



2018 Management's Discussion and Analysis

As of March 27, 2019

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, 2018 should be read in conjunction with Corridor's audited financial statements and notes thereto for the year ended December 31, 2018.

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, 2018 (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		
	2018	2017	2018	2017	2016
Sales	\$ 3,525	\$ 3,161	\$ 16,944	\$ 7,674	\$ 13,541
Net income (loss)	\$ 6,104	\$ 13,598	\$ (314)	\$ 17,739	\$ (29,291)
Net income (loss) per share					
-basic and diluted	\$ 0.068	\$ 0.153	\$ (0.004)	\$ 0.200	\$ (0.330)
Cash flow from operations ⁽¹⁾	\$ 3,022	\$ 1,549	\$ 11,987	\$ 2,441	\$ 4,307
Capital expenditures	\$ 724	\$ 2,729	\$ 2,254	\$ 3,029	\$ 420
Total assets	\$ 125,301	\$ 124,360	\$ 125,301	\$ 124,360	\$ 104,618

(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 AGT market has been characterized by excess demand during the winter season resulting in significant premiums in the sale price for natural gas during the winter season as compared to prices during other periods of the year. In response to this trend in natural gas prices, since 2015, Corridor has determined to shut-in most 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 after a shut-in period. In accordance with this strategy, Corridor shut-in its natural gas production starting in May 2018 and resumed partial production on November 14, 2018 with a ramp-up in production starting in December 2018.

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		
	2018	2017	2018	2017	2016
Cash provided by (used in) operating activities	\$ 75	\$ (1,269)	\$ 11,870	\$ 1,077	\$ 3,579
Increase in non-cash operating working capital	2,947	2,818	117	1,364	728
Cash flow from operations	\$ 3,022	\$ 1,549	\$ 11,987	\$ 2,441	\$ 4,307

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 plans and strategies (including its production optimization and hedging strategies);
- exploration and development plans of Corridor;
- Canadian – U.S. dollar exchange rate;
- natural gas prices and premiums;
- future revenue from financial hedges;
- future development costs and reserves;
- future taxable profits;
- capital expenditures;
- sources of funding; 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 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 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, 2018 to March 31, 2019 as disclosed in the press release dated November 13, 2018 and updated in the press release dated December 19, 2018. Corridor's estimated working capital balance as of March 31, 2019 remains at \$63.4 million as lower than expected natural gas prices in Q1 2019 are expected to be largely offset by the Company's financial hedges in place from December 1, 2018 to March 31, 2019, a strengthening in the U.S. dollar in Q1 2019 and lower than estimated general and administrative expenses in Q4 2018.

