



**CORRIDOR RESOURCES INC.**

**ANNUAL INFORMATION FORM**  
**For the Year Ended December 31, 2018**

**March 27, 2019**

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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 27, 2019;

**"Anticosti Hydrocarbons"** means Anticosti Hydrocarbons L.P., a Québec limited partnership established by each of Corridor, Ressources Québec, Pétrolia and M&P pursuant to the Anticosti Joint Venture, which limited partnership was dissolved on September 27, 2017;

**"Anticosti Joint Venture"** means the joint venture entered into on April 1, 2014, and terminated on July 28, 2017, between Corridor, Ressources Québec, Pétrolia and M&P in respect of Corridor's and Pétrolia's former interests in Anticosti Island, Québec;

**"Board of Directors"** means the board of directors of Corridor;

**"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;

**"CSEM"** means controlled source electro-magnetic;

**"developed non-producing reserves"** means 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"** means 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"** means 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"**, means 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"**, means 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"** means 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;

**"GHG"** means greenhouse gas;

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

**"GLJ Frederick Brook Resource Study"** means the report of GLJ dated March 1, 2017 with an effective date of December 31, 2016 in respect of the Corporation's shale gas resources contained within the Frederick Brook formation in the McCully Field and Elgin Sub-Basin in New Brunswick, which report was confirmed by GLJ on March 1, 2019;

**"GLJ Reserves Report"** means the report of GLJ dated March 1, 2019 with a preparation date of February 14, 2019 and an effective date of December 31, 2018, setting forth certain information relating to certain natural gas, shale gas and natural gas liquids reserves of Corridor's properties, specifically the McCully Field, and the net present value of the estimated future net revenues associated with such reserves;

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

**"gross wells"** means 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 was a participant in the Anticosti Joint Venture;

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

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

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

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

**"NGLs"** means natural gas liquids;

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

"**Nutrien**" means Nutrien Inc., the resulting corporation of the merger of Potash Corporation of Saskatchewan Inc. and Agrium Inc.;

"**Pétrolia**" means Pétrolia Inc., which was 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;

"**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 Final Reports**" means the SEA of the Québec oil and gas sector announced by the Québec Government on May 30, 2014 and released on May 30, 2016, which includes the SEA of Anticosti Island, and provides commentary on social, environmental, economic, safety, transportation and emissions issues touching upon hydrocarbon development in Québec;

"**Repsol**" means Repsol Oil & Gas Canada Inc. DBA Repsol Energy Canada;

"**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 was 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;

"**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;

"**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;

**"UNESCO"** means the United Nations Educational, Scientific and Cultural Organization;

**"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
Financial			
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;
- capital expenditures;
- acquisition, exploration and development plans;
- the ability to develop its properties and to find a joint venture partner for such developments;
- government support of exploration and development activities;
- duration of production of wells;
- operating expenses;
- the estimate of natural gas, oil and natural gas liquids reserves and resources;
- net present values of future net revenues from reserves;
- planned capital expenditures;
- 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; 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 and hedging contracts.



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, development and operating costs, substantial capital requirements and financing, volatility of natural gas and oil prices, government regulation, environmental, hydraulic fracturing, third party risk, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, variations in exchange rates, expiration of licenses and leases, reserves estimates, trading of common shares, seasonality, disclosure controls and procedures and internal controls over financial reporting, competition, conflicts of interest, issuance of debt, title to properties, hedging, information systems, litigation and aboriginal land and rights claims. Further information regarding these factors 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 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 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 and an offshore conventional hydrocarbon prospect in the Gulf of St. Lawrence. As at March 27, 2019, Corridor had 11 full time employees and 2 full time consultants.

Corridor's operations are currently focused on two principal properties, being the McCully Field, New Brunswick and the Frederick Brook shale prospect in the Elgin Sub-Basin, New Brunswick, as described below.

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

Corridor holds an average working interest of 75% in 81,022 gross acres (60,944 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 11.8 mmcfpd (9.8 mmcfpd net) in December 2018 and 5.4 mmcfpd (4.2 mmcfpd net) for the year ended December 31, 2018. As at the date hereof, 39 wells have been drilled in the McCully Field, all of which have encountered natural gas.

For information regarding the McCully Field and a summary of the reserves in the McCully Field, see "*Description of the Properties – New Brunswick Properties – McCully Field*", "*Statement of Reserves Data and other Oil and Gas Information*" 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.

For information regarding Corridor's interest in the Elgin Sub-Basin and a summary of the petroleum resources in the Frederick Brook formation, see "*Description of the Properties – New Brunswick Properties – Elgin Sub-Basin*", "*Appendix A – GLJ Frederick Brook Resource Study*" and "*Three Year History*".

### **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, 2018***

#### *New Brunswick – General*

In November 2018, the Government of New Brunswick expressed its intention to allow natural gas development in the Sussex region, where Corridor's properties are located.

On December 19, 2018, Corridor announced that its future activities in respect of the Frederick Brook shale would be focused on initially attracting a joint venture partner to bring capital and shale gas expertise to assist with further evaluation of the Frederick Brook shale by way of a pilot project to be developed with such joint venture partner. Corridor determined this was its top objective moving forward as the scope and scale of the opportunity in the Frederick Brook shale represents a significant upside potential for Corridor's shareholders.

#### *McCully Field, New Brunswick*

As part of its production optimization strategy, Corridor shut-in its natural gas production in the McCully Field in New Brunswick in May 2018 and resumed limited production in November 2018, with a ramp-up in production in December 2018. The objective of this production optimization strategy allows Corridor to shut-in production during low summer/fall season prices and to time the start-up of production, and the associated recovery of flush volumes, with peak winter pricing to maximize field operating netbacks and preserve Corridor's reserves for production in future years.

Corridor sells all of its share of the natural gas produced from the McCully Field to Repsol pursuant to a long-term agreement. Corridor's natural gas production has historically been sold in the New England market in the northeastern U.S. at prices referenced to AGT but has recently been expanded to include sales to local markets in the Maritimes given the decrease in natural gas production in Atlantic Canada. In 2018, Corridor and Repsol amended their long-term agreement to eliminate transportation charges on the Canadian portion of the M&NP from November 1, 2018 to April 1, 2024 in recognition of the changing

market As a result, Corridor expects cash flow from operations to increase by a minimum of \$6 million during that period.

#### *Gulf of St. Lawrence*

In June 2018, Corridor concluded there was no longer a viable path to drilling an exploration well on the Old Harry prospect in the Gulf of St. Lawrence before the current exploration licence on the Newfoundland side expires in January 2021 and, accordingly, Corridor determined to suspend any further technical work and capital spending on the Old Harry prospect. The Corporation reached this conclusion after a comprehensive review, which included the results of a CSEM survey and reprocessed two-dimensional seismic, revealed that the geology and geochemical/petrological analysis of the Old Harry structure was more complex than previously understood and with the knowledge that regulatory approvals for offshore projects are becoming increasingly challenging and timelines for such approvals are lengthy.

#### *Other*

Corridor implemented a normal course issuer bid under the TSX that commenced on August 23, 2018 and will expire on August 22, 2019. Under this normal course issuer bid, Corridor may purchase up to 6,803,118 of Common Shares. As at this time, Corridor has not purchased any Common Shares under the normal course issuer bid. See "*Description of Capital Structure*".

In 2018, Corridor entered into the following financial hedges: 5,000 mmbtu per day of natural gas production (approximately 2.3 mmscf per day) for the period from December 1, 2018 to March 31, 2019 at an average fixed price of \$US7.59/mmbtu, 2,500 mmbtupd for December 2018 at a fixed price of \$US10.35/mmbtu, 2,500 mmbtupd for January 2019 at a fixed price of \$US12.72/mmbtu, 2,500 mmbtupd for February 2019 at an average fixed price of \$US12.50/mmbtu and 2,500 mmbtupd for the period from December 1, 2019 to March 31, 2020 at a fixed price of \$US9.00/mmbtu.

In 2018, Corridor continued to evaluate opportunities with a disciplined approach to deploy surplus working capital. In this regard, the Board conducted a strategic review to identify and consider a broad range of potential opportunities with the objective of enhancing shareholder value. While the Board evaluated a number of opportunities, it did not enter into any transaction given the assessment that such opportunities were not in the best interest of the Corporation. In June 2018, the Corporation suspended this review process due to (i) the lack of opportunities that satisfied the Board's objectives, and (ii) the possibility that the moratorium on hydraulic fracturing in New Brunswick may be lifted, and determined to focus on the further evaluation of the Frederick Brook shale as the scope and scale of the opportunity in the Frederick Brook shale represents a more significant upside potential for Corridor's shareholders. Accordingly, Corridor will focus its activities in 2019 on attracting a joint venture partner to bring capital and shale gas expertise to assist with further evaluation of the Frederick Brook shale.

