



**CORRIDOR RESOURCES INC.**

**ANNUAL INFORMATION FORM**  
**For the Year Ended December 31, 2015**

**March 30, 2016**

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## GLOSSARY

In this AIF, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

"**abandonment and reclamation costs**" means all costs associated with the process of restoring property that has been disturbed by oil and gas activities to a standard imposed by applicable government or regulatory authorities;

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended from time to time;

"**AGT**" means the Algonquin City-Gate natural gas pricing point on the Algonquin gas pipeline system, which is connected to the M&NP, near Beverly, Massachusetts and delivers natural gas into the New England market in northeastern U.S.;

"**AIF**" means this Annual Information Form of Corridor dated March 30, 2016;

"**Anticosti General Partner**" means Anticosti Hydrocarbons General Partner Inc., a Québec corporation established by each of Corridor, Ressources Québec, Pétirolia and M&P pursuant to the Anticosti Joint Venture, which is the general partner of Anticosti Hydrocarbons;

"**Anticosti Hydrocarbons**" means Anticosti Hydrocarbons L.P., a Québec limited partnership established by each of Corridor, Ressources Québec, Pétirolia and M&P pursuant to the Anticosti Joint Venture;

"**Anticosti Joint Venture**" means the joint venture entered into on April 1, 2014 between Corridor, Ressources Québec, Pétirolia and M&P in respect of Corridor's and Pétirolia's interests in Anticosti Island, Québec;

"**Anticosti SEA**" means the strategic environmental assessment of Anticosti Island required to be completed by the Québec Government;

"**BAPE**" means Québec's Bureau d'audiences publiques sur l'environnement;

"**Board of Directors**" refers to the board of directors of Corridor;

"**CEAA**" means the *Canadian Environmental Assessment Act*;

"**C-NLOPB**" means Canada – Newfoundland and Labrador Offshore Petroleum Board;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook;

"**Common Share**" or "**Common Shares**" mean, respectively, one or more common shares in the capital of Corridor;

"**Corridor**" or "**Corporation**" means Corridor Resources Inc., a corporation incorporated under the ABCA;

"**developed non-producing reserves**" refers to those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown;

"**developed producing reserves**" refers to those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they

must have previously been on production, and the date of resumption of production must be known with reasonable certainty;

"**developed reserves**" refers to those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing;

"**discovered petroleum initially-in-place**", the equivalent of "**discovered resources**", refers to that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially-in-place includes production, reserves and contingent resources; the remainder is unrecoverable;

"**discovered unrecoverable petroleum initially-in-place**", the equivalent of "**discovered unrecoverable resources**", refers to that portion of discovered petroleum initially-in-place which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks;

"**EA**" refers to an environmental assessment;

"**future net revenue**" means a forecast of revenue, estimated using forecast prices and costs or constant prices and costs, arising from the anticipated development and production of resources, net of the associated royalties, operating costs, development costs and abandonment and reclamation costs;

"**GLJ**" refers to GLJ Petroleum Consultants Ltd., independent petroleum engineers of Calgary, Alberta;

"**GLJ Reserves Report**" means the report of GLJ dated, and with a preparation date of, February 2, 2016 and an effective date of December 31, 2015, setting forth certain information relating to certain natural gas, crude oil and natural gas liquids reserves of Corridor properties, specifically the McCully Field and the Caledonia Field, and the net present value of the estimated future net reserves associated with such reserves;

"**gross reserves**" refers to Corridor's working interest reserves before the deduction of royalties and before including any royalty interests;

"**gross wells**" refers to the total number of wells in which Corridor has an interest;

"**IFRS**" means International Financial Reporting Standards;

"**M&NP**" means the Maritimes & Northeast Pipeline;

"**M&P**" means Maurel & Prom S.A., inclusive of its subsidiary, Saint-Aubin E&P Québec Inc., and which is a participant in the Anticosti Joint Venture;

"**NB Commission**" means the New Brunswick Commission on Hydraulic Fracturing established by the New Brunswick Government in March 2015;

"**NEB**" means the National Energy Board;

"**NBREDA**" means the New Brunswick Responsible Energy Development Alliance;

"**net reserves**" refers to Corridor's working interest reserves after royalty deductions plus royalty interest reserves;

"**net wells**" refers to the aggregate of the numbers obtained by multiplying each gross well by Corridor's percentage working interest in that well;

"**NI 51-101**" refers to National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

"**PCS**" means Potash Corporation of Saskatchewan Inc.;

"**Pétrolia**" means Pétrolia Inc., a participant in the Anticosti Joint Venture;

"**possible reserves**" refers to those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves;

"**probable reserves**" refers to those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves;

"**prospective resources**" refers to those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development;

"**proved reserves**" refers to those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;

"**Québec SEA**" means the strategic environmental assessment of the Québec oil and gas sector announced by the Québec Government on May 30, 2014, which includes the Anticosti SEA;

"**reserves**" refers to the estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates;

"**resources**" refers to a general term that may refer to all or a portion of total resources;

"**Ressources Québec**" means Ressources Québec Inc., a subsidiary of Investissement Québec, an affiliate of the Government of Québec, which is a participant in the Anticosti Joint Venture;

"**royalties**" refers to royalties paid to others. The royalties deducted from the reserves are based on the percentage royalty calculated by applying the applicable royalty rate or formula;

"**SEA**" refers to a Strategic Environmental Assessment;

"**SEA update**" refers to the updated SEA for the Western Newfoundland and Labrador offshore area;

"**shut-in**" refers to wells that are capable of producing natural gas which are not producing due to lack of available transportation facilities, available markets or other reasons;

"**Sproule**" means Sproule Associates Limited, independent petroleum engineers of Calgary, Alberta;

"**Sproule Anticosti Resources Report**" means the Resource Assessment report of the Macasty Formation in Certain Petroleum and Natural Gas Holdings on Anticosti Island for Pétrolia Inc. and Corridor Resources Inc. prepared by Sproule dated and with an effective date of April 30, 2015, setting forth certain information regarding total petroleum initially-in-place of the properties owned by the Anticosti Joint Venture in the Macasty shale formation on Anticosti Island;

"**TOC**" refers to total organic carbon;

"**total petroleum initially-in-place**" or "**PIIP**", the equivalent of "**total resources**", refers to that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered;

"**TSX**" means the Toronto Stock Exchange;

"**undeveloped reserves**" refers to those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned;

"**undiscovered petroleum initially-in-place**", the equivalent of "**undiscovered resources**", refers to that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially-in-place is referred to as prospective resources, the remainder as unrecoverable;

"**undiscovered unrecoverable petroleum initially-in-place**", the equivalent of "**undiscovered unrecoverable resources**", means that portion of undiscovered petroleum initially-in-place which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks;

"**unproved property**" means a property or part of a property to which no reserves have been specifically attributed; and

"**working interest**" means the percentage of undivided interest held by Corridor in an oil and natural gas property.

## ABBREVIATIONS AND EQUIVALENCIES

The following are abbreviations and definitions of terms used in this AIF.

Crude Oil and Natural Gas Liquids		Natural Gas	
bbl	one barrel equaling 34.972 Imperial gallons or 42 U.S. gallons	btu	British Thermal Units
bblpd	barrels per day	mscf	thousand standard cubic feet
boe <sup>(1)</sup>	barrels of oil equivalent	mscfpd	thousand standard cubic feet per day
boepd	barrels of oil equivalent per day	mmbtu	million British Thermal Units
mboe	thousand barrels of oil equivalent	mmbtupd	million British Thermal Units per day
mbbl	thousand barrels	mmscf	million standard cubic feet
mmbbls	million barrels	mmscfpd	million standard cubic feet per day
bboe	billion barrels of oil equivalent	scf	standard cubic feet
mmboe	million barrels of oil equivalent	scfpd	standard cubic feet per day
NGL or NGLs	natural gas liquids, consisting of any one or more of propane, butane and condensate	bscf	billion standard cubic feet
		tscf	trillion standard cubic feet
<b>Financial</b>			
M\$	thousands of dollars (Cdn.)		
MM\$	millions of dollars (Cdn.)		

### Note:

- (1) All calculations converting natural gas to crude oil equivalent have been made using a ratio of six mscf of natural gas to one barrel of crude oil equivalent. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of six mscf of natural gas to one barrel of crude oil equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

## CONVERSION

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
mscf	cubic metres	28.317
cubic metres	cubic feet	35.315
bbls	cubic metres	0.159
cubic metres	bbls	6.289
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

Except as otherwise specified, all references to "dollars", or to "\$" are to Canadian dollars.

## FORWARD-LOOKING INFORMATION

This AIF 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 AIF contains forward-looking statements pertaining to the following:

- business plans and strategies;
- the Anticosti Joint Venture and its plans to drill wells on Anticosti Island (including timing);
- capital expenditures;
- acquisition, exploration and development plans;
- the ability to find a joint venture partner for each of the Frederick Brook shale and the Old Harry prospect;
- likelihood and timing of securing regulatory approvals;
- government support of exploration and development activities;
- operating expenses;
- the quantity of natural gas, oil and natural gas liquids reserves and resources;
- net present values of future net revenues from reserves;
- development costs;
- estimates of production;
- estimates of tax pools;
- timing of taxation;
- abandonment and reclamation costs;
- projections of market prices and premiums;
- supply and demand for natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- expectations relating to the renewal of licenses/leases and surrender of land relating to licences/leases; and
- treatment under governmental regulatory regimes.

Statements relating to "reserves" and "resources" are forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves and resources 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 Corporation and its shareholders.

Forward-looking statements are based on the Corporation's current beliefs as well as assumptions made by, and information currently available to, the Corporation concerning anticipated financial performance, business prospects, strategies, regulatory developments, future natural gas and oil commodity



prices, exchange rates, future natural gas production levels, the ability to obtain equipment in a timely manner to carry out development activities, the ability to market natural gas successfully to current and new customers, the impact of increasing competition, the ability to obtain financing on acceptable terms, the ability to add production and reserves through development and exploration activities, and the terms of agreements with third parties such as the Corporation's forward sales contracts, transportation contracts and the Anticosti Joint Venture. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. These factors include, but are not limited to, risks associated with oil and gas exploration, development and production, operational risks, 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, competition, management of growth, conflicts of interest, issuance of debt, title to properties and hedging. Further information regarding these factors may be found under the heading "*Risk Factors*" in this AIF, and in the Corporation's most recent financial statements, management's discussion and analysis, management information circular, material change reports and news releases. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive.

The forward-looking statements contained in this AIF are made as of the date hereof and the Corporation 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.

## **CORPORATE STRUCTURE**

Corridor is the continuing corporation resulting from the amalgamation under the ABCA on May 13, 1996 of Corridor Resources Inc., a closely-held corporation, and Contwoyto Goldfields Limited, a corporation with minimal assets and liabilities and with a "reporting issuer" status in British Columbia, Alberta, Ontario, and Québec. On June 14, 2011, the articles of the Corporation were amended to increase the minimum and maximum number of directors of the Corporation to three directors and nine directors, respectively.

The Corporation has a 21.67% interest in Anticosti Hydrocarbons, see "*Description of the Properties - Anticosti Island, Québec – Anticosti Joint Venture*".

The Corporation does not have any subsidiaries.

The head office of Corridor is located at 301, 5475 Spring Garden Road, Halifax, Nova Scotia, B3J 3T2 and the registered office is located at 4500, 855 - 2<sup>nd</sup> Street, S.W., Calgary, Alberta, T2P 4K7.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **General**

The Corporation 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 Québec and offshore in the Gulf of St. Lawrence. The Corporation currently has natural gas production and reserves in the McCully Field near Sussex, New Brunswick. In addition, the Corporation has a shale gas prospect in New Brunswick, an offshore conventional hydrocarbon prospect in the Gulf of St. Lawrence and an

unconventional hydrocarbon prospect through a 21.67% interest in Anticosti Hydrocarbons, a joint venture with undeveloped lands on Anticosti Island, Québec.

As at March 30, 2016, Corridor had 12 full time employees and 1 full time consultant.

Corridor's operations are currently focused on four principal properties, being the McCully Field, New Brunswick and three prospects: the Macasty Formation unconventional hydrocarbon prospect on Anticosti Island, Québec (through its 21.67% interest in the Anticosti Joint Venture), the Frederick Brook shale prospect in the Elgin Sub-Basin, New Brunswick and the Old Harry prospect in the Gulf of St. Lawrence.

### ***McCully Field, New Brunswick***

Corridor holds an average working interest of 75% in 81,022 gross acres (60,976 net acres) in the McCully Field, located approximately 12 kilometres northeast of Sussex, New Brunswick. The McCully Field accounts for all of Corridor's current production. Gross production from the McCully Field was approximately 7.3 mmscfd (6.6 mmscfd net) in December 2015 and 5.6 mmscfd (4.0 mmscfd net) for the year ended December 31, 2015. As at the date hereof, 39 wells have been drilled in the McCully Field, all of which have encountered natural gas.

On March 27, 2015, the New Brunswick Government imposed a moratorium on hydraulic fracturing in New Brunswick. The vast majority of wells drilled by Corridor in New Brunswick have been fracture stimulated by water as the stimulation fluid, with recent wells using liquefied propane, both of which are considered hydraulic fracture stimulators. As a result of the moratorium, Corridor is not currently planning to undertake any capital spending in New Brunswick. Should the moratorium not be lifted, Corridor's ability to continue to maintain or increase production through the continued development of the McCully Field will be materially and adversely affected. See "*Industry Conditions – Environmental Regulation – New Brunswick*" and "*Risk Factors - Hydraulic Fracturing*".

For information regarding the McCully Field, see "*Description of the Properties – New Brunswick Lands – McCully Field*", "*Statement of Reserves and other Oil and Gas Information*" and "*Three Year History*".

### ***Anticosti Island, Québec - Anticosti Joint Venture***

Corridor has an unconventional hydrocarbon prospect through a 21.67% interest in Anticosti Hydrocarbons, which holds a 100% working interest in 1,530,943 gross acres in more than 30 exploration licenses covering lands across much of Anticosti Island. The Anticosti Joint Venture agreements include a \$100 million initial capital commitment by Ressources Québec and M&P towards an initial exploration program on Anticosti Island to be completed in two phases. The first phase consists of an initial program budgeted at \$55 million and not to exceed \$60 million.

The first phase of the Anticosti Joint Venture's initial exploration program included drilling 12 stratigraphic coreholes into the Macasty Formation in 2014 and 2015. Corridor is encouraged with the initial results of the program, as the results of the core analysis and petrophysical log surveys generally meet or exceed the Corporation's expectations.

In December 2015, the Premier of Québec made statements that he is not in favor of the development of hydrocarbons on Anticosti Island and that he is willing to face the financial consequences of pulling out of the project and cancelling the contracts with the parties involved. Subsequently, in March 2016, the Premier issued a statement confirming that the Québec Government would respect the Anticosti Hydrocarbons agreements as long as the project met environmental standards.

Anticosti Hydrocarbons is planning to drill and fracture stimulate up to three horizontal wells on Anticosti Island in 2016, subject to the receipt of the necessary regulatory approvals. The Québec Government's Hydrocarbon Action Plan includes two SEAs, one general in nature (the Québec SEA) and the second specific to Anticosti Island (the Anticosti SEA), with the objective of reviewing environmental, social, economic and safety challenges associated with oil and gas extraction and transportation so as to guide the Québec Government's position regarding the development and transportation of oil and gas in Québec. Any oil and gas development on Anticosti Island, including plans to drill and fracture stimulate up to three wells by Anticosti Hydrocarbons, is subject to the completion of the Anticosti SEA and the Québec Government's approval and direction in respect of any such development. This drilling program is a critical step towards understanding the hydrocarbon resource potential on Anticosti Island and the related economic benefits. For more information, see "*Industry Conditions – Environmental Regulation – Québec*" and "*Risk Factors - Hydraulic Fracturing*".

For information regarding Corridor's interest in the Anticosti Joint Venture and the Anticosti Island property, see "*Description of the Properties – Anticosti Island, Québec*", "*Resources Information – Sproule Anticosti Resources Report*" and "*Three Year History*".

### ***Elgin Sub-Basin, New Brunswick***

Corridor has a 100% working interest in 135,920 gross acres in the Elgin Sub-Basin in the Moncton basin in southeastern New Brunswick, which includes the Frederick Brook shale gas prospect.

In 2014, Corridor conducted a well re-entry and fracturing program to further evaluate the shale gas potential of the Frederick Brook shale. The results of the program demonstrated that the Frederick Brook shale is productive from at least six different sub-intervals across a distance of 25 kilometers, with four of these wells currently on production.

On March 27, 2015, the New Brunswick Government imposed a moratorium on hydraulic fracturing in New Brunswick. While the moratorium is in effect in New Brunswick, Corridor's ability to attract a joint venture partner to develop the Frederick Brook shale prospect in the Elgin Sub-Basin is negatively affected. See "*Industry Conditions – Environmental Regulation – New Brunswick*" and "*Risk Factors - Hydraulic Fracturing*".

For information regarding Corridor's interest in the Elgin Sub-Basin, see "*Description of the Properties – New Brunswick Lands – Elgin Sub-Basin*" and "*Three Year History*".

### ***Gulf of St. Lawrence***

Corridor holds a 100% interest in the Old Harry prospect, an offshore conventional hydrocarbon prospect, which is located partly in the Québec sector (123,550 gross acres) and partly in the Newfoundland and Labrador sector (127,948 gross acres) of the Gulf of St. Lawrence. On January 7, 2016, the C-NLOPB amended Corridor's Exploration Licence 1105 to waive the \$1 million drilling deposit required to extend the drilling period by an additional year, and maintained the January 13, 2017 expiry date.

On February 22, 2011, Corridor commenced the official regulatory process with the C-NLOPB with the objective of obtaining the necessary approvals to drill an exploration well on the eastern end of the Old Harry prospect off the west coast of Newfoundland and Labrador. Corridor submitted the Old Harry EA in December 2011 and, after a lengthy regulatory review, filed a revised EA in February 2013 to address all regulatory comments.

