



2017 Management's Discussion and Analysis

As of March 28, 2018

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, 2017 should be read in conjunction with Corridor's audited financial statements and notes thereto for the year ended December 31, 2017.

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, 2017 (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 a Canadian junior resource company engaged in the exploration for and development and production of petroleum and natural gas onshore in New Brunswick and offshore in the Gulf of St. Lawrence. Corridor currently has natural gas production and reserves in the McCully Field near Sussex, New Brunswick. In addition, Corridor has a shale gas prospect in New Brunswick and an offshore conventional hydrocarbon prospect in the Gulf of St. Lawrence.

Selected Financial Information

<i>thousands of dollars except per share amounts</i>	Three months ended December 31		Twelve months ended December 31		
	2017	2016	2017	2016	2015
Sales	\$ 3,161	\$ 2,356	\$ 7,674	\$ 13,541	\$ 15,876
Net income (loss)	\$ 13,598	\$ 12,316	\$ 17,739	\$ (29,291)	\$ (31,879)
Net income (loss) per share - basic	\$ 0.153	\$ 0.139	\$ 0.200	\$ (0.330)	\$ (0.360)
Net income (loss) per share - diluted	\$ 0.153	\$ 0.139	\$ 0.200	\$ (0.330)	\$ (0.360)
Cash flow from operations ⁽¹⁾	\$ 1,549	\$ 722	\$ 2,441	\$ 4,307	\$ 6,726
Capital expenditures	\$ 2,729	\$ 175	\$ 3,029	\$ 420	\$ 937
Total assets	\$ 124,360	\$ 104,618	\$ 124,360	\$ 104,618	\$ 133,066

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

Corridor's natural gas sales are priced at Algonquin city-gates ("AGT"), near Boston, Massachusetts. In recent years, the prices for natural gas have generally decreased, including prices at AGT, resulting in impairment losses to Corridor in 2015. Notwithstanding the general fall in prices, the AGT market has been characterized by excess demand during the winter season resulting in elevated prices for natural gas as compared to prices during other periods of the year. In response to this trend in natural gas prices, and to take advantage of the expected significant differential in the sale price of natural gas at AGT for the winter season relative to other periods, since 2015 Corridor has determined to shut-in much of its producing natural gas wells in the McCully Field in New Brunswick for a portion of the summer/fall period and to time the start-up of production, and the associated recovery of flush volumes, with peak winter pricing to maximize cash flow from operations and preserve Corridor's reserves for production in future years.

Non-IFRS Financial Measures

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

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

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31		
	2017	2016	2017	2016	2015
Cash provided by (used in) operating activities	\$ (1,269)	\$ (604)	\$ 1,077	\$ 3,579	\$ 7,797
Less: Increase (decrease) in non-cash operating working capital	(2,818)	(1,326)	(1,364)	(728)	1,071
Cash flow from operations	\$ 1,549	\$ 722	\$ 2,441	\$ 4,307	\$ 6,726

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:

- production levels;
- business strategies;
- the results of the CSEM survey at the Old Harry prospect;
- exploration and development plans of Corridor;
- Canadian – U.S. dollar exchange rate;
- natural gas prices and premiums;
- royalty payments in respect of historical production;
- future development costs and reserves;
- future taxable profits;
- capital expenditures;
- sources of funding;
- reserves; and
- government regulation.

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

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

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

Unknown risks and uncertainties include, but are not limited to: risks associated with oil and gas exploration, development and production, operational risks, development and operating costs, substantial capital requirements and financing, volatility of natural gas and oil prices, government regulation, environmental, hydraulic fracturing, third party risk, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, variations in exchange rates, expiration of licenses and leases, reserves and contingent resources estimates, trading of common shares, seasonality, disclosure controls and procedures and internal controls over financial reporting, competition, conflicts of interest, issuance of debt, title to

properties, hedging, information systems, litigation, and aboriginal land and rights claims. Further information regarding these factors and additional factors may be found under the heading "Risk Factors" in the Annual Information Form. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive.

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

Outlook Information

Corridor is on track to achieve its guidance for the period from April 1, 2017 to March 31, 2018 as disclosed in the press release dated February 13, 2018 (available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com). Corridor expects that lower natural gas prices in February and March 2018 will be largely offset by the Company's financial hedges in place during that period, daily production optimization efforts and a strengthening in the U.S. dollar.

