2014 Management's Discussion and Analysis

As of March 30, 2015

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, 2014 should be read in conjunction with Corridor's audited financial statements and notes thereto for the year ended December 31, 2014.

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, 2014 (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. In addition, Corridor has discovered unrecoverable resources in Elgin, New Brunswick and a 21.67% interest in Anticosti Hydrocarbons L.P. ("Anticosti Hydrocarbons"), a joint venture which has undiscovered resources on Anticosti Island, Québec.

Selected Financial Information

	Three months ended December 31		Twelve months ended December 31		
thousands of dollars except per share amounts	**2014**	2013	**2014**	2013	2012
Sales	**$ 5,475**	$ 6,087	**$ 23,253**	$ 21,619	$ 14,795
Net income (loss)	**$ (27,767)**	$ 20,586	**$ (17,706)**	$ 22,449	$ (47,889)
Net income (loss) per share - basic	**$ (0.313)**	$ 0.233	**$ (0.200)**	$ 0.254	$ (0.541)
Net income (loss) per share - diluted	**$ (0.311)**	$ 0.233	**$ (0.197)**	$ 0.254	$ (0.541)
Cash flow from operations[(1)]	**$ 2,735**	$ 2,962	**$ 12,244**	$ 10,934	$ 4,595
Capital expenditures	**$ 2,736**	$ 1,856	**$ 23,449**	$ 3,138	$ 3,763
Total assets	**$ 166,267**	$ 181,262	**$ 166,267**	$ 181,262	$ 157,978

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

Since November 2012, natural gas prices have been generally increasing in the New England market, which has resulted in an increase in natural gas sales and cash flow from operations for Corridor for the year ended December 31, 2014 as compared to recent years. Corridor's average natural gas price increased to $8.59/mscf in 2014 from $6.91/mscf in 2013 and from $4.05/mscf in 2012. In response to the higher natural gas prices and to increase natural gas production from the McCully Field, Corridor undertook a well re-entry and fracturing program at the McCully Field in Q3 2014 which increased capital expenditures in 2014. The increase in Corridor's net income for the year ended December 31, 2013 to $22,449 thousand from a net loss of $47,889 thousand for the year ended December 31, 2012 is due to the recognition of a reversal of impairment losses of $28,050 thousand relating to Corridor's New Brunswick assets which was the direct result of higher forecast natural gas prices as compared to impairment losses of $56,325 thousand for the year ended December 31, 2012. However, late in 2014, the forecast for future natural gas prices decreased and the New Brunswick Government announced a moratorium on hydraulic fracturing contributing in part to a decrease in the Company's proved plus probable natural gas reserves resulting in the recognition of an impairment loss of $39,150 thousand and a net loss of $17,706 thousand for the year ended December 31, 2014.

Non-IFRS Financial Measures

This MD&A refers to "cash flow from operations" which is a financial measure that is not determined in accordance with International Financial Reporting Standards ("IFRS"). This measure does not have a standardized meaning and may not be comparable to similar measures presented by other companies. "Cash flow from operations" is used by the Company to analyse operating performance, leverage and liquidity and is included in this MD&A because it is believed to facilitate the understanding of the results of Corridor's operations and financial position.

Cash flow from operations represents cash provided by operating activities excluding the change in non-cash operating working capital, as follows:

	Three months ended December 31		**Twelve months ended December 31**		
thousands of dollars	**2014**	2013	**2014**	2013	2012
Cash provided by operating activities	**$ 1,805**	$ 1,242	**$ 12,805**	$ 9,682	$ 5,449
Less: Decrease (increase) in non-cash operating working capital	**(930)**	(1,720)	**561**	(1,252)	854
Cash flow from operations	**$ 2,735**	$ 2,962	**$ 12,244**	$ 10,934	$ 4,595

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:

- business plans and strategies (including evaluating opportunities to establish a new core operating area);
- natural gas sales;
- production levels;
- exploration and development plans (including plans of Anticosti Hydrocarbons);
- Canadian – U.S. dollar exchange rate;
- natural gas prices and premiums;
- reserves;
- gathering, processing and transportation fees;
- royalty rates and expense;
- royalty payments in respect of historical production;
- production expense;
- transportation expense;
- depletion, depreciation and amortization;
- development costs and reserves;
- general and administrative expenses;
- share-based compensation expense;
- timing as to when the Company will be cash taxable;
- capital expenditures;
- cash flow from operations;
- sources of funding;
- net positive working capital;
- level of bank debt; and
- government regulation.

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

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

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

Certain of the forward-looking statements in this MD&A may constitute "financial outlooks" as contemplated by National Instrument 51-102 *Disclosure Obligations*, including information related to projected cash flow from operations, revenues, expenses, capital expenditures, working capital and debt levels for 2015, which are provided for the purpose of forecasting the financial position of Corridor at the end of the 2015 financial year. Please be advised that the financial outlook in this MD&A may not be appropriate for purposes other than the one stated above.

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

Outlook Information

The outlook sections of this MD&A contain revisions to the outlook information disclosed in the Third Quarter 2014 MD&A dated November 12, 2014, which is available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com.

2014 Summary

- Natural gas revenues for the year ended December 31, 2014 increased to $22,135 thousand from $20,346 thousand for the year ended December 31, 2013 due to an increase in the average natural gas sales price to $8.59/mscf in 2014 from $6.91/mscf in 2013 which increase was partially offset by a decrease in Corridor's average daily gas production to 7.1 mmscfpd in 2014 from 8.1 mmscfpd in 2013.

- Cash flow from operations increased to $12,244 thousand for the year ended December 31, 2014 from $10,934 thousand for the year ended December 31, 2013 due to the higher average natural gas prices in 2014. As at December 31, 2014, Corridor had cash and cash equivalents of $19,207 thousand, net working capital of $20,906 thousand and no outstanding debt.

- On April 1, 2014, Corridor entered into a joint venture (the "Anticosti Joint Venture") with the Government of Québec, through its affiliate Ressources Québec Inc. ("Ressources Québec"), Pétrolia Inc. ("Pétrolia") and Saint-Aubin E&P Québec Inc. ("Saint-Aubin") to appraise and potentially develop hydrocarbon resources on Anticosti Island, Québec. In connection with the establishment of the Anticosti Joint Venture, each of Pétrolia and Corridor transferred their respective Anticosti exploration licenses to Anticosti Hydrocarbons, a newly formed partnership, and Ressources Québec and Saint-Aubin made a commitment to Anticosti Hydrocarbons to spend up to an aggregate $100 million on an exploration program starting in 2014. As part of the establishment of the Anticosti Joint Venture, Corridor holds an interest of 21.67% in Anticosti Hydrocarbons and received net cash proceeds of $13,479 thousand which resulted in an initial gain on sale of exploration assets of $8,500 thousand and a subsequent gain of $1,930 thousand in 2014. The first phase of the Anticosti exploration program began in Q2 2014. During the year, five stratigraphic corehole wells were drilled into the Macasty Formation. The Company is encouraged with the initial results of the program, as the results of the core analysis and petrophysical log surveys generally meet or exceed the Company's expectations. Anticosti Hydrocarbons intends to resume the drilling of the remaining approved stratigraphic corehole wells in the spring of 2015, to complete this program during the year and to drill three horizontal wells in 2016.

- On March 27, 2015, the New Brunswick Government enacted legislation to impose a moratorium on hydraulic fracturing in New Brunswick, which the Government has stated will continue in effect until five conditions have been met. The five conditions include: obtaining a "social licence" in New Brunswick; obtaining clear and credible information on the impacts on air, health and water so a regulatory regime can be developed; establishing a plan to mitigate impacts on public infrastructure and address issues such as waste water disposal; putting a process in place to fulfill the Province's obligation to consult with First Nations; and establishing a royalty structure which will ensure that benefits are maximized for New Brunswickers. The New Brunswick Government has also announced the appointment of a panel with a mandate to review and report on, within 12 months, whether the five conditions necessary to lift the New Brunswick moratorium can been met.

- On October 28, 2014, Corridor announced the initial results of its 2014 well re-entry and fracturing program at the McCully Field and Elgin Field in southern New Brunswick. The program resulted in increased natural gas production and revenues from the McCully Field and demonstrated that the Frederick Brook shale is productive from at least six different sub-intervals across a distance of 25 kilometers. The program resulted in the fracture stimulation of two sand intervals in the Hiram Brook and three shale intervals in the Frederick Brook. Corridor recently placed on production three wells fracture stimulated in the Frederick brook shale. Two of the wells have proven productive capacity as they continue to clean up drilling/workover fluids. The third well is following the production profile of the F-58 well, Corridor's long term Frederick Brook shale producer. The F-58 well was fracture stimulated with water in a single 11 tonne treatment and placed on production in 2008 and is still producing at an estimated average rate of 180 mscf/d with a 1.8% annual decline. The Company expects F-58 to recover a total of 1.5 bscf (proved plus probable estimate as forecast by GLJ in its report effective December 31, 2014).