2018 Summary

- Corridor's sales increased to \$16,944 thousand in 2018 from \$7,674 thousand in 2017 due to the increase in the average daily natural gas production to 4.2 mmscfpd in 2018 from 2.5 mmscfpd in 2017 and an increase in the average realized natural gas sales price to \$10.57/mscf in 2018 from \$8.08/mscf in 2017. The increase in natural gas production at the McCully Field is largely the result of more than a month of additional production in 2018 as compared to 2017. This is due to Corridor's decision to shut-in its natural gas wells for less than seven months in 2018 from May to November compared to eight months in 2017 from April to December, all in accordance with its production optimization strategy.
- 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. The settlement of the Company's financial hedges resulted in realized financial derivatives losses of \$530 thousand in 2018 compared to realized financial derivatives gains of \$1,101 thousand in 2017. Corridor has the following financial hedges in place for 2019 and 2020:
 - 5,000 mmbtupd at an average fixed price of \$US7.59/mmbtu for the period from January 1, 2019 to March 31, 2019;
 - 2,500 mmbtupd at a fixed price of \$US12.72/mmbtu for January 2019;
 - 2,500 mmbtupd at a fixed price of \$US12.50/mmbtu for February 2019;
 - 2,500 mmbtupd at a fixed price of \$US3.45/mmbtu for April 2019, and
 - 2,500 mmbtupd at a fixed price of \$US9.00/mmbtu for the period from December 1, 2019 to March 31, 2020.
- As at December 31, 2018, Corridor had cash and cash equivalents of \$53,652 thousand, net working capital of \$57,190 thousand and no outstanding debt.
- Cash flow from operations increased to \$11,987 thousand for the year ended December 31, 2018 from \$2,441 thousand for the year ended December 31, 2017 due in large part to higher natural gas sales partially offset by realized financial derivatives losses of \$530 thousand in 2018.
- In Q4 2018, Corridor entered into an agreement that eliminates transportation charges on the Canadian portion of the Maritimes & Northeast Pipeline ("M&NP") from November 1, 2018 until April 1, 2024 which is expected to increase Corridor's cash flow from operations by a minimum of \$6 million during that period.
- After taking into account the natural gas production of 1.5 bscf in 2018, the proved plus probable reserves in the McCully Field in New Brunswick, as estimated by GLJ Petroleum Consultants Ltd. ("GLJ") in its reserves report effective as at December 31, 2018 ("2018 GLJ Reserves Report"), decreased by only 0.3 bscf from GLJ's estimate of proved plus probable reserves as at December 31, 2017. The decrease in reserves from the 2018 production was largely offset by additions in estimated proved plus probable reserves of 1.1 bscf due to increased well recovery estimates in the 2018 GLJ Reserves Report. As a result, Corridor recognized a reversal of impairment losses of \$530 thousand for the year ended December 31, 2018.
- During the year, Corridor initiated a Normal Course Issuer Bid on the Toronto Stock Exchange to purchase up to 6.8 million of Corridor's common shares. No common shares have yet been purchased under this program.

- During the year, Corridor announced its decision to suspend all further technical work and capital spending on the Old Harry prospect in the Gulf of St. Lawrence after a comprehensive review revealed more complexity in the Old Harry prospect than previous analysis had suggested, which included the results of an integrated geotechnical analysis from a controlled source electromagnetic ("CSEM") survey and reprocessed two dimensional ("2D") seismic. As a result, Corridor recognized impairment losses of \$11,408 thousand in 2018 relating to the costs incurred to date on the Old Harry prospect.
- Corridor's net loss increased to \$314 thousand for the year ended December 31, 2018 from a net income of \$17,739 thousand for the year ended December 31, 2017 due primarily to the recognition of impairment losses of \$11 million during the year ended December 31, 2018 as compared to the recognition of a reversal of impairment losses of \$12 million for the year ended December 31, 2017. In addition, a net gain on disposition of \$5,589 thousand was recognized during the year ended December 31, 2017 relating to a settlement agreement with the Government of Québec which facilitated an end to Corridor's participation in oil and gas exploration on Anticosti Island, Québec in Q3 2017.

2018 Financial Summary

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Sales	\$ 3,525	\$ 3,161	\$ 16,944	\$ 7,674
Royalty expense	(96)	(301)	(506)	(394)
Revenues, net	3,429	2,860	16,438	7,280
Expenses				
Impairment losses (reversal)	(530)	(12,000)	10,878	(12,000)
Depletion, depreciation and amortization	1,247	604	4,871	2,649
Transportation expense	-	10	100	438
Production expense	811	613	2,739	2,519
General and administrative expense	819	879	2,605	2,923
Financial derivatives losses (gains)	(3,300)	1,449	(1,978)	158
Share-based compensation expense	111	24	350	240
Other write-downs and losses	52	248	52	248
	(790)	(8,173)	19,617	(2,825)
Income (loss) before the following items	4,219	11,033	(3,179)	10,105
Gain on disposition of assets	-	22	-	5,601
Interest and other	285	113	1,256	(353)
Equity loss	-	-	-	(44)
Income (loss) before income taxes	4,504	11,168	(1,923)	15,309
Deferred income tax recovery	(1,600)	(2,430)	(1,609)	(2,430)
Net income (loss)	\$ 6,104	\$ 13,598	\$ (314)	\$ 17,739