2017 Summary

- In accordance with management's production optimization strategy to shut-in wells at the McCully Field in New Brunswick during low summer/fall season prices and timing the start-up of production with peak winter pricing, Corridor shut-in most of its natural gas production between April 2017 and December 2017 and partially shut-in its natural gas production between September 2016 and November 2016. As a result, the average daily natural gas production decreased to 2.5 mmcfpd in 2017 from 5.8 mmcfpd in 2016 and sales for 2017 decreased to \$7,674 thousand from \$13,541 thousand for 2016.
- As at December 31, 2017, Corridor had cash and cash equivalents of \$46,177 thousand, net working capital of \$46,918 thousand and no outstanding debt.
- Transportation expense decreased to \$438 thousand in 2017 from \$3,443 thousand in 2016 due to the decrease in natural gas production and to forward sale agreements in place for the delivery of natural gas production to the local Maritimes market as opposed to the New England market. The natural gas prices for volumes sold under these forward sale agreements are based on natural gas prices at AGT but are subject to lower transportation expenses. Corridor had forward sale agreements in effect from December 1, 2016 to March 31, 2017 for the sale of 4,755 mmbtupd of natural gas production to the local Maritimes market which resulted in a decrease in transportation expense of approximately \$800 thousand over this period. For the period from December 1, 2017 to March 31, 2018, Corridor had forward sales agreements to the local Maritimes market for substantially all of its natural gas production resulting in an estimated decrease of approximately \$1.2 million in transportation expense over the term of the forward sale agreements.
- A key component of the Company's production optimization strategy is to enter into financial hedges to mitigate the risks associated with the volatility of natural gas prices when production resumes following a shut-in period at the McCully Field. Corridor has entered into the following financial hedges on natural gas production for the 2017/2018 winter season:
 - 2,500 mmbtupd at a fixed price of \$US7.40/mmbtu for the period from December 1, 2017 to March 31, 2018;
 - 2,500 mmbtupd at a fixed price of \$US7.826/mmbtu for the period from December 1, 2017 to February 28, 2018;
 - 2,500 mmbtupd at a fixed price of \$US11.00/mmbtu for the period from February 1, 2018 to February 28, 2018;
 - 2,500 mmbtupd at a fixed price of \$US6.15/mmbtu for the period from March 1, 2018 to March 31, 2018;
 - 5,000 mmbtupd at a fixed price of \$US3.325/mmbtu for the period from April 1, 2018 to April 30, 2018, and
 - 2,500 mmbtupd at a fixed price of \$US7.40/mmbtu for the period from December 1, 2018 to March 31, 2019.
- The settlement of the Company's financial hedges in 2017 resulted in realized financial derivatives gains of \$1,101 thousand which partially offset lower natural gas prices in Q1 2017 as compared to Q1 2016.
- Cash flow from operations decreased to \$2,441 thousand for the year ended December 31, 2017 from \$4,307 thousand for the year ended December 31, 2016 due to lower natural gas sales related to the increased duration of the shut-in period in 2017, partially offset by realized financial derivatives gains of \$1,101 thousand and lower transportation expenses in 2017.

- During the year, Corridor and the Québec Government entered into a settlement agreement which facilitated an end to Corridor's participation in oil and gas exploration on Anticosti Island, Québec. Corridor held a 21.67% interest in Anticosti Hydrocarbons L.P., a joint venture with undeveloped lands on Anticosti Island. Under the settlement agreement, Corridor agreed to proceed with the cessation of all hydrocarbon exploration activities on Anticosti Island, and the Québec Government paid Corridor \$19.5 million in consideration for, amongst other things, the prejudice suffered by Corridor in connection with its interests in Anticosti Hydrocarbons L.P. The Québec Government also agreed to reimburse Corridor for any further amounts expended prior to its departure from Anticosti Island, and to assume all abandonment and reclamation obligations in respect of three Anticosti wells in which Corridor has an interest outside of Anticosti Hydrocarbons L.P. The compensation received by Corridor resulted in a net gain on disposition of \$5,589 thousand in 2017.
- In its reserves report effective as at December 31, 2017 ("GLJ Reserves Report"), GLJ Petroleum Consultants Ltd. ("GLJ") increased the estimate of future natural gas revenues in the McCully Field in New Brunswick due to an increase in the estimate of reserves and forecast natural gas prices. GLJ increased the estimate of proved plus probable reserves by 2.5 bscf over its estimate for December 31, 2016 due to a combination of higher annual production forecasts and improved well recovery estimates and increased the estimate of forecast natural gas prices due to expected higher sales to the local Maritimes market. GLJ's increase in the estimate of future natural gas revenues resulted in the recognition of a reversal of impairment losses of \$12 million.
- Corridor's net income increased to \$17,739 thousand for the year ended December 31, 2017 from a net loss of \$29,291 thousand for the year ended December 31, 2016 due primarily to the recognition of a net gain on disposition of \$5,589 thousand, a reversal of impairment losses of \$12 million and a reversal of deferred income tax assets of \$2,430 thousand during the year ended December 31, 2017 as compared to the recognition of impairment losses of \$15.7 million and a write-down of deferred income tax assets of \$11,456 thousand for the year ended December 31, 2016.
- During Q4 2017, a third party-operated Controlled Source Electromagnetic ("CSEM") survey was completed over the Newfoundland and Labrador portion of the Old Harry prospect. The processing and interpretation of the CSEM survey results are now expected to be completed by the end of April 2018.