- Corridor's net loss of $17,706 thousand for the year ended December 31, 2014 compared to a net income of $22,449 thousand for the year ended December 31, 2013 is due primarily to the impairment losses of $39,150 thousand for the year ended December 31, 2014 which resulted from a decrease in Corridor's proved plus probable natural gas reserves. A reversal of impairment losses of $28,050 thousand had been recognized for the year ended December 31, 2013 following an increase in forecast natural gas prices.

Q4 2014 Financial Summary

	Three months ended December 31		**Twelve months ended December 31**	
thousands of dollars	**2014**	2013	**2014**	2013
Sales	**$ 5,475**	$ 6,087	**$ 23,253**	$ 21,619
Royalty expense	**(160)**	(247)	**(1,434)**	(740)
Revenues, net	**5,315**	5,840	**21,819**	20,879
Expenses				
Impairment losses (reversal)	**39,150**	(28,050)	**39,150**	(28,050)
Depletion, depreciation and amortization	**2,565**	2,046	**9,030**	8,631
Transportation expense	**916**	973	**3,622**	3,799
Production expense	**718**	1,034	**3,036**	3,362
General and administrative expenses	**1,094**	956	**3,441**	3,019
Share-based compensation expense	**39**	153	**458**	149
Loss on sale and write-down of inventory	**44**	-	**44**	-
Write-off (recovery) of exploration and evaluation assets	**-**	12	**(12)**	12
	44,526	(22,876)	**58,769**	(9,078)
Income (loss) before the following items	**(39,211)**	28,716	**(36,950)**	29,957
Gain on sale of exploration assets	**390**	-	**10,430**	-
Interest and other	**96**	37	**318**	38
Equity loss	**(19)**	-	**(99)**	-
Income (loss) before income taxes	**(38,744)**	28,753	**(26,301)**	29,995
Deferred income tax expense (recovery)	**(10,977)**	8,167	**(8,595)**	7,546
Net income (loss) and comprehensive income (loss)	**$ (27,767)**	$ 20,586	**$ (17,706)**	$ 22,449

Fourth Quarter Summary

- Natural gas sales for Q4 2014 decreased to $5,241 thousand from $5,841 thousand for Q4 2013 due to the decrease in the average daily natural gas production to 6.9 mmscfpd in Q4 2014 from 7.7 mmscfpd in Q4 2013, which decrease was partially offset by the increase in the average natural gas sales price to $8.30/mscf in Q4 2014 from $8.21/mscf in Q4 2013.

- Corridor's cash flow from operations for Q4 2014 decreased to $2,735 thousand from $2,962 thousand in Q4 2013 due primarily to lower natural gas sales partially offset by lower production expenses.

- Net loss for Q4 2014 increased to $27,767 thousand from a net income of $20,586 thousand for Q4 2013 due primarily to the recognition of impairment losses in Q4 2013 of $39,150 thousand relating to the Company's New Brunswick assets compared to a reversal of impairment loss in Q4 2013 of $28,050 thousand.

Results of Operations

Sales

	Three months ended December 31		Twelve months ended December 31	
thousands of dollars	**2014**	2013	**2014**	2013
Natural gas	**$ 5,241**	$ 5,841	**$ 22,135**	$ 20,346
Condensate	**30**	42	**233**	255
Natural gas and gas liquids sales	**5,271**	5,883	**22,368**	20,601
Gathering, processing & transportation fees	**204**	204	**885**	1,018
Sales	**$ 5,475**	$ 6,087	**$ 23,253**	$ 21,619

Production volumes and pricing

	Three months ended December 31		Twelve months ended December 31	
	2014	2013	**2014**	2013
Total volumes				
Natural gas production (mmscf)	**631**	712	**2,576**	2,945
Condensate production (bbl)	**373**	619	**2,218**	2,542
Daily production averages				
Natural gas production per day (mmscfpd)	**6.9**	7.7	**7.1**	8.1
Condensate production per day (bblpd)	**4.1**	6.7	**6.1**	6.9
Average prices				
Natural gas selling price ($/mscf)	**$ 8.30**	$ 8.21	**$ 8.59**	$ 6.91
Condensate selling price ($/bbl)	**$ 82.19**	$ 110.04	**$ 105.24**	$ 106.66

Natural gas sales for Q4 2014 decreased to $5,241 thousand from $5,841 thousand for Q4 2013 due to the decrease in the average daily natural gas production to 6.9 mmscfpd in Q4 2014 from 7.7 mmscfpd in Q4 2013 which decrease was partially offset by the increase in the average natural gas sales price to $8.30/mscf in Q4 2014 from $8.21/mscf in Q4 2013.

Natural gas sales increased to $22,135 thousand for the year ended December 31, 2014 from $20,346 thousand for the year ended December 31, 2013 due to the increase in the average natural gas sales price to $8.59/mscf for the year ended December 31, 2014 from $6.91/mscf for the year ended December 31, 2013, which increase was partially offset by the decrease in the average daily natural gas production to 7.1 mmscfpd for the year ended December 31, 2014 from 8.1 mmscfpd for the year ended December 31, 2013.

Corridor's average natural gas sales price in 2014 of $8.59/mscf was lower than the latest forecast of $9.20/mscf due to lower than expected natural gas price premiums at the Algonquin city-gate ("AGT") (Corridor's pricing point) due to warmer than normal temperatures in December 2014. In addition, natural gas production for 2014 of 7.1 mmscfpd was lower than the latest forecast of 7.3 mmscfpd as the production from the McCully wells, re-entered during the 2014 well re-entry and fracturing campaign, did not begin until late in December 2014. As a result, Corridor's total sales for 2014 were lower than the latest forecast by $2.2 million.

Outlook

Corridor estimates total revenues of approximately $19.5 million for 2015. The Company's 2015 budget for revenues is based on an estimated average natural gas sales price of approximately $7.70/mscf and an estimated average net daily gas production of 6.7 mmscfpd. The average natural gas sales price is based on an exchange rate estimate of $0.85 U.S. per Canadian dollar, an estimated Henry Hub price of $US2.95/mmbtu and an average premium at AGT of $US3.20/mmbtu, and incorporates the following contracted forward sales of Corridor's natural gas production:

- 4,000 mmbtupd from January 1, 2015 to March 31, 2015 at an average price of $US11.74/mmbtu;
- 2,000 mmbtupd from January 1, 2015 to January 31, 2015 at an average price of $US12.47/mmbtu;
- 1,000 mmbtupd from February 1, 2015 to February 28, 2015 at an average price of $US12.52/mmbtu;
- 1,000 mmbtupd from March 1, 2015 to March 31, 2015 at an average price of $US8.65/mmbtu; and
- 2,500 mmbtupd from November 1, 2015 to December 31, 2015 at an average price of $US9.25/mmbtu.

Gathering, processing and transportation fees

	Three months ended December 31		**Twelve months ended December 31**	
thousands of dollars	**2014**	2013	**2014**	2013
Gathering, processing and transportation fees	**$ 204**	$ 204	**$ 885**	$ 1,018

Corridor owns the midstream facilities which process and transport gas from the McCully Field to the Maritimes and Northeast Pipeline ("M&NP"). Third party gas flowing through these facilities, which currently is limited to Potash Corporation of Saskatchewan's ("PCS") share of gas from the McCully Field, is charged a cost of service. The decrease in the gathering, processing and transportation ("GPT") fees to $885 thousand for the year ended December 31, 2014 from $1,018 thousand for the year ended December 31, 2013 is due to less PCS gas flowing through Corridor's midstream facilities.

Outlook

Corridor's 2015 budget for GPT fees from PCS' share of production is approximately $650 thousand based on an average estimated gross daily gas production of 8.6 mmscfpd for 2015.

Royalty Expense

	Three months ended December 31		**Twelve months ended December 31**	
thousands of dollars	**2014**	2013	**2014**	2013
Crown royalties	**$ 160**	$ 247	**$ 1,434**	$ 740
Royalty expense per mscf ($/mscf)	**$ 0.25**	$ 0.35	**$ 0.56**	$ 0.25
Percentage of natural gas and gas liquids sales	**3.1%**	4.2%	**6.5%**	3.6%

Effective April 1, 2014, the New Brunswick Government implemented a new two-tier royalty regime for natural gas production. The new regime changes the basic royalty rate payable from the previous 10% to a royalty rate equal to the greater of a 4% basic royalty calculated on the wellhead revenues and a 2% minimum royalty calculated on gross revenues. After the Company has recovered all costs and begins to make a profit, the royalty rate will increase to 25%. The new royalty regime is expected to decrease annual royalty payments in the short term but increase royalty payments over the life of a project. Corridor's royalty expense for Q4 2014 decreased to $160 thousand from $247 thousand for Q4 2013 due to the decrease in the royalty rate from 10% to 4% and lower natural gas revenues in Q4 2014. The increase in the royalty expense for the year ended December 31, 2014 to $1,434 thousand from $740 thousand for the year ended December 31, 2013 is due to the increase in the natural gas sales resulting primarily from higher natural gas prices in Q1 2014.