#### ***Financial Year Ended December 31, 2017***

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

From April 1, 2017 to November 30, 2017, Corridor shut-in most of its natural gas production in accordance with its production optimization strategy.

In 2017, Corridor entered into a financial hedge for 2,500 mmbtu per day of natural gas production (approximately 2.3 mmscf per day) for the period from December 1, 2017 to March 31, 2018 at a fixed price of \$US7.40/mmbtu and for 2,500 mmbtupd of natural gas production for the period from December 1, 2017 to February 28, 2018 at a fixed price of \$US7.83/mmbtu.

Corridor entered into forward sale agreements for the period from December 1, 2017 to March 31, 2018 to deliver natural gas to the local Maritimes market as opposed to the New England market. These

volumes were sold based on natural gas prices at AGT but were subject to lower transportation expenses resulting in an estimated increase of approximately \$1.2 million in cash flow from operations over the term of the forward sale agreements.

#### *Termination of Corridor's Activities / Interests in Anticosti Hydrocarbons*

In light of the Québec Government's decision in January 2017 to support the designation of Anticosti Island as a UNESCO World Heritage site and the resulting uncertainty that Anticosti Hydrocarbons' drilling program would proceed, Corridor, together with other partners of Anticosti Hydrocarbons, entered into negotiations with the Government of Québec with the goal of terminating the exploration joint venture project on Anticosti Island, including the Anticosti Joint Venture.

On July 28, 2017, Corridor announced that it had reached a settlement agreement with the Government of Québec that facilitated an end to its participation in oil and gas exploration on Anticosti Island, including the Anticosti Joint Venture. Under the settlement agreement, Corridor agreed to cease all hydrocarbon exploration activities on Anticosti Island and the Québec Government paid Corridor \$19.5 million in consideration for, amongst other things, the prejudice suffered by Corridor in connection with its interests in Anticosti Hydrocarbons. The Québec Government also agreed to reimburse Corridor for any further amounts expended prior to its departure from Anticosti Island, and to assume all abandonment and reclamation obligations in respect of three Anticosti wells in which Corridor has an interest outside of Anticosti Hydrocarbons.

#### *Gulf of St. Lawrence*

On January 15, 2017, Corridor announced that the C-NLOPB issued exploration license EL-1153 to Corridor in exchange for the surrender of exploration license EL-1105 covering the Old Harry prospect in the Gulf of St. Lawrence. The new exploration license expires on January 14, 2020, subject to extension by Corridor for an additional one year period (January 14, 2021) with the payment of a \$1 million deposit.

In November 2017, Corridor conducted a CSEM survey over the Newfoundland and Labrador sector of the Old Harry prospect with the objective of investigating the resistivity of geological prospects, similar to resistivity logging in well bores of potential hydrocarbon zones. Highly resistive layers in a geological structure measured with CSEM technology could indicate hydrocarbon bearing reservoirs and, therefore, could serve to reduce exploration risk and increase the likelihood of finding commercial quantities of hydrocarbons.

In November 2017, an environmental based group filed an originating application challenging the C-NLOPB's issuance of exploration licence EL-1153 to Corridor in January 2017 and seeking confirmation from the Supreme Court of Newfoundland and Labrador that any and all of Corridor's exploration licences on the Newfoundland side of Old Harry have expired. The originating application to the Supreme Court of Newfoundland and Labrador claimed that the C-NLOPB "erred in law and acted unreasonably" when it issued Corridor this license in exchange for Corridor's then expiring exploration licence EL-1105 covering the Newfoundland and Labrador side of the Old Harry prospect. The C-NLOPB (i) filed an application objecting to the standing of the applicant on the basis that they are not persons aggrieved by the issuance of EL-1153 and they have no legal stake in the matter of the validity of EL-1153; and also (ii) filed an affidavit in opposition to the merits of the applicant's originating application. Corridor supported the C-NLOPB's position and was granted intervener status in the case, as was the Government of Newfoundland and Labrador.

#### *Other*

Mr. Mike Seth did not stand for re-election at the annual meeting of shareholders of Corridor held on May 11, 2017 and retired as a director of Corridor as of that date.

## ***Financial Year Ended December 31, 2016***

### *McCully Field, New Brunswick*

Following the New Brunswick Government's December 2014 decision to impose a moratorium on hydraulic fracturing, on February 13, 2015, Corridor requested the Government suspend rental payments on exploration lands subject to the moratorium. The New Brunswick Government subsequently amended the regulations to the *Oil and Natural Gas Act*, effective February 25, 2016, to waive future rental payments in respect of sections of leases with no producing wells and Corridor was required to pay the full amount of rental payments outstanding for the 2015 year as a condition of the Government's renewal of lease 13-02C for another five years in December 2016.

On May 27, 2016, the Government of New Brunswick announced its decision to continue the moratorium on hydraulic fracturing for an indefinite period. Corridor engaged GLJ to assess the impact of the Government's decision on Corridor's reserves and to update its reserves report in respect of the McCully Field to take into account the continuation of the moratorium, which reduced the estimate of proved natural gas reserves by 23.1 bscf to 18.8 bscf and the estimate of proved plus probable natural gas reserves by 38.8 bscf to 22.9 bscf.

On September 1, 2016, Corridor partially shut-in its natural gas production to optimize the recovery of expected flush volumes to match the anticipated higher natural gas pricing at AGT from December 1, 2016 to March 31, 2017. Production resumed on November 19, 2016.

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

On May 12, 2016, Corridor announced that Anticosti Hydrocarbons had advised that a capital budget of \$23.0 million had been conditionally approved for the drilling of three horizontal wells on Anticosti Island during 2016. The drilling program was conditional on receiving the requisite regulatory approvals and permits from the Québec Government by the end of May 2016.

On May 30, 2016, the Québec Government released the Québec SEA Final Reports, with a key recommendation being the development of a rigorous regulatory framework governing exploration and development activities taking place within the province.

On July 12, 2016, subsidiaries of Pétrolia, Pétrolia Anticosti Inc. and Investissements PEA (as the operator of and a partner of the Anticosti Hydrocarbons, respectively) filed an injunction application with the Québec Superior Court seeking an order requiring Ressources Québec and M&P to comply with their contractual obligations in respect of Anticosti Hydrocarbons to make payments to Pétrolia, as the operator of Anticosti Hydrocarbons, and to fund the planned 2016 summer drilling program for three horizontal wells. On July 22, 2016, the Québec Superior Court partially allowed the application requiring Ressources Québec and M&P to advance to Pétrolia Anticosti Inc. the funds necessary to maintain the employees dedicated to Anticosti Hydrocarbons until May 31, 2017 and build the drilling locations for the three wells chosen for the planned drilling program, but declined to order Ressources Québec and M&P to fund the planned drilling program. In November 2016, Anticosti Hydrocarbons began constructing two of the three planned well locations on Anticosti Island and the construction of the third location was awaiting regulatory approvals.

