1,918
Receivables	**2,499**	1,226
Financial instruments in U.S. dollars	**$ 2,475**	$ 3,144

At December 31, 2013, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of approximately $95 thousand in the Company's net income (December 31, 2012 – $115 thousand increase in net loss) due to a decrease in the financial instruments denominated in U.S. dollars. Conversely, a 5% increase in the U.S. dollar relative to the Canadian dollar would have resulted in an increase of approximately $95 thousand in the Company's net income (December 31, 2012 – $115 thousand decrease in net loss).

iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2013, the Company was holding cash and cash equivalents of $15,514 thousand and had $6 million available from its revolving credit facility (as disclosed in note 16). The credit currently available to the Company is in part determined by the Company's borrowing base which is largely dependant on the Company's petroleum and natural gas reserves. If, at any time during the term of the credit facility, the lender has reason to believe that the current approved borrowing base has declined below the credit facility limit of $6 million, the lender can recalculate the Company's borrowing base and could, as a result, decrease the credit currently available to the Company.

The Company's financial liabilities are all due within one year. Given the Company's available liquid resources and the Company's 2014 budget, management expects to have sufficient available funds to meet the current and foreseeable financial liabilities.

20. Risk management (continued)

b) Management of capital

Management's objective when managing capital is to provide an adequate return to its shareholders and to safeguard the Company's ability to obtain financing and have access to capital. In the management of capital, the Company includes shareholders' equity, its credit facility as well as cash and cash equivalents. To facilitate the management of its capital structure, the Company prepares annual expenditure and operating budgets that are updated as necessary depending on success factors, industry conditions and operating cash flow. These annual and updated budgets are approved by the Board of Directors. Corridor has the ability to adjust its capital structure by making modifications to its capital expenditure program. To maximize ongoing development and exploration activities, the Company will not pay out dividends during the year.

21. Related party transactions

a) Legal services

A director of Corridor is a partner in a law firm that provides legal services to the Company. For the year ended December 31, 2013, $68 thousand of legal expenses are included in general and administrative expenses and $20 thousand in property, plant and equipment (December 31, 2012 - $59 thousand and $4 thousand). At December 31, 2013, $46 thousand was included in accounts payable and accrued liabilities (December 31, 2012 - $39 thousand). The amounts paid are recorded at the amount agreed to between the parties which management believes is representative of fair value.

b) Remuneration of Directors and Senior Management

(thousands of dollars)

	2013	2012
Wages and benefits	**$ 1,086**	$ 1,047
Directors' fees	**182**	173
Share-based compensation	**77**	1,100
	$ 1,345	$ 2,320

Remuneration of Directors and Senior Management includes all amounts earned and awarded to the Company's Board of Directors and Senior Management. Senior Management includes Corridor's President, Chief Financial Officer, Chief Geologist, Chief Geophysicist and Production Operations Manager. Wages and benefits include salary and benefits during the year. Share-based compensation includes expenses relating to Corridor's stock option plan as disclosed in note 18.

22. Commitments

a) Transportation and gas sales

The Company has a commitment to purchase 7,500 mmbtu per day of transportation on the Canadian side of the Maritimes and Northeast Pipeline from November 1, 2013 to October 31, 2014 and 6,500 mmbtu per day from November 1, 2014 to October 31, 2015.

The Company has the following commitments to sell natural gas production:

Period	Volume	Fixed price
January 1, 2014 to March 31, 2014	3,000 mmbtu per day	$US9.03/mmbtu
January 1, 2014 to February 28, 2014	2,370 mmbtu per day	$US15.50/mmbtu
March 1, 2014 to March 31, 2014	2,258 mmbtu per day	$US10.76/mmbtu
November 1, 2014 to March 31, 2015	4,000 mmbtu per day	$US11.74/mmbtu

22. Commitments (continued)

The Company has a long term agreement to sell, at market rates, all of its natural gas produced from the McCully Field and surrounding areas in southern New Brunswick to Repsol Energy Canada Ltd. for resale to natural gas markets in Maritimes Canada and the Northeast United States.

b) Letters of credit

At December 31, 2013, the Company had the following irrevocable standby letters of credit issued by a Canadian chartered bank:

(thousands of dollars)	**Amount**
Letter of credit expiring June 27, 2014	**$ 350**
Letters of credit expiring June 3, 2014	**300**
Letter of credit expiring December 31, 2014	**478**
Letter of credit expiring August 1, 2015	**380**
	$ 1,508

The Company has pledged $1,508 thousand of short term investments as security. These investments are recorded as restricted cash in current assets or non-current assets based on their expiry date.

c) Operating leases

The Company has entered into operating lease agreements for office space, land and other equipment. Future minimum annual lease payments under the leases are as follows:

(thousands of dollars)	**Amount**
2014	**$ 659**
2015	**663**
2016	**431**
2017	**371**
2018	**322**
Thereafter	**172**
	$ 2,618

During 2013, total rental expense under operating leases was $396 thousand (2012 - $402 thousand).

d) Commitments

The maturities of the Company's commitments as of December 31, 2013 are as follows:

(thousands of dollars)	**Total**	2014	2015	2016	2017	Thereafter
Transportation commitments	**$ 2,810**	$ 1,617	$ 1,193	$ -	$ -	$ -
Operating leases	**2,618**	659	663	431	371	494
Decommissioning liabilities	**16,058**	-	163	-	-	15,895
	$ 21,486	$ 2,276	$ 2,019	$ 431	$ 371	$ 16,389

23. Contingencies

In 2011, the Company reached a settlement of $188 thousand with the New Brunswick Department of Finance in connection with their audit of the Company's crown royalty payments for the periods from April 2003 to October 2009. However, discussions continue relating to the calculation of the royalty payments for the periods subsequent to October 2009. The Company has not made any provision as the royalty amounts payable during this period were based on management's best estimate.

On August 23, 2013, the Company was served with a statement of claim by Geophysical Services Incorporated ("GSI") relating to the access and disclosure of confidential seismic information. GSI is seeking damages of $1.7 million. The Company has not recorded any liability as management believes a successful claim is not probable.

24. Subsequent events

On February 13, 2014, the Company entered into a non-binding letter of intent with the Government of Québec, through its affiliates Investissement Québec and Ressources Québec ("RQ"), Pétrolia Inc. ("Pétrolia") and Etablissements Maurel & Prom S.A. ("M&P") to create a joint venture that will appraise and potentially develop hydrocarbon resources on Anticosti Island, Québec. The letter of intent calls for Pétrolia and Corridor to transfer their interests in the Anticosti licenses to the Anticosti joint venture and for RQ and M&P to spend up to $100 million on an exploration program starting in 2014. As a result of this transaction, Corridor will hold an interest of 21.7% in the Anticosti joint venture and receive net cash proceeds of approximately $13.9 million on the closing of the transaction which is expected to occur no later than April 30, 2014, subject to the satisfaction of closing conditions.

Subsequent to the year end, the Company entered into an agreement to sell an average of 3,000 mmbtu per day of natural gas production from April 1, 2014 to April 30, 2014 at a fixed price of $US7.25/mmbtu.