On May 5, 2014, the C-NLOPB issued the SEA update for the Western Newfoundland and Labrador offshore area, a component of the C-NLOPB's review of the Old Harry EA. This report states that

"petroleum exploration activity generally can proceed in the Western Newfoundland and Labrador offshore area with the application of standard mitigation measures currently applied." The C-NLOPB also indicated that additional consultations on Corridor's Old Harry EA are required in order for the C-NLOPB to finalize the Old Harry EA. Despite numerous requests, Corridor has not yet received any information on this consultation process from the C-NLOPB.

For information in respect of Corridor's interest in the Old Harry Prospect, see "*Description of the Properties – Gulf of St. Lawrence – Newfoundland and Labrador and Québec*" and "*Three Year History*".

### **Recent Developments**

Beginning in December 2015, the Premier of Québec stated on numerous occasions that he is not in favor of the development of hydrocarbons on Anticosti Island. Subsequently, in March 2016, the Premier of Québec issued a statement confirming that the Québec Government would respect the Anticosti Hydrocarbons agreements as long as the project met environmental standards, including satisfactory completion of the Anticosti SEA.

In March 2015, the New Brunswick Government established the NB Commission to determine if five conditions established by the New Brunswick Government could be satisfied to lift the moratorium on hydraulic fracturing in New Brunswick. On February 26, 2016, the NB Commission released its report to the New Brunswick Government, which report sets forth the NB Commission's findings, reviews the potential impact of shale development and identifies five options available to New Brunswick. These options are: (i) implement a legislated ban on hydraulic fracturing; (ii) maintain the moratorium; (iii) maintain the moratorium until there is in place an enhanced regulatory system, an independent research and monitoring program and sufficient public support to proceed with a government-sponsored exploration program similar to the federal/provincial agreements that led to oil and gas offshore developments in Nova Scotia and in Newfoundland and Labrador; (iv) remove the moratorium all or in part, with an enhanced regulatory system and an independent research and monitoring program; or (v) remove the moratorium with no changes to current regulations. The New Brunswick Government has not advised of its position regarding the NB Commission's report or its plans regarding the hydraulic fracturing moratorium in New Brunswick.

On January 29, 2016, Corridor elected to surrender and release its 100% working interest in 71,900 gross acres included in lease 13-02C in the Elgin Sub-Basin with the objective of eliminating the rental payments owing by Corridor in respect of 2015 and thereafter. Subsequently, on February 25, 2016, the New Brunswick Government amended the regulations to the *Oil and Natural Gas Act* to waive rental payments in respect of those sections of a lease where there are no producing wells. As at this time, Corridor continues to seek confirmation of the New Brunswick Government's acceptance of this surrender and the associated reduction of rental payments for 2015.

On January 11, 2016, the Corporation made an application to the C-NLOPB for the surrender and re-issuance of EL-1105. Corridor is seeking relief to extend the term of its licence for a period equivalent to the time lost due to delays in the regulatory and approval process. The C-NLOPB is considering Corridor's application.

### **Three Year History**

The following is a summary of significant events in the development of the Corporation's business over the past three years.

## ***Financial Year Ended December 31, 2015***

### *McCully Field, New Brunswick*

On March 2, 2015, Corridor entered into a forward sale agreement for the period from November 1, 2015 to March 31, 2016 for 2,500 mmbtu per day of natural gas (approximately 2.3 mmscf per day) at an average price of \$US9.25/mmbtu.

On May 1, 2015, Corridor shut-in most of its producing natural gas wells in the McCully Field due to the significant differential expected in the sale price of natural gas at AGT for the summer of 2015 relative to the winter of 2015/2016. On October 29, 2015, Corridor resumed production of the shut-in wells. During this shut-in period, Corridor only produced natural gas from wells jointly owned with PCS to meet the short-term natural gas demands of PCS' Picadilly and Penobsquis mines.

On October 21, 2015, Corridor entered into an additional forward sale agreement for 1,000 mmbtu per day of natural gas (approximately 940 mscfpd) for three months at \$US7.00/mmbtu for December 2015, \$US9.40/mmbtu for January 2016 and \$US9.30/mmbtu for February 2016. See "*Other Oil and Gas Information – Forward Contracts*".

### *Anticosti Island, Québec – Anticosti Joint Venture*

On March 19, 2015, Anticosti Hydrocarbons announced an update on its 2014 stratigraphic corehole program. The results from the five coreholes obtained in the eastern and central part of the Anticosti Island were analyzed and met or exceeded the expectations of the partners. The results were determined to be within the range of the assumptions used in the Sproule Anticosti Resources Report.

On October 8, 2015, Anticosti Hydrocarbons announced the completion of the first phase of its exploration program on Anticosti Island consisting of drilling the last seven of twelve stratigraphic corehole wells. The results of the cores are generally consistent with Corridor's expectations in terms of the Macasty shale's thickness, total organic content, porosity, permeability and maturity, and compare favorably to other North American shale oil and gas plays.

### *Other*

The New Brunswick Government enacted *An Act to Amend the Oil and Natural Gas Act* on March 27, 2015, and filed the associated regulations on June 26, 2015, to prohibit hydraulic fracturing activity in New Brunswick, supporting the moratorium imposed by the government in December 2014. As a result, Corridor reduced its capital spending in respect of the development of the McCully Field in 2015.

In May 2015, Corridor initiated the formation of the NBREDA to provide fact-based information to New Brunswickers about hydraulic fracturing and the potential for natural gas development in New Brunswick. NBREDA's website ([www.nbnaturalgas.ca](http://www.nbnaturalgas.ca)) includes information about how hydraulic fracturing works, answers to important and frequently asked questions and identifies and provides links to independent, third party studies on the subject. NBREDA has also undertaken a media campaign to further the awareness of the shale gas industry. NBREDA currently has twenty-three members, comprised of numerous New Brunswick companies, various industry associations and several Atlantic Canadian Chambers of Commerce.

On March 30, 2015, Corridor's board of directors determined not to renew its \$6 million revolving short term credit facility with a Canadian Chartered bank.

A summary of the consultations undertaken to date for the Québec SEAs was released in December 2015, and final reports are pending.

Mr. Achille E. Desmarais did not stand for re-election at the annual meeting of shareholders of Corridor held on May 21, 2015, and retired as a director of Corridor as of that date.

Mr. James McKee was elected as a new director of Corridor at the annual meeting of shareholders of Corridor held on May 21, 2015.

In December 2015, the Premier of Québec made statements that he is not in favor of the development of hydrocarbons on Anticosti Island and that he is willing to face the financial consequences of pulling out of the project and cancelling the contracts with the parties involved.

### ***Financial Year Ended December 31, 2014***

#### *McCully Field, New Brunswick*

On February 3, 2014, Corridor announced that it had entered into a forward sale agreement for the period from November 1, 2014 to March 31, 2015 for an average of 4,000 mmbtu per day of natural gas (approximately 3.8 mmscf per day) at an average price of \$US11.74/mmbtu. Corridor also entered into forward sale agreements in 2014 for the sale of 2,258 mmbtupd from March 1, 2014 to March 31, 2014 at an average price of \$US10.76/mmbtu and the sale of 3,000 mmbtupd from April 1, 2014 to April 30, 2014 at an average price of \$US7.25/mmbtu. The forward sale agreements covered approximately two-thirds (including a forward sale agreement entered into in 2013) of Corridor's estimated production for March 2014 and one-third for April 2014.

On October 28, 2014, Corridor announced the initial results of its 2014 well re-entry and fracturing program at the McCully Field and Elgin Field in southern New Brunswick. The program demonstrated that the Frederick Brook shale is productive from at least six different sub-intervals across a distance of 25 kilometers. The program, at a cost of \$22.5 million, resulted in the fracture stimulation of two sand intervals in the Hiram Brook and three shale intervals in the Frederick Brook.

On December 23, 2014, Corridor announced that it had entered into a forward sale agreement for the period from January 1, 2015 to March 31, 2015 for an average of 1,344 mmbtu per day of natural gas (approximately 1.3 mmscf per day) at an average price of \$US11.50/mmbtu. This sale, in combination with the forward sale announced on February 3, 2014 for 4,000 mmbtu per day from November 1, 2014 to March 31, 2015, resulted in an average hedged price of \$US11.68/mmbtu for an average of 5,344 mmbtu per day of natural gas (approximately 5 mmscf per day) for the first quarter of 2015.

#### *Anticosti Island, Québec – Anticosti Joint Venture*

On April 1, 2014, Corridor announced the closing of the Anticosti Joint Venture with Ressources Québec, Pétrolia and M&P, which joint venture was formed to appraise and potentially develop hydrocarbon resources on Anticosti Island.

On November 3, 2014, Corridor announced that, as part of the first phase of the Anticosti Joint Venture's exploration program, four stratigraphic corehole wells were drilled into the Macasty Formation and an additional corehole would be completed in the next few weeks. Corridor also announced that the stratigraphic corehole program experienced start-up delays due to the adoption of a new regulatory framework and that the program would be temporarily suspended during the winter season and was scheduled to resume in the spring of 2015.

### *Gulf of St. Lawrence*

On May 5, 2014, the C-NLOPB issued the SEA update for the Western Newfoundland and Labrador offshore area. This report states that "petroleum exploration activity generally can proceed in the Western Newfoundland and Labrador offshore area with the application of standard mitigation measures currently applied." The C-NLOPB also indicated that additional consultations on Corridor's Old Harry EA are required in order for the C-NLOPB to finalize the Old Harry EA.

### *Other*

Effective April 1, 2014, the Government of New Brunswick implemented a new two-tier royalty regime for natural gas production. The new regime changed the basic royalty rate payable from the previous 10% to a royalty rate equal to the greater of a 4% basic royalty calculated on the wellhead revenues and a 2% minimum royalty calculated on gross revenues. After all costs are recovered, the royalty rate increases to 25%.

In July 2014, Corridor renewed its \$6 million revolving short term credit facility with a Canadian Chartered bank.

On August 1, 2014, the Corporation announced the planned retirement of Mr. Phil Knoll as President and CEO of the Corporation. After an extensive search, Mr. Steve Moran was appointed President and CEO of Corridor on September 29, 2014.

The Québec Government's 2014-2015 Budget announced in February 2014 confirmed that the entire Québec oil and gas sector would be subject to the Québec SEA process, which would include the Anticosti SEA, to help assess the likely consequences of oil and gas development and estimate the economic effects of development of the oil and gas sector in Québec.

### ***Financial Year Ended December 31, 2013***

#### *McCully Field, New Brunswick*

On October 22, 2013, Corridor announced that it had entered into a forward sale agreement from November 1, 2013 to March 31, 2014 for an average of 3,000 mmbtu per day (approximately 2.8 mmscf per day), at an average price of \$US9.03/mmbtu. This forward sale agreement represented approximately one-third of Corridor's estimated production for that period.

On December 6, 2013, Corridor announced that it had entered into a forward sale agreement from January 1, 2014 to February 28, 2014 for an average of 2,370 mmbtu per day of natural gas production (approximately 2.2 mmscf per day). This sale was at an average price of \$US15.50/mmbtu.

#### *Anticosti Island, Québec*

In January 2013, Corridor announced the initial results of the Macasty core analyses from the Pétrolia/Corridor Princeton Lake and High Cliff wells that were drilled in the fall of 2012 on Anticosti Island. The Princeton Lake and High Cliff wells intersected 90 meters and 57 meters of highly organic Macasty Formation, respectively. The cores were sampled at 50 cm intervals and analyzed by Weatherford (Princeton Lake) and TerraTek Labs (High Cliff). The results provided an average of 4.0% TOC in both wells. It is important to note that TOC averaged 5.5% through a 10 meter section at the High Cliff well, with the highest TOC measured at 7.1%. At the Princeton Lake well, TOC averaged 6.0% through a 10 meter section, with the highest TOC measured at 7.5%. The results include hydrocarbon saturation levels as measured by the S1 (free hydrocarbons within pore spaces) at an average of 5.7 mg/g at Princeton Lake

and 4.6 mg/g at High Cliff through the 10 meter sections. The final corehole drilled was at Oil River. It intersected 30 meters of organic Macasty Formation and averaged approximately 4% TOC.

#### *Gulf of St. Lawrence*

On July 22, 2013, the C-NLOPB amended Corridor's Exploration Licence 1105 to extend Period 1 of the license from seven to eight years (January 15, 2016). Corridor's exploration license also has a provision whereby Corridor can extend this drilling period by an additional year (January 13, 2017) with the payment of a \$1 million deposit.

#### *Other*

In August 2013, Corridor renewed its credit facility with a Canadian Chartered bank.

On February 15, 2013, the New Brunswick Government released rules entitled "*Responsible Environmental Management of Oil and Natural Gas Activities in New Brunswick*", to support New Brunswick's on-going management of oil and gas activities and to ensure that New Brunswick has the tools needed to guide oil and gas exploration and extraction in an environmentally responsible manner. For further information, see "*Industry Conditions – Environmental Regulation – New Brunswick*", "*Risk Factors – Hydraulic Fracturing*" and "*Industry Conditions – Royalties – New Brunswick*". On that date, the Province of New Brunswick also released for public comment the discussion document, "*Responsible Environmental Management of Oil and Gas Activities in New Brunswick: Sharing of Royalty Revenues From Natural Gas Activities in New Brunswick*", which proposed a new royalty regime in New Brunswick.

## **TRENDS**

See "*Industry Conditions*" for characteristics of the oil and gas industry in which the Corporation participates.

There are a number of trends that appear to be developing, which may have both long and short-term effects on the industry and the competitive positioning of the Corporation, and include the volatility and downward trend of commodity prices and also increased environmental regulation, including restrictions and moratoriums on hydraulic fracturing in certain jurisdictions (including New Brunswick and Québec). The pricing trends are described briefly below and the environmental regulation trends are described in detail in "*Industry Conditions*" and also "*Risk Factors*". The discussion of these trends and their potential impact constitute forward-looking statements. Refer to "*Forward-Looking Statements*".

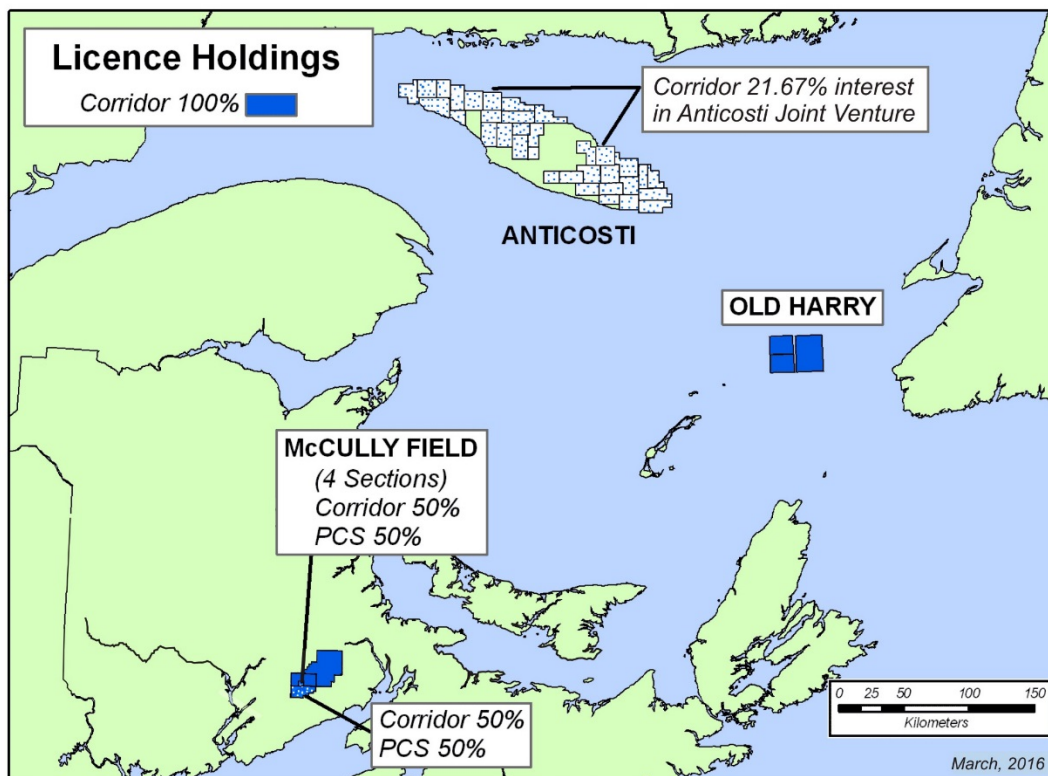
Corridor produces natural gas from the McCully Field in New Brunswick (Corridor's only producing field), which is connected to the M&NP that supplies customers in the New England market in the northeastern U.S. The New England market has in recent years been characterized by excess demand during the winter season resulting in elevated prices for natural gas as compared to 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. While numerous projects are planned which could satisfy the New England market demands by 2018, it is not known whether the required regulatory approvals will be received and, if the projects proceed, the timing of completion of such projects. As a result of this recent excess demand, Corridor has been able to secure elevated premiums for its natural gas in 2014 and 2015 relative to natural gas prices generally. The premium Corridor realized for natural gas sales as compared to the Henry Hub averaged \$US2.13/mmbtu for the year ended December 31, 2015, \$US3.74/mmbtu for the year ended December 31, 2014 and \$US3.19/mmbtu for the year ended December 31, 2013. In addition, Corridor has observed a more pronounced trend in the differential of natural gas prices in the summer and winter months in the New England market as compared to other North American



markets. To take advantage of this differential in prices, Corridor shut-in most of its producing natural gas wells in the McCully Field on May 1, 2015 and resumed production on October 29, 2015.