### *Gulf of St. Lawrence*

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

## TRENDS

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

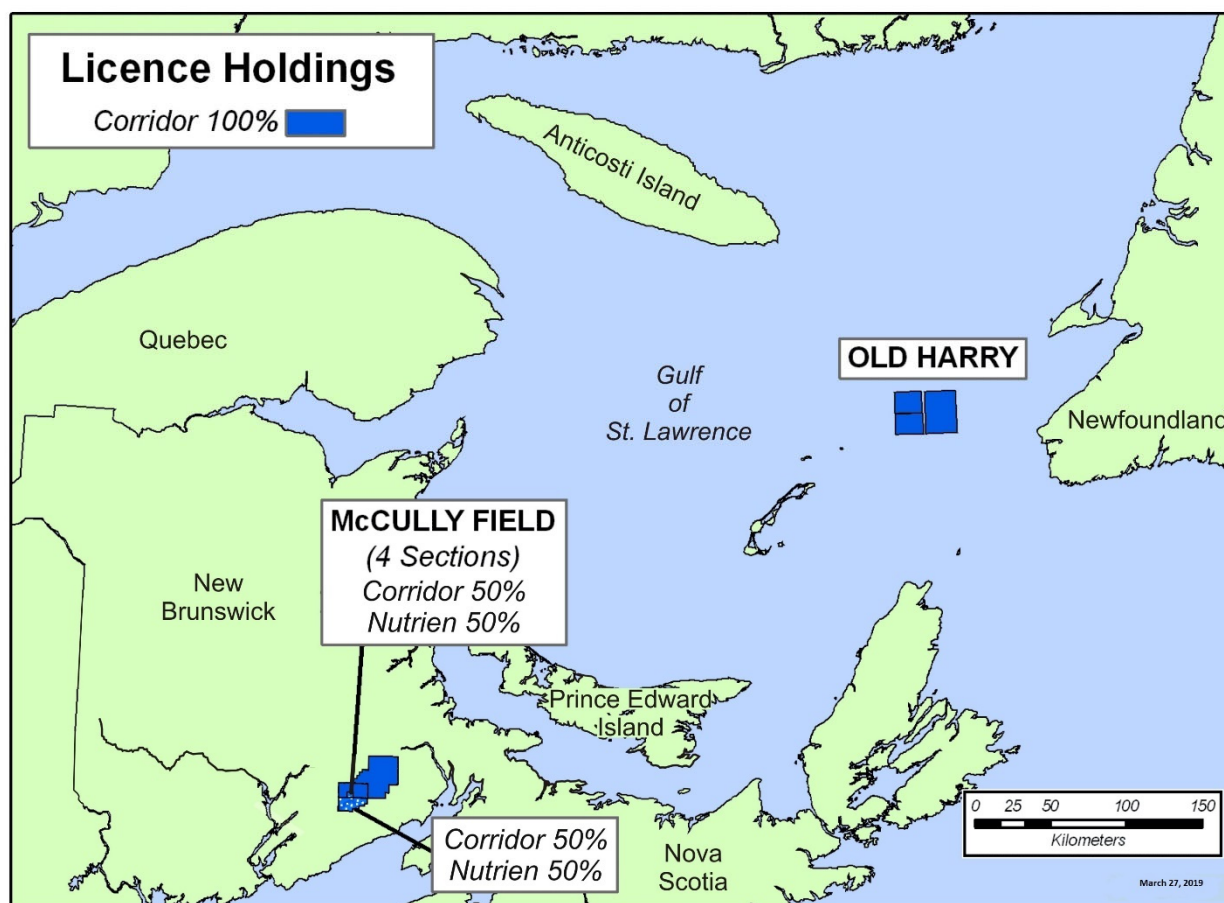
There are a number of trends that appear to be developing, which may have both long and short-term effects on the industry and the competitive positioning of the Corporation, and include: the volatility and downward trend of natural gas prices in North America; increased environmental regulation, including restrictions and moratoriums on hydraulic fracturing in certain jurisdictions (including New Brunswick) and restrictions on pipeline construction projects; and reduced supply of natural gas in the Maritimes as a result of the end of offshore production in Nova Scotia. 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 Information*".

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 Maritimes and 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 projects are planned which could alleviate supply constraints in the New England and Maritimes markets, it is not known whether the required regulatory approvals will be received and, if the projects proceed, the timing of completion of such projects. In addition, natural gas production from Sable Island and Deep Panuke in the Maritimes ended in 2018 resulting in excess demand and expected higher natural gas prices in the Maritimes. In recognition of the above factors, in 2018, Corridor entered into an agreement with Repsol to change the delivery location of its natural gas sales to the local Maritimes market as opposed to the New England market. While Corridor's natural gas production will continue to be sold based on natural gas prices at AGT, it will no longer be charged Canadian transportation on M&NP.

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 and the Maritimes market as compared to other North American markets. To take advantage of this differential in prices, since 2015 Corridor has adopted a production optimization strategy to shut-in much of its producing natural gas wells in the McCully Field in New Brunswick for a portion of the summer/fall period and to time the start-up of production, and the associated recovery of flush volumes, with peak winter pricing to maximize field operating netbacks and preserve Corridor's reserves for production in future years.

## 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 27, 2019.



## New Brunswick Properties

Corridor has interests in three properties in New Brunswick, being the McCully Field, the Elgin Sub-Basin and the Caledonia Field. The McCully Field accounts for all of Corridor's current production and 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. On May 27, 2016, the Government of New Brunswick announced its decision to continue this moratorium for an indefinite period. In November 2018, the Government of New Brunswick expressed its intention to allow natural gas development in the Sussex region, where Corridor's properties are located.

Corridor believes that all wells on its properties in New Brunswick require hydraulic fracture stimulation to be commercially productive and has determined that it will not undertake any exploration and development activities, incur associated capital expenditures or seek a joint venture partner for the development of any properties in New Brunswick until the moratorium on hydraulic fracturing is lifted in New Brunswick.

**Corridor's ability to maintain or increase production through the continued development of the McCully Field and to attract a joint venture partner to develop the Frederick Brook shale prospect in the Elgin Sub-Basin is materially and adversely affected while the moratorium remains in place. 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 Nutrien 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 Nutrien) 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.

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 pursuant to a long-term agreement which became effective on April 1, 2009 and will terminate on April 1, 2024. Corridor's natural gas production has historically been sold in the New England market in the northeastern U.S. at prices referenced to AGT but has recently been expanded to include sales to local markets in the Maritimes given the decrease in natural gas production in Atlantic Canada. In 2018, Corridor and Repsol amended their long-term agreement to eliminate transportation charges on the Canadian portion of the M&NP from November 1, 2018 to April 1, 2024 in recognition of the changing market. As a result, Corridor expects cash flow from operations to increase by a minimum of \$6 million during that period.

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

## ***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.

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, thirteen wells have been drilled into the Frederick Brook shale.



The information from these wells has enabled Corridor to geologically map the Frederick Brook shale over a wide area, in excess of 20 kilometers laterally from the McCully Field eastward.

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.

Corridor has one long term producing well from the Frederick Brook shale; the F-58 well in the McCully Field (not in the Elgin sub-basin) which was fracture stimulated with water in a single 9 tonne treatment and placed on production in 2008. The F-58 well continues to produce at an average stabilized rate of 200 mscf/d with a very low decline and the Corporation expects F-58 will produce for over 20 years.

The petroleum resources associated with the Elgin Sub-Basin are set forth in the GLJ Frederick Brook Resource Study, which is summarized in "*Appendix A – GLJ Frederick Brook Resource Study*".

For additional information regarding the Elgin Sub-Basin, 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 oil well).
- 50% working interest in ONG Lease 09-01.

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

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. These interests are part of Corridor's long-term efforts to open up hydrocarbon offshore exploration in 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".

In light of the results of a comprehensive review of the Old Harry prospect that the geology and geochemical/petrological analysis of the Old Harry structure was more complex than previously understood and the challenges with obtaining the requisite regulatory approvals for offshore projects Corridor announced, on June 11, 2018, that it had decided that it would not be prudent to continue with additional capital spending and, accordingly, suspended all further technical work and expenditures on the Old Harry prospect.

### ***Québec***

The Corporation holds a 100% working interest in two exploration licenses (PG963 and PG964) 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. 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.

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.

Only after an agreement between the Québec and Federal governments is reached will the potential of the Old Harry resources in Québec be further assessed. As of the date hereof, no further announcements have been made with respect to any agreement for implementing the Canada-Québec Accord.

For more information, see "*Risk Factors - Hydraulic Fracturing*".

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

Corridor holds a 100% working interest in 127,948 gross acres in exploration licence EL-1153 situated on the eastern end of the Old Harry prospect off the west coast of Newfoundland and Labrador in the Gulf of St. Lawrence, which license will expire on January 14, 2020, subject to extension by Corridor for an additional one year period (January 14, 2021) with the payment of a \$1 million deposit. This licence was issued by the C-NLOPB to Corridor in exchange for the surrender of exploration license EL-1105 covering the Newfoundland and Labrador sector of the Old Harry Prospect in the Gulf of St. Lawrence.

Corridor conducted a CSEM survey over the Newfoundland and Labrador sector of the Old Harry prospect in November 2017 to investigate the resistivity of geological prospects and subsequently reprocessed approximately 760 kilometers of its two-dimensional seismic data base over the Old Harry structure to enhance the integration of the CSEM data with Corridor's geological and geophysical models, all with the objective of gaining a better understanding of the stratigraphy within the Old Harry structure, which in turn, would facilitate a more robust integrated geotechnical model. This comprehensive review revealed that the geology and geochemical/petrological analysis of the Old Harry structure was more complex than previously understood. Corridor determined there was no longer a viable path to drilling an exploration well on the Old Harry prospect before the current exploration licence on the Newfoundland side expires in January 2021. The Corporation reached this conclusion with the knowledge that regulatory approvals for offshore projects are becoming increasingly challenging and timelines for such approvals are lengthy. As a result, on June 11, 2018, Corridor announced that it had decided it would not be prudent to continue with additional capital spending on the Old Harry prospect and, accordingly, suspended all further technical work and expenditures.