2017 Financial Summary

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Sales	\$ 3,161	\$ 2,356	\$ 7,674	\$ 13,541
Royalty expense	(301)	(54)	(394)	(276)
Revenues, net	2,860	2,302	7,280	13,265
Expenses				
Impairment losses (reversal)	(12,000)	(12,700)	(12,000)	15,700
Depletion, depreciation and amortization	604	616	2,649	5,145
Transportation expense	10	239	438	3,443
Production expense	613	616	2,519	2,421
General and administrative expenses	879	704	2,923	2,969
Financial derivatives loss	1,449	374	158	374
Share-based compensation expense	24	81	240	354
Other write-downs and losses	248	28	248	318
	(8,173)	(10,042)	(2,825)	30,724
Income (loss) before the following items	11,033	12,344	10,105	(17,459)
Gain on disposition of assets	22	-	5,601	110
Interest and other	113	9	(353)	(349)
Equity loss	-	(37)	(44)	(137)
Income (loss) before income taxes	11,168	12,316	15,309	(17,835)
Deferred income tax expense (recovery)	(2,430)	-	(2,430)	11,456
Net income (loss)	\$ 13,598	\$ 12,316	\$ 17,739	\$ (29,291)

Fourth Quarter Summary

- Sales for Q4 2017 increased to \$3,161 thousand from \$2,356 thousand in Q4 2016 due primarily to an increase in the average natural gas price to \$12.51/mscf in Q4 2017 from \$7.88/mscf in Q4 2016 partially offset by the decrease in natural gas production to 2.7 mmscfpd in Q4 2017 from 3.0 mmscfpd in Q4 2016. The decrease in the average daily natural gas production is due to the shut-in of all the McCully wells in October and November 2017 as compared to only a partial shut-in of the McCully wells in October and November 2016.
- Corridor's cash flow from operations for Q4 2017 increased to \$1,549 thousand from \$722 thousand in Q4 2016 due primarily to higher natural gas sales and lower transportation expense in Q4 2017.
- Net income for Q4 2017 increased to \$13,598 thousand from \$12,316 thousand for Q4 2016 due to the write-up of deferred income tax assets of \$2,430 thousand partially offset by the recognition of a financial derivatives loss of \$1,449 thousand in Q4 2017 due to the increase in forecast natural gas prices at December 31, 2017.

Results of Operations

Sales

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Natural gas	\$ 3,088	\$ 2,199	\$ 7,292	\$ 12,596
Condensate	-	4	47	69
Natural gas and gas liquids sales	3,088	2,203	7,339	12,665
Gathering, processing & transportation fees	73	153	335	876
Sales	\$ 3,161	\$ 2,356	\$ 7,674	\$ 13,541

Production volumes and pricing

	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Natural gas production (mmscf)	247	279	903	2,114
Natural gas production per day (mmscfpd)	2.7	3.0	2.5	5.8
Natural gas selling price (\$/mscf)	\$ 12.51	\$ 7.88	\$ 8.08	\$ 5.96

Natural gas sales increased to \$3,088 thousand for Q4 2017 from \$2,199 thousand in Q4 2016 due to an increase in the average natural gas price to \$12.51/mscf in Q4 2017 from \$7.88/mscf in Q4 2016 partially offset by the decrease in natural gas production to 2.7 mmscfpd in Q4 2017 from 3.0 mmscfpd in Q4 2016. The decrease in the average daily natural gas production is due to the shut-in of all the McCully wells in October and November 2017 as compared to only a partial shut-in of the McCully wells in October and November 2016.

For the year ended December 31, 2017, natural gas sales decreased to \$7,292 thousand from \$12,596 thousand for the year ended December 31, 2016 due to the decrease in the average daily natural gas production to 2.5 mmscfpd in 2017 from 5.8 mmscfpd in 2016. The decrease in natural gas production is due to management's decision to shut-in most of Corridor's natural gas wells at the McCully Field between April and December of 2017 as opposed to only partially shutting-in some McCully wells from September to November of 2016. Management had determined in each of 2016 and 2017 to shut-in producing natural gas wells to take advantage of the expected significant differential in the sale price of natural gas at AGT for the summer/fall relative to the winter. The increase in Corridor's average realized natural gas sales price to \$8.08/mscf in 2017 from \$5.96/mscf in 2016 is primarily due to management's decision to shut-in most of the McCully wells in 2017 over a longer period of lower natural gas prices as compared to 2016 and increase production during periods of higher natural gas prices.

Corridor owns the midstream facilities which process and transport gas from the McCully Field to the M&NP. Third party gas flowing through these facilities, which currently is limited to Nutrien Inc.'s ("Nutrien") (formerly Potash Corporation of Saskatchewan Inc.) share of gas from the McCully Field, is charged a cost of service. The decrease in the gathering, processing and transportation ("GPT") fees to \$73 thousand for Q4 2017 from \$153 thousand for Q4 2016 and to \$335 thousand for the year ended December 31, 2017 from \$876 thousand for the year ended December 31, 2016 is due to a

decrease in Nutrien's share of natural gas production as a result of the lower natural gas production in the McCully Field in 2017.

