

Pétrole et gaz

Hydro-Québec Oil & Gas  
Oil & Gas Exploration  
Place Iberville Deux  
1175, rue Lavigerie  
Bureau 050  
Ste-Foy (Québec) G1V 4P1

October 29, 2003

Tel. : (418) 845-7060  
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BY FAX : 902-422-6715

Mr. Norm Miller  
President  
Corridor Resources Inc.  
Suite 301, Cornwallis House  
5475 Spring Garden Road  
Halifax, Nova Scotia B3J 3T2

Dear Mr. Miller :

**Re: Corridor-Hydro-Québec Joint Operating Agreement, Anticosti Island,  
Quebec**

Corridor Resources Inc. ("Corridor") and Hydro-Québec hereby enter into this Joint Operating Agreement ("Agreement") with respect to the Joint Lands, held by the Parties on Anticosti Island, under the following terms and conditions:

**1. Definitions**

In this Agreement, unless the context otherwise requires, the definitions in Clause 101 of the Operating Procedure shall apply and, in addition:

- (a) "Accounting Procedure" means the 1996 PASC Accounting Procedure with the rates, elections and modifications thereto attached as Schedule "C";
- (b) "Assignment Procedure" means the 1993 CAPL Assignment Procedure attached as Schedule "D";
- (c) "Carry Rate" means the rate of two percent (2%) per annum higher than the rate designated as the prevailing prime rate for Canadian commercial loans by Banque Nationale du Canada;
- (d) "Contract Year" means, in relation to any Title Document, a period of twelve months commencing on the first day of the Initial Term of such Title Document, and each subsequent twelve month period during such Initial Term or any renewal thereof;
- (e) "Effective Date" means June 1, 2003;

- (f) "Initial Term" means the initial five year term of a Title Document;
- (g) "Joint Lands" means "joint lands" as defined in the Operating Procedure and includes, the lands shown on Schedule "A" which are hereby made subject to the Operating Procedure;
- (h) "Operating Procedure" means the 1990 CAPL Operating Procedure with the elections and modifications thereto attached as Schedule "B";
- (i) "Party" means a party to this Agreement;
- (j) "Title Documents" means the documents described under the heading "Title Documents" in Schedule "A" hereto, together with any leases or licenses selected or derived therefrom and any renewals, extensions, amendments, or replacements thereof insofar as they relate to the Joint Lands; and
- (k) "Title Preserving Costs" shall have the meaning ascribed thereto in subparagraph 4(b).

## **2. Title Documents and Rentals**

- (a) No Party warrants title to its interest in the Joint Lands, however, each Party confirms that:
  - (i) it has not encumbered or assigned any interest in the Joint Lands or the Title Documents or made any agreement whereby any person, firm or corporation has acquired or is entitled to acquire an interest therein other than as described in this Agreement;
  - (ii) as of the date hereof it has not received any notice of default with respect to the Title Documents which remains unremedied or outstanding as of the date hereof; and
  - (iii) it has the authority to enter into this Agreement;
- (b) From and after the Effective Date:
  - (i) the Operator shall pay the annual rentals under the Title Documents on or before the date they fall due and promptly bill the non-operating Party for its working interest share of such rental costs; and

- (ii) except as may be contemplated by paragraph 4, neither Party shall do or omit to do anything whereby the Title Documents may become encumbered, terminated or forfeited.
- (c) If the Operator fails to make any payment of any annual rental under any Title Document at least 30 days before such annual rental is due, the other Party may make such payment.
- (d) If, in any Contract Year during the term of any Title Document, the Operator has not, on or before 150 days prior to the end of such Contract Year, commenced operations, which, when completed, will fulfill the mandatory annual work obligations under such Title Document for such Contract Year, the other Party may undertake independent operations to fulfill such mandatory annual work obligations.

**3. Application of Operating Procedure**

- (a) The Operating Procedure as amended by this Agreement shall govern the relationship of the Parties hereto and shall apply to all operations conducted in respect of the exploration, development and maintenance of the Joint Lands.
- (b) Where any part of the Joint Lands is or has been grouped together with the consent of the issuer of the Title Documents, such that operations conducted on a portion of the Joint Lands covered by a Title Document is credited as operations conducted on another portion(s) of the Joint Lands covered by one or more other Title Documents, the Joint Lands within such group shall, for the purposes of this Agreement and the Operating Procedure, be deemed to be covered by a single Title Document having obligations equal to the obligations of all such Title Documents. Any such grouping shall only be done with the consent of both Parties.
- (c) Corridor is hereby appointed the initial Operator under the Operating Procedure with respect to the Joint Lands currently held 75% by Corridor and 25% by Hydro-Québec and Corridor hereby accepts such appointment.
- (d) Hydro-Québec is hereby appointed the initial Operator under the Operating Procedure with respect to the Joint Lands currently held 50% each by the Parties and Hydro-Québec hereby accepts such appointment.

- (e) The interest rate to be paid on unpaid amounts pursuant to Clause 505(b)(i) of the Operating Procedure shall be at the Carry Rate and Clause 505(b)(i) of the Operating Procedure is hereby amended accordingly.

4. Title Preserving Costs

- (a) Subject to the terms of this paragraph 4, each Party shall be responsible for payment of its working interest share of all costs incurred after the Effective Date:
- (i) to comply with all the terms and conditions of the Title Documents as provided in Clause 309(a) of the Operating Procedure including payment of all annual rentals and the fulfillment of all mandatory annual work obligations; or
  - (ii) to extend the term of any Title Document beyond the Initial Term,
- or both, as the case may be, (all such costs being hereinafter referred to as "Title Preserving Costs") and such responsibility for payment will arise whether such Title Preserving Costs were incurred for the joint account or pursuant to an independent operation undertaken pursuant to Article X of the Operating Procedure.
- (b) If any Party (the "Carried Party") has not fully paid for its working interest share of any Title Preserving Costs then, to the extent that the other Party, (the "Funding Party") has paid for more than its working interest share of such Title Preserving Costs, the unpaid portion of the Carried Party's working interest share of such Title Preserving Costs shall, subject to subparagraph 4(d), constitute a debt due, owing and payable to the Funding Party by the Carried Party and such debt shall accrue interest at the Carry Rate from the date that the applicable Title Preserving Costs are incurred until such debt is paid. Any amounts paid on any such debt shall be applied to interest first and principal second.
- (c) If at the end of each Contract Year of any Title Document a Carried Party has not paid in full its debt to the Funding Party; relating to Title Preserving Costs incurred with respect to the Joint Lands or portion thereof referred to in such Title Document (or part thereof) the rights to which have not terminated as a result of the expenditure of Title Preserving Costs (the "Preserved Lands") together with interest thereon at the Carry Rate, then at the end of such Contract Year (the "Relevant Year"), the Funding Party shall prepare and deliver to the Carried Party a statement setting out the amount