In November 2017, an environmental based group filed an originating application challenging the C-NLOPB's issuance of exploration licence EL-1153 to Corridor in January 2017 and seeking confirmation from the Supreme Court of Newfoundland and Labrador that any and all of Corridor's exploration licences on the Newfoundland side of Old Harry have expired. The hearing took place on February 25 and 26, 2019 before Justice McGrath and a ruling is expected in Q2 2019.

On February 18, 2019, Corridor filed an application for a Prohibition Order with the C-NLOPB pursuant to section 56(1) of the *Canada Newfoundland and Labrador Atlantic Accord Implementation Act*. To date the Corporation has not received a formal response from the C-NLOPB regarding the application. If granted, the Prohibition Order would prohibit Corridor from commencing work or activities on the Newfoundland side of the Old Harry prospect, while extending the term of EL-1153 for a period equal to the period in which the Prohibition Order is in force.

Corridor believes the C-NLOPB may exercise its discretion to issue a Prohibition Order in relation to EL-1153 on the grounds that: (a) certain events (see above under the heading "*Québec*") have had the effect of imposing a moratorium on oil and gas exploration on the Québec side of the Old Harry prospect

(the “**Québec Moratorium**”), which constitutes an environmental or social problem of a serious nature, and (b) additionally or alternatively, the impact of the Québec Moratorium on Corridor in relation to EL-1153 constitutes an environmental or social problem of a serious nature. Corridor believes the Québec Moratorium precludes it from marketing and/or advancing the development of the entirety of the Old Harry prospect as an oil and gas exploration project, with the effect that it has been precluded from exercising its rights under EL-1153 and is effectively preventing, the exploration and development of EL 1153.

If a Prohibition Order is granted for EL-1153 and the Québec Moratorium is subsequently removed, Corridor intends to renew its efforts to seek a joint venture partner with sufficient size, experience and expertise to act as operator to develop the entirety of the Old Harry prospect as a single project. Corridor does not anticipate committing any material capital expenditures in any future process to secure a partner.

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

## **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 a summary of information contained in the GLJ Reserves Report dated March 1, 2019, which has an effective date of December 31, 2018 and a preparation date of February 14, 2019. The GLJ Reserves Report was prepared in accordance with the COGE Handbook and NI 51-101. The reserves data summarizes the natural gas, shale gas 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 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 Information*" and "*Risk Factors*".

**All evaluations of future net revenue are after the deduction of royalties, development costs, production costs and well abandonment costs but before the 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 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 Information*" 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 "B" and "C" hereto, respectively.

Supplemental disclosure of Corridor's PIIP in the Frederick Brook shale in the Elgin Sub-Basin is included as "*Appendix A –GLJ Frederick Brook Resource Study*" to this AIF.

All of Corridor's reserves are located in the McCully 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, 2018 (Forecast Prices and Costs)							
Reserves Category	Conventional Natural Gas		Shale Gas		Natural Gas Liquids (NGLs)		Total Oil Equivalent Basis <sup>(1)</sup>	
	Gross (bscf)	Net (bscf)	Gross (bscf)	Net (bscf)	Gross (mmbbl)	Net (mmbbl)	Gross (mboe)	Net (mboe)
<b>Proved</b> <sup>(2)</sup>								
Developed Producing	17.114	16.748	0.824	0.807	18	18	3,008	2,943
Undeveloped	-	-	-	-	-	-	-	-
<b>Total Proved</b>	17.114	16.748	0.824	0.807	18	18	3,008	2,943
<b>Probable</b>	4.005	3.919	0.211	0.206	4	4	707	692
<b>Total Proved Plus Probable</b>	21.119	20.667	1.035	1.013	22	22	3,715	3,635
<b>Possible</b> <sup>(3)</sup>	4.674	4.574	0.229	0.224	5	5	822	805
<b>Total Proved Plus Probable Plus Possible</b> <sup>(3)</sup>	25.793	25.241	1,264	1,237	27	27	4,537	4,440

### Notes:

- (1) Natural gas has been converted to boes on the basis of six mscf of natural gas being equal to one boe.  
(2) The GLJ Reserves Report does not include any developed non-producing 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.

	Summary of Net Present Value of Future Net Revenue as of December 31, 2018 (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>		After Income Taxes <sup>(1)</sup> Discounted at (%/Year)				
	0% (\$MM)	5% (\$MM)	10% (\$MM)	15% (\$MM)	20% (\$MM)	\$/boe	\$/mscf	0% (\$MM)	5% (\$MM)	10% (\$MM)	15% (\$MM)	20% (\$MM)
<b>Proved</b> <sup>(3)</sup>												
Developed Producing	76.9	62.9	52.2	44.5	38.7	17.75	2.96	76.9	62.9	52.2	44.5	38.7
Undeveloped	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Proved</b>	76.9	62.9	52.2	44.5	38.7	17.75	2.96	76.9	62.9	52.2	44.5	38.7
<b>Probable</b>	22.8	13.6	8.4	5.6	3.9	12.18	2.03	22.8	13.6	8.4	5.6	3.9
<b>Total Proved Plus Probable</b>	99.7	76.5	60.7	50.0	42.7	16.69	2.78	99.7	76.5	60.7	50.0	42.7
<b>Possible</b> <sup>(4)</sup>	30.6	15.9	9.0	5.7	3.9	11.21	1.87	30.6	15.9	9.0	5.7	3.9
<b>Total Proved Plus Probable Plus Possible</b> <sup>(4)</sup>	130.2	92.4	69.7	55.7	46.6	15.70	2.62	130.2	92.4	69.7	55.7	46.6

### 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) The GLJ Reserves Report does not include any developed non-producing 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.

Additional Information Concerning Future Net Revenue (undiscounted) as of December 31, 2018 (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)
Total Proved	148.7	2.8	55.0	2.7	11.3	76.9	-	76.9
Total Proved Plus Probable	193.0	3.7	74.6	2.7	12.3	99.7	-	99.7
Total Proved Plus Probable Plus Possible <sup>(1)</sup>	248.4	4.7	97.2	2.8	13.5	130.2	-	130.2

**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, 2018 (Forecast Prices and Costs)				
Reserves Category	Production Group	Future Net Revenue Before Income Taxes (discounted at 10%/yr) (\$MM)	Unit Value <sup>(2)</sup>	
			(\$/boe)	(\$/mscf)
Proved	Conventional Natural Gas <sup>(1)</sup>	50.5	17.99	3.00
	Shale Gas <sup>(1)</sup>	1.7	12.64	2.11
	<b>Total Proved</b>	<b>52.2</b>	<b>17.75</b>	<b>2.96</b>
Proved Plus Probable	Conventional Natural Gas <sup>(1)</sup>	58.7	16.93	2.82
	Shale Gas <sup>(1)</sup>	2.0	11.74	1.96
	<b>Total Proved Plus Probable</b>	<b>60.7</b>	<b>16.69</b>	<b>2.78</b>
Proved Plus Probable Plus Possible <sup>(3)</sup>	Conventional Natural Gas <sup>(1)</sup>	67.4	15.93	2.66
	Shale Gas <sup>(1)</sup>	2.3	10.90	1.82
	<b>Total Proved Plus Probable Plus Possible<sup>(3)</sup></b>	<b>69.7</b>	<b>15.70</b>	<b>2.62</b>

**Notes:**

- (1) Including by-products (including NGLs) but excluding solution gas from oil wells. The GLJ Reserves Report does not separately report on the Future Net Revenue for NGLs.
- (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.

## 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, 2019.

Year	Brent Blend Crude Oil FOB North Sea (US\$/bbl)	Exchange Rate (US\$/Can\$)	Inflation rate (%)	AGT Gas Price (US\$/mmbtu)	McCully Gas Price (\$/mscf)
2019	63.25	0.750	-	4.40	6.13
2020	68.50	0.770	2.0	4.55	5.87
2021	71.25	0.790	2.0	4.55	5.72
2022	73.00	0.810	2.0	4.50	5.51
2023	75.50	0.820	2.0	4.63	5.61
2024	78.00	0.825	2.0	4.70	7.55
2025	80.50	0.825	2.0	4.77	8.26
2026	83.41	0.825	2.0	4.85	8.36
2027	85.02	0.825	2.0	4.93	8.47
2028	86.66	0.825	2.0	5.00	8.54
Thereafter	+2%/yr	0.825	2.0	+2%/yr	+2%/yr

The forecast 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 forecast AGT gas prices to reflect the expected premiums received at Corridor's delivery point, transportation costs, as

applicable, heat content and marketing conditions. Corridor's weighted average price for natural gas (including forward sales and hedging contracts) was \$10.23/mscf for the year ended December 31, 2018.

### ***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, 2018 set forth in GLJ's Reserves Report as compared to Corridor's reserves as at December 31, 2017, using forecast prices and costs.