Outlook

An effective royalty rate of approximately 2.5% is budgeted for 2015.

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

Transportation Expense

thousands of dollars	Three months ended December 31 2014	2013	Twelve months ended December 31 2014	2013
Transportation expense	**$ 916**	$ 973	**$ 3,622**	$ 3,799
Transportation expense per mscf ($/mscf)	**$ 1.45**	$ 1.37	**$ 1.41**	$ 1.29

Transportation expense for Q4 2014 decreased to $916 thousand from $973 thousand for Q4 2013 and to $3,622 thousand for the year ended December 31, 2014 from $3,799 thousand for the year ended December 31, 2013 due to the lower natural gas production in 2014 and the decrease in the cost of Canadian firm transportation on the M&NP effective April 1, 2014, which were partially offset by a stronger U.S. dollar.

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

Outlook

The budget for transportation expense for 2015 of $1.44/mscf is based on an average estimated net daily gas production of 6.7 mmscfpd for 2015, the transportation agreement in place to purchase transportation on the Canadian side of the M&NP from January 1, 2015 to October 31, 2015 and an exchange rate estimate of $0.85 U.S. per Canadian dollar.

Production Expense

thousands of dollars	Three months ended December 31 2014	2013	Twelve months ended December 31 2014	2013
Gross production expense	**$ 825**	$ 1,152	**$ 3,535**	$ 3,904
Third party recoveries	**(107)**	(118)	**(499)**	(542)
Net production expense	**$ 718**	$ 1,034	**$ 3,036**	$ 3,362
Net production expense per mscf ($/mscf)	**$ 1.14**	$ 1.45	**$ 1.18**	$ 1.14

Gross production expense for Q4 2014 decreased to $825 thousand from $1,152 thousand in Q4 2013 and to $3,535 thousand for the year ended December 31, 2014 from $3,904 thousand for the year ended December 31, 2013 due primarily to lower repairs and maintenance and workover expenses.

Net production expense per mscf of $1.18/mscf in Q4 2014 was lower than Corridor's latest forecast of $1.30/mscf due primarily to a decrease of $200 thousand in planned workover operations and lower repairs and maintenance expenses in Q4 2014.

Outlook

Net production expense of approximately $1.25/mscf is budgeted for 2015 based on an average estimated net daily gas production of 6.7 mmscfpd for 2015.

Depletion, Depreciation and Amortization

thousands of dollars	Three months ended December 31 2014	2013	Twelve months ended December 31 2014	2013
Depletion, depreciation and amortization	**$ 2,565**	$ 2,046	**$ 9,030**	$ 8,631
Depletion, depreciation and amortization per mscf ($/mscf)	**$ 4.54**	$ 3.22	**$ 3.93**	$ 3.29

Depletion expense is calculated using the unit-of-production method which is based on production volumes (excluding penalty wells) in relation to the proved reserve base. The increase in depletion, depreciation and amortization ("DD&A") expense for Q4 2014 to $2,565 thousand from $2,046 thousand in Q4 2013 and to $9,030 thousand for the year ended December 31, 2014 from $8,631 thousand for the year ended December 31, 2013 is due an increase in capital expenditures in 2014 and a decrease in the estimate of gross proved natural gas reserves. In its reserves report in respect of the McCully Field as at December 31, 2014, GLJ Petroleum Consultants Ltd. ("GLJ") decreased the estimate of gross proved natural gas reserves by 15.4 bscf to 45.1 bscf and decreased the estimated future development costs relating to the development of proved reserves to $78,954 thousand from $108,126 thousand in 2013.

The DD&A rate per mscf for 2014 of $3.93/mscf is higher than the latest forecast of $3.80/mscf due to the decrease in the estimate of gross proved natural gas reserves to 45.1 bscf at December 31, 2014.

Outlook

The Company's budget for the DD&A rate per mscf for 2015 is approximately $3.90/mscf based on the estimated gross proved natural gas reserves of 45.1 bscf, future development costs of $78,954 thousand, budgeted 2015 capital expenditures of $2,400 thousand and an average estimated net daily gas production of 6.7 mmscfpd for 2015.

General and Administrative Expenses

	Three months ended December 31		**Twelve months ended December 31**	
thousands of dollars	**2014**	2013	**2014**	2013
Gross expenses	**$ 1,199**	$ 1,039	**$ 3,838**	$ 3,365
Capitalized overhead	**(92)**	(80)	**(377)**	(341)
Operator recoveries	**(13)**	(3)	**(20)**	(5)
Net expenses	**$ 1,094**	$ 956	**$ 3,441**	$ 3,019

Gross general and administrative expenses ("G&A") increased to $1,199 thousand in Q4 2014 from $1,039 thousand in Q4 2013 due to an increase in the use of consultants for the 2014 well re-entry and fracturing program. The increase in G&A for the year ended December 31, 2014 to $3,838 thousand from $3,365 thousand for the year ended December 31, 2013 is also due to the payment of a bonus to employees in Q1 2014.

Outlook

Corridor estimates an increase in the 2015 budget for gross G&A to approximately $3,900 thousand to reflect increased spending on a social acceptability program in response to the hydraulic fracturing moratorium in New Brunswick. Corridor intends to be an advocate for the safe and environmentally responsible development of the shale gas industry in New Brunswick.

Share-based Compensation

	Three months ended December 31		**Twelve months ended December 31**	
thousands of dollars	**2014**	2013	**2014**	2013
Share-based compensation expense (recovery)	**$ 39**	$ 153	**$ 458**	$ 149

The share-based compensation expense increased to $458 thousand for the year ended December 31, 2014 from $149 thousand for the year ended December 31, 2013 due to the reversal of approximately $500 thousand of previously expensed share-based compensation in Q1 2013 following the surrender of 1,514 thousand stock options.

Outlook

Corridor's estimate of the 2015 share-based compensation expense is approximately $400 thousand.

Deferred Income Taxes

	Three months ended December 31		**Twelve months ended December 31**	
thousands of dollars	**2014**	2013	**2014**	2013
Deferred income tax expense (recovery)	**$ (10,977)**	$ 8,167	**$ (8,595)**	$ 7,546
Effective tax rate	**28.3%**	28.4%	**32.7%**	25.2%
Canadian statutory income tax rate	**28.0%**	27.5%	**28.0%**	27.5%

The increase in the effective tax rate for the year ended December 31, 2014 compared to the year ended December 31, 2013 is primarily due to the non-taxable portion of the gain on sale of exploration assets which increased deferred income tax recovery by $1,325 thousand for the year ended December 31, 2014 and due to the increase in the Company's deferred income tax rate from 27% to 28.25% which decreased deferred income tax expense by $972 thousand in Q2 2013.

Outlook

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

Gain on Sale of Exploration Assets

	Three months ended December 31		Twelve months ended December 31	
thousands of dollars	**2014**	2013	**2014**	2013
Gain on sale of exploration assets	**$ 390**	$ -	**$ 10,430**	$ -

In connection with the establishment of the Anticosti Joint Venture, Corridor transferred its Anticosti exploration licenses to Anticosti Hydrocarbons and RQ and Saint-Aubin made a commitment to spend up to an aggregate $100 million on an exploration program starting in 2014. In exchange, Corridor received an interest of 21.67% in Anticosti Hydrocarbons and net cash proceeds of $13,479 thousand, which resulted in an initial gain on the sale of exploration assets of $8,500 thousand. During the year, RQ and Saint-Aubin contributed $14,126 thousand of their commitment to the Anticosti exploration program and Corridor recognized an additional gain on sale of $390 thousand and $1,930 thousand, respectively, for the three and twelve months ended December 31, 2014.