Fourth Quarter Summary

- Sales for Q4 2018 increased to \$3,525 thousand from \$3,161 thousand in Q4 2017 due primarily to an increase in the average natural gas production to 4.4 mmscfpd in Q4 2018 from 2.7 mmscfpd in Q4 2017 partially offset by the decrease in natural gas price to \$8.53/mscf in Q4 2018 from \$12.51/mscf in Q4 2017. The increase in the average daily natural gas production is due to management's decision to resume production from its shut-in two weeks earlier in 2018, on November 14, as compared to December 1 in 2017.
- The decrease in the average natural gas sales price in Q4 2018 was mitigated by the Company's financial hedges in place during that period, which resulted in realized financial derivatives gains of \$868 thousand in Q4 2018 as compared to realized financial derivatives gains of \$7 thousand in Q4 2017.
- Corridor's cash flow from operations for Q4 2018 increased to \$3,022 thousand from \$1,549 thousand in Q4 2017 due primarily to the increase in natural gas sales and realized financial derivatives gains in Q4 2018.

- Net income for Q4 2018 decreased to \$6,104 thousand from \$13,598 thousand for Q4 2017 due primarily to a decrease in the reversal of impairment losses to \$530 thousand in Q4 2018 from \$12 million in Q4 2017, partially offset by the recognition of financial derivatives gains of \$3,300 thousand in Q4 2018 compared to financial derivatives losses of \$1,449 thousand in Q4 2017.

Results of Operations

Sales

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Natural gas	\$ 3,422	\$ 3,088	\$ 16,360	\$ 7,292
Condensate	-	-	77	47
Natural gas and gas liquids sales	3,422	3,088	16,437	7,339
Gathering, processing & transportation fees	103	73	507	335
Sales	\$ 3,525	\$ 3,161	\$ 16,944	\$ 7,674

Production volumes and pricing

	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Natural gas production (mmscf)	401	247	1,548	903
Natural gas production per day (mmscfpd)	4.4	2.7	4.2	2.5
Natural gas selling price (\$/mscf)	\$ 8.53	\$ 12.51	\$ 10.57	\$ 8.08

Natural gas sales increased to \$3,422 thousand for Q4 2018 from \$3,088 thousand in Q4 2017 due to an increase in natural gas production to 4.4 mmscfpd in Q4 2018 from 2.7 mmscfpd in Q4 2017 partially offset by a decrease in the average natural gas price to \$8.53/mscf in Q4 2018 from \$12.51/mscf in Q4 2017. The increase in the average daily natural gas production is due to management's decision to resume production two weeks earlier in 2018, on November 14, as compared to December 1 in 2017.

For the year ended December 31, 2018, natural gas sales increased to \$16,360 thousand from \$7,292 thousand for the year ended December 31, 2017 due to the increase in the average daily natural gas production to 4.2 mmscfpd in 2018 from 2.5 mmscfpd in 2017 and an increase in Corridor's average realized natural gas sales price to \$10.57/mscf in 2018 from \$8.08/mscf in 2017. The increase in natural gas production at the McCully Field is largely the result of more than a month of additional production in 2018 as compared to 2017. This is due to management's decision to shut-in its natural gas wells for less than seven months in 2018 from May to November compared to eight months in 2017 from April to December. Management had determined in each of 2017 and 2018 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.

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 increase in the gathering, processing and transportation fees to \$103 thousand for Q4 2018 from \$73 thousand for Q4 2017 and to \$507 thousand for the year ended December 31, 2018 from \$335 thousand for the year ended December 31, 2017 is due to an increase in Nutrien's share of natural gas production as a result of the increase in natural gas production at the McCully Field in 2018.