<b>Reserves Reconciliation of Corporation Total Natural Gas Reserves By Principle Product Type (Forecast Prices and Costs)</b>								
	<b>Conventional Natural Gas</b>			<b>Shale Natural Gas</b>			<b>Total Natural Gas</b>	
	<b>Gross Proved (Mbbbl)</b>	<b>Gross Probable (Mbbbl)</b>	<b>Gross Proved Plus Probable (Mbbbl)</b>	<b>Gross Proved (bscf)</b>	<b>Gross Probable (bscf)</b>	<b>Gross Proved Plus Probable (bscf)</b>	<b>Gross Proved (Mbbbl)</b>	<b>Gross Probable Plus Probable (Mbbbl)</b>
<b>December 31, 2017</b>	17.3	4.1	21.4	0.9	0.2	1.1	18.1	4.4
Extensions and								
Improved Recovery	-	-	-	-	-	-	-	-
Technical Revisions	1.3	(0.1)	1.1	-	-	-	1.3	(0.1)
Economic Factors	-	-	-	-	-	-	-	-
Production	(1.4)	-	(1.4)	-	-	-	(1.4)	-
<b>December 31, 2018</b>	<b>17.1</b>	<b>4.0</b>	<b>21.1</b>	<b>0.8</b>	<b>0.2</b>	<b>1.0</b>	<b>17.9</b>	<b>4.2</b>

<b>Reserves Reconciliation of Corporation Reserves By Principle Product Type (Forecast Prices and Costs)</b>								
	<b>Total Natural Gas</b>			<b>Natural Gas Liquids</b>			<b>Total Oil Equivalent Basis</b>	
	<b>Gross Proved (Mbbbl)</b>	<b>Gross Probable (Mbbbl)</b>	<b>Gross Proved Plus Probable (Mbbbl)</b>	<b>Gross Proved (Mbbbl)</b>	<b>Gross Probable (Mbbbl)</b>	<b>Gross Proved Plus Probable (Mbbbl)</b>	<b>Gross Proved (Mboe)</b>	<b>Gross Probable Plus Probable (Mboe)</b>
<b>December 31, 2017</b>	18.1	4.4	22.5	23	6	29	3,044	732
Extensions and								
Improved Recovery	-	-	-	-	-	-	-	-
Technical Revisions	1.3	(0.1)	1.1	(4)	(1)	(5)	207	(25)
Economic Factors	-	-	-	-	-	-	-	-
Production	(1.4)	-	(1.4)	(1)	-	(1)	(243)	-
<b>December 31, 2018</b>	<b>17.9</b>	<b>4.2</b>	<b>22.2</b>	<b>18</b>	<b>4</b>	<b>22</b>	<b>3,008</b>	<b>707</b>

## **ADDITIONAL INFORMATION RELATING TO RESERVES DATA**

### ***Timing of Undeveloped Reserves Assignments***

GLJ has not attributed any undeveloped reserves to Corridor's properties. 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.

On May 27, 2016, the Government of New Brunswick announced its decision to continue the moratorium on hydraulic fracturing for an indefinite period. Corridor believes that all wells in the McCully Field require hydraulic fracture stimulation to be commercially productive. As a result of this announcement, Corridor's undeveloped wells requiring hydraulic fracture stimulations in New Brunswick no longer meet the necessary conditions to qualify as reserves and GLJ made the decision to eliminate all undeveloped reserves from its estimates of reserves.

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 Affecting Reserves Data***

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. On May 27, 2016, the New Brunswick Government announced its decision to continue the moratorium for an indefinite period. Corridor believes that all wells on its properties in New Brunswick require hydraulic fracture stimulation to be commercially productive. As a result of this announcement, Corridor has determined that it will not undertake any drilling or completion activities or incur associated capital expenditures in New Brunswick until the moratorium is lifted. As a result, Corridor's undeveloped wells requiring hydraulic fracturing no longer meet the necessary conditions to qualify as reserves. See "*Risk Factors - Hydraulic Fracturing*", "*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, 2018 is approximately \$17.5 million (net present value of \$11.1 million at a 2.22% discount). The abandonment and reclamation costs estimate includes one well in the Caledonia Field, three wells in the Elgin Sub-Basin, and 28.0 net wells in the McCully Field, Corridor's gas processing plant and transmission pipeline. Corridor anticipates spending approximately \$0.2 million relating to reclamation costs of two wells in Prince Edward Island and 1.5 net wells in the McCully Field 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 \$12.3 million (\$1.9 million at a 10% discount) for 23.5 net wells under the proved plus probable case and \$11.3 million (\$2.3 million at a 10% discount) for 23.5 net wells under the proved reserves case. GLJ's estimate of abandonment and reclamation costs for the McCully Field 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	2019 (\$MM)	2020 (\$MM)	2021 (\$MM)	2022 (\$MM)	2023 (\$MM)	2024 (\$MM)	Remainder (\$MM)	Total	
								Undiscounted (\$MM)	Discounted at 10% (\$MM)
Proved	-	-	-	-	2.6	-	-	2.6	1.7
Proved Plus Probable	-	-	-	-	-	2.7	-	2.7	1.6

Corridor's 2019 capital expenditure program does not include any capital spending in New Brunswick due to the hydraulic fracturing moratorium currently in effect in New Brunswick. Capital expenditures include anticipated costs for the continued production of the existing wells and upgrade of facilities. It is expected that such future development costs in the McCully Field will be funded through future cash flow from operations.

## OTHER OIL AND GAS INFORMATION

### Oil and Gas Properties and Wells

As at December 31, 2018, Corridor had an interest in 38 gross (28.0 net) producing and non-producing natural gas and oil wells as follows:

	Producing		Non-Producing <sup>(1)</sup>	
	Gross	Net	Gross	Net
<b>Crude Oil Wells</b>				
Caledonia Field	-	-	1.0	1.0
Subtotal	-	-	1.0	1.0
<b>Natural Gas Wells</b>				
McCully Field	32.0	23.0	5.0	4.0
<b>Total</b>	<b>32.0</b>	<b>23.0</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 49 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 27, 2019.

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)</sup>	135,920	135,920
Gulf of St. Lawrence, Québec <sup>(2)</sup>	123,550	123,550
Gulf of St. Lawrence, Newfoundland and Labrador	127,948	127,948
<b>Total</b>	<b>464,879</b>	<b>446,582</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. As at this time, there has not yet been any legislation passed to implement these accords.



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 Field. No rights of Corridor to explore, develop or exploit any of unproved properties will expire before December 31, 2019.

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, as recently amended. This agreement became effective on April 1, 2009 and provides Corridor with year round access to natural gas markets in the Maritimes and New England in 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 AGT). Corridor recently entered into an agreement with Repsol to change the delivery location of its natural gas production to the local Maritimes market as opposed to the New England market in recognition of the changing market. The natural gas production will continue to be sold based on natural gas prices at AGT but without incurring Canadian transportation expenses on M&NP.

### ***Tax Horizon***

The Corporation did not pay any income taxes in the year ended December 31, 2018. As at December 31, 2018, the Corporation had approximately \$166 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, 2018 are as follows:

	<b>Amount (\$MM)</b>
Canadian exploration expense	99.7
Canadian development expense	44.8
Canadian oil and gas property	3.0
Facilities and equipment (Class 41)	2.7
Transmission Pipeline (Class 1)	14.1
Other equipment and CEC	1.7
<b>Total</b>	<b>166.0</b>

Based on planned capital expenditure programs and current natural gas price assumptions, the Corporation does not expect to be cash taxable in the near future. The GLJ Reserves Report estimates that the Corporation will never be taxable on a total proved reserves basis or a proved plus probable reserves basis. 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, 2018 for acquisitions, dispositions and capital expenditures.

<b>Nature of Cost</b>	<b>Amount (\$M)</b>
Exploration Costs	1.2
Development Costs	1.0
<b>Total</b>	<b>2.2</b>

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

Corridor did not complete any wells during the year ended December 31, 2018 and does not have any plans to conduct exploration and development activities in New Brunswick until the moratorium on hydraulic fracturing in New Brunswick is lifted.

### ***Production Estimates***

The following table summarizes the volume of total gross working interest average daily production estimated in the GLJ Reserves Report for the financial year ended December 31, 2019 using forecast prices and costs. The McCully Field accounts for all of this production.

<b>2019 Estimated Production Forecast Prices and Costs</b>		
	<b>Total Proved</b>	<b>Total Proved Plus Probable</b>
Conventional Natural Gas (mmscfpd)	6.5	6.5
Shale Gas (mmscfpd)	0.2	0.2
Natural Gas Liquids (bblpd)	7	7
<b>Total (boepd)</b>	<b>1,124</b>	<b>1,128</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 2018 and the financial year ended December 31, 2018 are set out below. Corridor did not produce any crude oil and had only nominal sales of natural gas liquids in 2018. The McCully Field accounted for all of this production.