Impairment Losses (Reversal)

	Three months ended December 31		Twelve months ended December 31	
thousands of dollars	**2014**	2013	**2014**	2013
Impairment losses (reversal)	**$ 39,150**	$ (28,050)	**$ 39,150**	$ (28,050)

The Company recognized impairment losses of $39,150 thousand for the year ended December 31, 2014 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 impairment losses in 2014 resulted from a decrease in GLJ's estimate of Corridor's proved plus probable natural gas reserves due primarily to lower than expected reserves from the 2014 well re-entry and fracturing program at the McCully Field and a decrease in the number of estimated future development wells which was caused in part by lower estimated future natural gas prices and the moratorium on hydraulic fracturing announced by the New Brunswick Government. As a result, management has not forecasted any capital spending in New Brunswick until 2017. A reversal of impairment losses of $28,050 thousand was recognized for the year ended December 31, 2013 following an increase in forecast natural gas prices. 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 of $88 million. 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 2014, the Company utilized the following benchmark prices to determine the forecast prices in the fair value calculation:

	2015	2016	2017	2018	2019	2020-2024	Thereafter
Henry Hub ($US/mmbtu)	$ 3.31	$ 3.75	$ 4.00	$ 4.25	$ 4.50	$ 4.75-$ 5.68	+2%/year
McCully ($/mscf)	$ 5.51	$ 6.70	$ 6.40	$ 5.20	$ 5.50	$ 5.80-$ 6.91	+2%/year
Exchange rate ($US/$CDN)	$ 0.85	$ 0.875	$ 0.875	$ 0.875	$ 0.875	$ 0.875	$ 0.875

The Henry Hub gas prices are adjusted to reflect the expected AGT premiums, transportation costs and heat content to arrive at the McCully gas price.

Capital Expenditures

	Three months ended December 31		Twelve months ended December 31	
thousands of dollars	**2014**	2013	**2014**	2013
Development activities	**$ 1,888**	$ 1,039	**$ 17,946**	$ 1,050
Exploration activities	**45**	735	**3,878**	1,723
Production facilities	**174**	1	**378**	18
Capitalized overhead	**92**	80	**377**	341
Other assets	**537**	1	**870**	6
	$ 2,736	$ 1,856	**$ 23,449**	$ 3,138

The capital expenditures increased to $2,736 thousand for Q4 2014 from $1,856 thousand in Q4 2013 and to $23,449 thousand for the year ended December 31, 2014 from $3,138 thousand for the year ended December 31, 2013 due to the 2014 well re-entry and fracturing program at the McCully Field and Elgin Field in southern New Brunswick.

Corridor's capital expenditures for 2014 were lower than the original budget of $27.2 million due to the following: three intervals in the Frederick Brook shale in the E-67B well were not completed as planned due to hole instability issues encountered during the well's re-entry; the test of the South Branch G-36 oil discovery well was deferred for further technical review and a recovery in oil prices; and, costs relating to the regulatory approval process for the Old Harry exploration project were less than forecast.

Outlook

Corridor's approved 2015 capital expenditure budget of $2,400 thousand consists mostly of the costs of a data acquisition program over the Newfoundland and Labrador side of the Old Harry prospect using a controlled source electro-magnetic survey. Corridor has significant financial flexibility and will be evaluating opportunities to establish a new core area in 2015. Corridor will not limit its search for new opportunities to Eastern Canada. Should Corridor successfully identify and transact on a new opportunity, the capital budget would be increased accordingly.

Statement of Financial Position Changes

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

- $23,831 thousand decrease in property, plant and equipment, primarily reflecting the impairment losses of $33,700 thousand net of the capital expenditures relating to the 2014 well re-entry and fracturing program.
- $16,784 thousand decrease in exploration and evaluation assets, primarily reflecting the impairment losses of $5,450 thousand and the establishment of the Anticosti Joint Venture, which resulted in a decrease of $4,979 thousand in exploration and evaluation assets and a transfer of $10,600 thousand to the investment in Anticosti partnership.
- $8,595 thousand increase in deferred income tax assets, primarily reflecting the deferred income tax impact of the impairment losses of $39,150 thousand.

Cash Flow Summary

	Three months ended December 31		**Twelve months ended December 31**	
thousands of dollars	**2014**	2013	**2014**	2013
Cash provided by operating activities	**$ 1,805**	$ 1,242	**$ 12,805**	$ 9,682
Cash provided by financing activities	**21**	-	**119**	-
Cash used in investing activities	**(13,349)**	(968)	**(9,231)**	(2,182)
Increase (decrease) in cash and cash equivalents	**$ (11,523)**	$ 274	**$ 3,693**	$ 7,500

The increase in cash provided by operating activities for the year ended December 31, 2014 to $12,805 thousand from $9,682 thousand for the year ended December 31, 2013 is primarily the result of the increase in natural gas sales resulting from the increase in natural gas prices in 2014. The increase in cash provided by operating activities for Q4 2014 to $1,805 thousand from $1,242 thousand for Q4 2013 is primarily the result of the increase in non-cash operating working capital.

The increase in cash used in investing activities for Q4 2014 to $13,349 thousand from $968 thousand for Q4 2013 and to $9,231 thousand for the year ended December 31, 2014 from $2,182 thousand for the year ended December 31, 2013 is due to capital spending on the 2014 well re-entry and fracturing program at the McCully and Elgin fields. The increase in cash used in investing activities for the year ended December 31, 2014 was partially offset by net cash proceeds of $13,479 thousand received in Q2 2014 as part of the establishment of the Anticosti Joint Venture.

Outlook

Corridor is forecasting cash flow from operations of $8.7 million in 2015, which is based on an estimated average natural gas sales price of approximately $7.70/mscf and an estimated average net daily gas production of 6.7 mmscfpd. The average natural gas sales price is based on an exchange rate estimate of $0.85 U.S. per Canadian dollar, an estimated Henry Hub price of

$US2.95/mmbtu and an average premium at AGT of $US3.20/mmbtu, and incorporates Corridor's contracted forward sales of natural gas production.

Based on available working capital of $20.9 million at December 31, 2014 and Corridor's 2015 capital budget of $2.4 million Corridor is forecasting a net positive working capital of approximately $27.2 million at December 31, 2015, with no outstanding debt.

Outstanding Share Information

As of February 28, 2015, the outstanding share information was as follows:

Common shares outstanding	**88,621,966**
Stock options to purchase common shares	**3,506,167**
Total common shares outstanding after exercise of all stock options	**92,128,133**

thousands of dollars	
Total proceeds due on exercise of all stock options	**$ 4,461**

Related Party Transactions

A director of Corridor was, until December 31, 2014, a partner in a law firm that provides legal services to the Company. For the three and twelve months ended December 31, 2014, legal expenses of $124 thousand and $518 thousand are included in general and administrative expenses and in property, plant and equipment (three and twelve months ended December 31, 2013 – $27 thousand and $88 thousand). The amounts paid are recorded at the amount agreed to between parties and approximate fair value.

Summary of Quarterly Information

	2014				**2013**			
thousands 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 sales	**$ 5,241**	$ 2,066	$ 3,390	$ 11,438	**$ 5,841**	$ 3,041	$ 3,708	$ 7,756
Net income (loss)	**$ (27,767)**	$ (199)	$ 6,251	$ 4,009	**$ 20,586**	$ (1,036)	$ 370	$ 2,529
Net income (loss) per share - basic	**$ (0.313)**	$ (0.002)	$ 0.071	$ 0.045	**$ 0.233**	$ (0.012)	$ 0.004	$ 0.029
Net income (loss) per share - diluted	**$ (0.311)**	$ (0.002)	$ 0.070	$ 0.045	**$ 0.233**	$ (0.012)	$ 0.004	$ 0.029
Natural gas production (mmscf)	**631**	611	653	681	**712**	718	754	761
Average natural gas price ($/mscf)	**$ 8.30**	$ 3.38	$ 5.19	$ 16.80	**$ 8.21**	$ 4.23	$ 4.92	$ 10.19
Capital expenditures	**$ 2,736**	$ 18,090	$ 1,818	$ 805	**$ 1,856**	$ 180	$ 629	$ 473

Since November 2012, natural gas prices have generally continued to increase in the New England market and reached a high quarterly average of $16.80/mscf in Q1 2014. The increase in the average natural gas price resulted in a reversal of impairment losses of $28,050 thousand in Q4 2013 and an increase in the Company's net income to $20,586 thousand in Q4 2013. In response to the higher natural gas prices, Corridor undertook a well re-entry and fracturing program at the McCully Field in Q3 2014 to increase natural gas production. However, late in 2014, the forecast for future natural gas prices decreased and the New Brunswick Government announced a moratorium on hydraulic fracturing contributing in part to the decrease in the Company's proved plus probable natural gas reserves which resulted in the recognition of an impairment loss of $39,150 thousand and a net loss of $27,767 thousand in Q4 2014.