owing together with such reasonable supporting information as the Carried Party may request (the "Annual Carry Statement"). If within 60 days of receipt of the Annual Carry Statement, the Carried Party has not paid in full the amount stated to be owing therein, one hundred percent (100%) of the Carried Party's working interest in such Preserved Lands shall be forfeited to the Funding Party and such Carried Party shall, forthwith at the request of the Funding Party assign its interest in such Title Document and the applicable Joint Lands to the Funding Party. Upon such assignment of any Title Document, the debt in respect of the Joint Lands for the Relevant Year referred to in such Title Document shall be extinguished and the Funding Party shall have no further recourse against the Carried Party in respect of such Title Preserving Costs, interest thereon, or the Preserved Lands. Subject to and upon the Carried Party providing such assignment, forfeiture of the Preserved Lands shall be the sole recourse of the Funding Party against the Carried Party in respect of a failure to pay Title Preserving Costs.

- (d) The provisions of this paragraph 4 are in addition to the provisions of Article IX and Article X of the Operating Procedure, provided that:
- (i) where costs, that include Title Preserving Costs, are incurred pursuant to an independent operation under the provisions of Articles IX or X of the Operating Procedure and the Carried Party subsequently pays for its working interest share of such Title Preserving Costs prior to the expiry of the 60 day period referred to in paragraph 4(c) above, then the penalties provided for in Articles IX and X of the Operating Procedure shall not apply to those Title Preserving Costs which are so paid by the Carried Party, and
  - (ii) where a Carried Party's working interest in any Joint Lands has been forfeited to the Funding Party pursuant to paragraph 4(c) above, then the Carried Party shall not be entitled to retain its participation in the independent operation, or any other operation, on such Joint Lands by paying the applicable penalties under Articles IX and X of the Operating Procedure.

#### **5. Respective Working Interests of the Parties**

Except as otherwise provided in the Operating Procedure, the Parties shall bear all costs and expenses paid or incurred under this Agreement and the Operating Procedure and shall own the Title Documents, the Joint Lands, all wells thereon and information obtained therefrom and the equipment pertaining thereto and the petroleum substances produced therefrom in accordance with the undivided

working interests (which may be referred to as 'Participating Interests') indicated in Schedule "A", being, as of the Effective Date:

- (a) in respect of Corridor, a 75% working interest in the five Anticosti licences and a 50% working interest in the seventeen Anticosti licences, all as shown on the attached Schedule "A"; and
- (b) in respect of Hydro-Québec, a 25% working interest in the five Anticosti licences and a 50% working interest in the seventeen Anticosti licences, all as shown on the attached Schedule "A".

#### **6. Area of Mutual Interest**

An "Area of Mutual Interest" (AMI) is hereby established by Hydro-Québec and Corridor Resources Inc. encompassing all of the remaining lands on Anticosti Island that are not currently held by Hydro-Québec or Corridor ("AMI"). If either Hydro-Québec or Corridor (the "Acquiring Party") acquires an interest in, or rights to explore for, produce or develop, petroleum substances within the AMI, it shall advise the other Party of such acquisition and the terms and conditions applicable to such interest or rights within 10 days of such acquisition and the other Party shall have the option, exercisable within 30 days of receipt of the terms of such acquisition from the Acquiring Party, to acquire up to 50% of the interest or rights acquired by or to be acquired by, (through purchase, farm-in, amalgamation or otherwise), the Acquiring Party on the same terms as the Acquiring Party, proportionate to the interest to be acquired by the other Party.

#### **7. Management and Technical Committees**

A management committee shall be established to consult on the management of the Joint Lands. The management committee shall meet at least twice a year, and shall appoint a technical committee to consider and propose exploration activities for review by the management committee. Technical committee meetings shall be held on a regular basis in order to consider the exploration program, allocate exploration program costs among the Title Documents costs for the purpose of paragraph 4 and to exchange information from ongoing activities. The purpose of the management committee is advisory only and nothing in this paragraph 7 shall limit or modify the rights and obligations of the Operator as set out in the Operating Procedure.

#### **8. Term**

This Agreement shall continue in full force and effect from the Effective Date until termination of the Operating Procedure pursuant to Article XXIX thereof.

## 9. Notices

- (a) Notices, reports and other communications required or permitted by this Agreement to be given or sent by one party to the other, shall, except where herein otherwise provided, be in writing and shall be delivered by hand, or mailed postage paid with return receipt requested, or transmitted by telecommunication to the addresses as follows:

Hydro-Québec Oil & Gas  
Place Iberville Deux  
1175 rue Lavergie  
Bureau 050  
Ste-Foy (Quebec) G1V 4P1  
Attention: Jean A. Guérin  
Fax No: (418) 845-7415

Corridor Resources Inc.  
#301, Cornwallis House  
5475 Spring Garden Road  
Halifax, Nova Scotia  
B3J 3T2  
Attention: Norm Miller  
Fax No: (902) 422-6715

Either party may by notice to the other party change its address.

- (b) For a notice hereunder to be effective, it shall be received within the period, if any, prescribed for it.
- (c) If a notice is mailed by prepaid registered post, it shall be conclusively deemed to have been received by the addressee on the fourth business day following the mailing thereof. If a notice is transmitted by telecommunication or delivered by hand, it shall be conclusively deemed to have been received at the opening of business in the office of the addressee on the business day next following transmission or delivery thereof. In this paragraph, "business day" means any day that is not a Saturday, Sunday or statutory holiday in the Provinces of Nova Scotia and Quebec.