	Three months ended				Year Ended
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	December 31, 2018
<b>Natural Gas</b>					
Average Daily Gas Production (mmscfpd)	9.9	2.8	-	4.4	4.2
Price (\$/mscf)	\$12.90	\$5.63	-	\$8.53	\$10.57
Royalties (\$/mscf)	(0.43)	(0.10)	-	(0.24)	(0.33)
Production & Transportation Costs (\$/mscf)	(0.88)	(2.85)	-	(2.02)	(1.83)
<b>Netback (\$/mscf)</b>	<b>\$11.59</b>	<b>\$2.68</b>	<b>-</b>	<b>\$6.27</b>	<b>\$8.41</b>

### **INDUSTRY CONDITIONS**

Given the focus of Corridor on its two principal properties, being the McCully Field and the Elgin Sub-Basin, which are located in New Brunswick, and the decision of Corridor to suspend any further

technical work and capital spending on the Old Harry Prospect in the Gulf of St. Lawrence, the discussion of Industry Conditions is limited to those conditions applicable to the exploration, development and production of natural gas in New Brunswick.

## **Government Regulation**

The oil and gas industry in Canada is subject to extensive controls and regulations imposed by various levels of government. Oil and gas operations are subject to Canadian federal, provincial, territorial and local laws and regulations, which 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. These laws and regulations may change in response to changing economic or political conditions.

Failure to comply with the laws and regulations may result in administrative, civil and criminal penalties, remedial obligations and injunctions that could delay, limit or prohibit certain operations. All laws and regulations are a matter of public record and Corridor is unable to predict what additional laws, regulations or amendments may be enacted.

## **Pricing, Marketing & Trade**

### ***Natural Gas***

The price of natural gas 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 and the government of Canada. Exporters are free to negotiate price and other terms with purchasers, provided that export contracts meet the criteria prescribed by the NEB and the government of Canada.

The NEB may issue orders authorizing gas exports or imports for a term of not more than two years, or for a term of 2 to 20 years in quantities not exceeding 30,000 m<sup>3</sup>/d. It may also issue orders authorizing gas exports or imports for subsequent import or gas import for subsequent export for a term of not more than 25 years.

In 2015, the *NEB Act* was amended to increase the maximum term for natural gas export licences from 25 to 40 years. Additionally, the proposed amendments to the *National Energy Board Part VI (Oil and Gas) Regulations* would remove the requirement of a licence to import natural gas.

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

Under the *NEB Act* regulations, "natural gas" means a mixture of gas composed of at least 85% methane. It does not include NGLs, which are regulated separately by the NEB and the Government of Canada. As with natural gas, the price of NGLs is determined by negotiations between buyers and sellers and exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts meet the criteria prescribed by the NEB and the government of Canada.

The NEB may issue orders authorizing the export of propane and butane for not more than one year and of ethane for not more than two years. Exporters must report monthly on their export activities to the NEB.

## **The North American Free Trade Agreement and the United States – Mexico – Canada Agreement**

The *North American Free Trade Agreement ("NAFTA")* between Canada, the United States and Mexico came into effect on January 1, 1994. Under *NAFTA*, Canada is free to restrict exports of energy

resources to the United States or Mexico, 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 proportion 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 (iii) disrupt normal channels of supply.

In November 2018, Canada, the U.S. and Mexico signed the Canada-United States-Mexico Agreement (“CUSMA”) with a view to replacing NAFTA. Under CUSMA, Canada will no longer be subject to the proportionality provisions in NAFTA’s energy chapter, which should permit the expansion of oil and gas exports beyond the United States. In addition, CUSMA includes a change to the oil and gas rules of origin which will allow Canadian exporters to more easily qualify for duty-free treatment for shipments to the United States. Canada must, however, notify the United States of its intention to enter free trade talks with any “non-market economies” under CUSMA, which may include China or other potential importers of Canadian oil and gas exports. Legislators from each of the three countries must ratify CUSMA according to their own legislative processes before it goes into effect and replaces NAFTA. The outcome of the ratification process in each of these countries is not complete and is therefore uncertain; however, it is currently anticipated that CUSMA will come into force on January 1, 2020.

### **The Comprehensive and Progressive Agreement for Trans-Pacific Partnership**

In October 2015, Canada concluded negotiations for a free trade agreement between the members of the Trans-Pacific Partnership, which includes Canada, Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam (“TPP”). These 12 countries currently represent nearly 40% of world trade. TPP was expected to provide greater transparency and more predictable market access for cross-border trade in extractive industries such as oil and gas.

All 12 countries signed TPP in 2016. However, in 2017, the United States withdrew from TPP and the remaining 11 countries agreed to try to revive the deal without United States participation. In March 2018, Canada signed the revamped trade deal called Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the “CPTPP”). The CPTPP includes provisions to enhance environmental protection in the CPTPP region and to address global environmental challenges. Signatories to the CPTPP are expected to take measures to control certain substances, including chlorofluorocarbons, hydrochlorofluorocarbons and hydrofluorocarbons.

### **Transportation Capacity**

Despite some recent pipeline expansions, Canada's overall pipeline capacity and ability to access the United States midwest and coastal markets is constrained. Several new pipeline projects have been proposed and, if they move forward, the new pipelines would help to alleviate Canada's transportation capacity limitations. The completion of new pipelines is not guaranteed.

Notwithstanding limited pipeline capacity in Canada, Corridor projects an excess availability of capacity on the Canadian portion of the M&NP for the foreseeable future. Corridor sells all of its natural gas produced from the McCully Field in the Maritimes and also New England pursuant to a long-term agreement with Repsol, which includes the transportation on M&NP US. Corridor does not foresee any restricted access to the U.S. markets for the foreseeable future.

### **Land Tenure**

Provincial and federal governments grant rights to energy companies to explore for and produce oil and natural gas pursuant to leases, licences, permits and regulations. Lease terms vary in length, usually from two to five years. Other provision of mineral leases are set out in relevant legislation or are negotiated.

Continuing interests in petroleum and natural gas licences are earned by drilling wells. A lease is proven productive at the end of its initial term by drilling, producing, mapping, being part of a unit agreement or paying offset compensation. If a lease is proven productive, it will continue indefinitely beyond its initial term. The tenure comes to an end only when the holder can no longer prove its well is capable of producing oil or gas.

Many jurisdictions in Canada have legislation in place for mineral rights reversion to the Crown of stratigraphic formations that cannot be shown to be capable of production at the end of their primary lease term. In some provinces, energy companies are able to continue lease terms for non-productive lands if certain criteria are met under the relevant legislation.

## **Aboriginal Lands & Rights Claims**

In 2014, the Supreme Court of Canada granted Aboriginal title over non-treaty lands, representing the first instance of such a declaration. There may be Aboriginal and treaty rights claims, which may include Aboriginal title claims, on lands where Corridor operates. Any such claims could have adverse impacts on Corridor's operations or pace of growth. No certainty exists that any lands currently unaffected by claims brought by Aboriginal groups will remain unaffected by future claims. Recent outcomes of litigation concerning Aboriginal rights may result in increased claims and litigation activity in the future.

The federal and provincial governments have a duty to consult with Aboriginal people in relation to actions and decisions which may impact asserted Aboriginal or treaty rights and, in certain cases, have a duty to accommodate Aboriginal peoples' concerns. These duties may adversely affect Corridor's ability to obtain and renew permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals. The scope of the duty to consult by federal and provincial governments is subject to ongoing litigation which may result in uncertainty with respect to the process to obtain permits, leases, licences and other approvals. Opposition by Aboriginal groups may also negatively impact Corridor in terms of public perception, diversion of time and resources, legal and other advisory expenses, potential blockades or other interference by third parties in our operations, or court-ordered relief impacting operations. Challenges by Aboriginal groups could adversely impact Corridor's progress and ability to explore and develop properties.

In May 2016, Canada announced its support for the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP"). The means of implementation of UNDRIP by government bodies are uncertain and may include an increase in consultation obligations and processes associated with project development, posing risks and creating uncertainty with respect to project regulatory approval timelines and requirements.

## **Royalties**

### ***General***

For crude oil, natural gas and related production from Crown lands, the royalty regime significantly impacts the profitability of production. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The value of production and the royalty rates generally depend on prescribed reference prices, well productivity, geographical location, the field discovery date and the type of product produced.

Provincial governments will, from time to time, adopt incentive programs designed to encourage oil and gas exploration and development activity and improve earnings and cash flow within the industry. These programs may include royalty rate reductions, drilling credits, royalty holidays or royalty tax credits. Such programs are often of limited duration and target specified types of oil and gas activities.