Financial Derivatives Losses (Gains)

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Change in unrealized losses (gains) on financial derivatives:				
Reversal of prior period unrealized losses (gains)	\$ (1,436)	\$ (56)	\$ (1,512)	\$ (253)
Current period estimate of unrealized losses (gains)	(996)	1,512	(996)	1,512
Change in unrealized losses (gains)	(2,432)	1,456	(2,508)	1,259
Realized financial derivatives losses (gains)	(868)	(7)	530	(1,101)
Financial derivatives losses (gains)	\$ (3,300)	\$ 1,449	\$ (1,978)	\$ 158

A key component of Corridor's 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 at the McCully Field after a shut-in period. The settlement of financial hedges in Q4 2018 resulted in realized financial derivatives gains of \$868 thousand as compared to realized financial derivatives gains of \$7 thousand in Q4 2017 while the settlement of financial hedges during the year ended December 31, 2018 resulted in realized financial derivatives losses of \$530 thousand as compared to realized financial derivatives gains of \$1,101 thousand during the year ended December 31, 2017.

Corridor had the following financial hedges in place as of December 31, 2018: 5,000 mmbtupd at an average fixed price of \$US7.59/mmbtu for the period from January 1, 2019 to March 31, 2019; 2,500 mmbtupd at a fixed price of \$US12.72/mmbtu for January 2019; 2,500 mmbtupd at a fixed price of \$US12.50/mmbtu for February 2019, and 2,500 mmbtupd at a fixed price of \$US9.00/mmbtu for the period from December 1, 2019 to March 31, 2020. The calculation of the fair value of these contracts as of December 31, 2018, based on forecasted natural gas prices as of that date, resulted in the recognition of unrealized gains on financial derivatives of \$996 thousand for the three and twelve months ended December 31, 2018 while this calculation, as of December 31, 2017, resulted in the recognition of unrealized losses on financial derivatives of \$1,512 thousand for the three and twelve months ended December 31, 2017.

Royalty Expense

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Royalty on current year sales	\$ 96	\$ 103	\$ 506	\$ 196
Prior years royalty audit assessment	-	198	-	198
Royalty expense	\$ 96	\$ 301	\$ 506	\$ 394
Current year royalty expense per mscf (\$/mscf)	\$ 0.24	\$ 0.42	\$ 0.33	\$ 0.22
Percentage of natural gas and gas liquids sales	2.8%	3.3%	3.1%	2.7%

Corridor's royalty expense for Q4 2018 decreased to \$96 thousand from \$301 thousand for Q4 2017 due primarily to the payment of \$198 thousand relating to the reassessment by the New Brunswick Department of Finance of the Company's royalty payments for the periods between November 1, 2009 and December 31, 2014. The royalty on current year's sales increased to \$506 thousand for the year ended December 31, 2018 from \$196 thousand for the year ended December 31, 2017 due to the increase in natural gas sales in 2018.

Transportation Expense

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Transportation expense	-	\$ 10	\$ 100	\$ 438
Transportation expense per mscf (\$/mscf)	-	\$ 0.04	\$ 0.06	\$ 0.48

Since December 1, 2016, Corridor has been successful at entering into forward sale agreements for the delivery of a portion of its natural gas production to the local Maritimes market as opposed to the New England market thereby incurring lower transportation expenses. In 2018, Corridor had forward sale agreements in place for the delivery of natural gas production to the local Maritimes market for substantially all of its natural gas production and for only 4,755 mmbtupd for the period from December 1, 2016 to March 31, 2017. As a result, transportation expense decreased significantly to nil and \$100 thousand for the three and twelve months ended December 31, 2018 from \$10 thousand and \$438 thousand for the three and twelve months ended December 31, 2017. Effective November 1, 2018, Corridor entered into an agreement that eliminates transportation charges on the Canadian portion of the M&NP until April 1, 2024.