## DESCRIPTION OF THE PROPERTIES

The following is a description of the Corporation's principal oil and natural gas properties. Unless otherwise specified, gross and net acres and well count information is at March 30, 2016.



*Note: This map does not reflect the potential surrender by Corridor of 71,900 gross acres included in ONG Lease 13-02C in the Elgin Sub-Basin in respect of the Frederick Brook shale in New Brunswick.*

## New Brunswick Lands

Corridor has interests in three properties in New Brunswick, being the McCully Field, the Caledonia Field and the Elgin Sub-Basin. The McCully field accounts for all of Corridor's current production and the McCully Field and the Caledonia Field account for all of Corridor's reserves.

On March 27, 2015, the New Brunswick Government enacted *An Act to Amend the Oil and Natural Gas Act*, and filed the associated regulations in June 2015, to prohibit hydraulic fracturing activity in New Brunswick. See "*Industry Conditions - Environmental Regulation – New Brunswick*" and "*Risk Factors - Hydraulic Fracturing*".

## ***McCully Field***

The McCully Field, located approximately 12 kilometres northeast of Sussex, New Brunswick, includes natural gas production from the Hiram Brook formation, a conventional tight sandstone, and the Frederick Brook shale, an unconventional shale resource.

The Corporation's interests in the McCully Field consist of three petroleum and natural gas leases:

- 100% working interest in ONG Lease 06-01 (40,930 acres). At the date hereof, seventeen wells (D-48, H-28, B-58, F-58, E-38, J-38, J-76, H-76, P-76, K-48, J-47, C-48, I-47, C-29, P-47, L-38 and L-37) are located on these lands.
- 50% working interest in ONG Lease 06-02 (3,561 gross acres and 1,780 net acres). At the date hereof, twenty wells (A-67, P-56, P-66, K-57, C-67, G-67ST, O-66, D-57, J-67, K-66, M-66, J-66, E-57, I-67, D-66, D-67, E-67, C-57, P-67 and N-66) are located on these lands in which Corridor and PCS each hold a 50% working interest.
- 50% working interest in ONG Lease 09-01 (36,531 gross acres and 18,265 net acres held jointly with PCS) where wells J-65 and C-75 are located, subject to a 15% working interest held by EOG Resources in a ¼ section where well C-75 is located.

The Corporation drilled the natural gas discovery well at the McCully Field in September 2000. The well was drilled in partnership with PCS as a result of a farm-in which provided that PCS would pay 100% of the costs of the well to earn a 50% working interest in four sections (3,561 gross acres). On June 28, 2007, the Corporation commenced the flow of natural gas from the McCully Field to the M&NP which natural gas is processed at Corridor's gas processing plant and transported to the M&NP via Corridor's 50 kilometre lateral transmission pipeline. As at the date hereof, 39 wells have been drilled in the McCully Field, all of which have encountered natural gas.

Corridor sells all of its share of the natural gas produced from the McCully Field to Repsol Energy Canada Ltd. pursuant to a long term agreement which became effective on April 1, 2009. Corridor's natural gas production is sold in the New England market in the northeastern U.S., at prices referenced to AGT.

The production, transportation, processing and marketing of natural gas from PCS' share of the production from the McCully Field are subject to agreements with PCS. PCS' share of natural gas production is either taken in kind for use at the PCS potash mill, located near Sussex, New Brunswick or delivered to Corridor's midstream facilities for sale to the New England market.

The natural gas reserves and other gas information associated with the McCully Field are set forth in the GLJ Reserves Report, which is summarized under "*Statement of Reserves Data and Other Oil and Gas Information*".

For additional information regarding the McCully Field, see "*General Development of the Business – Three Year History*".

## ***Caledonia Field***

The Caledonia field is located southeast of the McCully Field in New Brunswick. The Corporation's interests in the Caledonia Field consist of two petroleum and natural gas leases:

- 100% working interest in ONG Lease 06-01. One oil well has been drilled in the Caledonia Field (South Branch G-36 well).
- 50% working interest in ONG Lease 09-01.

The crude oil reserves and other oil and gas information associated with the Caledonia Field are contained in the GLJ Reserves Report, which is summarized under "*Statement of Reserves Data and Other Oil and Gas Information*".

### ***Elgin Sub-Basin***

The Corporation's interests in the Elgin Sub-Basin in the Moncton basin in southeastern New Brunswick consist of a 100% working interest in consolidated lease ONG Lease 13-02C (135,920 gross acres) and includes the Frederick Brook shale prospect.

On January 29, 2016, Corridor elected to surrender and release its 100% working interest in 71,900 gross acres included in lease 13-02C in the Elgin Sub-Basin with the objective of eliminating the rental payments owing by Corridor in respect of 2015 and thereafter. Subsequently, on February 25, 2016, the New Brunswick Government amended the regulations to the Oil and Natural Gas Act to waive rental payments in respect of those sections of a lease where there are no producing wells. As at this time, Corridor continues to seek confirmation of the New Brunswick Government's acceptance of this surrender and the associated reduction of rental payments for 2015.

Since 2009, Corridor has been working to advance the commerciality of the Frederick Brook shale prospect. With a total thickness of up to 1,100 metres, the Frederick Brook shale represents a significant prospective natural gas resource.

To date, the Corporation has demonstrated that the Frederick Brook shale is productive from at least six different sub-intervals across a distance of 25 kilometers. Corridor has one long term producing well from the Frederick Brook shale; the F-58 well in the McCully Field which was fracture stimulated with water in a single 11 tonne treatment and placed on production in 2008. The F-58 well continues to produce at an average rate of 175 mscf/d with a 1.4% annual decline. The Corporation expects F-58 to recover a total of 1.65 bscf (proved plus probable estimate as forecast by GLJ in the GLJ Reserves Report). Late in 2014, Corridor placed on production three wells fracture stimulated in the Frederick Brook shale. These three wells continue to produce from a single successfully stimulated interval with approximate productive capacity of 50mcf/d each, while two wells have their production suppressed as they clean up completions fluid. These three wells result in an average recoverable gas for producing Frederick Brook shale wells of 0.7 bscf (proved plus probable estimate as forecast by GLJ in the GLJ Reserves Report).

For additional information regarding development activities in the Elgin Sub-Basin, see "*General Development of the Business – Three Year History*".

### **Gulf of St. Lawrence**

Corridor has interests in the Old Harry prospect which is located partly in the Québec sector and partly in the Newfoundland and Labrador sector of the Gulf of St. Lawrence. The Old Harry prospect has simple 4-way closure covering an area of approximately 43,000 acres, and is one of the largest undrilled prospects in Eastern Canada. Six natural oil seeps have been detected on the ocean surface by satellite, apparently emanating from the flanks of "Old Harry".

### ***Québec***

The Corporation holds a 100% interest in two exploration licenses in Québec covering 123,550 gross acres over most of the Old Harry prospect, lying in 1,500 feet of water in the Laurentian Channel in Québec. Any drilling in the Québec sector requires agreement between the Québec and Federal

governments in order to open up this prospective area of the Gulf to petroleum exploration. In order to permit Corridor to drill on its Québec exploration licence, such agreement would require federal government recognition of such license. On March 24, 2011, an accord between the Government of Canada and the Government of Québec was signed to allow for the development of petroleum resources within the Québec sector of the Gulf of St. Lawrence. The accord contains provisions for the issuance of exploration permits equivalent to the previously held licences to explore for petroleum and natural gas previously issued by the Government of Québec in the accord area. Corridor licenses PG963 and PG964 dated March 29, 1996 are located in the accord area. On October 14, 2014 an announcement on the Prime Minister's website indicated that the governments of Canada and Québec "are in a good position to table the legislative framework to implement the Canada-Québec Accord". As of the date hereof, no further announcements have been made with respect to the accord legislation.

Hydro-Québec has an option to farm-in to the Old Harry Prospect to earn a minimum of 18.75% working interest in Corridor's Québec exploration licences on the same terms as are ultimately negotiated by Corridor with an operating partner.

The Québec Government announced on May 30, 2014 that the entire oil and gas sector would be subject to the Québec SEA to help assess the likely consequences of oil and gas development and estimate the economic effects of development of the oil and gas sector in Québec. Only after the completion of the Québec SEA will the potential of the Old Harry resources be further assessed and potentially developed. For more information, see "*Industry Conditions – Environmental Regulation – Québec*" and "*Risk Factors - Hydraulic Fracturing*".

### ***Newfoundland and Labrador***

Corridor holds a 100% working interest in 127,948 gross acres in exploration licence ("EL-1105") situated on the eastern end of the Old Harry prospect off the west coast of Newfoundland and Labrador in the Gulf of St. Lawrence. This licence is part of Corridor's long-term efforts to open up hydrocarbon exploration offshore in the Gulf of St. Lawrence.

In October 2010, Corridor completed a geohazard survey to identify potential seabed hazards to drilling with the goal to ensure that any future exploration by Corridor on the Old Harry prospect is conducted in a safe and responsible manner.

On February 22, 2011, Corridor submitted to the C-NLOPB a Project Description for the drilling of an exploration well on the Old Harry prospect pursuant to the CEEA, which commenced the official regulatory process for obtaining the necessary approvals to permit Corridor to drill an offshore exploration well. Corridor submitted the Old Harry EA in December 2011 and, after a lengthy regulatory review, filed a revised EA in February 2013 to address all regulatory comments.

Upon the recommendation of the C-NLOPB, on August 15, 2011, the Minister of Environment directed that the SEA for the Western Newfoundland and Labrador offshore area be updated, noting that concerns raised in the public comments related to broader policy issues and a project specific EA was not the most appropriate mechanism to address these broader issues.

On February 28, 2013, the C-NLOPB announced it would be preparing the SEA update prior to the completion and public review of Corridor's Old Harry EA as the results of the SEA update might contribute to a more informed project-specific EA for Old Harry. The C-NLOPB issued the SEA update on May 5, 2014. This report states that "petroleum exploration activity generally can proceed in the Western Newfoundland and Labrador offshore area with the application of standard mitigation measures currently applied." The C-NLOPB also indicated that additional consultations on Corridor's Old Harry EA are

required in order for the C-NLOPB to finalize the Old Harry EA. Despite numerous requests, Corridor has not yet received any information on this consultation process from the C-NLOPB.

The expiry date of Corridor's Exploration Licence 1105 is January 13, 2017. On January 11, 2016, the Corporation made an application to the C-NLOPB for the surrender and re-issuance of EL-1105. Corridor is seeking relief to extend the term of its licence for a period equivalent to the time lost due to delays in the regulatory and approval process. The C-NLOPB is considering Corridor's application.

For additional information regarding Corridor's interest in the Gulf of St. Lawrence, see "*General Development of the Business – Three Year History*".

### **Anticosti Island, Québec**

Corridor has a 21.67% interest in Anticosti Hydrocarbons which holds a 100% working interest in 1,530,943 gross acres in more than 30 exploration licenses covering lands across much of Anticosti Island, Québec. The lands overlie the Macasty shale, a liquids-rich exploration play on Anticosti Island. The Macasty shale is the stratigraphic equivalent of the prolific Utica (Point Pleasant) shale play currently producing in Ohio, U.S. Prior to the establishment of the Anticosti Joint Venture on April 1, 2014, Corridor held working interests ranging from 50% to 100% in these licenses.

### ***Anticosti Joint Venture***

On April 1, 2014, Corridor, Ressources Québec, Pétrolia and M&P established the Anticosti Joint Venture, with the objective of appraising and potentially developing hydrocarbon resources on Anticosti Island.

The Anticosti Joint Venture was formed by, among other things (including entering into the securityholders agreement and the limited partnership agreement), each of Ressources Québec, Pétrolia and M&P and Corridor: (i) subscribing for shares of Anticosti General Partner; and (ii) subscribing for units of Anticosti Hydrocarbons, pursuant to which Corridor acquired an interest in Anticosti Hydrocarbons by transferring all of its right, title and interest in and to its Anticosti exploration licenses covering 891,906 acres, and redeeming certain limited partnership units in exchange for a cash payment from Anticosti Hydrocarbons to Corridor in the amount of \$15.26 million. The interests of the participants in the Anticosti Joint Venture are Ressources Québec (35%), Corridor (21.67%), Pétrolia (21.67%) and M&P (21.67%).

The Anticosti Joint Venture agreements require Ressources Québec and M&P to fund an initial exploration program pursuant to a \$100 million initial capital commitment. The initial exploration program is divided into two phases with the first phase consisting of an initial program budgeted at \$55 million and not to exceed \$60 million. The Phase 1 program requires the drilling of 15-18 stratigraphic wells followed by the drilling of three wells with multiple fracture stimulations. The Phase 2 program, for the remaining \$40 to \$45 million, would consist of drilling and fracture stimulating an additional number of wells and conducting certain feasibility studies following a review of the Phase 1 results, and approval by the board of directors of Anticosti General Partner.

M&P has the right to exit from Anticosti Hydrocarbons after a minimum of \$35 million has been expended by Anticosti Hydrocarbons and upon the completion of certain exploration milestones, including a minimum of one well being drilled and fracture stimulated and all technical data and results accomplished at that point being received. The exercise by M&P of this exit right would be based solely on a reasonable analysis and interpretation of the technical data and results of the first phase of the Anticosti Joint Venture exploration program accomplished at that time. In such event, M&P would relinquish its entire interest in Anticosti Hydrocarbons for no consideration. If this were to occur, in completing the first phase, Ressources Québec would fund up to \$13.26 million of the remaining commitment and would then own 50% of

Anticosti Hydrocarbons. Corridor and Pétrolia would each become required to pay up to \$3.37 million, subject to dilution penalties, and each would then own 25% of Anticosti Hydrocarbons, in which case Corridor and Pétrolia would each be required to fund (i) \$3.369 million for the initial exploration program that M&P would have otherwise contributed for such program from the \$100 million initial capital commitment, and (ii) up to an additional \$7.581 million that M&P otherwise would have contributed for the Phase 2 program with a failure by Corridor (or Pétrolia) to make such contributions resulting in penalty dilution of its interests in the Anticosti Joint Venture, which dilution would vary in magnitude depending upon the amount of capital contributed to date and the amount of capital that Corridor (or Pétrolia) fails to fund.

Anticosti Hydrocarbons is managed by Anticosti General Partner. Each of the participants is entitled to appoint one member to the board of directors of Anticosti General Partner, and a fifth and independent director shall be appointed with the unanimous consent of the partners. Pursuant to a contract operating agreement, Pétrolia has been appointed Contract Operator and M&P has been designated as Assistant Technical Operator. Each of the participants has equal representation on the operating committee and technical services committee of Anticosti General Partner. Anticosti Hydrocarbons has been organized to take advantage of the combined expertise of all the partners so that the programs are implemented in a safe, effective and environmentally responsible manner.

The first phase of the Anticosti Joint Venture's exploration program included drilling 12 stratigraphic coreholes into the Macasty Formation in 2014 and 2015. Corridor is encouraged with the initial results of the program, as the results of the core analysis and petrophysical log surveys generally meet or exceed the Corporation's expectations.

Anticosti Hydrocarbons is planning to drill and fracture stimulate up to three horizontal wells on Anticosti Island in 2016, subject to the receipt of the necessary regulatory approvals. This drilling program will be a critical step towards understanding the hydrocarbon resource potential on Anticosti Island and the related economic benefits. The drilling and fracture stimulation of the first three wells on Anticosti Island will complete the first phase of the initial exploration program.

As a condition of the development of oil and gas resources on Anticosti Island, the Québec Government established the Québec SEA process which includes the Anticosti SEA process. Only after the completion of both the Québec SEA and the Anticosti SEA will the Québec Government be in a position to issue the necessary regulatory approvals for Anticosti Hydrocarbons to proceed with the 2016 program. For more information, see "*Industry Conditions – Environmental Regulation – Québec*" and "*Risk Factors - Hydraulic Fracturing*".

Beginning in December 2015, the Premier of Québec stated on numerous occasions that he is not in favor of the development of hydrocarbons on Anticosti Island and that he is willing to face the financial consequences of pulling out of the project and cancelling the contracts with the parties involved. Subsequently, in March 2016, the Premier issued a statement confirming that the Québec Government would respect the Anticosti Hydrocarbons agreements as long as the project met environmental standards, including satisfactory completion of the Anticosti SEA.

For additional information regarding the Anticosti Joint Venture's interest on Anticosti Island, see "*Resources Information – Sproule Anticosti Resources Report*".

## STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

### *Disclosure of Reserves Data*

The statement of reserves data and other oil and gas information set forth below is dated February 2, 2016 and is a summary of information contained in the GLJ Reserves Report, which has an effective date of December 31, 2015 and a preparation date of February 2, 2016. The GLJ Reserves Report was prepared in accordance with the COGE Handbook and NI 51-101. The reserves data summarizes the natural gas, oil and natural gas liquids reserves of Corridor and the net present values of future net revenue for these reserves using GLJ's forecast prices and costs. Assumptions and qualifications applicable to the evaluation and contained in the GLJ Reserves Report are set forth in the notes to the tables. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which Corridor believes is important to the readers of this information.

The information relating to the natural gas, oil and natural gas liquids reserves of the Corporation contains forward-looking statements relating to future net revenues, forecast capital expenditures, future development plans and costs related thereto, forecast operating costs, anticipated production and abandonment costs. Refer to "*Forward-Looking Statements*" and "*Risk Factors*".

**All evaluations of future revenue are after the deduction of royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. It should not be assumed that the estimates of future net revenues presented in the following tables represent the fair market value of the Corporation's reserves. There is no assurance that the forecast price and cost assumptions contained in the GLJ Reserves Report will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are included in the GLJ Reserves Report. The recovery and reserves estimates of the Corporation's properties described herein are estimates only. The actual reserves on the Corporation's properties may be greater or less than those calculated. For more information on the risks involved, see "*Forward-Looking Statements*" and "*Risk Factors*".**

In accordance with the requirements of NI 51-101, the Report on Reserves Data by Independent Qualified Reserves Evaluator in Form 51-101F2 and the Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 are attached as Appendices "A" and "B" hereto, respectively.