Financial Derivatives Loss

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Change in unrealized loss on financial derivatives	\$ 1,456	\$ 253	\$ 1,259	\$ 253
Realized financial derivatives loss (gain)	(7)	121	(1,101)	121
Financial derivatives loss	\$ 1,449	\$ 374	\$ 158	\$ 374

In Q4 2016, Corridor began utilizing financial hedges to manage the risks associated with fluctuations in natural gas prices. The settlement of financial hedges in 2017 resulted in realized financial derivatives gains of \$1,101 thousand.

Corridor had the following financial hedges in place as of December 31, 2017: 2,500 mmbtupd of natural gas production at a fixed price of \$US7.40/mmbtu for the period from December 1, 2017 to March 31, 2018; 2,500 mmbtupd at a fixed price of \$US7.826/mmbtu for the period from December 1, 2017 to February 28, 2018; and 2,500 mmbtupd at a fixed price of \$US7.40/mmbtu for the period from December 1, 2018 to March 31, 2019. The calculation of the market value of these contracts as of December 31, 2017, based on forecast natural gas prices as of that date, resulted in the recognition of an unrealized loss on financial derivatives of \$1,512 thousand as of December 31, 2017 and a change in unrealized loss on financial derivatives of \$1,259 thousand for the year ended December 31, 2017.

Royalty Expense

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Prior years royalty audit assessment	\$ 198	\$ -	\$ 198	\$ -
Royalty on current year sales	103	54	196	276
Royalty expense	\$ 301	\$ 54	\$ 394	\$ 276
Current year royalty expense per mscf (\$/mscf)	\$ 0.42	\$ 0.19	\$ 0.22	\$ 0.13
Percentage of natural gas and gas liquids sales	3.3%	2.4%	2.7%	2.2%

Corridor's royalty expense for Q4 2017 increased to \$301 thousand from \$54 thousand for Q4 2016 and to \$394 thousand for the year ended December 31, 2017 from \$276 thousand for the year ended December 31, 2016 due primarily to the payment of \$198 thousand relating to the reassessment by the New Brunswick Department of Finance ("DOF") of the Company's royalty payments for the periods between November 1, 2009 and December 31, 2014. In Q3 2017, the Company participated in a hearing before the Minister of Energy and Resource Development to present evidence and object to the DOF's reassessment. However, the Minister dismissed Corridor's appeal in Q4 2017 and the Company has determined not to pursue this matter any further.

Transportation Expense

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Transportation expense	\$ 10	\$ 239	\$ 438	\$ 3,443
Transportation expense per mscf (\$/mscf)	\$ 0.04	\$ 0.86	\$ 0.48	\$ 1.63

Transportation expense decreased significantly to \$10 thousand and \$438 thousand for the three and twelve months ended December 31, 2017 from \$239 thousand and \$3,443 thousand for the three and twelve months ended December 31, 2016 due to the decrease in natural gas production in 2017 and to forward sale agreements in place for the delivery of natural gas production to the local Maritimes market as opposed to the New England market. The natural gas prices for the volumes sold under these forward sale agreements are based on natural gas prices at AGT but are subject to lower transportation expenses. Corridor had a forward sale agreement for the sale of 4,755 mmbtupd of its natural gas production to the local Maritimes market for the period from December 1, 2016 to March 31, 2017, and for substantially all of its natural gas production for the period from December 1, 2017 to March 31, 2018. As a result, transportation expense per mscf decreased from \$0.86/mscf in Q4 2016 to \$0.04/mscf in Q4 2017 and to \$0.48/mscf for 2017 from \$1.63/mscf for 2016.

Production Expense

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Gross production expense	\$ 656	\$ 742	\$ 2,741	\$ 2,932
Third party recoveries	(43)	(126)	(222)	(511)
Net production expense	\$ 613	\$ 616	\$ 2,519	\$ 2,421
Net production expense per mscf (\$/mscf)	\$ 2.48	\$ 2.21	\$ 2.79	\$ 1.15

Gross production expense for Q4 2017 decreased to \$656 thousand from \$742 thousand for Q4 2016 and to \$2,741 thousand for the year ended December 31, 2017 from \$2,932 thousand for the year ended December 31, 2016 due primarily to the shut-in of most of the natural gas wells at the McCully Field between April and December 2017 as opposed to only partially shutting-in some McCully wells from September to November 2016. The longer shut-in period in 2017 resulted in lower overall production expenses, particularly lower utilities expense. Third party recoveries for the three and twelve months ended December 31, 2017 decreased to \$43 thousand and \$222 thousand for the same reason.

Impairment Losses (Reversal)

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Impairment losses (reversal)	\$ (12,000)	\$ (12,700)	\$ (12,000)	\$ 15,700

The Company recognized a reversal of impairment losses of \$12 million for the year ended December 31, 2017 relating to the Company's New Brunswick cash generating unit ("CGU") which includes the McCully Field. The reversal of impairment losses for the year ended December 31, 2017 resulted from an increase in forecast natural gas prices and an increase in natural gas reserves as set forth in the GLJ Reserves Report. GLJ increased the estimate of reserves due to a combination of higher annual production forecasts and improved well recovery estimates. GLJ also increased the estimate of forecast natural gas prices as a result of expected higher sales to the local Maritimes market as opposed to the New England market. The estimate of proved plus probable natural gas reserves increased from 20.0 bscf effective as at December 31, 2016 to 22.5 bscf effective as at December 31, 2017.