Liquidity and Capital Resources

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

At December 31, 2014, Corridor had access to a $6 million revolving credit facility with a Canadian chartered bank. The credit facility currently provides that any principal amount outstanding from time to time under the credit facility will bear interest at the lender's prime rate plus 1% per annum, with interest payable monthly. The credit facility will mature, subject to mutual agreement to extend, on July 25, 2015 and is subject to customary terms and conditions for borrowings of this nature and secured by the Company's property, plant and equipment. The Company is in compliance with all material terms of the agreements governing the credit facility. The credit currently available to the Company is in part determined by the Company's borrowing base which is largely dependant on the Company's reserves. If, at any time during the term of the credit facility, the lender has reason to believe that the borrowing base has materially declined below the $6 million credit facility, the lender can recalculate the Company's borrowing base and could, as a result, decrease the credit currently available to the Company. As of the date hereof, no amounts were drawn on this credit facility and $6 million remained available thereunder.

On March 30, 2015, Corridor's board of directors determined not to renew its $6 million revolving credit facility.

At this time, Corridor does not intend to access its credit facility in 2015 consistent with the Company's 2015 budget. The 2015 budget assumes that no additional funds will be utilized from other sources such as equity financings, corporate debt or asset sales.

The Company has sufficient financial resources to undertake its planned activities in 2015. However, Corridor does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties or any additional properties to be acquired. Future exploration and development of the Company's properties will depend, therefore, on the Company's cash flow from operations and its ability to obtain additional financing through joint ventures, debt financings, equity financings or other means. Failure to obtain any financing necessary for Corridor's capital expenditure plans may result in a delay in development or production on Corridor's properties.

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

As of December 31, 2014, Corridor had the following contractual obligations and commitments:

(thousands of dollars)	**Total**	2015	2016	2017	2018	2019	Thereafter
Operating leases	**$ 2,118**	$ 648	$ 610	$ 357	$ 307	$ 88	$ 108
Transportation commitments	**986**	986	-	-	-		-
Decommissioning liabilities	**14,489**	-	-	-	-	-	14,489
	$ 17,593	$ 1,634	$ 610	$ 357	$ 307	$ 88	$ 14,597

Given the Company's available liquid resources and the Company's 2015 budget, management expects to have sufficient available funds to meet the current and foreseeable contractual obligations.

Disclosure Controls and Procedures and 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, 2014, 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.

In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") issued an updated *Internal Control-Integrated Framework* ("2013 Framework") replacing the *Internal Control – Integrated Framework* (1992). 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, 2014. In making its assessment, management used the 2013 Framework.

During the year ended December 31, 2014, 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, future 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, 2014, the Company recognized impairment losses of $39,150 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 impairment losses for the year ended December 31, 2014 of a one percent change in the discount rate:

(thousands of dollars)

	2014	
	1% rate increase	1% rate decrease
Increase (decrease) in impairment losses	$ 7,503	$ (8,571)

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.

Deferred Income tax

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. The recognition of deferred income tax assets is based on the probability that future taxable profits will be sufficient to utilize the underlying taxable amounts. Changes in the estimated future taxable profits could materially impact the Company's deferred income tax assets.

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, third party risk, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, risks may not be insurable, variations in exchange rates, expiration of licenses and leases, development and/or acquisition of oil and natural gas properties, trading of common shares, seasonality, competition, management of growth, conflicts of interest, issuance of debt, title to properties, and hedging. See also "*Forward-Looking Statements*" in this MD&A.

Risks Associated with Oil and Gas Exploration

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

The Company currently has a number of specific identified exploration and development prospects. Management will continue to evaluate prospects on an ongoing basis in a manner consistent with industry standards and their past practices. The long term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation.

Substantial Capital Requirements and Financing

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

Volatility of Natural Gas and Oil Prices

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

Government Regulation

The oil and natural gas industry (exploration, production, pricing, marketing and transportation) is subject to extensive controls and regulations imposed by various levels of government. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Company's costs, any of which may have a material adverse effect on the Company's intended business, financial condition and results of operations. The Company's operations require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development on its properties. It is not expected that any of these controls or regulations will affect the operations of the Company in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted. However, such legislation may have a material adverse effect on the business, financial condition, results of operations and cash flows of the Company.

Hydraulic Fracturing

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

In Québec, on December 16, 2014, Québec Premier Philippe Couillard announced that, while developing shale gas would bring economic and financial benefit, there is not sufficient support from the population to move forward with such development. Premier Couillard subsequently clarified that he "wants the doors to stay open … or at least, that people know how to open the door" for investment in the development of Quebec's oil and gas resources. This announcement was made following the release of Report 307 dated November 2014 by Bureau d'audiences publiques sur l'environment ("BAPE") which, generally: (i) outlines potential negative consequences from extracting natural gas from shale rock along the St. Lawrence River, and (ii) states that it has not been sufficiently demonstrated that the exploration for and exploration of shale gas in the St. Lawrence lowlands with hydraulic fracturing would be advantageous to Québec because of costs and potential externalities compared to the royalties that would be collected. None of Corridor's properties and the Anticosti Joint Venture's properties are located in the St. Lawrence lowlands. In respect of Anticosti Island, Québec, the Québec Government announced that its participation in the Anticosti Joint Venture to appraise and potentially develop hydrocarbon resources on Anticosti Island is one component of its policy to secure Québec energy independence. In respect of the Old Harry prospect, an offshore prospect, the issue of shale gas is not relevant.

Environmental

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

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

Future federal legislation, including the implementation of potential international requirements enacted under Canadian law, as well as provincial emissions reduction requirements, may require the reduction of GHG or other industrial air emissions, or emissions intensity, from Corridor's operations and facilities. Mandatory emissions reduction requirements may result in increased operating costs and capital expenditures for oil and natural gas producers. Corridor is unable to predict the impact of emissions reduction legislation on the Company and it is possible that such legislation may have a material adverse effect on its business, financial condition, results of operations and cash flows.

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

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, capital 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, 2014 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 30, 2015

Signed *"Stephen J. Moran"*
Stephen J. Moran
President and Chief Executive Officer

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

March 30, 2015

Independent Auditor's Report

To the Shareholders 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, 2014 and December 31, 2013 and the statements of income (loss) and comprehensive income (loss), 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, 2014 and December 31, 2013 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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Statements of Income (Loss) and Comprehensive Income (Loss)

(thousands of dollars, except per share data)

For the years ended December 31	**2014**	2013
Sales *(note 6)*	**$ 23,253**	$ 21,619
Royalty expense	**(1,434)**	(740)
Revenues, net	**21,819**	20,879
Expenses		
Depletion, depreciation and amortization	**9,030**	8,631
Transportation expense	**3,622**	3,799
Production expense *(note 7)*	**3,036**	3,362
General and administrative expenses *(note 7)*	**3,441**	3,019
Share-based compensation expense *(note 20)*	**458**	149
Impairment losses (reversal) *(notes 12 & 14)*	**39,150**	(28,050)
Loss on sale and write-down of inventory *(note 12)*	**44**	-
Write-off (recovery) of exploration and evaluation assets *(note 14)*	**(12)**	12
	58,769	(9,078)
Income (loss) before the following items	**(36,950)**	29,957
Gain on sale of exploration assets (*notes 14 & 15*)	**10,430**	-
Interest and other (*note 8*)	**318**	38
Equity loss (*note 15*)	**(99)**	-
Income (loss) before income taxes	**(26,301)**	29,995
Deferred income tax expense (recovery) (*note 9*)	**(8,595)**	7,546
Net income (loss) and comprehensive income (loss)	**$ (17,706)**	$ 22,449
Net income (loss) per share – basic	**$ (0.200)**	$ 0.254
Net income (loss) per share – diluted	**$ (0.197)**	$ 0.254
Weighted average number of common shares *(note 5)*		
Basic	**88,552**	88,464
Diluted	**89,666**	88,550

See accompanying notes to the financial statements.

Statements of Financial Position

(thousands of dollars) As at December 31	**2014**	2013
Assets		
Current assets		
Cash and cash equivalents	**$ 19,207**	$ 15,514
Restricted cash *(note 24 b)*	**650**	1,128
Receivables *(notes 10 & 22 a i)*	**3,351**	3,237
Inventory held for sale *(note 11)*	**1,278**	-
Prepaids and security deposits	**141**	186
	24,627	20,065
Non-current assets		
Property, plant and equipment *(notes 12 & 18)*	**96,625**	120,456
Exploration and evaluation assets *(note 14)*	**8,141**	24,925
Investment in Anticosti partnership *(note 15)*	**12,511**	-
Deferred income tax assets *(note 9)*	**22,110**	13,515
Investment tax credits	**1,673**	1,673
Intangible assets *(note 13)*	**200**	248
Restricted cash *(note 24 b)*	**380**	380
Total assets	**$ 166,267**	$ 181,262
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities *(note 16)*	**$ 3,721**	$ 2,769
Non-current liabilities		
Decommissioning liability *(note 17)*	**8,276**	7,094
Total liabilities	**11,997**	9,863
Shareholders' Equity		
Capital stock *(note 19)*	**247,685**	247,496
Contributed surplus	**10,043**	9,655
Deficit	**(103,458)**	(85,752)
Total shareholders' equity	**154,270**	171,399
Total liabilities and shareholders' equity	**$ 166,267**	$ 181,262

See accompanying notes to the financial statements.