All of Corridor's reserves are located in the McCully Field and the Caledonia Field in New Brunswick, Canada.

Please note that rounding errors may occur in the tables set forth below in the statement of reserves data and other oil and gas information.

## Reserves Data

Summary of Oil and Gas Reserves as of December 31, 2015 (Forecast Prices and Costs)										
Reserves Category	Light and Medium Oil		Conventional Natural Gas		Shale Gas		Natural Gas Liquids		Total Oil Equivalent Basis <sup>(1)</sup>	
	Gross (mdbl)	Net (mdbl)	Gross (bscf)	Net (bscf)	Gross (bscf)	Net (bscf)	Gross (mdbl)	Net (mdbl)	Gross (mboe)	Net (mboe)
<b>Proved Reserves</b>										
Developed Producing	-	-	17.0	16.6	1.6	1.5	24	23	3,116	3,050
Undeveloped	87	84	23.3	22.6	-	-	30	29	4,002	3,880
<b>Total Proved Reserves</b>	87	84	40.3	39.2	1.6	1.5	53	52	7,118	6,930
<b>Probable Reserves</b>	43	42	19.5	18.9	0.4	0.4	25	25	3,389	3,276
<b>Total Proved Plus Probable Reserves</b>	130	126	59.8	58.1	2.0	1.9	79	77	10,507	10,206
<b>Possible Reserves</b> <sup>(2)</sup>	44	36	106.7	89.6	0.5	0.5	137	115	18,050	15,176
<b>Total Proved Plus Probable Plus Possible Reserves</b> <sup>(2)</sup>	174	162	166.5	147.7	2.5	2.4	216	192	28,557	25,382

### Notes:

- (1) Natural gas has been converted to boes on the basis of six mscf of natural gas being equal to one boe.
- (2) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Summary of Net Present Value of Future net Revenue as of December 31, 2015 Before and After Income Taxes <sup>(1)</sup> (Forecast Prices and Costs)								
Reserves Category	Before Income Taxes <sup>(1)</sup> Discounted at (%/Year)					Unit Value Before Income Tax Discounted at 10%/Year <sup>(2)</sup>		
	0% (\$MM)	5% (\$MM)	10% (\$MM)	15% (\$MM)	20% (\$MM)	\$/boe	\$/mscf	
<b>Proved Reserves</b>								
Developed Producing	47.2	41.3	35.8	31.4	27.9	11.75	1.96	
Undeveloped	57.0	31.3	16.7	8.3	3.4	4.30	0.72	
<b>Total Proved Reserves</b>	104.2	72.6	52.5	39.7	31.4	7.58	1.26	
<b>Probable Reserves</b>	80.6	44.5	26.5	17.0	11.5	8.09	1.35	
<b>Total Proved Plus Probable Reserves</b>	184.8	117.1	79.0	56.7	42.9	7.74	1.29	
<b>Possible Reserves</b> <sup>(3)</sup>	477.2	205.1	106.6	62.2	39.3	7.02	1.17	
<b>Total Proved Plus Probable Plus Possible Reserves</b> <sup>(3)</sup>	662.0	322.2	185.6	118.9	82.2	7.31	1.22	

Reserves Category	After Income Taxes <sup>(1)</sup> Discounted at (%/Year)				
	0% (\$MM)	5% (\$MM)	10% (\$MM)	15% (\$MM)	20% (\$MM)
<b>Proved Reserves</b>					
Developed Producing	47.2	41.3	35.8	31.4	27.9
Undeveloped	57.0	31.3	16.7	8.3	3.4
<b>Total Proved Reserves</b>	104.2	72.6	52.5	39.7	31.3
<b>Probable Reserves</b>	77.0	43.3	26.1	16.8	11.5
<b>Total Proved Plus Probable Reserves</b>	181.2	115.9	78.6	56.5	42.8
<b>Possible Reserves</b> <sup>(3)</sup>	342.6	150.4	80.0	48.0	31.1
<b>Total Proved Plus Probable Plus Possible Reserves</b> <sup>(3)</sup>	523.8	266.3	158.6	104.5	73.9

### Notes:

- (1) The estimated value of future net revenue does not represent the fair market value of Corridor's reserves.
- (2) Unit values are based on Corridor's net reserves.
- (3) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.



Additional Information Concerning Future Net Revenue (undiscounted) as of December 31, 2015 (Forecast Prices and Costs)								
Reserves Category	Revenue (\$MM)	Royalties (\$MM)	Operating Costs (\$MM)	Development Costs (\$MM)	Abandonment and Reclamation Costs (\$MM)	Future Net Revenue Before Income Taxes (\$MM)	Income Taxes (\$MM)	Future Net Revenue After Income Taxes (\$MM)
<b>Total Proved Reserves</b>	252.6	6.2	65.7	63.2	13.4	104.2	-	104.2
<b>Total Proved Plus Probable Reserves</b>	389.1	10.4	101.6	77.0	15.4	184.8	3.7	181.2
<b>Total Proved Plus Probable Plus Possible Reserves <sup>(1)</sup></b>	1,192.9	139.3	218.1	148.0	25.6	662.0	138.2	523.8

**Note:**

- (1) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Net Present Value of Future Net Revenue By Product Type as of December 31, 2015 (Forecast Prices and Costs)				
Reserves Category	Production Group	Future Net Revenue Before Income Taxes (discounted at 10%/yr) (\$MM)	Unit Value <sup>(3)</sup>	
			(\$/boe)	(\$/mscf)
<b>Total Proved Reserves</b>	Light and Medium Crude Oil <sup>(1)</sup>	2.8	30.70	5.12
	Conventional Natural Gas <sup>(2)</sup>	46.6	7.09	1.22
	Shale Gas	3.1	11.90	1.98
	<b>Total Proved Reserves</b>	<b>52.5</b>	<b>7.58</b>	<b>1.26</b>
<b>Total Proved Plus Probable Reserves</b>	Light and Medium Crude Oil <sup>(1)</sup>	4.6	33.76	5.63
	Conventional Natural Gas <sup>(2)</sup>	70.7	7.26	1.21
	Shale Gas	3.8	11.45	1.91
	<b>Total Proved Plus Probable Reserves</b>	<b>79.0</b>	<b>7.74</b>	<b>1.29</b>
<b>Total Proved Plus Probable Plus Possible Reserves <sup>(4)</sup></b>	Light and Medium Crude Oil <sup>(1)</sup>	6.3	36.04	6.01
	Conventional Natural Gas <sup>(2)</sup>	174.6	7.04	1.17
	Shale Gas	4.7	11.50	1.92
	<b>Total Proved Plus Probable Plus Possible Reserves</b>	<b>185.6</b>	<b>7.31</b>	<b>1.22</b>

**Notes:**

- (1) Including solution gas and other by-products.  
(2) Including by-products but excluding solution gas from oil wells.  
(3) Unit values are based on Corridor's net reserves.  
(4) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

**Pricing Assumptions**

The following table summarizes the prices and factors used by GLJ in the GLJ Reserves Report in calculating the net present value of future net revenue, effective as at January 1, 2016.

Year	Brent Blend Crude Oil FOB North Sea (US\$/bbl)	Exchange Rate (US\$/Can\$)	Inflation rate	Henry Hub Gas Price (US\$/mmbtu)	McCully Gas Price (\$/mscf)
2016	45.00	0.725	2%	2.60	4.91
2017	54.00	0.750	2%	3.10	4.46
2018	61.00	0.775	2%	3.30	4.57
2019	67.00	0.800	2%	3.50	4.68
2020	73.00	0.825	2%	3.70	4.78
2021	78.00	0.850	2%	3.90	4.87
2022	83.00	0.850	2%	4.10	5.11
2023	88.00	0.850	2%	4.30	5.35
2024	91.39	0.850	2%	4.50	5.59
2025	93.22	0.850	2%	4.60	5.71
Thereafter	+2%/yr	0.850	2%	+2%/yr	+2%/yr

The McCully gas price is used by GLJ in calculating the net present value of Corridor's future natural gas net revenues. The McCully gas price is determined by adjusting the Henry Hub gas prices to reflect premiums received at Algonquin city-gate (Corridor's pricing point), transportation costs and heat content. Corridor's weighted average price for natural gas was \$10.23/mscf for the year ended December 31, 2015.

### Reserves Reconciliation

The following table provides a reconciliation of Corridor's gross reserves of natural gas, oil or natural gas liquids for the year ended December 31, 2015, using forecast prices and costs.

Reserves Reconciliation of Corporation Total Gross Reserves By Principle Product Type (Forecast Prices and Costs)												
	Light and Medium Crude			Natural Gas			Natural Gas Liquids			Total Oil Equivalent Basis		
	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (bscf)	Gross Probable (bscf)	Gross Proved Plus Probable (bscf)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mboe)	Gross Probable (Mboe)	Gross Proved Plus Probable (Mboe)
<b>December 31, 2014</b>	<b>87</b>	<b>43</b>	<b>130</b>	<b>45.1</b>	<b>20.9</b>	<b>66.0</b>	<b>58</b>	<b>26</b>	<b>84</b>	<b>7,654</b>	<b>3,553</b>	<b>11,207</b>
Product Type												
Transfer	-	-	-	-	-	-	-	-	-	-	-	-
Extensions and Improved Recovery	-	-	-	(0.5)	-	(0.5)	(1)	-	(1)	(82)	(8)	(90)
Technical Revisions	-	-	-	(1.2)	(1.2)	(2.4)	(2)	-	(3)	(201)	(198)	(399)
Economic Factors	-	-	-	-	0.3	0.2	-	-	-	(3)	42	39
Production	-	-	-	(1.5)	-	(1.5)	(2)	-	(2)	(250)	-	(250)
<b>December 31, 2015</b>	<b>87</b>	<b>43</b>	<b>130</b>	<b>41.9</b>	<b>19.9</b>	<b>61.8</b>	<b>53</b>	<b>25</b>	<b>79</b>	<b>7,118</b>	<b>3,389</b>	<b>10,507</b>

Reserves Reconciliation of Corporation Conventional Gross Reserves By Principle Product Type (Forecast Prices and Costs)												
	Conventional Light and Medium Crude			Conventional Natural Gas			Conventional Natural Gas Liquids			Total Conventional Oil Equivalent Basis		
	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (bscf)	Gross Probable (bscf)	Gross Proved Plus Probable (bscf)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mboe)	Gross Probable (Mboe)	Gross Proved Plus Probable (Mboe)
<b>December 31, 2014</b>	<b>87</b>	<b>43</b>	<b>130</b>	<b>45.1</b>	<b>20.9</b>	<b>66.0</b>	<b>58</b>	<b>26</b>	<b>84</b>	<b>7,654</b>	<b>3,553</b>	<b>11,207</b>
Product Type												
Transfer	-	-	-	(2.5)	(0.7)	(3.2)	(4)	-	(4)	(420)	(112)	(532)
Extensions and Improved Recovery	-	-	-	(0.5)	-	(0.5)	(1)	-	(1)	(82)	(8)	(90)
Technical Revisions	-	-	-	(0.4)	(0.9)	(1.3)	(1)	(1)	(1)	(63)	(156)	(219)
Economic Factors	-	-	-	-	0.3	0.2	-	-	-	(3)	42	39
Production	-	-	-	(1.4)	-	(1.4)	(2)	-	(2)	(236)	-	(236)
<b>December 31, 2015</b>	<b>87</b>	<b>43</b>	<b>130</b>	<b>40.3</b>	<b>19.5</b>	<b>59.8</b>	<b>51</b>	<b>25</b>	<b>76</b>	<b>6,849</b>	<b>3,319</b>	<b>10,168</b>

Reserves Reconciliation of Corporation Shale Reservoir Gross Reserves By Principle Product Type (Forecast Prices and Costs)												
	Shale Light and Medium Crude			Shale Natural Gas			Shale Natural Gas Liquids			Total Shale Oil Equivalent Basis		
	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Gross Proved Plus Probable (Mbbbl)	Gross Proved (bscf)	Gross Probable (bscf)	Gross Proved Plus Probable (bscf)	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Gross Proved Plus Probable (Mbbbl)	Gross Proved (Mboe)	Gross Probable (Mboe)	Gross Proved Plus Probable (Mboe)
December 31, 2014	-	-	-	-	-	-	-	-	-	-	-	-
Product Type												
Transfer	-	-	-	2.5	0.7	3.2	4	-	4	420	112	533
Extensions and Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	(0.8)	(0.3)	(1.1)	(2)	-	(1)	(138)	(42)	(180)
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	(0.1)	-	(0.1)	-	-	-	(14)	-	(14)
December 31, 2015	-	-	-	1.6	0.4	2.0	2	1	3	269	70	339

## ADDITIONAL INFORMATION RELATING TO RESERVES DATA

### Timing of Undeveloped Reserves Assignments

Undeveloped reserves are attributed by GLJ in accordance with standards and procedures contained in the COGE Handbook. Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Probable undeveloped reserves are those reserves that are less certain to be recovered than proved reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production.

The following table discloses by each product type the volumes of proved undeveloped reserves and probable undeveloped reserves that were first attributed by GLJ in respect of Corridor's interests in the McCully Field and Caledonia Field in each of the most recent three financial years.

Proved Undeveloped Reserves	Light & Medium Oil (mdbl)		Conventional Natural Gas (bscf)		Natural Gas Liquids (mdbl)		Total Oil Equivalent <sup>(1)</sup> (mboe)	
	First Attributed <sup>(2)</sup>	Total at Year-end	First Attributed <sup>(2)</sup>	Total at Year-end	First Attributed <sup>(2)</sup>	Total at Year-end	First Attributed <sup>(2)</sup>	Total at Year-end
2013	-	87	3.0	39.4	4	50	502	6,699
2014	-	87	-	23.8	-	30	10	4,084
2015	-	87	-	23.3	-	30	-	4,002

#### Notes:

- (1) Natural gas has been converted to boes on the basis of six mscf of natural gas being equal to one boe.
- (2) "First Attributed" refers to reserves first attributed at year-end of the corresponding fiscal year.

Reserves are classified as proved undeveloped if they are expected to be recovered, with a high degree of certainty, from new wells on previously undrilled acreage with untested reservoir characteristics, or they are reserves from existing wells that require major capital expenditures to bring them on production.

Probable Undeveloped Reserves	Light & Medium Oil (mdbl)		Natural Gas (bscf)		Natural Gas Liquids (mdbl)		Total Oil Equivalent <sup>(1)</sup> (mboe)	
	First Attributed <sup>(2)</sup>	Total at Year-end	First Attributed <sup>(2)</sup>	Total at Year-end	First Attributed <sup>(2)</sup>	Total at Year-end	First Attributed <sup>(2)</sup>	Total at Year-end
2013	-	174	1.5	32.9	2	42	251	5,705
2014	-	43	-	15.9	-	20	4	2,705
2015	-	43	-	15.8	-	20	-	2,697

#### Notes:

- (1) Natural gas has been converted to boes on the basis of six mscf of natural gas being equal to one boe.
- (2) "First Attributed" refers to reserves first attributed at year-end of the corresponding fiscal year.

Reserves are classified as probable undeveloped when analysis of drilling, geological, geophysical and engineering data does not demonstrate them to be proved under current technology and existing economic conditions; however, this analysis does suggest that there is a likelihood of their existence and future recovery. Corridor intends to develop its proved undeveloped reserves and probable undeveloped reserves during the next five years. On March 27, 2015, the Government of New Brunswick enacted *An Act to Amend the Oil and Natural Gas Act* which created a moratorium on all forms of hydraulic fracturing in New Brunswick. As hydraulic fracturing is required as part of the undeveloped well program, Corridor does not plan to incur any capital spending in New Brunswick until 2018. Should the moratorium not be lifted, Corridor's ability to develop its proved undeveloped reserves and probable undeveloped reserves in the McCully Field will be materially and adversely affected. See "*Risk Factors - Hydraulic Fracturing*" and "*Risk Factors - Risks Associated with Oil and Gas Exploration, Development and Production*" and other factors noted in "*Risk Factors*".

### ***Significant Factors or Uncertainties***

Estimates of economically recoverable oil and natural gas reserves (including natural gas liquids) and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as capital expenditures, commodity prices, production performance of re-completed wells and well re-completion success rates, the assumed effects of regulation by government agencies (including royalty regimes) and future operating costs. All of these estimates may vary from actual results. Estimates of the recoverable oil and natural gas reserves attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, may vary. The Corporation's actual production, revenues, taxes, development and operating expenditures with respect to its reserves may vary from such estimates, and such variances could be material, resulting in the delay or acceleration of development activities, as the case may be, see "*Risk Factors*".

On March 27, 2015, the Government of New Brunswick enacted *An Act to Amend the Oil and Natural Gas Act* which created a moratorium on all forms of hydraulic fracturing in New Brunswick. As hydraulic fracturing is required as part of the undeveloped well program, Corridor does not plan to incur any capital spending in New Brunswick until 2018. Should the moratorium not be lifted, Corridor's ability to develop its proved undeveloped reserves and probable undeveloped reserves in the McCully Field will be materially and adversely affected. See "*Risk Factors - Hydraulic Fracturing*" and "*Risk Factors - Risks Associated with Oil and Gas Exploration, Development and Production*" and other factors noted in "*Risk Factors*".

The total future abandonment and site reclamation costs are based on standard engineering techniques and management's estimate of costs to remediate, reclaim and abandon wells and facilities having regard to Corridor's working interest and the estimated timing of the costs to be incurred in future periods. Corridor has developed a process to calculate these estimates, which considers applicable regulations, actual and anticipated costs, type of well or facility and geographic location. Corridor estimates that the total cost to abandon and reclaim its midstream facilities and all wells drilled as of December 31, 2015 is approximately \$14.8 million (net present value of \$9.1 million at a 2.37% discount). The abandonment cost estimate includes two wells in Prince Edward Island, one well in the Caledonia Field, three wells in the Elgin Sub-Basin, three wells on Anticosti Island and 29.5 net wells in the McCully Field, Corridor's gas processing plant and 50 kilometer transmission pipeline. Corridor does not anticipate any spending relating to future abandonment and reclamation costs in the next three years.