The calculation of the reversal of impairment losses for the year ended December 31, 2017, and impairment losses for the year ended December 31, 2016, was based on the difference between the carrying value of the New Brunswick CGU and its recoverable amount. The recoverable amount was determined using fair value less costs to sell based on after-tax future net cash flows of proved plus probable reserves using forecast prices and costs and discounted using 10%.

For the year ended December 31, 2017, the Company utilized the following forecast prices in the fair value calculation:

	2018	2019	2020	2021	2022	2023-2028	Thereafter
AGT (\$US/mmbtu)	\$ 4.25	\$ 4.40	\$ 4.65	\$ 4.70	\$ 4.70	\$ 4.86-\$ 5.18	+2%/year
McCully (\$CDN/mscf)	\$ 6.25	\$ 6.39	\$ 6.61	\$ 6.41	\$ 6.41	\$ 6.66-\$ 7.96	+2%/year
Exchange rate (\$US/\$CDN)	\$ 0.79	\$ 0.79	\$ 0.80	\$ 0.81	\$ 0.82	\$ 0.83	\$ 0.83

The forecast McCully gas prices, in the table above, were calculated by adjusting the AGT gas prices to reflect the expected premiums received at Corridor's delivery point, transportation costs, if applicable, and heat content.

Depletion, Depreciation and Amortization

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Depletion, depreciation and amortization	\$ 604	\$ 616	\$ 2,649	\$ 5,145
Depletion, depreciation and amortization per mscf (\$/mscf)	\$ 2.88	\$ 2.65	\$ 3.31	\$ 2.75

Depletion expense is calculated using the unit-of-production method which is based on production volumes (excluding penalty wells) in relation to the proved reserve base.

The decrease in depletion, depreciation and amortization ("DD&A") expense to \$604 thousand and \$2,649 thousand for the three and twelve months ended December 31, 2017 from \$616 thousand and \$5,145 thousand for the three and twelve months ended December 31, 2016 is due to the decrease in natural gas production in 2017 and the decrease in the net book value of the depletion asset base following the recognition of net impairment losses of \$15.7 million in 2016. The decrease in DD&A expense in 2017 was partially offset by higher proved natural gas reserves. In the GLJ Reserves Report, GLJ increased the estimate of proved natural gas reserves by 2.2 bscf to 18.1 bscf. The estimated future development costs relating to the development of proved reserves remained consistent at \$3,171 thousand.

General and Administrative Expenses

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Gross expenses	\$ 908	\$ 723	\$ 3,029	\$ 3,078
Capitalized overhead	(29)	(19)	(106)	(73)
Operator recoveries	-	-	-	(36)
Net expenses	\$ 879	\$ 704	\$ 2,923	\$ 2,969

Gross general and administrative expenses ("G&A") increased to \$908 thousand in Q4 2017 from \$723 thousand during Q4 2016 due primarily to increased consulting costs to evaluate new opportunities to deploy Corridor's working capital. Gross G&A for the year ended December 31, 2017 decreased to \$3,029 thousand from \$3,078 thousand for the year ended December 31, 2016 as the increased consulting costs were offset by lower costs incurred relating to the New Brunswick Responsible Energy Development Alliance project, which ended in 2016.

Gain on Disposition of Assets

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Gain on disposition of assets	\$ 22	-	\$ 5,601	\$ 110

During the year, Corridor received \$19,548 thousand from the Québec Government as part of a settlement agreement effective July 28, 2017 which facilitated an end to Corridor's participation in oil and gas exploration on Anticosti Island, Québec. The Québec Government also agreed to assume all abandonment and reclamation obligations in respect of three Anticosti wells in which Corridor has an interest outside of Anticosti Hydrocarbons L.P. As a result, Corridor recognized a net gain on disposition of assets of \$5,589 thousand in Q3 2017.

Other Write-downs and Losses

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Inventory write-down	\$ 248	\$ 28	\$ 248	\$ 318

Management wrote down its casing inventory by \$248 thousand in 2017 (2016 - \$318 thousand) to reflect a decrease in the net realizable value.

Deferred Income Taxes

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Deferred income tax expense (recovery)	\$ (2,430)	-	\$ (2,430)	\$ 11,456
Canadian statutory income tax rate	29.3%	-	29.3%	29.3%

In 2016, the Company wrote-down its remaining deferred income tax asset balance of \$11,456 thousand. Management had determined it was no longer probable that there would be sufficient taxable profits and reversal of taxable temporary differences to facilitate the utilization of the underlying tax-deductible amounts, following the decrease in expected future natural gas sales by GLJ in Q2 2016. In the GLJ Reserves Report, GLJ increased the estimate of future natural gas revenues and the Company

recognized a write-up of deferred income tax assets of \$2,430 thousand in 2017 to reflect the expected reversal of taxable temporary differences in the future.