## 10. General

- (a) Clause 1801(a) of the Operating Procedure shall be amended to add after "where required by" the words "the rules and regulations of any stock exchange on which a Party's securities may be listed or" and to add after "permitted by such" the word "exchange,".
- (b) All terms and provisions of this Agreement shall run with and be binding upon the Joint Lands during the term hereof.
- (c) Each Party, in performing its obligations as Operator with respect to certain of the Joint Lands, is deemed to be an independent contractor.

- (d) Each party shall perform the acts and execute and deliver the documents and give the assurances necessary to give effect to this Agreement.
- (e) A waiver of any breach of a provision of this Agreement shall not be binding upon a party unless the waiver is in writing and the waiver shall not affect such party's rights with respect to any other or future breach.
- (f) Neither party shall resort to any action for partition, or sale in lieu of partition, of any of the Joint Lands.
- (g) A Party obligated to make records, data or other information available to the other Party is not obligated to make available its interpretations of such records, data or other information.
- (h) If any term or condition of this Agreement conflicts with a term or condition of the Title Documents, then such term or condition in the Title Documents shall prevail and this Agreement shall be deemed to be modified accordingly.
- (i) This Agreement and the relationship of the parties hereto shall be interpreted and construed in accordance with the laws of the Province of Québec and the laws of Canada applicable therein. However, in the case of any dispute relating to this Agreement, the parties shall invoke the arbitration process. The issues shall then be settled before three arbitrators, one each to be appointed by Corridor and Hydro Quebec and the two so appointed shall appoint the third arbitrator. Any dispute which arises in the course of or following the performance of this Agreement will be definitively settled under the auspices of the Quebec National and International Commercial Arbitration Centre, by means of arbitration and to the exclusion of courts of law, in accordance with its General Commercial Arbitration Rules in force at the time this Agreement is signed and in which the parties declare they have adhered. Arbitration shall be conducted in the English language. Hearings shall take place in either Montreal or Halifax, at the arbitrators' discretion. Unless otherwise agreed by the parties, the arbitrators shall render a decision within 60 days of the arbitration process being invoked. The decision of the arbitrators shall be final and binding on all parties.
- (j) The following Schedules are attached to and incorporated into this Agreement:
  - (i) Schedule "A" which sets forth and describes the Joint Lands;
  - (ii) Schedule "B" which includes the Operating Procedure and the elections and modifications in respect thereof;



(iii) Schedule "C" which is the Accounting Procedure and the elections and modifications in respect thereof; and

(iv) Schedule "D" which is the Assignment Procedure and the elections and modifications in respect thereof.

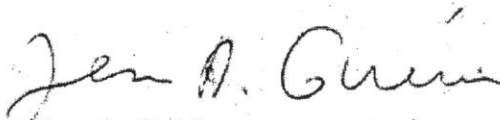
If any provision of a Schedule conflicts with a provision in the body of this Agreement, the provision in the body of this Agreement shall prevail.

- (k) The paragraph headings shall not be considered in interpreting the text of this Agreement.
- (l) Whenever the singular or masculine or neuter is used, the same shall be construed as meaning the plural or feminine or body politic or corporate or vice versa, as the context so permits.
- (m) Time is of the essence in this Agreement.
- (n) This Agreement shall enure to the benefit of and be binding upon the successors and assigns of the Parties.
- (o) This Agreement supersedes and replaces any oral or written communication heretofore made between the Parties relating to the Joint Lands, including the Letter of Intent between the Parties in respect of the Joint Lands dated October 31, 2002, provided that:
  - (i) the Confidentiality and Area of Exclusion Agreement entered into by the Parties on July 30, 2002 shall continue to apply to all lands currently held 100% by Corridor; and
  - (ii) any information provided by Corridor to Hydro-Québec related to the Joint Lands shall be maintained as confidential in accordance with Clause 1801 of the Operating Procedure even if it was provided to Hydro-Québec prior to the effective date hereof.

If the foregoing terms and conditions are acceptable, please sign and return "Hydro-Québec's copy" to us.