Production Expense

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Gross production expense	\$ 889	\$ 656	\$ 3,076	\$ 2,741
Third party recoveries	(78)	(43)	(337)	(222)
Net production expense	\$ 811	\$ 613	\$ 2,739	\$ 2,519
Net production expense per mscf (\$/mscf)	\$ 2.02	\$ 2.48	\$ 1.77	\$ 2.79

Gross production expense increased to \$889 thousand for Q4 2018 from \$656 thousand for Q4 2017 and to \$3,076 thousand for the year ended December 31, 2018 from \$2,741 thousand for the year ended December 31, 2017 due to management's decision to shut-in natural gas production at the McCully Field for less than seven months in 2018 from May to November compared to eight months in 2017 from April to December. The longer production period in 2018 resulted in higher overall production expenses, particularly utilities and supplies expense in Q4 2018. Third party recoveries for the three and twelve months ended December 31, 2018 increased to \$78 thousand and \$337 thousand for the same reason.

Impairment Losses (Reversal)

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
McCully Field	\$ (530)	\$ (12,000)	\$ (530)	\$ (12,000)
Old Harry prospect	-	-	11,408	-
Impairment losses (reversal)	\$ (530)	\$ (12,000)	\$ 10,878	\$ (12,000)

In 2018, Corridor recognized impairment losses of \$11,408 thousand relating to costs incurred to date on the Old Harry prospect. The recognition of impairment losses resulted from the Company's decision to suspend any further technical and capital spending on the Old Harry prospect after a comprehensive review revealed more complexity in the Old Harry prospect than previous analysis had suggested, which included the results of an integrated geotechnical analysis of a CSEM survey and reprocessed 2D seismic.

In Q4 2018, the Company recognized a reversal of impairment losses of \$530 thousand for the year ended December 31, 2018 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, 2018 is due to additions in reserves of 1.1 bscf due to increased well recovery estimates in the 2018 GLJ Reserves Report which largely replaced the decrease resulting from the current year's production of 1.5 bscf. As a result, GLJ's estimate of proved plus probable natural gas reserves in the 2018 GLJ Reserves Report decreased by only 0.3 bscf to 22.2 bscf from GLJ's estimate of 22.5 bscf effective as at December 31, 2017.

The calculations of the reversal of impairment losses for the year ended December 31, 2018 and 2017 were based on the difference between the carrying value of the New Brunswick CGU and its recoverable amount. The recoverable amount was determined using fair value less costs to sell based on after-tax future net cash flows of proved plus probable reserves using forecast prices and costs and discounted using 10%.

For the year ended December 31, 2018, the Company utilized the following forecast prices in the fair value calculation:

	2019	2020	2021	2022	2023	2024-2028	Thereafter
AGT (\$US/mmbtu)	\$ 4.40	\$ 4.55	\$ 4.55	\$ 4.50	\$ 4.63	\$ 4.70-\$ 5.00	+2%/year
McCully (\$CDN/mscf)	\$ 6.14	\$ 5.87	\$ 5.72	\$ 5.51	\$ 5.61	\$ 7.55-\$ 8.24	+2%/year
Exchange rate (\$US/\$CDN)	\$ 0.75	\$ 0.77	\$ 0.79	\$ 0.81	\$ 0.82	\$ 0.825	\$ 0.825

The forecast McCully natural gas prices were calculated by adjusting the AGT natural 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	
	2018	2017	2018	2017
Depletion, depreciation and amortization	\$ 1,247	\$ 604	\$ 4,871	\$ 2,649
Depletion, depreciation and amortization per mscf (\$/mscf)	\$ 3.49	\$ 2.88	\$ 3.47	\$ 3.31

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

The increase in depletion, depreciation and amortization expense to \$1,247 thousand and \$4,871 thousand for the three and twelve months ended December 31, 2018 from \$604 thousand and \$2,649 thousand for the three and twelve months ended December 31, 2017 is primarily due to the increase in natural gas production in 2018 and the increase in the net book value of the depletion asset base following the recognition of a reversal of impairment losses of \$12 million in 2017.