Commitments *(note 24)*
Contingencies *(note 25)*
Subsequent events *(note 26)*

On behalf of the Board

Signed *"Stephen J. Moran"* Director

Signed *"Robert D. Penner"* Director

Statements of Changes in Shareholders' Equity

(thousands of dollars)

For the years ended December 31	**2014**	2013
Capital stock, beginning of year	**$ 247,496**	$ 247,496
Exercise of stock options for cash	**119**	-
Amount previously expensed for stock options exercised	**70**	-
Capital stock, end of year	**$ 247,685**	$ 247,496
Contributed surplus, beginning of year	**$ 9,655**	$ 9,506
Share-based compensation expense *(note 20)*	**458**	149
Amount previously expensed for stock options exercised	**(70)**	-
Contributed surplus, end of year	**$ 10,043**	$ 9,655
Deficit, beginning of year	**$ (85,752)**	$ (108,201)
Net income (loss) and comprehensive income (loss)	**(17,706)**	22,449
Deficit, end of year	**$ (103,458)**	$ (85,752)
Shareholders' equity, end of year	**$ 154,270**	$ 171,399

See accompanying notes to the financial statements.

Statements of Cash Flows

(thousands of dollars)

For the years ended December 31	**2014**	2013
Operating Activities		
Net income (loss)	**$ (17,706)**	$ 22,449
Adjustments not affecting cash:		
Depletion, depreciation and amortization	**9,030**	8,631
Share-based compensation expense	**458**	149
Write-downs of assets and impairment losses (reversal)	**39,182**	(28,038)
Deferred income tax expense (recovery)	**(8,595)**	7,546
Gain on sale of assets	**(10,432)**	-
Equity loss	**99**	-
Other operating activities	**208**	197
	12,244	10,934
Decrease (increase) in non-cash operating working capital *(note 21)*	**561**	(1,252)
Cash provided by operating activities	**12,805**	9,682
Financing Activities		
Proceeds from the exercise of stock options	**119**	-
Cash provided by financing activities	**119**	-
Investing Activities		
Property, plant and equipment expenditures	**(19,194)**	(1,074)
Exploration and evaluation expenditures	**(4,255)**	(2,064)
Proceeds from sale of exploration assets	**13,479**	-
Decrease (increase) in restricted cash	**478**	(478)
Contribution in Anticosti partnership	**(80)**	-
Proceeds from sale of inventory	**19**	-
Decrease in non-cash investing working capital *(note 21)*	**322**	1,434
Cash used in investing activities	**(9,231)**	(2,182)
Increase in cash and cash equivalents	**3,693**	7,500
Cash and cash equivalents, beginning of year	**15,514**	8,014
Cash and cash equivalents, end of year	**$ 19,207**	$ 15,514
Cash and cash equivalents consists of:		
Cash	**$ 1,552**	$ 5,892
Short-term investments	**17,655**	9,622
Cash and cash equivalents, end of year	**$ 19,207**	$ 15,514

See accompanying notes to the financial statements.

Notes to the Financial Statements
Years ended December 31, 2014 and 2013

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 30, 2015, the financial statements were approved by the Board of Directors and signed by the chair of the Audit Committee and the President and Chief Executive Officer.

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 costs 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 a joint arrangement with Potash Corporation of Saskatchewan Inc. (“PCS”). As of December 31, 2014, Corridor and PCS jointly own 22 of the 40 wells drilled in the McCully Field in New Brunswick. 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) Investment in Anticosti partnership

The Company has a partnership interest of 21.67% in Anticosti Hydrocarbons L.P., a joint venture created for the purpose of exploring and developing hydrocarbons on Anticosti Island, Québec. The Company accounts for this investment using the equity method.

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 each reporting date at the exchange rate prevailing at the Statement of Financial Position date. 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 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 current 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

The adoption of IAS 36 "*Impairment of Assets*" during the year has increased the disclosure required when an impairment loss has been recognized or reversed in the period, as disclosed in note 12.

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.

- In May 2014, the IASB issued IFRS 15 "*Revenue from Contracts with Customers*" which replaces IAS 18 "*Revenue*". The standard will come into effect for years beginning on or after January 1, 2017 with earlier adoption permitted. The extent of the impact of adoption of IFRS 15 has not yet been determined.

- In July 2014, the IASB completed its three-phase project to replace IAS 39 "*Financial Instruments: Recognition and Measurement*" with IFRS 9 "*Financial Instruments*". IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single-expected loss impairment model and a substantially reformed approach to hedge accounting. The standard will come into effect for years beginning on or after January 1, 2018 with earlier adoption permitted. The extent of the impact of adoption of IFRS 9, if any, has not yet been determined.

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.

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.

4. Critical judgments and accounting estimates (continued)

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 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 future production, ultimate reserve recovery, timing and amount of capital expenditures, commodity prices, royalty rates, future costs and the New Brunswick government's hydraulic fracturing moratorium, 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, 2014, stock options of 884 thousand (December 31, 2013 – 1,415 thousand) were excluded from the dilution calculation since the average market price for the year was lower than the exercise price.

6. Sales

Sales consist of the following:

(thousands of dollars)

	2014	2013
Natural gas sales	**$ 22,135**	$ 20,346
Gathering, processing and transportation fees	**885**	1,018
Natural gas liquids sales	**233**	255
Sales	**$ 23,253**	$ 21,619

7. Expenses by nature

Production expenses by nature consist of the following:

(thousands of dollars)

	2014	2013
Wages and benefits	**$ 1,041**	$ 949
Utilities expense	**804**	862
Repairs and maintenance	**342**	516
Property taxes and insurance	**404**	398
Office expenses	**99**	95
Workover activities and field maintenance	**131**	414
Other production expenses	**714**	670
	3,535	3,904
Third party recoveries	**(499)**	(542)
Production expenses	**$ 3,036**	$ 3,362

General and administrative expenses by nature consist of the following:

(thousands of dollars)

	2014	2013
Wages and benefits	**$ 1,873**	$ 1,589
Directors fees	**245**	182
Consultants	**515**	398
Legal and accounting	**355**	380
Office expenses	**213**	312
Software maintenance and licensing	**132**	121
Other general and administrative expenses	**505**	383
	3,838	3,365
Third party recoveries & capitalized overhead	**(397)**	(346)
General and administrative expenses	**$ 3,441**	$ 3,019

8. Interest and other

Interest and other consist of the following:

(thousands of dollars)

	2014	2013
Interest and other income	**$ 378**	$ 158
Foreign exchange gains	**184**	120
Interest and finance costs	**(244)**	(240)
Interest and other	**$ 318**	$ 38

9. Income taxes

The New Brunswick Government increased the Province's corporate income tax rate 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 and Corridor's blended statutory income tax rate increased for the year ended December 31, 2014.

9. Income taxes (continued)

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)

	2014	2013
Income (loss) before income taxes	**$ (26,301)**	$ 29,995
Blended Canadian statutory income tax rate	**28.0%**	27.5%
Expected income tax expense (recovery)	**$ (7,364)**	$ 8,249
Increase (decrease) resulting from:		
Non-taxable portion of gain on sale of exploration assets	**(1,325)**	-
Non-deductible share-based compensation	**128**	41
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	**(64)**	226
Effect of provincial tax rate change	**-**	(972)
Other	**30**	2
	$ (8,595)	$ 7,546

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

(thousands of dollars)

	December 31 2013 deferred income tax balance	**December 31 2014 deferred income tax recovery**	**December 31 2014 deferred income tax balance**
Property, plant and equipment and exploration and evaluation assets	$ 12,183	**$ 8,261**	**$ 20,444**
Decommissioning liability	1,332	**334**	**1,666**
	$ 13,515	**$ 8,595**	**$ 22,110**

(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

Temporary differences of $2,385 thousand 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, 2014, the Company has recognized deferred income tax assets of $22,110 thousand for which it is probable there will be sufficient taxable profits from operations and sufficient reversal of taxable temporary differences to facilitate the utilization of the underlying tax deductible amounts.

10. Receivables

Receivables consist of the following:

(thousands of dollars)

	December 31 2014	December 31 2013
Trade receivables	**$ 2,139**	$ 2,778
Receivables from joint venture partners	**556**	224
Sales and capital taxes receivable from government	**506**	169
Interest receivable	**150**	66
	$ 3,351	$ 3,237

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.