Yours truly,

**HYDRO-QUÉBEC OIL AND GAS**



Per: Jean A. Guérin

Title: Director - Exploration - Oil and Gas

Accepted and agreed to this day of November 7, 2003

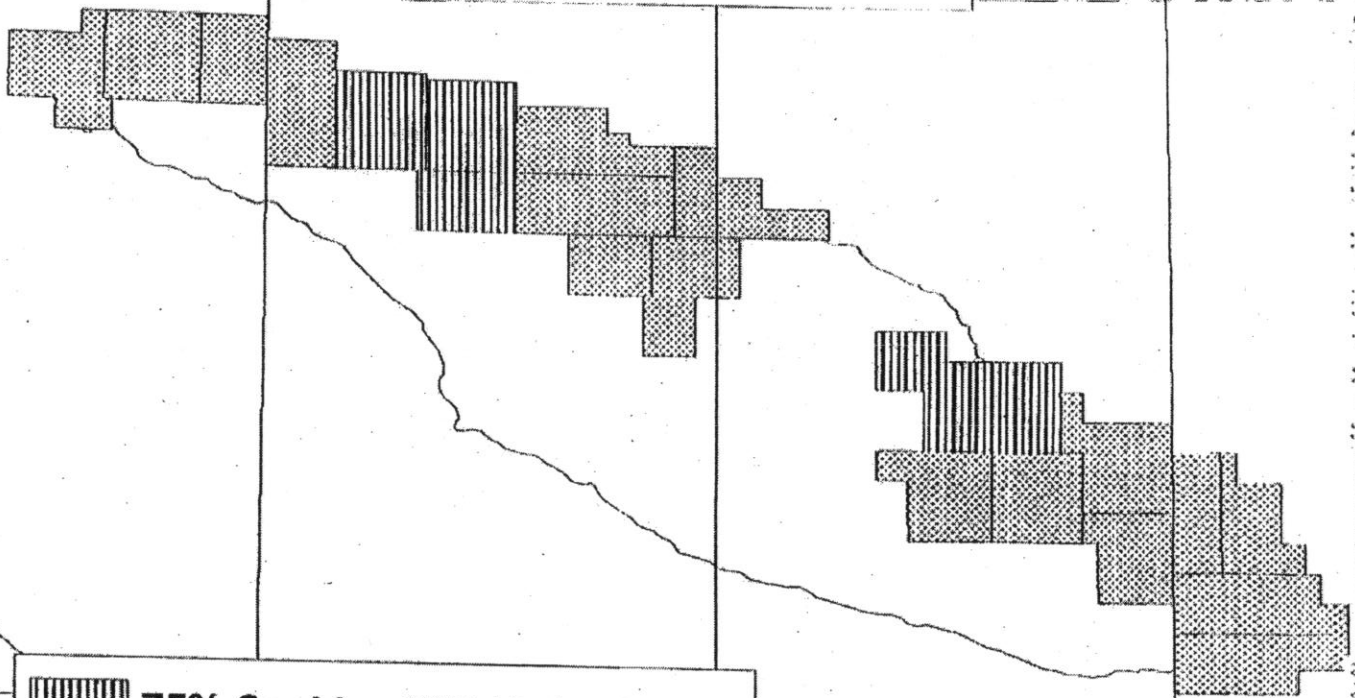
**CORRIDOR RESOURCES INC.**



Per: 

Title: President

This is the execution page attached to and forming a part of an Agreement dated November 7, 2003 between Corridor Resources Inc. and Hydro-Quebec.

# SCHEDULE "A" Joint Venture Lands



 75% Corridor, 25% Hydro Quebec  
 50% Corridor, 50% Hydro Quebec

May 20, 2003

**Schedule "A" - Listing of Joint Venture Lands**

Licence Number	Licence Issue Date	Area (hectares)	Hydro-Québec Working Interest	Corridor Working Interest	Operator
2002PG683	2002-11-15	19 869	50%	50%	Hydro-Québec
2002PG684	2002-11-15	19 967	50%	50%	Hydro-Québec
2002PG685	2002-11-15	14 975	50%	50%	Hydro-Québec
2002PG686	2002-11-15	20 989	50%	50%	Hydro-Québec
2002PG687	2002-11-15	20 321	50%	50%	Hydro-Québec
2002PG688	2002-11-15	23 380	50%	50%	Hydro-Québec
2002PG689	2002-11-15	12 267	50%	50%	Hydro-Québec
2002PG690	2002-11-15	21 686	50%	50%	Hydro-Québec
2002PG691	2002-11-15	17 858	50%	50%	Hydro-Québec
2002PG692	2002-11-15	20 766	50%	50%	Hydro-Québec
2002PG693	2002-11-15	20 202	50%	50%	Hydro-Québec
2002PG694	2002-11-15	23 546	50%	50%	Hydro-Québec
2002PG695	2002-11-15	17 989	50%	50%	Hydro-Québec
2002PG696	2002-11-15	13 475	50%	50%	Hydro-Québec
2002PG697	2002-11-15	14 602	50%	50%	Hydro-Québec
2002PG698	2002-11-15	21 589	50%	50%	Hydro-Québec
2002PG699	2002-11-15	19 527	50%	50%	Hydro-Québec
2002PG700	2002-11-15	21 330	25%	75%	Corridor
2002PG701	2002-11-15	19 998	25%	75%	Corridor
2002PG702	2002-11-15	14 474	25%	75%	Corridor
2002PG704	2002-11-15	18 461	25%	75%	Corridor
2002PG705	2002-11-15	20 151	25%	75%	Corridor
<b>Total</b>		<b>417 422</b>			

**Schedule "B"**

Attached to and forming part of a Joint Operating Agreement dated November 7, 2003  
Between Corridor Resources Inc. and Hydro-Quebec

**1990 CAPL OPERATING PROCEDURE**

- I. Insurance (Clause 311): \_\_\_ A     X B
- II. Marketing Fee When Party Fails to Take in Kind (Clause 604) \_\_\_ A     X B

Elect Alternate B and;

The party so marketing such production on behalf of a non-taking party may charge that party a marketing fee which is either a percentage of the sale price of such production, xxxxxxxxxxxx [calculated at the wellhead (to be x'd out)], or a specified fee, being (specify one option for each item):

- (a) in the case of petroleum 2.5 %  
or \$ xxxxxx /m<sup>3</sup>
- (b) in the case of natural gas, 2.5 %  
or \$ \_\_\_\_\_ /10<sup>3</sup>m<sup>3</sup>; (calculated at plant gate)
- (c) in the case of natural gas liquids and substances other than petroleum and natural gas (but not including sulphur, 2.5 % or \$ \_\_\_\_\_ /m<sup>3</sup>; calculated at plant gate)
- (d) in the case of sulphur, 2.5 % or \$ \_\_\_\_\_ /t.  
(FOB railcar).

- II. Casing Point Election (Clause 903): X A     \_\_\_ B
- III. Penalty for Independent Operations (Clause 1007):
  - 1. Development Wells: 300 %
  - 2. Exploratory Wells: 500 %
- IV. Title Preserving Well (Clause 1010 (a) (iv)) 270 days
- V. Addresses for Notices (Clause 2202):

Hydro-Quebec Oil & Gas  
Place Iberville Deux  
1175 rue Lavergie  
Bureau 050  
Ste-Foy (Quebec) G1V 4P1  
Attention: Jean Guerin  
Fax No: (418) 845-7415

Corridor Resources Inc.  
#301, Cornwallis House  
5475 Spring Garden Road  
Halifax, Nova Scotia B3J 3T2  
Fax No. (902) 422-6715

- VI. Disposition of Interests (Clause 2401): X A     \_\_\_ B
- VII. Recognition on Assignment (Clause 2404):  
In last line on p.38, delete "ALTERNATE" \_\_\_\_\_ below (Specify A or B)" and replace with "the Assignment Procedure". Delete ALTERNATE A and ALTERNATE B in their entirety on p.39.