Future liabilities for abandonment and site reclamation costs are estimated by using standard engineering design cost estimating techniques. GLJ has determined that Corridor's estimates of McCully abandonment costs are reasonable and have included these costs in the GLJ Reserves Report. NI 51-101 requires the inclusion of all costs associated with the process of restoring property that has been disturbed by oil and gas activities to a standard imposed by applicable government or regulatory authorities. The

abandonment cost estimates therefore include costs associated with the McCully wells, well pads and facilities.

GLJ estimates in the GLJ Reserves Report that the total cost to abandon and reclaim all wells with reserves, future development wells and related facilities is \$15.4 million (\$1.8 million at a 10% discount) for 37 net wells under the proved plus probable case and \$13.4 million (\$2.3 million at a 10% discount) for 35 net wells under the proved reserves case. GLJ's estimate of abandonment and reclamation costs for the McCully and Caledonia Fields are included in the GLJ Reserves Report and therefore considered in their estimate of future net revenue.

### ***Future Development Costs***

The following table outlines development costs deducted in the estimation of future net revenue calculated using forecast prices and costs, undiscounted, attributable to the reserve categories noted below.

Reserve Category	2016 (\$MM)	2017 (\$MM)	2018 (\$MM)	2019 (\$MM)	2020 (\$MM)	2021 (\$MM)	Remainder (\$MM)	Total	
								Undiscounted (\$MM)	Discounted at 10% (\$MM)
Proved Reserves	-	-	16.5	16.0	20.9	9.8	-	63.2	43.9
Proved Plus Probable Reserves	-	-	16.5	16.0	27.6	13.5	3.4	77.0	51.1

Corridor's 2016 capital expenditure program does not include any capital spending in New Brunswick due to the hydraulic fracturing moratorium currently in effect in New Brunswick. Future development costs are expected to resume in 2018 and may be funded with a combination of cash flow, debt, equity and asset sales or joint venture partnerships.

## **RESOURCES INFORMATION**

**Resources do not constitute, and should not be confused with, reserves. Actual resources will vary from the resources estimates, and those variations could be material.**

### **Sproule Anticosti Resources Report**

The Sproule Anticosti Resources Report is made in respect of the properties on Anticosti Island owned by the Anticosti Joint Venture. Corridor has a 21.67% interest in the Anticosti Joint Venture.

In 2015, Sproule was retained to update the estimate the quantity of hydrocarbon resource contained within the Macasty Formation in Anticosti Island. The purpose of the assessment was to determine whether to engage in further investigation into these resources. See "*Description of the Properties – Anticosti Island, Québec*". The Sproule Anticosti Resources Report was conducted in accordance with the COGE Handbook and NI 51-101, has an effective date of April 30, 2015 and was confirmed as of March 30, 2016. The Sproule Anticosti Resources Report was based upon all material data available as of the effective date.

Sproule classified the total petroleum initially-in-place as unrisks undiscovered resources (being unrisks undiscovered total petroleum initially-in-place). The total petroleum initially-in-place is classified as undiscovered because no oil or gas has yet been recovered from the Macasty shale through testing and the resources are inferred to exist based primarily on petrophysical interpretation. The resources are not classified further as recoverable or unrecoverable because an appropriate researched project has not been undertaken to identify and evaluate potentially recoverable volumes. As the resources cannot be placed in a class other than undiscovered resources, they are unrisks.

The estimate is based on interpretation and extrapolation of very limited, statistically insignificant datasets across the entire Island. The resource estimates must be treated as scoping-level estimates and, as such, must be used with caution.

<b>Summary of Estimates of Total Unrisked Undiscovered Petroleum Initially-In-Place<sup>(1)</sup> Macasty Shale, Anticosti Island, Québec As at April 30, 2015</b>				
<b>Classification</b>	<b>Gross Anticosti Joint Interest Lands</b>	<b>Low Estimate <sup>(2)</sup> Bboe<sup>(5)</sup></b>	<b>Best Estimate <sup>(3)</sup> Bboe<sup>(5)</sup></b>	<b>High Estimate<sup>(4)</sup> Bboe<sup>(5)</sup></b>
<b>Undiscovered Petroleum Initially- In-Place<sup>(6)</sup></b>	Total Lands	20.9	30.7	45.2

**Notes:**

- (1) Total unrisked undiscovered petroleum-in-place is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulation, prior to productions, plus those estimated quantities in accumulations yet to be discovered.
- (2) The probability that the quantity actually in place is equal to or greater than the estimate is 90%.
- (3) The probability that the quantity actually in place is equal to or greater than the estimate is 50%.
- (4) The probability that the quantity actually in place is equal to or greater than the estimate is 10%.
- (5) These resources are reported as billions of barrels of oil equivalent to reflect uncertainty of hydrocarbon type across the island.
- (6) Undiscovered petroleum initially-in-place (equivalent to "undiscovered resources") are those quantities of petroleum that are estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially-in-place is referred to as "prospective resources", the remainder as unrecoverable. Undiscovered resources carry discovery and development risks. There is no certainty that any portion of these resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. The reported volumes are unrisked. A recovery project cannot be defined for this volume of undiscovered petroleum initially-in-place at this time.

**There is no certainty that any portion of these resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.**

**Corridor does not have a working interest in the Anticosti Island properties and its interest is limited to a 21.67% interest in the Anticosti Joint Venture.**

Corridor believes the significant positive factors relevant to the estimates are:

- The Macasty shale is a prolific source rock which is interpreted to be within the oil/condensate generation window over approximately three quarters of the island;
- The Macasty shale is stratigraphically equivalent to the Utica shale of the St. Lawrence Lowlands of Québec, which has been reported to have produced oil and gas on test;
- Core analysis indicates that the Macasty has similar petrophysical and geochemical characteristics to the Utica fields found in the north-east, US;
- The Macasty core from the Chaloupe well drilled in 2010 contained residual oil. This well is located on the high side of the Jupiter fault where the shale is interpreted to be in the oil/condensate window; and
- The Macasty shale on the downthrown side of the Jupiter fault is in the transition from condensate to dry gas window, where fluid characteristics may be favourable for production.

Corridor believes the significant negative factors relevant to the estimates are:

- There have been no stimulated completions of the Macasty on the Island, no direct evidence exists that the shale has producible hydrocarbons;
- Until an appropriately researched project has been undertaken to identify and evaluate potentially recoverable volumes, it is premature to speculate whether the Macasty contains recoverable or unrecoverable resources;

- Any research project is subject to the completion of the Anticosti SEA and the Québec Government's approval and direction in respect of any such development; and
- The evaluation infers that resources may exist based on the interpretation and mapping of limited pyrolysis, petrophysical and seismic data.

## OTHER OIL AND GAS INFORMATION

### Oil and Gas Properties and Wells

As at December 31, 2015, Corridor had an interest in 38 gross (28.5 net) producing and non-producing natural gas and oil wells as follows:

	Producing		Non-producing	
	Gross	Net	Gross	Net
<b>Crude Oil Wells</b>				
McCully Field	-	-	-	-
Caledonia Field	-	-	1.0	1.0
Subtotal	-	-	1.0	1.0
<b>Natural Gas Wells</b>				
McCully Field	32.0	23.5	5.0	4.0
Caledonia Field	-	-	-	-
Subtotal	32.0	23.5	5.0	4.0
<b>Total</b>	<b>32.0</b>	<b>23.5</b>	<b>6.0</b>	<b>5.0</b>

**Note:**

- (1) Non-producing wells in which Corridor has an interest are located no further than 15 kilometres from proposed gathering systems, pipelines or other means of transportation. Excluded are McCully wells C-75 and H-28, and all Elgin wells.

Corridor owns a 100% working interest in the gas processing plant and 50 kilometre lateral pipeline which processes and transports the natural gas produced from the McCully Field in New Brunswick to the M&NP.

### *Properties with No Attributed Reserves*

The following table sets forth the gross area and net area of unproved properties held by Corridor as at March 30, 2016.

Location	Gross Acres	Net Acres
McCully and Caledonia Fields, New Brunswick <sup>(1)</sup>	77,461	59,164
Elgin Sub-Basin, New Brunswick <sup>(1) (5)</sup>	135,920	135,920
Gulf of St. Lawrence, Québec <sup>(2) (4)</sup>	123,550	123,550
Gulf of St. Lawrence, Newfoundland and Labrador	127,948	127,948
Anticosti Joint Venture <sup>(3) (4)</sup>	1,530,943	331,704
<b>Total</b>	<b>1,995,822</b>	<b>778,286</b>

**Notes:**

- (1) On March 27, 2015, the New Brunswick Government enacted *An Act to Amend the Oil and Natural Gas Act* which creates a moratorium on all forms of hydraulic fracturing in New Brunswick. While the moratorium is in effect, Corridor's ability to increase its natural gas production or to attract a joint venture partner to participate in the exploration of the Frederick Brook shale is materially and adversely affected.
- (2) In order for Corridor to drill on its Québec exploration licence, an agreement between the Québec and Federal governments is required and this agreement requires federal government recognition of such license. On March 24, 2011, an accord between the Government of Canada and the Government of Québec was signed to allow for the development of petroleum resources within the Québec sector of the Gulf of St. Lawrence. The accord contains provisions for the issuance of exploration permits equivalent to the previously held licences to explore for petroleum and natural gas previously issued by the Government of Québec in the accord area.
- (3) Corridor has a 21.67% interest in the Anticosti Joint Venture.
- (4) The Québec Government announced on May 30, 2014 that the entire oil and gas sector would be subject to the Québec SEA to help assess the likely consequences of oil and gas development and estimate the economic effects of development

of the oil and gas sector in Québec. Only after the completion of both the Québec SEA and the Anticosti SEA will the potential of such resources be assessed and potentially developed.

- (5) The acres do not reflect the potential surrender and release by Corridor of 71,900 gross acres subject to ONG lease 13-02C.

The GLJ Reserves Report evaluates mostly ONG Lease 06-02, however, some proved reserves are located in ONG Lease 09-01 and ONG Lease 06-01. Since only a small portion of these leases were evaluated the acreage for these leases is included in unproved properties in the McCully and Caledonia Fields.

Corridor's license to explore the Elgin Sub-basin (consolidated lease 13-02C totaling 135,920 gross acres) is up for renewal on December 31, 2016. On January 29, 2016, Corridor elected to surrender and release its 100% working interest in 71,900 gross acres included in lease 13-02C in the Elgin Sub-Basin with the objective of eliminating the rental payments owing by Corridor in respect of 2015 and thereafter. Subsequently, on February 25, 2016, the New Brunswick Government amended the regulations to the *Oil and Natural Gas Act* to waive rental payments in respect of those sections of a lease where there are no producing wells. As at this time, Corridor continues to seek confirmation of the New Brunswick Government's acceptance of this surrender and the associated reduction of rental payments for 2015.

No other rights of Corridor to explore, develop or exploit any of unproved properties will expire before December 31, 2016.

The development of properties with no attributed reserves can be affected by a number of factors including, but not limited to, project economics, regulatory approvals and government regimes, forecasted price assumptions, cost estimates and access to infrastructure. These and other factors may lead to the delay or acceleration of projects related to these properties.

### ***Forward Contracts***

Corridor has agreed to sell all of its natural gas produced from the McCully Field and surrounding areas in southern New Brunswick pursuant to a long term agreement with Repsol Energy Canada Ltd. This agreement became effective on April 1, 2009 and provides Corridor with year round access to natural gas markets in Maritimes Canada and the U.S. Northeast and allows it to receive corresponding market prices including those in periods of peak demand. The agreement provides the basis for Corridor to sell present and future production at market prices (referenced to Algonquin city-gate less pipeline transportation costs on M&NP and Algonquin Pipeline), as it expands its exploration and development of the natural gas potential of sandstone and shale reservoirs in the McCully Field and Elgin Sub-basin.

### ***Tax Horizon***

The Corporation did not pay any income taxes in the year ended December 31, 2015. As at December 31, 2015, the Corporation had approximately \$186 million of tax pools available to be applied against future income for tax purposes (not all tax pools can be fully utilized in any single year). Corridor's tax pools as of December 31, 2015 are as follows:



	<b>Amount (\$M)</b>
Canadian exploration expense	94
Canadian development expense	64
Canadian oil and gas property	3
Facilities and equipment (Class 41)	7
Transmission Pipeline (Class 1)	16
Other equipment	2
<b>Total</b>	<b>186</b>

Based on planned capital expenditure programs and current natural gas price assumptions, the Corporation does not expect to be cash taxable for several years. On a total proved reserves basis, the GLJ Reserves Report estimates that the Corporation will never be taxable. On a proved plus probable reserves basis, the GLJ Reserves Report indicates the Corporation will be taxable in 2036. The GLJ Reserves Report does not include capital spending on projects that have not been assigned reserves. This additional spending could extend the Corporation's tax horizon.

The Corporation's tax horizon is dependent on, among other things, anticipated levels of production and the current commodity price forecast, anticipated capital spending, and the current tax regime. Changes in these factors from estimates used by the Corporation could result in the Corporation paying income taxes earlier or later than expected.

### ***Costs Incurred***

The following table outlines costs incurred by Corridor during the year ended December 31, 2015 for acquisitions, dispositions and capital expenditures.

<b>Nature of Cost</b>	<b>Amount (\$M)</b>
Acquisition Costs	-
Exploration Costs	0.5
Development Costs	0.4
<b>Total</b>	<b>0.9</b>

### ***Exploration and Development Activities***

Corridor did not complete any wells during the year ended December 31, 2015 and does not have any plans to conduct exploration and development activities in the near term, other than activities to be conducted pursuant to the Anticosti Joint Venture, as a result of the moratorium on hydraulic fracturing in New Brunswick.

## Production Estimates

The following table summarizes the volume of total gross working interest production estimated in the GLJ Reserves Report for the financial year ended December 31, 2016 using forecast prices and costs. The McCully Field accounts for all of this production.

2016 Estimated Production Forecast Prices and Costs		
	Total Proved	Total Proved Plus Probable
Light and Medium Oil (bblpd)	-	-
Conventional Natural Gas (mmscfpd)	5.9	5.9
Shale Gas (mmscfpd)	0.5	0.5
Natural Gas Liquids (bblpd)	8	8
<b>Total (boepd)</b>	<b>1,070</b>	<b>1,079</b>

## Production History and Netbacks

The average daily production volumes, prices, royalties, production costs and netbacks for Corridor's natural gas for each quarter in 2015 and the financial year ended December 31, 2015 are set out below. Corridor did not produce any crude oil and had only nominal sales of natural gas liquids in 2015. The McCully Field accounted for all of this production.

	Three months ended				Year Ended
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	December 31, 2015
<b>Natural Gas</b>					
Average Daily Gas Production (mmscfpd)	6.9	2.9	1.1	5.3	4.0
Price (\$/mscf)	\$15.84	\$4.48	\$6.10	\$6.99	\$10.23
Royalties (\$/mscf)	0.42	0.10	0.12	0.14	0.25
Production & Transportation Costs (\$/mscf)	2.78	3.38	9.00	3.50	3.54
<b>Netback (\$/mscf)</b>	<b>\$12.64</b>	<b>\$1.00</b>	<b>\$(3.02)</b>	<b>\$3.35</b>	<b>\$6.44</b>

## INDUSTRY CONDITIONS

### Government Regulation

The oil and gas industry in Canada is subject to extensive controls and regulations imposed by various levels of government, and the Corporation's oil and gas operations are subject to various Canadian federal, provincial, territorial, and local laws and regulations. These laws and regulations may be changed in response to economic or political conditions, and regulate, among other things, land tenure and the exploration, development, production, handling, storage, transportation, and disposal of oil and gas, oil and gas by-products, and other substances and materials produced or used in connection with oil and gas operations.

More particularly, matters subject to current governmental regulation and potential legislative or regulatory changes include the licensing for drilling of wells, the method and ability to produce wells, surface usage, transportation of production from wells, conservation matters, the discharge or other release into the environment of wastes and other substances in connection with drilling and production activities (including fracture stimulation operations), security or financial responsibility requirements to cover drilling contingencies and well plugging and abandonment costs, reports concerning the Corporation's

operations, the spacing of wells, unitization and pooling of properties, and royalties and taxation. Failure to comply with the laws and regulations in effect from time to time may result in the assessment of administrative, civil, and criminal penalties, the imposition of remedial obligations, and the issuance of injunctions that could delay, limit, or prohibit certain of Corridor's operations. Corridor cannot predict the ultimate cost of compliance with these requirements or their effect on its operations.

Federal authorities do not regulate the price of oil and gas in export trade. Legislation exists, however, that regulates the quantities of oil and natural gas that may be removed from the provinces and exported from Canada in certain circumstances. In order to conserve supplies of oil and gas, these agencies may also restrict the rates of flow of oil and gas wells below actual production capacity.

Although Corridor does not expect that these controls and regulations will affect its operations in a manner materially different than they would affect other oil and gas companies of similar size, the controls and regulations should be considered carefully by investors in the oil and gas industry. All current legislation is a matter of public record and Corridor is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

## **Pricing and Marketing**

### ***Crude Oil***

Producers of crude oil negotiate sales contracts directly with purchasers, with the result that the market determines the price of oil. Such price depends, in part, on crude oil quality, prices of competing fuels, distance to market, the value of refined products, the supply/demand balance, contractual terms, and the world price of oil.