General and Administrative Expenses

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Gross expenses	\$ 861	\$ 908	\$ 2,740	\$ 3,029
Capitalized overhead	(31)	(29)	(123)	(106)
Operator recoveries	(11)	-	(12)	-
Net expenses	\$ 819	\$ 879	\$ 2,605	\$ 2,923

Gross general and administrative expenses decreased to \$861 thousand in Q4 2018 from \$908 thousand in Q4 2017 and to \$2,740 thousand for the year ended December 31, 2018 from \$3,029 thousand for the year ended December 31, 2017 due to management's continued efforts to reduce costs.

Gain on Disposition of Assets

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Gain on disposition of assets	\$ -	\$ 22	\$ -	\$ 5,601

In 2017, 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 received compensation of \$19,548 thousand which resulted in the recognition of a net gain on disposition of \$5,589 thousand for the year ended December 31, 2017.

Other Write-downs and Losses

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Inventory write-down	\$ 52	\$ 248	\$ 52	\$ 248

Management wrote down its casing inventory by \$52 thousand in 2018 (2017 - \$248 thousand) to reflect a decrease in the net realizable value of such inventory.

Deferred Income Taxes

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Deferred income tax recovery	\$ (1,600)	\$ (2,430)	\$ (1,609)	\$ (2,430)
Canadian statutory income tax rate	29.3%	29.3%	29.3%	29.3%

The Company did not fully recognize deferred income taxes during the years ended December 31, 2018 and 2017 as it is not probable that there will be sufficient taxable profits and reversal of deductible temporary differences in the future to facilitate the utilization by the Company of the underlying tax-deductible amounts. The Company recognized a write-up of deferred income tax assets of \$2,430 thousand in 2017 and a further write-up of \$402 thousand in 2018 to reflect the expected reversal of deductible temporary differences in the future.

At December 31, 2018, the Company had approximately \$166 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 future.

Capital Expenditures

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Exploration, development and production	\$ 564	\$ 2,699	\$ 1,937	\$ 2,918
Capitalized overhead	31	29	123	106
Office and other assets	129	1	194	5
Capital expenditures	\$ 724	\$ 2,729	\$ 2,254	\$ 3,029

The decrease in capital expenditures to \$724 thousand and \$2,254 thousand for the three and twelve months ended December 31, 2018 from \$2,729 thousand and \$3,029 thousand for the three and twelve months ended December 31, 2017 is primarily due to costs incurred on the CSEM survey and 2D seismic reprocessing over the Newfoundland and Labrador portion of the Old Harry prospect in Q4 2017 and Q1 2018. In Q4 2018, Corridor undertook a workover program at the McCully Field amounting to \$597 thousand.

Statement of Financial Position Changes

Significant changes between Corridor's December 31, 2018 and December 31, 2017 Statement of Financial Positions include:

- \$996 thousand increase in financial derivatives receivable, reflecting the calculation of the fair value of contracts as of December 31, 2018, based on forecasted natural gas prices as of that date. This calculation, as of December 31, 2017, resulted in the recognition of a financial derivatives liability of \$1,512 thousand;
- \$1,184 thousand decrease in property, plant and equipment, primarily reflecting depletion expense partially offset by a reversal of impairment losses of \$530 thousand and an increase in the estimate of future abandonment costs of \$2,018 thousand in 2018;
- \$8,119 thousand decrease in exploration and evaluation assets, primarily reflecting impairment losses of \$12 million on the Old Harry prospect partially offset by an increase in the estimate of future abandonment costs of \$2,041 thousand, and
- \$2,571 thousand increase in decommissioning liability, primarily reflecting an increase in the estimate of future abandonment costs of \$3,540 thousand, partially offset by costs incurred of \$1,755 thousand relating to the abandonment of four wells in Q4 2018.

Cash Flow Summary

<i>thousands of dollars</i>	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Cash provided by (used in) operating activities	\$ 75	\$ (1,269)	\$ 11,870	\$ 1,077
Cash provided by financing activities	63	-	102	13
Cash provided by (used in) investing activities	(1,864)	(1,446)	(4,497)	17,815
Increase (decrease) in cash and cash equivalents	\$ (1,726)	\$ (2,715)	\$ 7,475	\$ 18,905

The increase in cash provided by operating activities to \$11,870 thousand for the year ended December 31, 2018 from \$1,077 thousand for the year ended December 31, 2017 is primarily due to the increase in natural gas sales in 2018.