Schedule "C"

Elections and Revisions - 1996 (PSAC) Accounting Procedure

Attached to and forming part of a Joint Operating Agreement dated November 7, 2003 between Corridor Resources Inc. and Hydro-Quebec

RATES, ELECTIONS AND MODIFICATIONS TO THE  
1996 PETROLEUM ACCOUNTANTS SOCIETY OF CANADA  
(PASC) ACCOUNTING PROCEDURE AND EXPLANATORY TEXT

101. Rates and Elections

The following clauses of the Accounting Procedure are modified to include the indicated election, alternate, option or value:

105. Operating Fund: 10 %

110. Approvals: Clause n/a; from two: seventy-five percent (75%)

112. Expenditure Limitations:

(a) excess of twenty-five thousand dollars (\$25,000)

(c) excess of twenty-five thousand dollars (\$25,000)

202. Employee Benefits:

(b) exceed twenty-five percent ( 25% )

213. Camp and Housing:

(b) shall X /shall not \_\_\_\_\_

216. Warehouse Handling:

five percent ( 5% )

221. Allocation Options:

CLAUSE	OPTIONS FOR CHARGING JOINT ACCOUNT			
	Fixed \$/ Month			
	Subject to 302 (e)	Not subject to 302 (e)	Percentage of Direct Cost	Other (Specify) (Well/m3)
204				
207(c)				
212				
213(a)				
214				

302. Overhead Rates:

(a) Exploration Project \_\_\_\_\_ percent ( \_\_\_\_\_ %)

OR

- (1) five percent ( 5 %); fifty thousand dollars (\$50,000)
- (2) three percent ( 3 %); one hundred thousand dollars (\$100,000)
- (3) one percent ( 1 %)

(b) Drilling of a well \_\_\_\_\_ percent ( \_\_\_\_\_ %)

OR

- (1) three percent ( 3 %); fifty thousand dollars (\$50,000)
- (2) two percent ( 2 %); one hundred thousand dollars (\$100,000)
- (3) one percent ( 1 %)

(c) Initial Construction \_\_\_\_\_ percent ( \_\_\_\_\_ %)

OR

- (1) five percent ( 5 %); fifty thousand dollars (\$50,000)
- (2) three percent ( 3 %); one hundred thousand dollars (\$100,000)
- (3) one percent ( 1 %)

(d) Construction Project \_\_\_\_\_ percent ( \_\_\_\_\_ %)

OR

- (1) five percent ( \_\_\_\_\_ %); fifty thousand dollars (\$50,000)
- (2) three percent ( \_\_\_\_\_ %); one hundred thousand dollars (\$100,000)
- (3) one percent ( \_\_\_\_\_ %)

(e) Operation and Maintenance:

- (1) ten percent ( 10 %) of cost; and
- (2) five hundred dollars (\$ 500)
- (3) \_\_\_\_\_ dollars (\$ \_\_\_\_\_)

Subclause 302(e) (2) and 302(e) (3) hereof shall \_\_\_\_\_/shall not 0

406. Dispositions: twenty five thousand dollars (\$ 25,000 )

102. Modifications to the PASC Accounting Procedure

The Accounting Procedure is modified as follows:

The clauses contained in the Accounting Procedure are deleted and replaced as follows:

Clause 201 (a) (6) - Salaries and wages of the Operator's employees engaged in Technical Services and Production Engineering who are either temporarily or permanently assigned to and directly employed offsite in direct support of Joint operations, with approval by the owners.

Clause 207(d) - Maintaining and operating an On-Site Warehouse that is part of the Joint Property. When additional operations or activities are served by the On-Site Warehouse, the cost of maintaining and operating the On-Site Warehouse shall be allocated among all operations and activities served, on an equitable basis or as otherwise agreed to by the Owners pursuant to Clause 216 of this Accounting Procedure.

Clause 406 - The Operator shall make timely disposition of idle and/or surplus Material, either through sale to the Non-Operators or sale to other parties. The Operator may purchase, but shall be under no obligation to purchase, the interest of the Non-Operator's surplus Material. All sales of Material, regardless of Condition, the proceeds from disposition of which is greater than twenty five thousand dollars (\$25,000) shall be subject to approval by the Owners. All other disposals of Material shall be at the discretion of the Operator excepting sale to the Operator or its Affiliates. Exceptions shall be priced pursuant to Clause 402 of this Accounting Procedure unless prior approval by the Owners is obtained.

Clause 501(b) The Operator shall conduct an inventory of stock maintained in a Warehouse which is part of Joint Operations on an annual basis or as otherwise approved by the Owners.

103. Warranty as to Modifications

Except as otherwise provided for in Clause 101 and 102 hereof, the Accounting Procedure published by the Petroleum Accountants Society of Canada, 1996 (copyright) is hereby incorporated in its entirety in the Agreement and the Parties so warrant that said Accounting Procedure has been amended only to the extent set forth herein.



**Schedule "D"**

**ASSIGNMENT PROCEDURE**

Attached to and forming part of a Joint Operating Agreement dated November 7, 2003 between Corridor Resources Inc. and Hydro-Quebec

**ARTICLE 1**

**DEFINITIONS**

1.01 In this Assignment Procedure, the following terms, when capitalized, shall have the meaning assigned to each below:

- (a) "Affiliate" - for the purposes of this Assignment Procedure, means a corporation or partnership that is affiliated with the party in respect of which the expression is being applied, and for the purpose of this definition a corporation or partnership is affiliated with another corporation or partnership if it directly or indirectly controls or is controlled by that other corporation or partnership, and for the purpose of determining whether a corporation or partnership is so controlled, it shall be deemed that:
  - (i) a corporation is directly controlled by another corporation or partnership if the shares of the corporation to which are attached more than 50% of the votes that may be cast to elect directors of the corporation are beneficially owned by that other corporation or partnership and the votes attached to those shares are sufficient, if exercised, to elect a majority of the directors of the corporation;
  - (ii) a partnership is directly controlled by a corporation or other partnership if that corporation or partnership beneficially owns more than a 50% interest in the partnership;
  - (iii) a corporation or partnership is indirectly controlled by another corporation or partnership if control, as defined above, is exercised through one or more other corporations or partnerships.

Where two or more corporations or partnerships are affiliated at the same time with the same corporation or partnership, they shall be deemed to be Affiliates of each other.