At December 31, 2017, the Company had approximately \$175 million of tax pools available to be applied against future taxable income. Based on planned capital expenditure programs and current natural gas price assumptions, the Company does not expect to be cash taxable in the near future.

Capital Expenditures

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Exploration, development and production	\$ 2,699	\$ 152	\$ 2,918	\$ 287
Capitalized overhead	29	19	106	73
Office and other assets	1	4	5	60
	\$ 2,729	\$ 175	\$ 3,029	\$ 420

The increase in capital expenditures to \$2,729 thousand and \$3,029 thousand for the three and twelve months ended December 31, 2017 from \$175 thousand and \$420 thousand for the three and twelve months ended December 31, 2016 is due to costs incurred of \$2,725 thousand in 2017 on the CSEM survey over the Newfoundland and Labrador portion of the Old Harry prospect.

Statement of Financial Position Changes

Significant changes between Corridor's December 31, 2017 Statement of Financial Position and its December 31, 2016 Statement of Financial Position include:

- \$1,758 thousand increase in receivables, primarily reflecting higher natural gas prices in December 2017 compared to December 2016;
- \$8,036 thousand increase in property, plant and equipment, primarily reflecting the reversal of impairment losses of \$12 million net of the depletion expense in 2017;
- \$2,757 thousand increase in exploration and evaluation assets, primarily reflecting costs incurred of \$2,725 thousand in 2017 on the CSEM survey;
- \$13,898 thousand decrease in the investment in Anticosti partnership, following a settlement agreement with the Québec Government to end Corridor's participation in oil and gas exploration on Anticosti Island, and
- \$1,653 thousand increase in accounts payable, primarily reflecting higher payables relating to the CSEM survey.

Cash Flow Summary

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2017	2016	2017	2016
Cash provided by (used in) operating activities	\$ (1,269)	\$ (604)	\$ 1,077	\$ 3,579
Cash provided by financing activities	-	-	13	-
Cash provided by (used in) investing activities	(1,446)	92	17,815	(366)
Increase (decrease) in cash and cash equivalents	\$ (2,715)	\$ (512)	\$ 18,905	\$ 3,213

The decrease in cash provided by operating activities to \$1,077 thousand for the year ended December 31, 2017 from \$3,579 thousand for the year ended December 31, 2016 is primarily due to the longer shut-in period in 2017.

The increase in cash provided by investing activities to \$17,815 thousand for the year ended December 31, 2017 is primarily due to the compensation received of \$19.5 million in Q3 2017 from the Québec Government relating to the settlement agreement to end oil and gas exploration on Anticosti Island.

Summary of Quarterly Information

<i>thousands of dollars, except per share amounts and average natural gas price</i>	2017				2016			
	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	\$ 3,088	-	\$ 38	\$ 4,166	\$ 2,199	\$ 1,878	\$ 2,205	\$ 6,314
Net income (loss)	\$ 13,598	\$ 3,826	\$ (1,510)	\$ 1,825	\$ 12,316	\$ (1,261)	\$ (41,629)	\$ 1,283
Net income (loss) per share – basic and diluted	\$ 0.153	\$ 0.043	\$ (0.017)	\$ 0.021	\$ 0.139	\$ (0.014)	\$ (0.469)	\$ 0.014
Natural gas production (mmscfd)	2.7	-	0.1	7.2	3.0	5.1	6.9	8.1
Average natural gas price (\$/mscf)	\$ 12.51	-	\$ 3.86	\$ 6.45	\$ 7.88	\$ 3.98	\$ 3.53	\$ 8.54
Capital expenditures	\$ 2,729	\$ 127	\$ 74	\$ 99	\$ 175	\$ 41	\$ 123	\$ 81

Corridor's natural gas sales are priced at AGT. Prices for natural gas at the AGT market are typically higher than prices in other areas of North America. In recent years, the prices for natural gas have generally decreased, including prices at AGT, resulting in impairment losses to Corridor. Notwithstanding the general fall in prices, the AGT market has been characterized by excess demand during the winter season resulting in elevated prices for natural gas as compared to prices during other periods of the year. In response to this trend in natural gas prices, and to take advantage of the expected significant differential in the sale price of natural gas at AGT for the winter season relative to other periods, since 2015 Corridor has determined to shut-in much of its producing natural gas wells in the McCully Field in New Brunswick for a portion of the summer/fall period and to time the start-up of production, and the associated recovery of flush volumes, with peak winter pricing to maximize cash flow from operations and retain Corridor's reserves for production in future years. A key component of this production optimization strategy is to enter into financial hedges to mitigate the risks associated with the volatility of natural gas prices when natural gas production resumes.

On May 27, 2016, the New Brunswick Government announced its decision to extend the moratorium on hydraulic fracturing for an indefinite period. This decision resulted in reduced capital expenditures, lower expected future production and sales and a write-down by GLJ in the reserves for the McCully Field in Q2 2016. In its reserves report dated March 1, 2017, in respect of the McCully Field effective as at December 31, 2016, GLJ increased the estimate of future natural gas revenues resulting in the recognition of a reversal of impairment losses of \$12,700 thousand and a net income of \$12,316 thousand in Q4 2016. In 2017, GLJ further increased the estimate of future natural gas revenues in the GLJ Reserves Report resulting in the recognition of an additional reversal of impairment losses of \$12 million and net income of \$13,598 thousand in Q4 2017.