## ***New Brunswick***

New Brunswick uses a two-tier royalty regime for natural gas production. The basic royalty rate is equal to the greater of 4% of the wellhead price or 2% of gross revenues. After a project has recovered all its eligible costs and begins to make a profit, the producer must also pay 25% of the excess of revenues over eligible costs. The royalty rate for NGLs is 10% of gross revenues.

### **Accountability and Transparency**

The federal Extractive Sector Transparency Measures Act (the "ESTMA") 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 explore or extract. All companies subject to ESTMA are required to report payments over \$100,000 made to any level of a 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) and infrastructure improvement payments. These categories are distinct; regardless of the aggregate payment amount, one or more individual categories must reach the \$100,000 threshold for reporting to be required.

It is worth noting that due to the definition of 'payee' under ESTMA, payments made to Aboriginal communities under impact-benefit agreements may be subject to reporting depending on whether the Aboriginal community with whom a company has negotiated, falls within this definition.

Any persons or entities found in violation of the ESTMA, including the making of 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 ESTMA. 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 ESTMA contains a due diligence defence whereby no person will be found guilty of an offence under the ESTMA 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 (from the time when the subject matter of the proceeding arose) within which proceedings must be brought for offences under the ESTMA.

### **Environmental Regulation**

All phases of the oil and gas business present environmental risks and are subject to environmental regulation pursuant to international conventions and national, provincial, territorial and municipal laws. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases, discharges and emissions of various substances produced or used in association with oil and gas operations, as well as requirements with respect to oilfield waste handling, storage and disposal, land reclamation, habitat protection and minimum setbacks of oil and gas activities from surface water bodies.

As an operator of oil and natural gas properties in Canada, Corridor is subject to stringent federal, provincial, territorial and local laws relating to environmental protection, abandonment and reclamation. Compliance with these laws can affect the location or size of wells and facilities, the extent to which exploration and development may be allowed, and the 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, the imposition of remedial obligations, the incurrence of capital or increased operating costs relating to compliance and the issuance of injunctions that limit or prohibit activities.

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.

### ***Federal***

Federal environmental legislation may apply to various aspects of oil and gas projects. Such legislation is embodied in, among other sources, the *Canadian Environmental Assessment Act, 2012*, the *Canadian Environmental Protection Act, 1999*, and the *Navigation Protection Act*. Additionally, projects may be subject to the *Fisheries Act*, which prohibits the deposit of deleterious substances or the carrying on of work that could result in serious harm to fish that support a fishery, and the *Species at Risk Act*, which protects critical habitat for species of concern and may limit Corridor's development.

In 2017, the Government of Canada issued a discussion paper outlining the legislative changes it is considering with respect to the *NEB Act* (as discussed above), the federal environmental assessment process, the *Navigation Protection Act* and the *Fisheries Act*.

On February 8, 2018, the Government of Canada introduced Bill C-69, which, if passed, will repeal both the *Canadian Environmental Assessment Act, 2012* and the *NEB Act* and replace them with, respectively, the *Impact Assessment Act* and the *Canadian Energy Regulator Act*. On December 12, 2018, Bill C-69 had its Second Reading in the Senate and has been referred to the Standing Senate Committee on Energy, the Environment and Natural Resources.

Assuming Bill C-69 is passed, the Canadian Environmental Assessment Agency will be renamed the Impact Assessment Agency of Canada (the "IAAC"). When reviewing proposed projects, the IAAC will consider not only environmental impacts, but also health, social, economic and Indigenous impacts. The IAAC will also conduct a gender-based analysis when reviewing projects. The IAAC is intended to lead all federal reviews of major projects under a "one project, one review" objective. The IAAC will work with the new Canadian Energy Regulator (the agency that will replace the NEB) and other government bodies. Bill C-69 also prescribes specific time limits for project reviews that are intended to expedite the review and approval process. Time limits depend on the size of the project and whether the project is reviewed by the IAAC or referred to a review panel by the Minister. The proposed legislation also provides for increased public and Indigenous participation in the review process.

The Government of Canada also announced it would be amending the *Fisheries Act* by increasing its reach to all fish and fish habitats, not just those that may be affected by major projects.

The *Pipeline Safety Act* ("PSA"), which came into force in June 2016, amended the *NEB Act* and the *Canada Oil and Gas Operations Act* in order to strengthen the safety and security of pipeline. The PSA reinforces the "polluter pays" principle, such that operators of pipelines are liable for costs and damages of all unintended or uncontrolled releases of oil, gas or other substances. Canada was the first country to introduce absolute liability irrespective of fault, with liability in amounts up to \$1 billion for major pipelines (i.e., with transport capacity over 250,000 bbls/d) or otherwise as prescribed by regulation for pipelines with lower capacity. In instances involving fault or negligence, liability is unlimited. Operators are required to maintain the financial resources necessary to meet the applicable absolute liability obligations imposed under the *PSA*, which is another uniquely Canadian feature of the legislation.

Where a company is unable or unwilling to adequately respond to or clean up releases from a pipeline, the NEB has the authority to take control of that pipeline release. Claims against pipeline operators who are at fault for a pipeline release may be initiated within three years from the day on which the damage or costs were incurred and cannot be made beyond six years after the release occurred. Such claims are to be adjudicated by a tribunal established by the *PSA*.

Additionally, the PSA authorizes the NEB to impose more stringent requirements with respect to abandoned pipelines, including an obligation to maintain adequate funds to pay for abandonment costs.

### ***New Brunswick***

Exploration activities for oil and natural gas in New Brunswick are regulated by the Department of Energy and Mines and the Department of Environment and Local Government. Environmental protection provisions are entrenched in the *Clean Air Act*, *Clean Water Act*, and *Clean Environment Act*.

New Brunswick released rules for the oil and gas industry in a document titled "*Responsible Environmental Management of Oil and Natural Gas Activities in New Brunswick*", which built upon existing regulations governing the oil and gas industry and incorporated best practices into the province's management framework. These practices are implemented primarily as conditions to various approvals issued under existing legislation. Key issues addressed in the document include protecting and monitoring water quality, protecting communities and the environment, wellbore integrity, managing waste water, addressing air emissions and public safety and emergency planning.

The New Brunswick Government's environmental laws are largely set out in its climate change action plan, which was released in December 2016, and the indefinite moratorium on hydraulic fracturing through the "*An Act to Amend the Oil and Gas Act*".

See "*Risk Factors - Hydraulic Fracturing*".

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

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

##### *Federal - International Initiatives*

Canada is a signatory to the United Nations Framework Convention on Climate Change (the "UNFCCC"). All states that are parties to the UNFCCC are represented at the annual Conference of Parties where they adopt and review legal instruments and strategies to stabilize GHG concentrations in the atmosphere in order to prevent dangerous interference with the climate system.

In December 2015, UNFCCC members (including Canada) agreed to the Paris Agreement, an international climate agreement that aims to hold the increase in the global average temperature to below 2°C compared with pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C, which agreement was ratified by Canada in October 2016 and came into force on November 4, 2016.

In preparation for the Paris conference, Canada submitted plans to reduce GHG emissions by 30% below Canada's 2005 levels by 2030. Under the Paris Agreement, Canada must report and monitor its GHG emissions, but its emissions reduction target is not legally binding. Signatory countries are to meet every five years to review their individual progress on GHG emissions reductions and consider amendments to their targets.

Canada and nearly 200 countries have also agreed to reduce hydrofluorocarbons ("HFCs") with an amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer. Under this agreement, developed countries will incrementally reduce HFCs, starting with a 10% reduction by 2019 and reaching an 85% reduction by 2036. Developing countries will follow with a freeze of HFC consumption levels in 2024 (with some developing countries freezing consumption in 2028). Unlike the Paris Agreement, this agreement is legally binding.

At the 2016 North American Energy Ministers' meeting, energy ministers from Canada, Mexico and the United States signed a memorandum of understanding on climate change and energy collaboration



and launched a website where information related to the North American energy industry will be aggregated and shared with the public. This memorandum of understanding provides that the signatories will collaborate and share information on six key areas: (i) experience and knowledge in the development of reliable, resilient and low-carbon electricity grids; (ii) modeling, deploying and accelerating innovation of clean energy technologies, including renewables; (iii) exchanging information in order to improve energy efficiency for equipment, appliances, industries and buildings, including energy management systems; (iv) exchanging information and promoting joint action to advance the deployment of carbon capture, use and storage; (v) identifying trilateral activities to further climate change adaptation and resilience; and (vi) sharing best practices and seeking methods to reduce emissions from the oil and gas sector, including methane and black carbon.