- (b) "Agreement" - means the agreement to which this Assignment Procedure is attached and made a part.
- (c) "Assigned Interest" - means the interest in the Agreement which is the subject of an assignment and which is specified in a Notice of Assignment, but shall not include rights of the Assignor as operator.
- (d) "Assignee" - means the entity named in a Notice of Assignment as the Assignee.
- (e) "Assignment and Novation Agreement" - means an agreement by all parties to the Agreement and a party to whom an interest in the Agreement has been assigned where:
- (i) the assignee assumes the duties and obligations of the assignor for the Assigned Interest; and
  - (ii) the assignor is released from its duties for the Assigned Interest; and
  - (iii) the assignee is substituted as a party to the Agreement in the place of the assignor to the extent of the Assigned Interest.
- (f) "Assignor" - means the party to the Agreement named in a Notice of Assignment as the Assignor.
- (g) "Binding Date" - means the first day of the second calendar month following the month in which the Notice of Assignment is served in accordance with Article IV below.
- (h) "Notice of Assignment" - means a notice in the form entitled Notice of Assignment attached hereto as Appendix A.
- (i) "Third Party" - means the parties to the Agreement who are not the Assignor.
- (j) "Transfer Date" - means the effective date of the transfer of the Assigned Interest, as specified in the Notice of Assignment.

1.02 In this Assignment Procedure, when a numbered clause or Article is referred to, that clause or Article is of this Assignment Procedure.

**ARTICLE II**

**APPLICATION, CONDITIONS AND FORM OF NOTICE**

- 2.01 (a) A Notice of Assignment issued in accordance with this Assignment Procedure shall be used in place of an Assignment and Novation Agreement for assignments where the Agreement:
- (i) requires parties to use; or
  - (ii) entitles parties to request; or
  - (iii) is silent as to the right of any party to request;
- an Assignment and Novation Agreement.
- (b) The Notice of Assignment shall be in the form indicated in Appendix A and shall be executed by the Assignor and the Assignee.
- 2.02 If there is a conflict between the Assignment Procedure and the provisions of the Agreement, the Assignment Procedure shall prevail.
- 2.03 If the Agreement requires each Third Party's consent to an assignment but does not specify a time within which each Third Party shall respond or shall be deemed to have responded, then consent of each Third Party to an assignment shall be deemed if it fails to reply within 20 days of receipt of a written request for consent.
- 2.04 (a) If the Agreement is silent regarding rights of first refusal or consent from Third Party which relates to an Assigned Interest, then Assignor shall, by notice pursuant to Article IV:
- (i) advise Third Party of:
    - its intention to make the disposition;
    - a description of the Assigned Interest; and
    - the identity of the proposed Assignee, and
  - (ii) request Third Party's written consent to such disposition, which consent shall not be unreasonably withheld.

Consent of each Third Party shall be deemed if it fails to reply to Assignor within 20 days of receipt of the written request for consent.



## ARTICLE III

## ASSIGNMENT, ASSUMPTION AND DISCHARGE BY NOTICE

3.01 If a Notice of Assignment has become effective in accordance with Clauses 2.05 or 2.06, then Assignor, Assignee and Third Party shall have agreed that:

- (a) Subject to Clause 3.01(d), Assignor and Assignee shall have acknowledged and represented that the Assignor has transferred, assigned and conveyed the Assigned Interest to Assignee as of the Transfer Date.
- (b) Subject to Clause 3.01(d), Assignee shall replace Assignor as a party to the Agreement with respect to the Assigned Interest on and after the Transfer Date.
- (c) Only insofar as Third Party is concerned, notwithstanding the terms and provisions in the "Transfer Agreement" referenced in the Notice of Assignment:
  - (i) Subject to Clause 3.01(d), Assignee shall assume and be bound by, observe and perform all terms, obligations and provisions in the Agreement with regard to the Assigned Interest at all times on or after the Transfer Date; and
  - (ii) Assignor shall retain and be entitled to all rights, benefits and privileges under the Agreement with respect to the Assigned Interest at all times prior to the Transfer Date; and
  - (iii) Subject to Clause 3.01(d), Assignee shall assume and be entitled to all rights, benefits and privileges under the Agreement with respect to the Assigned Interest at all times on and after the Transfer Date.
- (d) In all matters relating to the Assigned Interest subsequent to the Transfer Date and prior to the Binding Date, Assignor acts as trustee for and duly authorized agent of Assignee, and Assignee, for the benefit of Third Party, ratifies, adopts and confirms all acts or omissions of the Assignor in such capacity as trustee and agent. Third Party agrees to recognize and accept Assignor as trustee and agent for Assignee.

- (e) On and after the Transfer Date, Third Party:
  - (i) releases and discharges Assignor from the observance and performance of all terms and covenants of the Agreement and all obligations and liabilities which arise or occur on or after the Transfer Date under the Agreement with respect to the Assigned Interest; and
  - (ii) does not release and discharge Assignor from any obligation or liability which had arisen or accrued prior to the Transfer Date or which does not relate to the Assigned Interest.
- (f) Subject to the terms and provisions of the "Transfer Agreement" referenced in the Notice of Assignment, Assignee on and after the Transfer Date:
  - (i) releases and discharges Assignor from the observance and performance of all terms and covenants of the Agreement and all obligations and liabilities which arise or occur on or after the Transfer Date under the Agreement, with respect to the Assigned Interest; and
  - (ii) does not release and discharge Assignor from any obligation or liability which had arisen or accrued prior to the Transfer Date or which does not relate to the Assigned Interest.
- (g) The address of Assignee for the purposes of the Agreement and the serving of notices under it shall be the address stated for Assignee in the Notice of Assignment.
- (h) The Agreement shall continue in full force and effect from and after the Transfer Date with Assignee made a party thereto to the extent of the Assigned Interest, subject to Clause 3.01(d). The Agreement is amended as necessary to give effect to the Notice of Assignment and, as so amended, is ratified and confirmed by each party.

3.02 In no event shall errors, inaccuracies or misdescriptions in a Notice of Assignment have any effect on the Third Party or the interests of Third Party in the Agreement, even if Third Party has knowledge of an error, inaccuracy or misdescription.