11. Inventory held for sale

During the year, the Company reclassified $1,278 thousand of inventory from property, plant and equipment to inventory held for sale as the Company plans to sell this inventory.

12. Property, plant and equipment

(thousands of dollars)

	Oil and gas properties	Production facilities	Inventory	Office and other assets	Total
Cost					
Balance at December 31, 2012	$ 216,074	$ 76,610	$ 3,185	$ 2,699	$ 298,568
Additions	1,000	18	50	6	1,074
Transfers from current assets	-	-	737	-	737
Changes in future abandonment costs	(723)	-	-	-	(723)
Investment tax credits	-	(1)	-	-	(1)
Balance at December 31, 2013	$ 216,351	$ 76,627	$ 3,972	$ 2,705	$ 299,655
Additions	17,946	378	739	131	19,194
Transfers *(note 14)*	698	-	(587)	-	111
Changes in future abandonment costs	885	-	-	-	885
Sale of inventory	-	-	(17)	-	(17)
Transfer to current assets	-	-	(1,278)	-	(1,278)
Balance at December 31, 2014	**$ 235,880**	**$ 77,005**	**$ 2,829**	**$ 2,836**	**$ 318,550**
Accumulated depletion and depreciation					
Balance at December 31, 2012	$ 146,072	$ 48,722	$ 2,364	$ 1,509	$ 198,667
Depletion or depreciation expense	7,213	1,244	-	125	8,582
Reversal of impairment losses	(19,785)	(8,265)	-	-	(28,050)
Balance at December 31, 2013	$ 133,500	$ 41,701	$ 2,364	$ 1,634	$ 179,199
Depletion or depreciation expense	7,457	1,415	-	110	8,982
Impairment losses	24,640	9,060	-	-	33,700
Write-down of inventory	-	-	44	-	44
Balance at December 31, 2014	**$ 165,597**	**$ 52,176**	**$ 2,408**	**$ 1,744**	**$ 221,925**
Net book value at December 31, 2013	$ 82,851	$ 34,926	$ 1,608	$ 1,071	$ 120,456
Net book value at December 31, 2014	**$ 70,283**	**$ 24,829**	**$ 421**	**$ 1,092**	**$ 96,625**

12. Property, plant and equipment (continued)

The calculation of depletion expense includes estimated future development costs relating to the development of proved reserves of $78,954 thousand for the year ended December 31, 2014 (December 31, 2013 - $108,126 thousand). At December 31, 2013, costs of $7,366 thousand were excluded from the costs subject to depletion, depreciation and amortization.

For the year ended December 31, 2014, the Company recognized impairment losses relating to the Company's New Brunswick CGU which includes the McCully Field, a natural gas producing asset, and exploration and evaluation natural gas assets. The impairment losses for the year ended December 31, 2014 (December 31, 2013 – reversal of impairment losses) were allocated as follows:

(thousands of dollars)

	2014	2013
Oil and gas properties and production facilities	**$ 33,700**	$ (28,050)
Exploration and evaluation assets	**5,450**	-
	$ 39,150	$ (28,050)

The impairment losses for the year ended December 31, 2014 resulted from a decrease in Corridor's proved plus probable natural gas reserves due primarily to lower than expected reserves from the 2014 capital program, and a decrease in the number of estimated future development wells which was caused in part by lower estimated future natural gas prices and the moratorium on hydraulic fracturing announced by the New Brunswick Government. As a result, management has not forecasted any capital spending in New Brunswick until 2017. The impairment losses were based on the difference between the carrying value of the New Brunswick CGU and its recoverable amount of $88 million. 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. The key values used to determine the recoverable amount are classified as level 2 and level 3 in the fair value hierarchy classifications (see note 3p).

For the year ended December 31, 2014, the Company utilized the following forecast prices in the fair value calculation:

	2015	2016	2017	2018	2019	2020-2024	Thereafter
Henry Hub ($US/mmbtu)	$ 3.31	$ 3.75	$ 4.00	$ 4.25	$ 4.50	$ 4.75-$ 5.68	+2%/year
McCully ($/mscf)	$ 5.51	$ 6.70	$ 6.40	$ 5.20	$ 5.50	$ 5.80-$ 6.91	+2%/year
Exchange rate ($US/$CDN)	$ 0.85	$ 0.875	$ 0.875	$ 0.875	$ 0.875	$ 0.875	$ 0.875

The McCully gas price is calculated by adjusting the Henry Hub gas prices to reflect the premiums received at Corridor's pricing point, transportation costs and heat content.

The fair value calculations were based on the following proved plus probable natural gas reserves, as determined by independent reserves engineers:

	2014	2013
Proved plus probable natural gas reserves (bscf)	**66.0**	98.3

The following table demonstrates the impact on the 2014 impairment losses of a 1% change in the discount rate:

(thousands of dollars)

	2014	
	1% rate increase	**1% rate decrease**
Increase (decrease) in impairment losses	$ 7,503	$ (8,571)

13. Intangible assets

(thousands of dollars)

	2014	2013
Cost		
Balance, beginning and end of year	**$ 479**	$ 479
Accumulated amortization		
Balance, beginning of year	**$ 231**	$ 182
Amortization	**48**	49
Balance, end of year	**279**	231
Net book value, end of year	**$ 200**	$ 248

14. Exploration and evaluation assets

(thousands of dollars)

	2014	2013
Balance, beginning of year	**$ 24,925**	$ 22,969
Additions	**4,255**	2,064
Sale of exploration assets	**(4,979)**	-
Transfer to investment in Anticosti partnership	**(10,600)**	-
Impairment losses	**(5,450)**	-
Transfers to property, plant and equipment	**(111)**	-
Recovery (write-off) of exploration and evaluation assets	**12**	(12)
Changes in future abandonment costs	**89**	(96)
Balance, end of year	**$ 8,141**	$ 24,925

For the year ended December 31, 2014, the Company recorded an impairment loss of $5,450 thousand relating to the impairment of the Company's New Brunswick CGU, as explained in note 12.

On April 1, 2014, the Company entered into a joint venture with the Government of Québec, through its affiliate Ressources Québec ("RQ"), Pétrolia Inc. ("Pétrolia") and Saint-Aubin E&P Québec Inc. ("Saint-Aubin"). In connection with the establishment of the joint venture, Pétrolia and Corridor transferred their respective Anticosti exploration licenses to Anticosti Hydrocarbons L.P. ("Anticosti Hydrocarbons") and RQ and Saint-Aubin made a commitment to spend up to an aggregate $100 million on an exploration program starting in 2014. In exchange, Corridor received an interest of 21.67% in Anticosti Hydrocarbons and net cash proceeds of $13,479 thousand, which resulted in an initial gain on the sale of exploration assets of $8,500 thousand and a decrease in exploration and evaluation assets of $4,979 thousand. The remaining Anticosti exploration costs of $10,600 thousand were transferred to the investment in Anticosti partnership.

15. Investment in Anticosti partnership

(thousands of dollars)

	2014	2013
Balance, beginning of year	**$ -**	$ -
Transfer from exploration and evaluation assets	**10,600**	-
Gain on sale of exploration assets	**1,930**	-
Contributions	**80**	-
Equity loss	**(99)**	-
Balance, end of year	**$ 12,511**	$ -

During the year, a gain on sale of $1,930 thousand was recognized to reflect the benefit received by Corridor from the funding by RQ and Saint-Aubin of $14,126 thousand of their exploration program commitment to Anticosti Hydrocarbons.