The increase in cash used in investing activities to \$4,497 thousand for the year ended December 31, 2018 from cash provided by investing activities of \$17,815 thousand for the year ended December 31, 2017 is primarily due to compensation received of \$19.5 million in Q3 2017 from the Québec Government relating to a 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>	2018				2017			
	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	\$ 3,422	-	\$ 1,432	\$ 11,506	\$ 3,088	-	\$ 38	\$ 4,166
Net income (loss)	\$ 6,104	\$ (1,860)	\$ (10,127)	\$ 5,569	\$ 13,598	\$ 3,826	\$ (1,510)	\$ 1,825
Net income (loss) per share – basic and diluted	\$ 0.068	\$ (0.021)	\$ (0.114)	\$ 0.063	\$ 0.153	\$ 0.043	\$ (0.017)	\$ 0.021
Natural gas production (mmscfd)	4.4	-	2.8	9.9	2.7	-	0.1	7.2
Average natural gas price (\$/mscf)	\$ 8.53	-	\$ 5.63	\$ 12.90	\$ 12.51	-	\$ 3.86	\$ 6.45
Capital expenditures	\$ 724	\$ 307	\$ 502	\$ 721	\$ 2,729	\$ 127	\$ 74	\$ 99

Corridor's natural gas sales are priced at AGT. The AGT market has been characterized by excess demand during the winter season resulting in significant premiums in the sale prices for natural gas during the winter season as compared to prices during other periods of the year. In response to this trend in natural gas prices, since 2015, the Company has determined to shut-in most 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.

In 2017, GLJ increased its estimate of future natural gas revenues in respect of the McCully Field effective as at December 31, 2017, resulting in the recognition of a reversal of impairment losses of \$12 million and net income of \$13,598 thousand in Q4 2017.

In Q2 2018, Corridor announced its decision to suspend any further technical work and capital spending on the Old Harry prospect which resulted in impairment losses of \$11,368 thousand and a net loss of \$10,127 thousand in Q2 2018.

Outstanding Share Information

As of February 28, 2019, the outstanding share information was as follows:

Common shares outstanding	88,924,465
Stock options to purchase common shares	3,445,500
Total common shares outstanding after exercise of all stock options	92,369,965

<i>thousands of dollars</i>	
Total proceeds due on exercise of all stock options	\$ 2,716

The weighted average exercise price for the stock options outstanding at February 28, 2019 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, 2018, the Company was holding cash and cash equivalents of \$53,652 thousand and working capital of \$57,190 thousand. The Company has sufficient financial resources to undertake its planned activities in 2019 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 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, 2018, Corridor had the following contractual obligations and commitments:

<i>(thousands of dollars)</i>	Total	2019	2020	2021	2022	2023	Thereafter
Operating leases	\$ 1,211	\$ 253	\$ 219	\$ 238	\$ 105	\$ 105	\$ 291
Decommissioning liabilities	17,481	193	-	-	-	-	17,288
	\$ 18,692	\$ 446	\$ 219	\$ 238	\$ 105	\$ 105	\$ 17,579

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, 2018, 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, 2018. 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, 2018, 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, 2018, the Company recognized a reversal of impairment losses of \$530 thousand relating to the Company's New Brunswick CGU. The recoverable amount was determined using fair value less costs to sell based on after-tax future net cash flows of proved plus probable reserves using forecast prices and costs and discounted using 10%. The discount rate is based on Corridor's post-tax weighted average cost of capital and is consistent with Corridor's peer group.