Outstanding Share Information

As of February 28, 2018, the outstanding share information was as follows:

Common shares outstanding	88,655,299
Stock options to purchase common shares	3,264,833
Total common shares outstanding after exercise of all stock options	91,920,132

<i>thousands of dollars</i>	
Total proceeds due on exercise of all stock options	\$ 2,576

The weighted average exercise price for the stock options outstanding at February 28, 2018 was \$0.79.

Liquidity and Capital Resources

Corridor's liquidity depends upon cash flow from operations, supplemented as necessary by equity and debt financings and bank debt. At December 31, 2017, the Company was holding cash and cash equivalents of \$46,177 thousand and working capital of \$46,918 thousand. The Company has sufficient financial resources to undertake its planned activities in 2018 and assumes that no additional funds will be utilized from other sources such as equity financings, corporate debt or asset sales, recognizing that the Company does not plan to incur any significant capital expenditures in New Brunswick while the moratorium on hydraulic fracturing remains in place. Corridor does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties or any additional properties that may be acquired in the future. Future exploration and development of the Company's properties will depend, therefore, on the termination of the moratorium in New Brunswick, the receipt of required government approvals, the 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, 2017, Corridor had the following contractual obligations and commitments:

<i>(thousands of dollars)</i>	Total	2018	2019	2020	2021	2022	Thereafter
Operating leases	\$ 867	\$ 194	\$ 194	\$ 94	\$ 90	\$ 66	\$ 229
Decommissioning liabilities	14,661	245	-	-	-	-	14,416
	\$ 15,528	\$ 439	\$ 194	\$ 94	\$ 90	\$ 66	\$ 14,645

Given the Company's available liquid resources and the Company's current plans, 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, 2017, an evaluation of the effectiveness of Corridor's disclosure controls and procedures, as defined by NI 52-109, was performed. Based on that evaluation, each of the President and the Chief Financial Officer of Corridor has concluded that the disclosure controls and procedures are effective and provide reasonable assurance that material information was made known to them and recorded, processed, summarized and reported within the time periods required particularly during the period in which the annual filings are being prepared.

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

The President and the Chief Financial Officer evaluated the effectiveness of Corridor's internal controls over financial reporting and concluded that the Company's internal controls over financial reporting are effective as at December 31, 2017. In making its assessment, management used the updated *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in May 2013.

During the year ended December 31, 2017, 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, governmental and regulatory factors, 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, 2017, the Company recognized a reversal of impairment losses of \$12 million 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 calculation of the reversal of impairment losses for the year ended December 31, 2017 of a one percent change in the discount rate:

(thousands of dollars)

	2017	
	1% rate increase	1% rate decrease
Increase (decrease) in reversal of impairment losses	\$ (2,558)	\$ 2,830

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 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 amount of deferred income tax assets recognized on the Statement of Financial Position.

Changes in Accounting Policies

Corridor's audited financial statements for the year ended December 31, 2017 have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board, and in accordance with IAS 34 – *Interim Financial Reporting*.

The following are the new accounting standards that have been issued but are not yet effective.

IFRS 15, Revenue from Contracts and Customers

IFRS 15, "*Revenue from Contracts and Customers*" ("IFRS 15") is effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a new control-based revenue recognition model and replaces IAS 18, "*Revenue*" and IAS 11, "*Construction Contracts*", and some revenue related interpretations. The underlying principle is that an entity will now recognize revenue to depict the transfer of the control of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods and services. IFRS 15 also establishes enhanced disclosure requirements relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company will adopt the new standard using the retrospective method effective January 1, 2018. The Company has substantially completed the review of its various revenue streams and underlying contracts with customers and has determined that implementing IFRS 15 will not have a material impact on the Company's net income or financial position other than additional disclosure requirements and a possible reclassification between revenue and expenses.

IFRS 9, Financial Instruments

IFRS 9, "*Financial Instruments*" ("IFRS 9") will replace IAS 39, "*Financial Instruments: Recognition and Measurement*" and is effective for annual periods beginning on or after January 1, 2018. IFRS 9 includes a principle-based approach for classification and measurement of financial assets, a single-expected credit loss impairment model and a substantially reformed approach to hedge accounting. The Company intends to adopt the new standard using the retrospective method effective January 1, 2018. The Company has substantially completed its evaluation of IFRS 9 and has determined the following:

- The revised approach relating to the classification and measurement of carrying values of financial assets will not materially change the carrying values of the Company's financial assets;
- The expected credit loss model calculation as opposed to the incurred credit loss calculation under IAS 39 will not result in a material change to the valuation of the Company's financial assets; and
- The Company does not currently apply hedge accounting to its derivative instruments and does not currently intend to apply hedge accounting on the adoption of IFRS 9.