### ***Natural Gas***

In Canada, the price of natural gas sold in intra-provincial, interprovincial and international trade is determined by negotiations between buyers and sellers. Such price depends, in part, on natural gas quality, prices of competing natural gas and other fuels, distance to market, access to downstream transportation, length of contract term, weather conditions, the supply/demand balance and other contractual terms. Natural gas exported from Canada is subject to regulation by the NEB. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain criteria prescribed by the NEB. Natural gas exports require authorization from the NEB, which will be provided either for a term of less than two years or between 2-20 years for quantities not exceeding 30,000 m<sup>3</sup>/day. The Governor in Council must approve the exportation of any gas prior to the issuance of a license for the same. Under ss. 10-23 of the NEB Act, public hearings are no longer mandatory with respect to gas import and export licenses.

### ***Natural Gas Liquids***

The price of condensate and other natural gas liquids ("NGLs") sold in intraprovincial, interprovincial and international trade is determined by negotiations between buyers and sellers. Such price depends, in part, on the quality of the NGLs, prices of competing products, distance to market, access to downstream transportation, length of contract term, the supply/demand balance and other contractual terms. NGLs exported from Canada are subject to regulation by the NEB. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain criteria prescribed by the NEB.

## **The North American Free Trade Agreement**

The North American Free Trade Agreement ("NAFTA") among the Canadian, United States and Mexican governments came into effect on January 1, 1994. Under NAFTA, the Canadian government is free to determine whether exports of energy resources to the United States or Mexico should be allowed, provided that export restrictions do not: (i) reduce the proportion of energy resources exported relative to energy resources consumed domestically (with the most recent 36 month period used as the basis for comparison); (ii) impose a higher export price than domestic price (subject to an exception relating to certain voluntary measures that restrict the volume of exports); and (ii) disrupt normal channels of supply.

NAFTA prohibits discriminatory border restrictions and export taxes and also prohibits the imposition of minimum or maximum export or import price requirements except with respect to the enforcement of countervailing and anti-dumping orders and undertakings. The signatories to NAFTA agree to ensure that their regulatory bodies provide equitable implementation of regulatory measures and minimize the disruption of contractual arrangements.

## **Land Tenure**

Rights are granted to energy companies to explore for and produce oil and natural gas pursuant to leases, licenses, permits and regulations as legislated by the respective provincial and federal governments. Lease terms vary in length, usually from two to five years. Other terms and conditions to maintain a mineral lease are set out in the relevant legislation or are negotiated. Tenure is the process of leasing and administering petroleum and natural gas rights owned by the Crown.

Companies that obtain licenses or leases to explore and develop Crown resources are subject to the relevant regulatory requirements.

Oil and natural gas can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

## **Pipeline Capacity**

Despite some recent oil pipeline capacity expansions, the overall pipeline capacity in Canada is constrained. Notwithstanding limited pipeline capacity in Canada, Corridor projects an excess availability of capacity on the Canadian sector of the M&NP for the foreseeable future. Corridor sells all of its natural gas produced from the McCully Field and surrounding areas in southern New Brunswick pursuant to a long term agreement which includes the transportation on M&NP US. Corridor does not foresee any restricted access to the U.S. markets for the foreseeable future.

## **Royalties**

### ***General***

For crude oil, natural gas and related production from federal or provincial government lands, the royalty regime is a significant factor in the profitability of the Corporation's production. Crown royalties payable in respect of crown lands are determined by governmental regulation and are typically calculated as a percentage of the value of gross production. The value of the production and the rate of royalties payable generally depend on prescribed reference prices, well productivity, geographical location, the field discovery rate and the type of product produced.

From time to time, provincial governments have established incentive programs for exploration and development. Such programs often provide for royalty reductions, credits and holidays, and are

generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry.

### ***New Brunswick***

Effective April 1, 2014, the Government of New Brunswick implemented a new two-tier royalty regime for natural gas production, designed to promote natural gas exploration. The new regime changes the basic royalty rate payable from the previous 10% to a royalty rate equal to the greater of a 4% basic royalty calculated on the wellhead revenues or a 2% minimum royalty calculated on gross revenues. After all costs are recovered, the royalty rate increases to 25%.

### ***Québec***

At this time, Québec does not have a legislative and regulatory regime that is specific to the oil and gas industry and, accordingly, oil and gas exploration and development in Québec is subject to regulation under various laws and regulations. Currently, Québec's oil and gas resources are regulated principally under the province's mining laws and regulations pursuant to which, among other things, royalty rates of 5 - 12.5% of the market value in fees for petroleum and natural gas apply, depending on the depth of the wellhead. The previous attempt to amend the *Mining Act*, Bill 43, was defeated in the National Assembly on October 31, 2013. On December 10, 2013, Bill 70 – *An Act to amend the Mining Act*, was given Royal Assent. The Act amends certain provisions of the *Mining Act*, including providing local municipalities with more decision-making powers; however, these amendments do not change any provisions relating to the royalty rates for oil and natural gas.

In March 2011, the Québec Government proposed a new shale gas royalty regime that would come into effect once a strategic environmental assessment reviewing hydraulic fracturing has been completed and the legal and regulatory framework has been adapted to its conclusions. The details of the proposed shale gas royalty regime are summarized in "*A Fair and Competitive Royalty System for Responsible Shale Gas Production*" which was presented as part of the 2011-2012 budget. The proposal contemplated the following measures; however, they were never implemented:

- The new royalty regime proposes a progressive royalty rate, calculated on a per well basis, ranging from 5% to 35% for shale gas. The applicable rate will be determined according to a formula that is based on the price of natural gas and the well's productivity
- A non-refundable royalty credit for exploration is expected to apply to an individual well and generally provide for a royalty credit of up to 15% of eligible exploration expenses, subject to a minimum royalty rate of 5% and an ability to carry forward any unused portion of the credit to a subsequent year for the same well.
- The government will also introduce a gas development program, the stated objective of which is to encourage exploration by allowing businesses to pay lower royalties in the initial development and commercialization stages of authorized projects in exchange for progressively higher royalties once they have recovered their investments. The program would provide for a minimum royalty of 2% of gross revenue starting at the time that a well is brought into production until eligible investment and operating costs plus interest have been recovered (subject to a maximum of ten years of rate relief), and increased rates thereafter. After eligible investment and operating costs plus interest have been recouped or ten years, whichever comes first, royalty rates would increase to the higher of 5% of gross revenue and: (i) 15% of net revenue, until the business has achieved a 25% rate of return plus interest on its initial investment; (ii) 20% of net revenue, until the business has achieved a 100% rate of return plus interest on its initial investment; and (iii) 25% of net revenue after the business has achieved a 100% rate of return plus interest on its initial investment.

## ***Newfoundland and Labrador***

In Newfoundland and Labrador, offshore oil resources are jointly managed by the federal government and Newfoundland and Labrador Government through the C-NLOPB. Previously, the province negotiated royalty agreements with proponents on a project-by-project basis. On November 2, 2015, the Newfoundland and Labrador Government announced the details of a new generic offshore oil royalty regime, wherein basic royalty rates will range from 1% to 7.5% and net royalty rates ranging from 10% to 50%. Basic royalties will be applied as a credit against net royalties, and the calculations will be compiled on a monthly basis. The new regime does not include return allowances, uplifts or consumer price index adjustments on project costs. The intent of the generic regime is to provide fiscal certainty to investors. The new royalty system applies to all new production licenses, including those that are based on exploration and significant discovery licenses granted prior to the new regime coming into effect. The province will continue to negotiate benefit agreements for individual projects. The new regime will be incorporated through regulations issued under the *Petroleum and Natural Gas Act*, which the Newfoundland and Labrador Government expects to complete in 2016.

## **Accountability and Transparency**

On June 1, 2015, the federal *Extractive Sector Transparency Measures Act*, SC 2014, c 39, s 376 ("ESTMA") came in to effect. This new federal legislation imposes mandatory reporting requirements on certain entities engaged in the "commercial development of oil, gas or minerals", which includes exploration, extraction and holding permits to do so. No regulations have yet been prescribed under the Act, but in August 2015, Natural Resources Canada released draft Guidance, *Technical Reporting Specifications* and a template reporting form, which can be accessed at <http://www.nrcan.gc.ca/acts-regulations/17727>. While the public comment period has closed, final versions of these documents have not yet been issued. All companies subject to ESTMA are required to report payments over CDN \$100,000 made to any Canadian or foreign government, including royalty payments, taxes (other than consumption taxes and personal income taxes), fees, production entitlements, bonuses, dividends (other than ordinary dividends paid to shareholders), infrastructure improvement payments and other prescribed categories of payments. These categories are separate, so even if the aggregate of payments across the categories are greater than \$100,000, if no individual category reaches that threshold then no report is required. The reporting requirement for payments made to First Nations governments has been deferred until May 31, 2017. Any persons or entities found in violation of the Act (which includes making a false report, failing to make the report public or failing to maintain records for the prescribed period) can be fined up to \$250,000 for each day that the offence continues. There is a further fine of up to \$250,000 for any person or entity who has structured payments in order to avoid the obligation to report such payments under the Act. Officers or directors who authorized or acquiesced in the commission of an offence can be subject to personal liability, regardless of whether the entity for which they acted has been prosecuted or convicted. The Act contains a due diligence defence whereby no person will be found guilty of an offence under the Act if the person can establish that he or she exercised due diligence to avoid committing the offence. Additionally, there is a five year limitation period within which proceedings must be brought for offences under the Act.

## **Environmental Regulation**

As an operator of oil and natural gas properties in Canada, Corridor is subject to stringent federal, provincial, territorial, and local laws and regulations relating to environmental protection as well as controlling the manner in which various substances, including wastes generated in connection with oil and gas exploration, production, and transportation operations, are released into the environment. Compliance with these laws and regulations can affect the location or size of wells and facilities, prohibit or limit the extent to which exploration and development may be allowed, and require proper abandonment of wells and restoration of properties when production ceases. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, or criminal penalties, imposition of remedial

obligations, incurrence of capital or increased operating costs to comply with governmental standards, and even injunctions that limit or prohibit exploration and production activities or that constrain the disposal of substances generated by oil field operations.

Corridor currently operates or leases, and has in the past operated or leased, a number of properties that have been used for the exploration and production of oil and gas. Although Corridor utilizes and has utilized standard industry operating and disposal practices, hydrocarbons or other wastes may have been disposed of or released on or under the properties operated or leased by us or on or under other locations where such wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes was not under Corridor's control. These properties and the wastes disposed thereon may be subject to laws and regulations imposing joint and several or strict liability without regard to fault or the legality of the original conduct that could require us to remove previously disposed of wastes or remediate property contamination, or to perform well plugging or pit closure or other actions of a remedial nature to prevent future contamination.

Corridor believes that it is reasonably likely that the trend in environmental legislation and regulation will continue toward stricter standards. A recent example of this trend is the high-level of regulatory attention that the practice of hydraulic fracturing continues to receive in various jurisdictions.

While it is not possible to predict the final outcome of the ongoing or proposed studies and legislation or regulation, all such restrictions will increase the costs and delay or halt Corridor's ability to develop its oil and gas resources.

### ***New Brunswick***

On February 15, 2013, the New Brunswick Government released rules entitled *Responsible Environmental Management of Oil and Natural Gas Activities in New Brunswick*, to support New Brunswick's on-going management of oil and gas activities and to ensure that New Brunswick continues to have the tools needed to guide oil and gas exploration and extraction in an environmentally responsible manner. The rules are based on recommendations contained in *Responsible Environmental Management of Oil and Gas Activities in New Brunswick - Recommendations for Public Discussion* which was released for public comment on May 17, 2012. The requirements described in the February 2013 rules document built upon existing regulations governing the oil and natural gas industry in New Brunswick and for the most part will be implemented as conditions to Approvals and Certificates of Determination issued under existing legislation including the *Oil and Natural Gas Act*, *Clean Environment Act*, the *Clean Air Act* and the *Clean Water Act*. Corridor is working with the New Brunswick Government and other stakeholders to ensure best practices are followed and oil and gas activities can be completed in a safe and responsible manner. The additional measures included in these rules allow for ongoing exploration and development of natural gas resources in New Brunswick. The additional requirements are extensive and in several cases incorporate industry best practices.

In addition, the Department of Energy and Mines worked with several other departments to create a blueprint for oil and gas development. The *New Brunswick Oil and Natural Gas Blueprint* was released on May 9, 2013 and focused on the following objectives: environmental responsibility; effective regulation and enforcement; community and First Nations engagement; stability of supply; and sustainable economic development. On August 7, 2014, the *New Brunswick Energy Blueprint Final Progress Report* was released, which detailed that the province was able to fulfill its commitments and complete all of the action items listed in the original report.

However, on March 27, 2015, the New Brunswick Government enacted *An Act to Amend the Oil and Natural Gas Act*, and filed the associated regulations on June 26, 2015, to prohibit hydraulic fracturing activity in New Brunswick, supporting the moratorium imposed by the government in December 2014. The

moratorium prohibits all forms of hydraulic fracturing, regardless of whether the process uses water, propane or another substance to extract natural gas from shale rock beneath the earth's surface. Energy and Mines Minister stated that the moratorium will not be lifted until the following conditions are satisfied: (i) a social license for hydraulic fracturing is established; (ii) there is clear and credible information about the impacts of hydraulic fracturing on health, environment and water, so that a regulatory regime may be developed; (iii) a plan is established that mitigates the impacts on New Brunswick's public infrastructure and that addresses issues such as waste water disposal; (iv) a process is in place to respect New Brunswick's obligations under the duty to consult with First Nations; and (v) a proper royalty structure is developed to ensure that the benefits of fracturing are maximized for residents of New Brunswick. In furtherance of this, on March 24, 2015, the New Brunswick Government established the NB Commission with a mandate to review and report on, within 12 months, whether the five conditions necessary to lift the New Brunswick moratorium can be met.

On February 26, 2016, the NB Commission released its report to the New Brunswick Government, which report sets forth the NB Commission's findings, reviews the potential impact of shale development and identifies five options available to New Brunswick. These options are: (i) implement a legislated ban on hydraulic fracturing; (ii) maintain the moratorium; (iii) maintain the moratorium until there is in place an enhanced regulatory system, an independent research and monitoring program and sufficient public support to proceed with a government-sponsored exploration program similar to the federal/provincial agreements that led to oil and gas offshore developments in Nova Scotia and in Newfoundland and Labrador; (iv) remove the moratorium all or in part, with an enhanced regulatory system and an independent research and monitoring program; or (v) remove the moratorium with no changes to current regulations. The New Brunswick Government has not advised of its position regarding the NB Commission's report or its plans regarding hydraulic fracturing in New Brunswick.

See "*Risk Factors - Hydraulic Fracturing*".

### ***Québec***

In 2011, the Québec Government adopted as a policy a moratorium on all shale gas activity in Québec and subsequently established the Strategic Environmental Assessment Committee on Shale Gas.

In February 2014, the Strategic Environmental Assessment Committee on Shale Gas released a report detailing some of the regulatory changes which the government of Québec could implement. One option contemplated adopting an act providing for a 25-year moratorium on the shale gas industry. Another option allowed for development with controls by adopting directives, regulations or laws. The report proposed streamlining the process for obtaining permits from the government and indicated that new regulation would apply to the shale gas industry only. The new regulation would tighten existing environmental norms and companies would be expected to comply with any new directives. The report noted that any directives would likely include a reminder that compliance with the following norms is expected: (a) per the terms of section 22 of the *Environment Quality Act*, a certificate of authorization must be obtained; (b) the public must be informed and consulted; (c) the proper information and documentation supporting the request must be sent; (d) authorization must be obtained before using water and respect the applicable regulation.

The Québec Government noted in its 2013-2014 Budget that participation in the Anticosti Joint Venture is one component of the Government's policy to secure Québec energy independence, and noted encouraging results from preliminary work on Anticosti Island, Gaspésie and Old Harry, and concluded that exploration work is required to ascertain Québec's oil potential.



On May 30, 2014, the Québec Minister of Energy and Natural Resources and the Québec Minister of Sustainable Development, the Environment, and the Fight Against Climate Change announced the Québec Government's Hydrocarbon Action Plan, with the establishment of the Committee for Strategic Environmental Assessment responsible for the Québec SEA and the Anticosti SEA. In the Québec Government's 2015 SEA Consultation Document, the Québec Government states that, "[w]hile it is in favor of developing the oil and gas industry, it puts people and the environment first—it will only take action once the right conditions are in place. Before any development can be authorized, its potential must be confirmed, its profitability must be known, and best practices must be established." The Québec Government's Hydrocarbon Action Plan includes two SEAs, one general in nature and the second specific to Anticosti Island with the objective of reviewing environmental, social, economic and safety challenges associated with oil and gas extraction and transportation so as to guide the Québec Government's position regarding the development and transportation of oil and gas in Québec.

Any oil and gas development in Anticosti Island will be subject to the completion of the Anticosti SEA and the Québec Government's approval and direction in respect of any such development.

## **Greenhouse Gases and Industries Air Pollutants**

### ***Climate Change Regulation***

#### *Federal*

Internationally, Canada is a signatory to the United Nations Framework Convention on Climate Change (the "UNFCCC"). In December, 2015, UNFCCC members met in Paris, France. Canada, along with 195 other countries, signed a new climate agreement (the "**Paris Agreement**"). Under the Paris Agreement, Canada is legally bound to report and monitor carbon dioxide, methane, nitrous oxide, and other greenhouse gases ("**GHGs**") emissions, though details of how this will take place have yet to be determined. Signatory countries agreed to meet every five years to review their individual progress on GHG emissions reductions and consider amendments to their targets. Generally, the Paris Agreement includes the goal of "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C" overall, though individual country targets designed to meet these levels are not legally binding. Additionally, the Paris Agreement contemplates that, by 2020, the parties will develop a new market-based mechanism related to carbon trading.

On December 12, 2015, the federal government stated that it will develop and announce its Canada-wide approach to implementing the Paris Agreement within 90 days.