3.03 Assignor and Assignee shall be solely responsible for any adjustment between themselves with respect to the Assigned Interest as to revenues, benefits, costs, obligations or indemnities which accrue prior to Binding Date.

ARTICLE IV

SERVICE OF NOTICES

4.01 All notices and Notices of Assignment (herein called "notices") required or permitted by the terms of this Assignment Procedure shall be in writing, subject to the provisions of this Article. This Article applies only to notices served pursuant to this Assignment Procedure. Any notice to be given under this Assignment Procedure shall be deemed to be served properly if served in any of the following modes:

- (a) personally, by delivering the notice to the party on whom it is to be served at that party's address for service. Personally served notices shall be deemed received by the addressee when actually delivered as aforesaid, if such delivery is during normal business hours, on any day other than a Saturday, Sunday or statutory holiday. If a notice is not delivered during normal business hours, such notice shall be deemed to have been received by such party at the commencement of the day next following the date of delivery, other than a Saturday, Sunday or statutory holiday; or
- (b) by telecopier or telex (or by any other like method by which a written and recorded message may be sent) directed to the party on whom it is to be served at that party's address for service (however, an original executed copy of a Notice of Assignment shall subsequently be provided to all addressees without delay). A notice so served shall be deemed received by the respective addressees: (i) when actually received by them, if received within the normal business hours on any day other than a Saturday, Sunday or statutory holiday; or (ii) at the commencement of the next ensuing business day following transmission thereof if such notice is not received during such normal business hours; or
- (c) by mailing it first class (air mail if to or from a location outside of Canada) registered post, postage prepaid, directed to the party on whom it is to be served at that party's address for service. Notices so served shall be deemed to be received by the addressee at noon, local time, on the earlier of the actual date of receipt or the fourth (4th) day (excluding Saturdays, Sundays and statutory holidays) following mailing. However, if postal service is interrupted or operating with unusual or imminent delay, notice shall not be served by such means during such interruption or period of delay.

4.02 The addresses for service of a notice pursuant to this Assignment Procedure shall be as set out (and amended from time to time) in the Agreement.





3. Current Third Party to Master Agreement:

4. Assigned Interest: (Check A or B below):

A. Transfer Agreement covers \_\_\_\_\_ % of Assignor's entire undivided right, title and interest in the Master Agreement but shall not include rights of the Assignor as operator ("Assigned Interest"); OR

B. Transfer Agreement covers a portion of Assignor's right, title and interest in the Master Agreement but shall not include rights of the Assignor as operator ("Assigned Interest"). In the event Alternative B is checked, the following is the legal description of all lands and interests transferred and conveyed in the Transfer Agreement (attach schedule if more space is needed):

5. Subject to Clause 7 of this Notice of Assignment, Assignor and Assignee, in accordance with the terms of the Transfer Agreement, acknowledge that :

- (i) Assignor has transferred and conveyed the Assigned Interest to the Assignee as of the Transfer Date; and
- (ii) Assignee agrees to replace Assignor, on and after the Transfer Date, as a party to the Master Agreement with respect to the Assigned Interest; and
- (iii) Assignee agrees to be bound by and observe all terms, obligations and provisions in the Master Agreement with respect to the Assigned Interest on and after the Transfer Date.

6. Subject to the terms and provisions of the Transfer Agreement, Assignee on and after the Transfer Date:

- (i) discharges and releases the Assignor from the observance and performance of all terms and covenants in the Master Agreement and any obligations and liabilities which arise or occur under the Master Agreement with respect to the Assigned Interest, and
- (ii) does not release and discharge the Assignor from any obligation or liability which had arisen or accrued prior to the Transfer Date or which does not relate to the Assigned Interest.

7. Assignee and Assignor agree that in all matters relating to the Master Agreement with respect to the Assigned Interest, subsequent to the Transfer Date and prior to the Binding Date, Assignor acts as trustee for and duly authorized agent of the Assignee and Assignee, for the benefit of the Third Party, ratifies, adopts and confirms all acts or omissions of the Assignor in such capacity as trustee and agent.

8. This Notice of Assignment shall become binding on all parties to the Master Agreement on the first day of the second calendar month following the month this notice is served on Third Party in accordance with the terms of the Master Agreement ("Binding Date"). In addition, Assignor and Assignee agree that they shall be solely responsible for any adjustment between themselves with respect to the Assigned Interest as to revenues, benefits, costs, obligations or indemnities which accrue prior to the Binding Date.

9. Assignor represents and certifies that this Notice of Assignment and its service are in compliance with all the terms and provisions of the Master Agreement.

IN WITNESS WHEREOF this Notice of Assignment has been duly executed by the Assignor and Assignee on the date indicated for each below:

Assignor:

Assignee

Per: \_\_\_\_\_

Per: \_\_\_\_\_

Per: \_\_\_\_\_

Per: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## Annexe B

### Permis détenus par Hydro-Québec sur l'île d'Anticosti

No. permis	Date d'émission	Superficie en hectares	% de l'intérêt détenu par Hydro-Québec	% de l'intérêt détenu par Corridor Resources Inc.
2002PG683	15 novembre 2002	19 869	50%	50%
2002PG684	15 novembre 2002	19 726	50%	50%
2002PG685	15 novembre 2002	14 975	50%	50%
2002PG686	15 novembre 2002	20 989	50%	50%
2002PG687	15 novembre 2002	20 321	50%	50%
2002PG688	15 novembre 2002	23 380	50%	50%
2002PG689	15 novembre 2002	12 267	50%	50%
2002PG690	15 novembre 2002	21 686	50%	50%
2002PG691	15 novembre 2002	17 610	50%	50%
2002PG692	15 novembre 2002	20 766	50%	50%
2002PG693	15 novembre 2002	20 202	50%	50%
2002PG694	15 novembre 2002	23 546	50%	50%
2002PG695	15 novembre 2002	17 989	50%	50%
2002PG696	15 novembre 2002	13 475	50%	50%
2002PG697	15 novembre 2002	14 602	50%	50%
2002PG698	15 novembre 2002	21 287	50%	50%
2002PG699	15 novembre 2002	19 259	50%	50%
2003PG747	15 mai 2003	23 941	50%	50%
2003PG748	15 mai 2003	12 669	50%	50%
2005PG790	6 décembre 2005	17 955	50%	50%
2005PG791	6 décembre 2005	18 321	50%	50%
2005PG792	6 décembre 2005	19 078	50%	50%
2005PG793	6 décembre 2005	17 133	50%	50%