IFRS 16, Leases

IFRS 16, "*Leases*" ("IFRS 16"), will replace IAS 17, "*Leases*". The new standard results in substantially all leases being recorded on the Statement of Financial Position of the lessee. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on its financial statements.

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: development and operating costs, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, expiration of licenses and leases, trading of common shares, seasonality, disclosure controls and procedures and internal controls over financial reporting, competition, conflicts of interest, issuance of debt, title to properties, hedging, litigation, and aboriginal land and rights claims. See also "Forward-Looking Statements" in this MD&A.

Risks Associated with Oil and Gas Exploration, Development and Production

The long-term success of Corridor depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves from exploration, development or acquisition activities, Corridor's existing reserves and production will decline over time. Production decline rates will vary by the type of reservoir, age of the wells and other factors and are not necessarily indicative of future performance. Future increases in Corridor's reserves will

depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to generate or raise sufficient capital to make the necessary investments to replace or expand its oil and natural gas reserves. Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

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

Operational Risks

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

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

Substantial Capital Requirements and Financing

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

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

Volatility of Natural Gas and Oil Prices

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

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

Government Regulation

The oil and natural gas industry (exploration, production, pricing, marketing and transportation) is subject to extensive controls and regulations imposed by various levels of government. These regulations include, among other things, matters related to land

tenure, drilling, production practices, environmental protection, royalties, carbon tax, marketing and pricing and various taxes and levies. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could have a material adverse impact on Corridor's business, financial condition, results of operations and cash flows.

Environmental

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

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

Hydraulic Fracturing

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

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

The New Brunswick Government announced on May 27, 2016 that it would indefinitely continue a moratorium on hydraulic fracturing. Corridor believes that all wells on its properties in New Brunswick require hydraulic fracture stimulation to be commercially productive. As a result of this announcement, Corridor has determined that it will not undertake any drilling or completion activities or incur associated capital expenditures in New Brunswick until the moratorium is lifted. Should the moratorium not be lifted, Corridor's ability to maintain or increase production in the McCully Field and the ability to obtain a joint venture partner to develop the Frederick Brook prospect in the Elgin Sub-Basin will be materially and adversely affected.

Third Party Risk

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

Variations in Exchange Rates

The Company's sales of natural gas from the McCully Field are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the natural gas revenues received by the Company. Any

material increase in the value of the Canadian dollar will negatively impact the Company's natural gas revenues. This increase in the exchange rate for the Canadian dollar and future Canadian/United States exchange rates could accordingly impact the future value of the Company's reserves as determined by independent evaluators. The Company has not engaged in any risk management activities related to the Canada/United States exchange rate.

Reserves and Contingent Resources Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and contingent resources, including many factors beyond the Company's control. While the reserves, contingent resources and future net cash flow information from the Company's properties have been independently evaluated by GLJ in the GLJ Reserves Report and the GLJ Contingent Resources Report, these evaluations include a number of assumptions, including, but not limited to, such factors as initial production rates, production decline rates, ultimate recovery of reserves and contingent resources, timing and amount of capital expenditures, marketability of production, future prices of natural gas and oil, operating costs, abandonment and reclamation costs, royalties and other government levies that may be imposed over the producing life of the reserves and resources. These assumptions were based on prices in use at the date the relevant evaluations were prepared, and many of these assumptions are subject to change and are beyond the control of the Company. Actual production and cash flow generated from this production will vary from these evaluations, and these variations could be material. The present value of the Company's estimated future net revenue in the GLJ Reserves Report and the GLJ Contingent Resources Report should not be construed as the fair market value of the Company's reserves and contingent resources, as applicable. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. Geological complexities of the McCully Field make it difficult to predict the success of future exploration and development activities in the area. These complexities include the sporadic presence of overpressured "perched" water in some portions of the reservoir, the presence of significant amounts of bitumen in some parts of the reservoir, as well as depositional and structural character of the reservoir. In addition, the reserves and contingent resource estimates have been determined based upon assumed commodity prices and operating costs. Market price fluctuations of natural gas and oil prices and an increase in actual operating costs experienced on a project may render the recovery of the reserves or contingent resources uneconomic. The Company's contingent resources are non-producing or undeveloped and may not ultimately be developed or produced, either because it may not be commercially viable to do so or for other reasons. In addition, not all of the Company's contingent resources may be ultimately produced within the time period the Company's has planned, at the costs the Company has budgeted, or at all.

Information Systems

The Company relies on information technology, such as computer hardware and software systems, in order to properly operate its business. In the event the Company is unable to regularly deploy software and hardware, effectively upgrade systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data.

In the ordinary course of business, the Company collects, uses and stores sensitive data, including intellectual property, proprietary business information and personal information of our employees and third parties. Despite our security measures, the Company's information systems, technology and infrastructure may be vulnerable to attacks by hackers and/or cyberterrorists or breaches due to employee error, malfeasance or other disruptions, including natural disasters and acts of war. Any such breach could compromise information used or stored on the Company's systems and/or networks and, as a result, the information could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operational disruption, site shut-down, leaks or other negative consequences, including damage to our reputation, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.