On May 15, 2015, the former environment minister Leona Aglukkaq announced the federal government's plans to reduce GHG emissions by 30% below Canada's 2005 levels by 2030 (referred to as the Nationally Determined Contribution). Canada's previous GHG emission reduction target under the Copenhagen Accord was to reduce GHG emissions to 17% below 2005 levels by 2020. Canada formally submitted the Nationally Determined Contribution to the UNFCCC. In December 2014, the Canadian government published Canada's Action on Climate Change declaring its intention to take action on climate change by reducing GHG emissions through a sector-by-sector regulatory approach to protect the environment and support economic prosperity. To date Canada has implemented GHG reducing regulations for renewable fuels, transportation, and coal-fired electricity; however, given the recent change in federal government, the status of any unimplemented initiatives proposed by the former government is unclear.

## *New Brunswick*

The Province of New Brunswick released the *Climate Change Action Plan 2014-2020* in April 2014. It has four goals, which are to contribute to: (i) enhanced resilience to the impacts of climate change, (ii) reduced greenhouse gas emissions with sustained economic growth, (iii) demonstrated leadership by the provincial government, and (iv) measured and reported progress. New Brunswick aims to achieve these goals in numerous ways, such as developing an electricity efficiency plan, increasing the generation, use and promotion of renewable and low emission energy and clean technology and requiring and harmonizing the reporting of GHG emissions in the oil and gas sector, among others.

On August 31, 2015, at the 39th annual conference of New England Governors and Eastern Canadian Premiers, New Brunswick adopted a resolution that aims to decrease carbon pollution by 35-45% below 1990 levels by 2030. Premiers from Québec, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, along with Governors from Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont also adopted the resolution. A climate change steering committee is scheduled to reveal how the plan will move forward at the 40th annual conference in 2016.

## *Québec*

The province of Québec is operating under the 2013 – 2020 Climate Change Action Plan ("**Québec Climate Plan**"), which calls for a 20% reduction in GHG emissions below 1990 levels by 2020. The Québec Climate Plan includes fuel oil energy efficiency measures, measures to encourage cleaner energy alternatives and tightened fuel oil sulphur level standards. As part of the overall Québec Climate Plan, the province has passed the *Environmental Quality Act*, which empowers the Government to set emission limits, establish reporting requirements for GHG emitters and also enables it to take part in the implementation of a cap-and-trade system.

Québec is party to the Western Climate Initiative (the "WCI"), which is an organization currently made up of the provinces of British Columbia, Québec, Ontario, Manitoba and the state of California designed to assist in implementing GHG emissions trading programs. Within the Québec framework, businesses are obligated to remit to the Government the emission allowances for each ton of GHG emitted. Without sufficient emission allowances, the company will be forced to purchase them on the carbon market. The objective is that a company will reduce its emissions to avoid the costs of purchasing emission allowances.

The government initially set a global GHG emission ceiling for all targeted emitters. The ceiling will gradually drop over time and achieve absolute reductions in GHG. Regulated businesses are required to cover their GHG emissions as of January 1, 2013. The government may award them a number of free emission units or "allocations" that take account of the historical level of their emissions and production. The number of free allocated units will gradually drop between 1 and 2 percent each year, beginning in 2015. Starting in 2015 the number of free units allocated per unit of production will diminish by around 1% to 2%. Businesses whose GHG emissions are higher than the number of units allocated will be required to modernize by adopting clean technologies, or by purchasing emission allowances (in the form of emission units, offset credits, or early reduction credits) at government auctions or on the carbon market. Businesses with GHG emissions below their allocation will be able to sell their excess carbon credits to other businesses on the carbon market.

Québec has also enacted a carbon tax on the consumption of fossil fuels within the province, under the *Regulation respecting the annual duty payable to the Green Fund*. Under this regulation, distributors must pay an annual duty to Québec's Green Fund according to the per tonne of carbon dioxide rate published in the *Gazette officielle du Québec*.

As noted above, at the 39<sup>th</sup> annual conference of New England Governors and Eastern Canadian Premiers, along with New Brunswick, Québec adopted a resolution aiming to decrease carbon pollution by 35-45% below 1990 levels by 2030.

## **RISK FACTORS**

The Corporation is exposed to a number of risks inherent in exploring for, developing and producing natural gas and oil. The following list describes some of the risks that could have a material impact on the business, operations and financial condition of the Corporation. Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision.

### **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. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. For example, the Corporation is unable to predict whether or not bitumen will be encountered in the pore space within the Hiram Brook reservoir sands and to what extent the bitumen may impair the gas productivity of these reservoirs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, insufficient storage or transportation capacity or other geological and mechanical conditions.

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, property and cause environmental damage that may include polluting water, land or air.

Corridor attempts to mitigate some of these risks by maintaining an insurance program in amounts it considers adequate; however, Corridor is not insured against all of these risks, as well, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a materially adverse effect upon its financial condition. Further, a significant spill from one of our facilities could have a material adverse effect on our results of operations,

competitive position, or financial condition. The Corporation also attempts to mitigate some of these risks by maintaining clear and highly visible business principles with health and safety as a priority.

Oil and natural gas production 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 and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the 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 Corporation's oil and natural gas properties. The Corporation's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. If the Corporation'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 Corporation. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations or prospects.

The Corporation does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties. The exploration and development of the Corporation'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 Corporation 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 Corporation could result in the loss or substantial dilution of the Corporation's interests (as existing or as proposed to be acquired) in its properties.

On March 30, 2015, Corridor's board of directors determined not to renew its \$6 million revolving credit facility since Corridor did not intend to access this credit facility based on its exploration and development plans at that time.

### **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. Historically, natural gas markets have been volatile and are likely to continue to be volatile in the future. These fluctuations in price are in response to factors including, but not limited to, supply and demand for crude oil and natural gas, market uncertainty, world economic conditions, government regulation, political instability, availability of refining capacity and transportation infrastructure, the ability to transport crude to markets, weather conditions and the prices and availability of alternative forms of energy, all of which are generally beyond the control of the Corporation and can result in a high degree of price volatility. 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 Corporation's oil and gas reserves.

Corridor's natural gas production is sold at AGT. The New England market has in recent years been characterized by excess demand during the winter season resulting in elevated prices for natural gas

as compared to 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. While numerous projects are planned which could satisfy the New England market demands by 2018, it is not known whether the required regulatory approvals will be received and, if the projects proceed, the timing of completion of these projects.

The Corporation's ability to borrow and to obtain additional capital on attractive terms is also substantially dependent upon natural gas and oil prices and, in particular, natural gas prices in the New England market in northeastern United States.

Under IFRS, the Corporation is required to perform impairment tests on oil and gas properties whenever events or changes in circumstances indicate that the carrying value of its properties may not be recoverable. To the extent a decline in the price of gas results in a reduction in the fair value of the Corporation's oil and gas properties below the carrying value, an impairment loss will be required to reduce the carrying value of the properties to their estimated fair value. The Corporation may incur impairment losses in the future, however these impairment losses could also be reversed in the future in the event of a recovery of fair value. Impairment losses and reversal of impairment losses could materially affect the Corporation's results of operations in the period incurred, adding more volatility to the Corporation's results of operations. Such impairment losses may also be viewed unfavourably by the market. No assurance can be given that prices for natural gas and oil will be sustained at levels that will enable the Corporation to operate profitably.

Volatile gas and oil prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploration 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. See "*Industry Conditions*".

## **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. It is likely the trend to stricter environmental legislation will continue. Changes in environmental laws and regulations may be enacted which could impose higher environmental standards

which may increase the cost of our 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 in material compliance with applicable environmental legislation and is committed to continued compliance. Corridor believes that it is reasonably likely that a trend towards stricter standards in environmental legislation will continue and the Corporation 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.

See "*Industry Conditions – Environmental Regulation.*"

## **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 Corporation operates, have not provided specific details with respect to any significant actual, proposed or contemplated changes to the hydraulic fracturing regulatory construct.

However, certain environmental and other groups have suggested that additional federal, provincial, territorial, state and municipal laws and regulations may be needed to more closely regulate the hydraulic fracturing process, and have made claims that hydraulic fracturing techniques are harmful to surface water and drinking water sources and may contribute to earthquake activity particularly where in proximity to pre-existing faults.

It is anticipated that federal, provincial and state regulatory frameworks to address concerns related to hydraulic fracturing will continue to emerge. While the Corporation 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 Corporation's costs of compliance, operating costs, the risk of litigation and environmental liability, or negatively impact the Corporation's production and prospects, any of which may have a material adverse effect on the Corporation's business, financial condition and results of operations.

Both the New Brunswick Government and the Québec Government have implemented temporary moratoriums on hydraulic fracturing until further studies can be completed.

The vast majority of wells drilled by Corridor in New Brunswick have been fracture stimulated by water as the stimulation fluid, with recent wells using liquefied propane, both of which are considered hydraulic fracture stimulators. As a result of the moratorium, management has not forecast any capital spending in New Brunswick until 2018. While the moratorium is in effect, Corridor's ability to continue to maintain or increase production through the development of the McCully Field is materially and adversely affected and the ability to obtain a joint venture partner to develop the Frederick Brook prospect in the Elgin Sub-Basin is negatively affected.

See "*Industry Conditions – Environmental Regulation – New Brunswick.*"

### **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.

In addition, Corridor is dependent upon the Anticosti Joint Venture partners to fund their contractual share of the planned exploration expenditures related to the Anticosti Joint Venture. If these partners do not approve or are unable to fund their share of certain expenditures or otherwise fulfill their obligations, this may result in delays or additional future costs to Corridor in respect of the development of the properties on Anticosti Island.

### **Dependence on Key Personnel**

The success of the Corporation will be largely dependent upon the quality of its management and personnel. Loss of the services of such persons, or the inability to attract personnel of equal ability, could materially adversely affect Corridor's business operations and prospects. The Corporation has not, as yet, purchased "key man" insurance on any of its directors, officers or key employees, and has no current plans to do so.

### **Co-Existence with Mining Operations**

PCS has a pre-existing potash mining lease granted by the Government of New Brunswick that overlays a substantial portion of the McCully Field. Applicable legislation requires that oil and gas activities not interfere with mining operations and that mining activities not interfere with oil and gas operations. The Corporation has to date succeeded in conducting its business activities in a manner that does not interfere with such mining operations. For example, several of the wells previously drilled by the Corporation have been drilled directionally to access natural gas beneath the potash mine. PCS is currently placing a new mine in operation at the McCully Field area. There can be no assurance that the Corporation's future exploration and development activities will not be adversely affected as a result of the current or future potash mining operations, including the possibility that a portion of the McCully Field may not be accessible for natural gas development.

### **Availability of Drilling Equipment and Access**

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

### **Variations in Exchange Rates**

The Corporation'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 Corporation. Any material increase in the value of the Canadian dollar will negatively impact the Corporation'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 Corporation's reserves as determined by independent evaluators. The Corporation has not engaged in any risk management activities related to the Canada/United States exchange rate. To the extent

that Corridor engages in risk management activities related to the Canadian/United States exchange rates, it will be subject to credit risk associated with counterparties with which it contracts.

### **Expiration of Licenses and Leases**

The Corporation's properties are held in the form of licences and leases and working interests in licences and leases. If the Corporation or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Corporation's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Corporation's results of operations and business.

### **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 Corporation's control. The reserve, resources and associated cash flow information of the Corporation represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and of resources are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of gas and oil, royalty rates, environmental conditions, governmental and other regulatory factors and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves and resources are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves and resources attributable to any particular group of properties, classification of such reserves and resources based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves and resources 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.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, GLJ has used forecast price and cost estimates in calculating reserve quantities included in the "*Statement of Reserves and Other Oil and Gas Information*". Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the effect of inflation on costs.

Actual production and revenues derived therefrom will vary from the estimates contained in the GLJ Reserves Report setting forth certain information relating to certain natural gas reserves of Corridor's properties, specifically the McCully Field and the Caledonia Field in New Brunswick, and the estimated present value associated with such reserves and such variations could be material. The reserves and



estimated cash flows to be derived therefrom contained in the GLJ Reserves Report will be reduced to the extent that such activities do not achieve the level of success assumed in such report.

Estimates of resources contained in the Sproule Anticosti Resources Report are subject to the definitions, disclaimers, contingencies and warnings set forth under "*Resources Information - Sproule Anticosti Resources Report*". There is no certainty that any portion of these resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

### **Trading of Common Shares**

The Corporation's net asset value from time to time will vary depending upon a number of factors beyond its control, including natural gas prices. The trading price of the Common Shares from time to time is determined by a number of factors, some of which are beyond the Corporation's control and such trading price may be greater or less than its net asset value.

### **Seasonality**

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable, and cause local flooding in the river valleys. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of drilling rigs and other heavy equipment, thereby reducing activity levels. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of the Corporation.

### **Competition**

Oil and gas exploration is intensely competitive in all its phases and involves a high degree of risk. The Corporation competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Corridor's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of Corridor. The Corporation's ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Competition may also be presented by alternate fuel sources.

### **Management of Growth**

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Corridor to deal with this growth could have a material adverse impact on its business, operations and prospects.

### **Conflicts of Interest**

There are potential conflicts of interest to which some of the directors and officers of Corridor may be subject in connection with its operations. Conflicts of interest, if any, will be subject to and governed by the procedures and remedies set forth in the ABCA.

## **Issuance of Debt**

From time to time the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Depending on future exploration and development plans, if any, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

## **Title to Properties**

Prior to the drilling of a well for oil and gas, it is not uncommon for the person or Corporation acting as the operator of the well to hire a lawyer to examine the title to the spacing unit within which the proposed oil and gas well is to be drilled. Frequently, as a result of such examination, certain curative work must be done to correct deficiencies in the marketability of the title, and the curative work entails expense. The work might include obtaining affidavits of heirship or causing an estate to be administered. From time to time, the examination made by the title lawyers reveals that the oil and gas lease or leases are worthless, having been purchased in error from a person who is not the owner of the mineral interest desired. In such instances, the amount paid for such oil and gas lease or leases may be lost.

There may be title defects which affect lands comprising a portion of the Corporation's properties. The Corporation is not aware of any title defects in respect of any of the Corporation's properties.

## **Hedging**

The Corporation may from time to time enter into agreements to receive fixed prices on its natural gas production to offset the risk of revenue losses if commodity prices decline. However, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements.

Corridor may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Corporation will not benefit from the fluctuating exchange rate.

## **DIVIDENDS**

The Corporation has not paid any dividends to date. Any decision to pay dividends in the future will depend upon the earnings and financial position of the Corporation and such other factors which the Board of Directors may consider appropriate in the circumstances.

## **DESCRIPTION OF CAPITAL STRUCTURE**

Corridor is authorized to issue an unlimited number of Common Shares. As at March 30, 2016, there were 88,621,966 Common Shares issued and outstanding. The following is a summary of the rights, privileges and conditions attaching to the Common Shares. Each Common Share entitles the holder to receive notice of and to attend all meetings of the shareholders of the Corporation and to one vote at such meetings. The holders of Common Shares are, at the discretion of the Board of Directors and subject to applicable legal restrictions, entitled to receive any dividends declared by the Board of Directors. The holders of Common Shares are entitled to share equally in any distribution of the assets of the Corporation

upon the liquidation, dissolution, bankruptcy or winding-up of the Corporation or other distribution of its assets among its shareholders for the purpose of winding-up its affairs.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Common Shares of Corridor are listed for trading on the TSX under the symbol "CDH". The following tables set forth the market price ranges and the aggregate volume of trading of the Common Shares on the TSX for the financial year ended December 31, 2015:

Period	High (\$)	Low (\$)	Volume (Common Shares)
<b>2015</b>			
January	1.05	0.80	718,792
February	0.94	0.84	362,577
March	0.94	0.80	310,661
April	0.84	0.67	660,505
May	0.82	0.59	813,775
June	0.83	0.68	728,788
July	0.73	0.67	596,095
August	0.72	0.49	1,517,819
September	0.55	0.43	2,789,123
October	0.48	0.38	2,434,071
November	0.44	0.38	1,402,915
December	0.49	0.35	2,192,069

### PRIOR SALES

During the 12 month period ended December 31, 2015, the Corporation did not issue any Common Shares or grant any stock options.

## DIRECTORS AND EXECUTIVE OFFICERS

### Directors and Officers

The following table sets forth the name, municipality of residence, principal occupation for the prior five years and position of each of the directors and executive officers of Corridor:

Name and Municipality of Residence	Director Since	Office or Position with Corridor	Present Occupation and Positions Held During the Last Five Years
Stephen J. Moran Calgary, Alberta	September 29, 2014	Director, President and Chief Executive Officer	President and Chief Executive Officer of Corridor since September 29, 2014. Prior thereto, Mr. Moran was President and Director of Stellavista Capital Corp (a private oil and gas company). Mr. Moran was also President, Chief Executive Officer and Director at Bellamont Exploration Ltd. (a TSXV listed junior oil and gas company) from 2006 to 2012.

<u>Name and Municipality of Residence</u>	<u>Director Since</u>	<u>Office or Position with Corridor</u>	<u>Present Occupation and Positions Held During the Last Five Years</u>
Phillip R. Knoll <sup>(3)</sup> Halifax, Nova Scotia	September 21, 2010	Director	President of Knoll Energy Inc. (a private energy consulting company), a position he has held since 2005. Prior thereto, was President and Chief Executive Officer of Corridor from October 18, 2010 to September 29, 2014.
Norman W. Miller <sup>(2) (3)</sup> Calgary, Alberta	March 1995	Director	Retired since October 2010. Prior thereto, was President and Chief Executive Officer of Corridor from 1995 to October 18, 2010.
J. Douglas Foster <sup>(2)</sup> Calgary, Alberta	May 1998	Director and Chairman	President of Fostco Holdings Ltd. (private investments). Prior thereto, Partner of Bennett Jones LLP (law firm) from 1990 to 2014.
Martin Fräss-Ehrfeld London, England	June 14, 2011	Director	Partner of The Children's Investment Fund Management (UK) LLP since August 2009. Prior thereto, Principal of the Blackstone Group from August 2001 to July 2009.
James S. McKee <sup>(1)</sup> Calgary, Alberta	May 21, 2015	Director	Retired since February 2016. Prior thereto, Senior Vice-President, Corporate Development at Trican Well Service Ltd. from February 2013 to February 2016.
Robert D. Penner <sup>(1)(2)</sup> Calgary, Alberta	January 2006	Director	Independent consultant since April 2004. Prior thereto, senior tax partner with KPMG LLP (accounting firm).
W.C. (Mike) Seth <sup>(1)(3)</sup> Calgary, Alberta	January 2006	Director	Independent consultant since July 1, 2005. Prior thereto, President and Managing Director of McDaniel and Associates Ltd. (reservoir evaluation) since 1989.
Lisette F. Hachey Halifax, Nova Scotia	–	Chief Financial Officer	Chief Financial Officer of Corridor since April 2006.
Dr. Tom Martel Halifax, Nova Scotia	–	Chief Geologist – Atlantic Canada	Chief Geologist since April 1998.