## Annexe C

### Permis détenus par Corridor Resources Inc. sur l'île d'Anticosti

No. permis	Date d'émission	Superficie en hectares	% de l'intérêt détenu par Hydro-Québec	% de l'intérêt détenu par Corridor Resources Inc.
2001PG544	11 janvier 2001	22 340	25%	75%
2002PG700	15 novembre 2002	21 330	25%	75%
2002PG701	15 novembre 2002	19 998	25%	75%
2002PG702	15 novembre 2002	14 474	25%	75%
2002PG704	15 novembre 2002	18 461	25%	75%
2002PG705	15 novembre 2002	20 151	25%	75%
2005PG774	10 mai 2005	10 007	50%	50%
2005PG775	10 mai 2005	17 791	50%	50%
2005PG776	10 mai 2005	17 846	50%	50%
2005PG777	10 mai 2005	15 596	50%	50%
2005PG778	10 mai 2005	13 824	50%	50%
2005PG779	10 mai 2005	15 242	50%	50%

## MEMORANDUM OF AGREEMENT

Dated this 25<sup>th</sup> day of August, 2005

BETWEEN:

**CORRIDOR RESOURCES INC.**, a body corporate having offices in the City of Halifax, Nova Scotia (hereinafter called "Corridor")

OF THE FIRST PART

- and -

**HYDRO-QUÉBEC**, a body corporate having offices in Québec City, Province of Québec (hereinafter called "Hydro-Québec")

OF THE SECOND PART

**WHEREAS** Corridor holds a 100% working interest in exploration permit 2001PG544 containing the Jupiter Prospect on Anticosti Island, Quebec;

**AND WHEREAS** Hydro-Québec and Corridor are each party to a Joint Operating Agreement with respect to their Joint Lands on Anticosti Island, dated November 7, 2003;

**AND WHEREAS** Hydro-Québec proposes to participate with Corridor in an exploration well this summer to evaluate the Jupiter Prospect within Petroleum and Natural Gas Exploration Licence 2001PG544 where Corridor is operator.

**IN CONSIDERATION OF THE FOREGOING**, Corridor and Hydro-Québec agree as follows:

1. In this Memorandum of Agreement ("MOA"):
  - (a) "Jupiter Prospect" means the Trenton/Black River, Mingan and Upper Romaine prospect located as shown on the attached map; and
  - (b) "Jupiter Well" is proposed to explore and evaluate the Jupiter Prospect; and
  - (c) "Operating Procedure" means the 1990 CAPL Operating Procedure, attached as Schedule "B" to the Joint Operating Agreement, dated November 7, 2003, between Hydro-Québec and Corridor.
2. Hydro-Québec and Corridor agree to drill an exploration well to evaluate the Jupiter prospect as part of the Anticosti drilling program during the summer of 2005.

3. Hydro-Québec agrees to pay 25% of the well costs, including mobilization and demobilization costs, to earn a 25% working interest in the Jupiter Licence 2001PG544.
4. Corridor agrees to pay the remaining 75% of the well costs, including mobilization and demobilization costs, to retain a 75% working interest in the Jupiter Licence 2001PG544.
5. The parties agree that for the purpose of drilling and evaluating the Jupiter Well, Corridor shall act as the Operator and the provisions of the Operating Procedure will apply. Corridor shall forward the Jupiter AFB to Hydro-Québec (estimated gross well cost of \$1.7 million, including a 10% contingency but excluding mobilization and demobilization costs). *20%*
6. The costs of mobilizing and demobilizing drilling and related equipment required to drill and evaluate the Jupiter Well shall be allocated pro-rata to the wells drilled under the current (2005) program on the basis of the number of days attributed to each well drilled.
7. In conducting operations related to the Jupiter Well, Corridor shall abide by the terms of the Operating Procedure.
8. The Jupiter Well shall be drilled to a depth sufficient to determine the nature of the fluids (oil, gas or water) contained in the Trenton/Black River (TBR), Mingan and Upper Romaine Formations. The well will be drilled and evaluated in accordance with the plan set forth in the Approval for Expenditure (AFE) document forwarded to Hydro-Quebec by Corridor. In the event that the TBR proves to be water bearing, further deepening of the well shall be terminated. In the event the TBR is oil bearing or tight with no reservoir development, the well shall be drilled to a sufficient depth to evaluate the underlying Mingan and Upper Romaine formations.

*JAB  
JPM*

Agreed to as of the date written above.

**HYDRO-QUÉBEC**

**CORRIDOR RESOURCES INC.**

*Jean A. Guay*  
Signature

*John W. Miller*  
Signature

Director, Oil and Gas Exploration

*President*  
Title

Title

Le soussigné (le «Cédant»), en considération de la somme de \_\_\_\_\_ \$ et des autres conditions suivantes : \_\_\_\_\_ transfert à (le «Cessionnaire») : \_\_\_\_\_ ses droits dans les titres ci-dessous.

Titres faisant l'objet du transfert			
Numéro du titre	Date d'émission	Superficie	Intérêts

Daté à \_\_\_\_\_ ce \_\_\_\_\_ jour de \_\_\_\_\_ 20 \_\_\_\_.

«En vertu de l'article 120 du Règlement sur le pétrole, le gaz naturel, la saumure et les réservoirs souterrains, les frais d'enregistrement pour chaque titre faisant l'objet du transfert sont de 10,00 \$.»

<b>Cédant</b>	Nom : _____	Administrateur autorisé : _____
	Adresse : _____ _____	Titre : _____
	_____	Signature : _____

<b>Cessionnaire</b>	Nom : _____	Administrateur autorisé : _____
	Adresse : _____ _____	Titre : _____
	_____	Signature : _____

<b>Témoin</b>	Nom : _____	
	Adresse : _____ _____	
	_____	

Réservé au ministère

Date de réception	Honoraires d'enregistrement	_____ \$	Sceau du secteur
	Signature de la personne autorisée		