15. Investment in Anticosti partnership (continued)

The Statement of comprehensive loss of Anticosti Hydrocarbons is summarized as follows:

(thousands of dollars)

	2014	2013
Total expenses	$ 459	-
Net loss of Anticosti Hydrocarbons	$ 459	-

The Statement of financial position of Anticosti Hydrocarbons is summarized as follows:

(thousands of dollars)

	December 31 2014	December 31 2013
Non current assets	$ 111,512	-
Current assets	3,077	-
	114,589	-
Current liabilities	330	-
Non current liabilities	221	-
	551	-
Partners' capital	114,038	-
	$ 114,589	-

The reconciliation of Corridor's investment in Anticosti partnership to Corridor's partner capital in the Statement of changes in partners' capital of Anticosti Hydrocarbons is as follows:

(thousands of dollars)

	December 31 2014	December 31 2013
Corridor's partner capital in Anticosti Hydrocarbons	$ 58,581	-
Less fair value of licenses recognized in Anticosti Hydrocarbons	(58,600)	-
Transfer of exploration and evaluation assets at Corridor's carrying value	10,600	-
Gain recognized for the funding by other partners of the Anticosti exploration program	1,930	-
Corridor's investment in Anticosti partnership	$ 12,511	-

16. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

(thousands of dollars)

	December 31 2014	December 31 2013
Trade payables	$ 1,904	$ 1,185
Accrued liabilities	1,659	1,254
Payables to joint venture partners	4	284
Payables to related parties	154	46
	$ 3,721	$ 2,769

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

17. Decommissioning liability

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

(thousands of dollars)

	2014	2013
Balance, beginning of year	**$ 7,094**	$ 7,715
Change in discount rate	**974**	(1,448)
Change in estimate	**-**	629
Finance costs	**208**	198
Balance, end of year	**$ 8,276**	$ 7,094

The total undiscounted amount of estimated cash flows required to settle these obligations is $14,489 thousand (December 31, 2013 - $16,058 thousand). Management estimates the settlement of these obligations between 2020 and 2037. At December 31, 2014, a risk-free rate of 2.75% (December 31, 2013 – 3.12%) and an inflation rate of 2% (December 31, 2013 – 2%) were used to calculate the estimated fair value of the decommissioning liability.

18. Credit facility

At December 31, 2014, Corridor had access to a $6 million revolving short term credit facility with a Canadian chartered bank. The interest rate on the loan is currently based on the bank's prime rate plus 1% and the credit facility expires, subject to mutual agreement to extend, on July 25, 2015. Outstanding amounts drawn on the credit facility are secured by a $75 million demand debenture on the Company's property, plant and equipment. At December 31, 2014 and December 31, 2013, there was no amount drawn on the credit facility.

19. Capital stock

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

b) Issued and outstanding

(thousands of dollars and thousands of shares)

	2014		2013	
	Number of shares	**Amount**	Number of shares	Amount
Balance, beginning of year	**88,464**	**$ 247,496**	88,464	$ 247,496
Exercise of stock options	**158**	**189**	-	-
Balance, end of year	**88,622**	**$ 247,685**	88,464	$ 247,496

20. 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.

For the year ended December 31, 2014, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of $458 thousand (December 31, 2013 - $149 thousand).

20. Share-based compensation (continued)

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

	2014		2013	
	Number of options (000's)	**Weighted average exercise price**	Number of options (000's)	Weighted average exercise price
Options outstanding, beginning of year	**3,576**	**$ 1.44**	3,980	$ 3.28
Granted	**900**	**$ 1.24**	1,241	$ 0.74
Exercised [1]	**(158)**	**$ 0.75**	-	-
Expired	**(498)**	**$ 2.56**	-	-
Forfeited and cancelled	**(171)**	**$ 1.08**	(131)	$ 1.74
Surrendered	**-**	**-**	(1,514)	$ 5.68
Options outstanding, end of year	**3,649**	**$ 1.28**	3,576	$ 1.44
Options exercisable, end of year	**1,826**	**$ 1.58**	1,523	$ 2.03

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

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

	2014	2013
Weighted average fair value of options granted	**$ 0.70**	$ 0.42
Risk-free interest rate	**1.4%**	1.5%
Expected life (years)	**4.4**	4.3
Expected volatility	**73%**	75%

The range of exercise prices of stock options outstanding and exercisable as at December 31, 2014 is as follows:

	Outstanding options			**Exercisable options**	
Exercise prices	**Number of options outstanding (000's)**	**Weighted average remaining term (years)**	**Weighted average exercise price**	**Number of options exercisable (000's)**	**Weighted average exercise price**
$ 0.50 - $ 0.99	1,865	3.26	$ 0.75	942	$ 0.75
$ 1.00 - $ 1.99	900	4.88	$ 1.24	-	-
$ 2.00 - $ 2.49	884	1.83	$ 2.46	884	$ 2.46
	3,649	3.32	$ 1.28	1,826	$ 1.58

21. Supplemental cash flow information

(thousands of dollars)

	2014	2013
Change in non-cash operating working capital:		
Receivables	**$ 629**	$ (1,447)
Prepaids and security deposits	**45**	(2)
Accounts payable and accrued liabilities	**(113)**	197
	$ 561	$ (1,252)
Change in non-cash investing working capital:		
Receivables	**$ (743)**	$ 324
Accounts payable and accrued liabilities	**1,065**	1,110
	$ 322	$ 1,434

21. Supplemental cash flow information (continued)

(thousands of dollars)

	2014	2013
Interest and taxes paid:		
Interest paid	**$ (36)**	$ (36)
Interest received	**$ 246**	$ 107
Capital and other taxes received	**$ 10**	$ 25

22. 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.

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 an increase of approximately $450 thousand in the Company's net loss (December 31, 2013 – $500 thousand decrease in net income) due to lower natural gas sales. Conversely, a 5% increase in the price of natural gas would have resulted in a decrease of approximately $450 thousand in the Company's net loss (December 31, 2013 – $500 thousand increase in net income) due to higher natural gas sales.

iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2014, the Company was holding cash and cash equivalents of $19,207 thousand and had $6 million available from its revolving credit facility (as disclosed in note 18). 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 2015 budget, management expects to have sufficient available funds to meet the current and foreseeable financial liabilities.

22. Risk management (continued)

iv) 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, 2014	December 31, 2013
Cash (bank indebtedness)	**$ 18**	$ (24)
Receivables	**1,767**	2,499
Financial instruments in U.S. dollars	**$ 1,785**	$ 2,475

At December 31, 2014, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in a increase of approximately $75 thousand in the Company's net loss (December 31, 2013 – $95 thousand decrease in net income) due to a decrease in the financial instruments denominated in U.S. dollars. Conversely, a 5% increase in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of approximately $75 thousand in the Company's net loss (December 31, 2013 – $95 thousand increase in net income).

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.

23. Related party transactions

a) Legal services

A director of Corridor was, until December 31, 2014, a partner in a law firm that provides legal services to the Company. For the year ended December 31, 2014, $145 thousand of legal expenses are included in general and administrative expenses and $373 thousand in property, plant and equipment (December 31, 2013 - $68 thousand and $20 thousand). At December 31, 2014, $154 thousand was included in accounts payable and accrued liabilities (December 31, 2013 - $46 thousand). The amounts paid are recorded at the amount agreed to between the parties which management believes is representative of fair value.

b) Remuneration of Directors and Senior Management

(thousands of dollars)

	2014	2013
Wages and benefits	**$ 1,190**	$ 1,086
Directors' fees	**245**	182
Share-based compensation	**408**	77
	$ 1,843	$ 1,345

23. Related party transactions (continued)

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, bonuses and benefits during the year. Share-based compensation includes expenses relating to Corridor's stock option plan as disclosed in note 20.

24. Commitments

a) Transportation and gas sales

The Company has a commitment to purchase 6,500 mmbtu per day of transportation on the Canadian side of the Maritimes and Northeast Pipeline 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, 2015 to March 31, 2015	4,000 mmbtu per day	$US11.74/mmbtu
January 1, 2015 to January 31, 2015	2,000 mmbtu per day	$US12.47/mmbtu
February 1, 2015 to February 28, 2015	1,000 mmbtu per day	$US12.52/mmbtu
March 1, 2015 to March 31, 2015	1,000 mmbtu per day	$US8.65/mmbtu

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, 2014, 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, 2015	**$ 350**
Letters of credit expiring June 3, 2015	**300**
Letter of credit expiring July 15, 2016	**380**
	$ 1,030

The Company has pledged $1,030 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
2015	**$ 648**
2016	**610**
2017	**357**
2018	**307**
2019	**88**
Thereafter	**108**
	$ 2,118

During 2014, total rental expense under operating leases was $262 thousand (2013 - $396 thousand).

24. Commitments (continued)

d) Commitments

The maturities of the Company's commitments as of December 31, 2014 are as follows:

(thousands of dollars)	**Total**	2015	2016	2017	2018	Thereafter
Operating leases	**$ 2,118**	$ 648	$ 610	$ 357	$ 307	$ 196
Transportation commitments	**986**	986	-	-	-	-
Decommissioning liabilities	**14,489**	-	-	-	-	14,489
	$ 17,593	$ 1,634	$ 610	$ 357	$ 307	$ 14,685

25. Contingencies

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

On August 23, 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.

26. Subsequent events

Subsequent to the year end, the Company entered into an agreement to sell 2,500 mmbtu per day of natural gas production from November 1, 2015 to March 31, 2016 at a fixed price of $US9.25/mmbtu.

On March 27, 2015, the New Brunswick Government enacted legislation to impose a moratorium on hydraulic fracturing in New Brunswick.

On March 30, 2015, Corridor's board of directors determined not to renew its $6 million revolving credit facility.