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance Committee.
- (3) Member of the Reserves Committee.

The term of office of each of the directors of Corridor will expire at the next annual meeting of shareholders of Corridor.

As at March 30, 2016, the directors and executive officers of Corridor, as a group, beneficially owned or controlled or directed, directly or indirectly, 3,051,435 Common Shares, representing approximately 3.4% of the issued and outstanding Common Shares. In addition, directors and executive officers held options to purchase an additional 2,760,000 Common Shares, resulting in directors and executive officers holding 6.3% of the Common Shares on a fully diluted basis. The information as to Common Shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective individuals.

**Corporate Cease Trade Orders or Bankruptcies, Penalties or Sanctions and Personal Bankruptcies**

To the knowledge of Corridor, other than as described below: (a) no director or executive officer of Corridor is, as at the date hereof, or has been, within 10 years before the date of this AIF, a director, chief

executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "**Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) no director or executive officer of Corridor and no Shareholder holding a sufficient number of securities of Corridor to affect materially the control of Corridor, is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) no director or executive officer of Corridor and no shareholder holding a sufficient number of securities of Corridor to affect materially the control of Corridor, has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

Mr. Penner had been a director of Terra Energy Corp. since April 21, 2005 and resigned as a director of Terra Energy Corp. on March 16, 2016. Terra Energy Corp., a public company with its shares listed on the TSX, is engaged in oil and gas exploration, development and production company operating primarily in the Western Canadian Sedimentary Basin. On March 30, 2016, the Supreme Court of British Columbia issued an interim receivership order under against Terra Energy Corp. and its subsidiaries, Terra Energy (a partnership) and Constar Resources and 1289170 Alberta Ltd. (collectively, "**Terra Energy**") upon application of the Canadian Western Bank, as creditor. The order appoints Ernst & Young Inc. as the receiver of all of the assets, undertakings and properties of Terra Energy, other than certain limited assets, pursuant to Section 243(1) of the *Bankruptcy and Insolvency Act* (Canada) and section 39 of the *Law and Equity Act* (British Columbia).

Mr. Penner had been a director of Storm Cat Energy Corporation ("**Storm Cat**") since January 2005. In November 2008, the U.S. subsidiaries of Storm Cat filed for a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code, which reorganization did not include Storm Cat. Storm Cat was subsequently delisted from the Toronto Stock Exchange and the NYSE Alternext U.S. LLC (formerly, the American Stock Exchange), which delistings remain in effect as of the date hereof. In April 2009, pursuant to an order of the Ontario Securities Commission, the securities of Storm Cat were cease traded for a failure to file audited annual financial statements, management's discussion and analysis and an annual information form, all for the year ended December 31, 2008. This cease trade order remains in effect as of the date hereof, subject to a partial revocation by the Ontario Securities Commission solely to permit the sale of certain Storm Cat shares, subject to certain conditions. Mr. Penner resigned as a director of Storm Cat in 2011.

Mr. McKee acted as an independent director of Poseidon Concepts Corp. ("**Poseidon**"), from November 2012 until his resignation in December 2012. On February 14, 2013, the Alberta Securities Commission issued a cease trade order against Poseidon for failure to prepare certain financial statements in accordance with Alberta securities laws. Similar cease trade orders were issued by the British Columbia Securities Commission on February 18, 2013, the Autorité des marchés financiers on February 19, 2013 and the Ontario Securities Commission on March 11, 2013. All of these cease trade orders remain in effect as of the date of this document. On April 9, 2013, Poseidon obtained creditor protection under the

Companies Creditor Arrangement Act ("CCAA"), and on May 14, 2013, the common shares of Poseidon were delisted from the TSX. As of the date of this document, Poseidon remains under CCAA protection.

To the knowledge of Corridor, no director or executive officer of Corridor, and no shareholder holding a sufficient number of securities of Corridor to affect materially the control of Corridor, nor any personal holding company thereof, (a) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Certain directors of the Corporation are associated with other companies, which may give rise to conflicts of interest. In accordance with the ABCA, directors who have an interest in a material contract or a material transaction, whether made or proposed, with Corridor are required, subject to certain exceptions, to disclose the nature and extent of the interest. A director required to disclose such interest shall abstain from voting on any resolution to approve the contract or transaction, except as otherwise permitted by the ABCA. In addition, each director is required to act honestly and in good faith with a view to the best interests of Corridor.

### **LEGAL PROCEEDINGS**

The Corporation is not involved in or aware of any present or pending material legal proceedings against the Corporation involving it jointly or separately as a party.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as discussed herein, there are no material interests, direct or indirect, of directors, executive officers of the Corporation or any person or company that is the direct or indirect beneficial owner of or who exercises control or direction over, more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Corporation.

### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal office in Calgary, Alberta and Toronto, Ontario.

### **MATERIAL CONTRACTS**

The following sets forth each material contract of the Corporation that was entered into within the last financial year or before the last financial year but is still in effect: (i) the securityholders agreement dated April 1, 2014 between Corridor, Ressources Québec, Pétrolia and M&P with interventions of Anticosti General Partner and Anticosti Hydrocarbons; and (ii) the amended and restated limited partnership agreement dated April 1, 2014 between Corridor, Ressources Québec, Pétrolia, M&P and Anticosti General Partner.

## **INTERESTS OF EXPERTS**

PricewaterhouseCoopers LLP, Chartered Accountants, are the Corporation's auditors and have audited the financial statements of the Corporation for the year ended December 31, 2015. As at the date hereof, PricewaterhouseCoopers LLP are independent with respect to the Corporation in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of Nova Scotia.

Information relating to reserves of the Corporation set forth in the "*Statement of Reserves Data and Other Oil and Gas Information*" was evaluated by GLJ, as independent qualified reserves evaluator. Information relating to certain resources of the Corporation set forth in the "*Resources Information*" was estimated by Sproule, an independent qualified reserves evaluator. As at the date hereof, the principals of GLJ and Sproule do not hold any registered or beneficial ownership interests, directly or indirectly, in the Common Shares.

## **AUDIT COMMITTEE**

### **Charter of the Audit Committee**

A copy of the Terms of Reference of the Audit Committee is attached as Appendix "C" hereto.

### **Composition of the Audit Committee**

The current members of the Audit Committee are: Robert Penner, James McKee and Mike Seth, each of whom is independent and financially literate within the meaning of NI 52-110.

### **Relevant Education and Experience**

The current members of the Audit Committee have the following relevant education and experience:

Robert Penner	Mr. Penner is a Chartered Accountant. Until his retirement in 2004, his entire career was spent in private practice with KPMG LLP focused primarily on providing advisory services on taxation and related matters.
James J. McKee	Mr. McKee is a chartered accountant with over 30 years of experience in investment banking, global oilfield services and public accounting. In particular, Mr. McKee was the Senior Vice President and Chief Financial Officer of Saxon Energy Services Inc. from 2010 to 2013; Managing Director, Head of Canadian OFS and Small Cap Energy Investment Banking Teams of RBC Dominion Securities from 2005 to 2010; the chief financial officer of several portfolio companies owned by the Hopewell Group of Companies; the VP Investment Banking at RBC Dominion Securities; and a partner in the International Tax Group of KPMG LLP Chartered Accountants.
Mike Seth	Mr. Seth is an independent consultant who retired as President and Managing Director of McDaniel and Associates Consultants Ltd., having been with the firm for over 37 years. He graduated with a B.Sc. in mechanical engineering from the University of British Columbia in 1966. Mr. Seth is financially literate by virtue of over 40 years of entrepreneurial business experience.

## External Auditor Service Fees

PricewaterhouseCoopers LLP are Corridor's auditors for the years ended December 31, 2015 and 2014. The following table sets forth the Audit Fees, Audit – Related Fees, Tax Fees and All Other Fees billed by PricewaterhouseCoopers LLP in the financial years ended December 31, 2015 and December 31, 2014.

	<b>2015</b>	<b>2014</b>
Audit Fees <sup>(1)</sup>	\$142,933	\$129,608
Audit-Related Fees <sup>(2)</sup>	12,025	15,025
Tax Fees <sup>(3)</sup>	5,000	4,280
All Other Fees <sup>(4)</sup>	–	–
<b>Total</b>	<b>\$159,958</b>	<b>\$148,913</b>

### Notes:

- (1) "Audit Fees" means the aggregate fees billed by the issuer's external auditor in each of the last two fiscal years for audit fees. These fees also relate to the quarterly review of financial statements.
- (1) "Audit-Related Fees" means the aggregate fees billed in each of the last two fiscal years for assurance and related services by the issuer's external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under "Audit Fees" above.
- (2) "Tax Fees" means the aggregate fees billed in each of the last two fiscal years for professional services rendered by the issuer's external auditor for tax compliance, tax advice, and tax planning.
- (3) "All Other Fees" means the aggregate fees billed in each of the last two fiscal years for products and services provided by the issuer's external auditor, other than the services reported under clauses Audit-Related Fees, Tax Fees and All Other Fees above.

## ADDITIONAL INFORMATION

Additional information, including director's and officer's remuneration and indebtedness, principal holders of Common Shares and Common Shares authorized for issuance under the Corporation's Stock Option Plan, is contained in the information circular of the Corporation relating to the most recent meeting of holders of Common Shares. Additional financial information is also provided in the Corporation's financial statements and management's discussion and analysis for the year ended December 31, 2015.

Additional information relating to the Corporation is available on the Corporation's website at [www.corridor.ca](http://www.corridor.ca) and on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) and may also be obtained upon request by contacting the Chief Financial Officer of the Corporation at 301, 5475 Spring Garden Road, Halifax, Nova Scotia, B3J 3T2, phone: (902) 429-4511, facsimile: (902) 429-0209.



**APPENDIX "A"**

**Form 51-101F2**

**FORM 51-101F2**  
**REPORT ON RESERVES DATA**  
**BY**  
**INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR**

To the board of directors of Corridor Resources Inc. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2015. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2015, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2015, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate – M\$)			
			Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants	12/31/2015	Canada	-	79,031	-	<b>79,031</b>

6. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.

8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, February 2, 2016

*“Originally Signed By”*

Jodi L. Anhorn, M. Sc., P. Eng.  
Executive Vice President & COO

## APPENDIX "B"

### FORM 51-101F3 REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND INFORMATION

Management of Corridor Resources Inc. (the "**Corporation**") is responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with the securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2015, estimated using forecast prices and costs.

An independent qualified reserve evaluator has evaluated the Corporation's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Corporation has:

- (a) reviewed the Corporation's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of the Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

*"Steve Moran"*  
Steve Moran  
Chief Executive Officer

*"W. C. (Mike Seth)"*  
W. C. (Mike Seth)  
Director

*"Norman W. Miller"*  
Norman W. Miller  
Director

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

March 30, 2016

## APPENDIX "C"

### CORRIDOR RESOURCES INC.

#### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

##### **Policy Statement**

It is the policy of Corridor Resources Inc. (the "**Corporation**") to establish and maintain an Audit Committee, to assist the Board of Directors (the "**Board**") in carrying out their oversight responsibility for the Corporation's financial reporting process. The primary objectives of the Audit Committee are to:

- help directors meet their legal duties and responsibilities;
- provide better communications between the Board and the external auditor;
- enhance the independence of the external auditor;
- increase the credibility and objectivity of financial reports; and
- strengthen the role of the Board by facilitating in-depth discussions among directors, management and the external auditor.

The Audit Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If determined necessary by the Audit Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

##### **Composition of the Committee**

- 1) The Audit Committee shall consist of a minimum of three directors of the Corporation.
- 2) Members of the Audit Committee shall be appointed by the Board and may be removed by the Board in its discretion.
- 3) The members of the Audit Committee shall elect a Chair from among their number.
- 4) A majority of the members of the Audit Committee must not be officers or employees of the Corporation or an affiliate of the Corporation.

##### **Meetings of the Committee**

- 5) Subject to the following requirements, the Audit Committee may determine its own meeting procedures.
- 6) The Audit Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Audit Committee and whenever a meeting is requested by the Board, a member of the Audit Committee, the auditors, or senior management of the

Corporation. Scheduled meetings of the Audit Committee shall correspond with the review of the year-end and quarterly financial statements and management's discussion and analysis.

- 7) Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee and to the auditors, who shall attend any meeting upon the request of the Audit Committee.
- 8) Notice of a meeting of the Audit Committee shall: (a) be in writing, (b) state the nature of the business to be transacted at the meeting in reasonable detail; (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and (d) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.
- 9) A quorum for the transaction of business at a meeting of the Audit Committee shall consist of a majority of the members of the Audit Committee.
- 10) A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
- 11) In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting. In addition, the members of the Audit Committee shall choose one of the persons present to be the Secretary of the meeting.
- 12) The Chairman of the Board, senior management of the Corporation and other parties may attend meetings of the Audit Committee; however the Audit Committee (a) shall meet with the external auditors independent of management, and (b) may meet separately with management.
- 13) Minutes shall be kept of all meetings of the Audit Committee and shall be signed by the Chair and the Secretary of the meeting.
- 14) The Audit Committee may invite such officers, directors and employees of the Corporation or affiliates as it sees fit from time to time to attend meetings of the Audit Committee and to assist thereat in the discussion of matters being considered by the Audit Committee.
- 15) The members of the Audit Committee shall, for the purpose of performing their duties, have the right to inspect all the books, records and operations of the Corporation and its affiliates, and to discuss such books, records and operations with the officers and employees of the Corporation and its affiliates.

#### **Duties and Responsibilities of the Committee**

- 16) The Audit Committee is generally responsible for managing, on behalf of shareholders of the Corporation, the relationship between the Corporation and its external auditor. This includes:
  - a) identifying and monitoring the management of the principal risks that could impact the financial reporting of the Corporation;
  - b) monitoring the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;

- c) monitoring the independence and performance of the Corporation's external auditors;
  - d) dealing directly with the external auditors to approve external audit plans, other services (if any) and fees;
  - e) directly oversee the external audit process and results (in addition to items described in Section 19 below);
  - f) providing an avenue of communication among the external auditors, management and the Board;
  - g) ensuring that an effective "whistle blowing" procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual.
- 17) The Audit Committee shall have the authority to:
- a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;
  - b) discuss with the management of the Corporation, its subsidiaries and affiliates and senior staff of the Corporation, any affected party and the external auditors, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;
  - c) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
  - d) to set and pay the compensation for any advisors employed by the Audit Committee.
- 18) The Audit Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
- 19) The Audit Committee shall:
- a) review the audit plan with the Corporation's external auditors and with management;
  - b) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting;
  - c) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
  - d) review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;



- e) review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;
  - f) review audited annual financial statements and related documents in conjunction with the report of the external auditors and obtain an explanation from management of all significant variances between comparative reporting periods;
  - g) consider and review with management, the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses;
  - h) review with financial management and the external auditors the quarterly unaudited financial statements and management discussion and analysis before release to the public;
  - i) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectuses, annual reports, annual information forms, management discussion and analysis and press releases; and
  - j) oversee, any of the financial affairs of the Corporation, its subsidiaries or affiliates, and, if deemed appropriate, make recommendations to the Board, external auditors or management.
- 20) The Audit Committee shall:
- a) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditor or the discharge of the external auditor when circumstances are warranted;
  - b) consider the recommendations of management in respect of the appointment of the external auditors;
  - c) recommend to the Board the compensation of the external auditor;
  - d) pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its external auditors', or the external auditors of the Corporation's subsidiary entities;
  - e) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors;
  - f) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation required pursuant to National Policy 51-102 (or any successor legislation) of the Canadian Securities Administrators and the planned steps for an orderly transition period; and

- g) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors.
- 21) The Audit Committee shall:
    - a) review with management at least annually, the financing strategy and plans of the Corporation; and
    - b) review all securities offering documents (including documents incorporated therein by reference) of the Corporation.
  - 22) The Audit Committee shall review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.
  - 23) The Audit Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Audit Committee by any member of the Board, a shareholder of the Corporation, the external auditors, or senior management.
  - 24) The Audit Committee shall periodically review with management the need for an internal audit function.
  - 25) The Audit Committee shall review the Corporation's accounting and reporting of environmental costs, liabilities and contingencies.
  - 26) The Audit Committee shall establish and maintain procedures for:
    - a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting controls, or auditing matters; and
    - b) the confidential, anonymous submission by employees of the Corporation or concerns regarding questionable accounting or auditing matters.
  - 27) The Audit Committee shall review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
  - 28) The Audit Committee shall review and approve the Corporation's hiring policies regarding partners, employees, former partners and former employees of the present and former external auditors.
  - 29) The Audit Committee shall review with the Corporation's legal counsel, at least on an annual basis or as otherwise appropriate, any legal matter that could have a significant impact on the Corporation's financial statements, and any enquiries received from regulators, or government agencies.
  - 30) The Audit Committee shall assess, on an annual basis, the adequacy of this Mandate and the performance of the Audit Committee.