The following table demonstrates the impact on the calculation of the reversal of impairment losses for the year ended December 31, 2018 of a one percent change in the discount rate:

(thousands of dollars)

	2018	
	1% rate increase	1% rate decrease
Increase (decrease) in reversal of impairment losses	\$ (2,335)	\$ 2,561

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, 2018 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 were adopted in 2018.

IFRS 15, Revenue from Contracts and Customers

The Company adopted IFRS 15 "Revenue from Contracts and Customers" ("IFRS 15") on January 1, 2018 using the retrospective method. IFRS 15 replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and some revenue related interpretations. The Company reviewed its various revenue streams and underlying contracts with customers using the IFRS 15 five-step model and determined there were no material changes to the measurement or the timing of the Company's revenues.

IFRS 9, Financial Instruments

The Company adopted IFRS 9 "Financial Instruments" ("IFRS 9") on January 1, 2018 which replaced IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The Company adopted the new standard using the retrospective

method. The adoption of IFRS 9 did not have a material impact on the classification and measurement of the Company's financial assets and financial liabilities. The nature and effect of the key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarized below.

Classification of Financial Assets and Financial Liabilities

IFRS 9 replaces the previous classification categories for financial assets under IAS 39 of held to maturity, loans and receivables, and available for sale with three new principal classification categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the contractual cash flows' characteristics and the business model for managing a financial asset. IFRS 9 had no substantive changes relating to the classification of financial liabilities.

Impairment of Financial Assets

IFRS 9 implements an expected credit loss model calculation and replaces the incurred credit loss calculation under IAS 39. Under IFRS 9, credit losses are expected to be recognized earlier than under IAS 39. The new impairment model applies to Corridor's financial assets measured at amortized costs and its adoption did not impact the valuation of the Company's financial assets.

The following is the new accounting standard that has been issued but is not yet effective.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 "Leases" ("IFRS 16") which replaces IAS 17 "Leases". IFRS 16 requires the recognition of a right-of-use asset and lease liability on the Statement of Financial Position for most leases. For lessees, IFRS 16 removes the classification of leases as either operating or finance, effectively treating all leases as finance leases. The standard will come into effect for years beginning on or after January 1, 2019 and may be applied retrospectively or using a modified retrospective approach. The Company has selected to use the modified retrospective approach which does not require restatement of prior period financial information as the cumulative effect of applying the standard to prior periods is recorded as an adjustment to opening retained earnings.

IFRS 16 is expected to increase the Company's total assets and liabilities and change the Company's opening retained earnings. In addition, future net income will be impacted as the finance charges and depreciation charges associated with the recognition of lease contracts as right-of-use assets are not expected to correspond in any one period to the lease payments under these contracts.

Management has identified right-of-use assets related to office space, vehicles and surface land rights. The impact of the adoption of IFRS 16 on net income has not yet been determined but the Company expects the following changes:

- lower production expenses and general and administrative expenses;
- higher finance expenses due to the interest recognized on the lease obligations; and
- higher depreciation expenses related to the right-of-use assets.

Business Conditions and Risks

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

The following is a summary of certain risk factors and should not be construed as exhaustive. There are numerous factors both known and unknown, that could cause actual results or events to differ materially from forecast results. Additional risk factors are included in the Annual Information Form under the heading "Risk Factors" and include: development and operating costs, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, expiration of licenses and leases, reserves and 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, 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 oil and 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. In November 2018, the Government of New Brunswick expressed its intention to allow natural gas development in the Sussex region, where Corridor's properties are located. Until the moratorium is lifted, Corridor has determined that it will not undertake any drilling or completion activities or incur associated capital expenditures in New Brunswick. Should the moratorium not be lifted, Corridor's ability to maintain or increase production in the McCully Field and its 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 prices 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 Resources Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and resources, including many factors beyond the Company's control. While the reserves and future net cash flow information from the Company's properties have been independently evaluated by GLJ in the 2018 GLJ Reserves 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, 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. 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 2018 GLJ Reserves Report should not be construed as the fair market value of the Company's reserves. 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 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 uneconomic.

The Company's 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.

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.