Canada is also part of a global initiative called the *Climate and Clean Air Coalition to Reduce Short-Lived Climate Pollutants*, which has over 100 members, including 54 countries and 66 inter-governmental and non-governmental organizations. The coalition's mandate is to address short-lived climate pollutants (e.g., black carbon, methane, tropospheric ozone and HFCs), which exist in the atmosphere for a few days to a few decades, in order to protect human health and the environment and to slow the rate of climate change.

#### *Federal Domestic Initiatives*

Canada's Action on Climate Change initiative declares the federal government's intention to reduce GHG emissions through a sector-by-sector regulatory approach in order to protect the environment and support economic prosperity. To date, Canada has implemented GHG reducing regulations for renewable fuels, transportation and coal-fired electricity.

The *Renewable Fuels Regulations* seeks to reduce GHG emissions by mandating at least 5% renewable fuel content based on the volume of gasoline. It may affect, among others: producers or importers of gasoline, diesel fuel or heating distillate oil; producers or importers of renewable fuel; persons who elect to create compliance units as participants in the trading system; and sellers of renewable fuel or liquid petroleum fuel that contains renewable fuel. The precise nature of the requirements depends upon the activities in consideration.

Additionally, on December 13, 2017, Canada published a regulatory framework on its proposed clean fuel standard regulation to be adopted under the *Canadian Environmental Protection Act, 1999*. This regulation will establish lifecycle carbon intensity requirements for liquid, gaseous and solid fuels that are used in transportation, industry and buildings. Its purpose is to incentivize the use of low carbon fuels, energy sources and technologies. The clean fuel standard will apply to fuels combusted for the purpose of creating energy, including "self-produced and used" fuels (i.e., those fuels that are used by producers or importers). Environment and Climate Change Canada was to conduct cost-benefit analysis for liquid fuels in the fall of 2018 and conclude these consultations in the winter of 2019. Consultations for gaseous and solid fuel streams are expected to take place in early 2020.

Canada has also sought to reduce air pollution using the Air Quality Management System ("AQMS"). AQMS is a collaboration between federal, provincial (excluding Québec) and territorial governments to improve Canadian air quality, primarily by setting and reviewing Canadian Ambient Air Quality Standards ("CAAQS"). CAAQS are numerical values of outdoor air concentrations of pollutants. Standards have been developed for sulphur dioxide and fine particulate matter and ozone. Work is currently underway to develop standards for nitrogen dioxide.

Using the CAAQS as a baseline, each province (excluding Québec) and territory will produce air quality reports on different defined "air zones" and assess the level of management required to address air quality levels. Provinces and territories will then provide the appropriate level of air quality management, ranging from 'Green' (maintain good air quality through proactive air management measures) to 'Red'

(achieve air zone CAAQS through advanced air zone management actions). Such management actions may include base-level industrial emissions requirements.

In 2016, the *Multi-sector Air Pollutants Regulations* introduced mandatory national performance standards for nitrogen oxides and sulphur dioxide emissions from large boilers, heaters, stationary spark-ignition engines that combust gaseous fuels and cement manufacturing facilities. These regulations apply specifically to oil and gas and oil sands facilities and require ongoing emissions testing and reporting, although these obligations have a long-term implementation schedule.

On December 29, 2016, the *Ozone-depleting Substances and Halocarbon Alternatives Regulations* came into force, replacing the *Ozone-depleting Substances Regulations, 1998*. This regulation aims to control the level of production and consumption of certain ozone-depleting substances through a permitting and reporting system for HFCs, as well as a system for phasing out the importation and manufacturing of hydrochlorofluorocarbons in Canada (subject to certain exemptions). Amendments to the regulation made in April 2018 added limitations on the importation of products containing HFC's and the destruction of HFC's, created consumption allowances for HFC's and elaborated on the restrictions regarding manufacturing HFC's.

On December 9, 2016, federal, provincial (except Saskatchewan and Manitoba) and territorial governments signed the Pan-Canadian Framework, an agreement to meet the 2030 target of a 30% reduction in GHG emissions under the Paris Agreement. Some of the primary measures of the Pan-Canadian Framework include: (i) all provinces and territories shall have carbon pricing in some form (either a carbon levy or cap-and-trade system) by 2018; (ii) each jurisdiction can choose to keep all program revenues within the applicable jurisdiction; (iii) systems featuring a carbon levy shall have a \$10 per GHG tonne floor in 2018, rising by \$10 per GHG tonne per year to \$50 per GHG tonne by 2022; (iv) systems featuring a cap-and-trade program shall feature a declining cap to at least 2022 and shall result in aggregate GHG emission reduction outcomes by 2030; and (v) each jurisdiction will provide regular, transparent and verifiable reports on the outcomes of their particular system.

The *Greenhouse Gas Pollution Pricing Act*, which received royal assent on June 21, 2018, provides a national carbon-pricing system that applies to greenhouse gas emissions from various sources. On October 23, 2018, pursuant to the *Greenhouse Gas Pollution Pricing Act*, the federal government made an announcement regarding the federal backstop for carbon pricing (the "**federal backstop standard**") and how the revenues gained would be used. The federal backstop standard applies to any province or territory that fails to meet the federal benchmark, either increasing the carbon price or expand the sources of emissions covered.

The federal backstop standard has two parts. First, there is a carbon levy on fossil fuels. This levy applies to prescribed liquid, gas, and solid fossil fuels at a rate of \$10 per tonne of carbon dioxide in 2018. This will increase each year until 2022 at a rate of \$50 per tonne of carbon dioxide. Second, there is an output-based pricing system for industrial facilities which report emissions of 50,000 or more tonnes of carbon dioxide per year during any year between 2014 and 2017. There is also an opt-in provision for facilities that report emissions between 10,000 and 50,000 tonnes of carbon dioxide per year for any year starting with 2017. In some circumstances there may be exceptions from the carbon levy. For instance, if the emissions are already covered by the output-based pricing system.

The federal Department of Finance published draft regulations on October 23, 2018 outlining the applicability of the fuel charge and the relevant rates. The period of public consultation on the regulations closed on November 23, 2018. As Ontario, New Brunswick, Manitoba, and Saskatchewan do not have carbon pricing systems, the federal backstop standard will be applicable to those provinces. The carbon levy will apply in April 2019 and the output-based pricing system will apply in January 2019 in New Brunswick in addition to certain other provinces. Therefore, the federal backstop standard will supplement this standard with the output-based pricing system to apply in January 2019.

There is significant provincial opposition to the *Greenhouse Gas Pollution Pricing Act*. In particular, Saskatchewan and Ontario have both launched constitutional reference cases in the Saskatchewan Court of Appeal and the Ontario Court of Appeal respectively. These provinces argue that the federal carbon tax is unconstitutional as it is not applied equally among the provinces and violates the principles of federalism. Moreover, there is the argument that it is in the provinces jurisdiction to regulate greenhouse gas emissions themselves. The Federal Government has argued that it has jurisdiction as climate change is a matter of national concern, that the carbon levy is a regulatory action not a true 'tax', and that there is no constitutional requirement for federal laws to operate equally throughout Canada. In addition, it argues that the carbon levy is not intended to raise federal revenues and that all revenue will be returned to the provinces. Further, failure of one province to reduce greenhouse gas emissions will affect all provinces and territories, other countries, and impede international efforts to mitigate climate change.

### ***New Brunswick***

In December 2016, New Brunswick released a climate change action plan, *Transitioning to a Low-Carbon Economy*. Pursuant to this plan, the province intends to create a carbon pricing system and introduce caps on GHG emissions that reflect the realities of the New Brunswick economy. Other initiatives under the plan include the phasing out of coal as a source of electricity, investing in new pollution-reduction technology, and increasing progress reporting and oversight by government committees.

On March 16, 2018, New Brunswick enacted the *Climate Change Act* which became effective on January 1, 2016. This legislation does not introduce a carbon pricing system. However, the legislation allows for the New Brunswick Minister of Environment and Local Government to enter into agreements with the federal government regarding carbon pricing and funds generated from it. The Act also sets up a Climate Change Fund and states the objective of the Government of New Brunswick as to the reduction of greenhouse gases.

Even without the *Climate Change Act*, New Brunswick has already met its 2020 emissions reduction goal, which was a 35% reduction from 1990 levels. It has also met the Paris Agreement's 2030 goal of a 30% reduction from 2005 levels.

As New Brunswick does not have a carbon tax system in place, the federal backstop standard will apply to New Brunswick. In particular, the Output-Based Pricing System will apply starting January 2019, and the Carbon Levy will apply as of April 2019.

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

## **Development and Operating Costs**

The Corporation's financial performance is significantly affected by the cost of developing and operating its properties. Development and operating costs are affected by a number of factors including, but not limited to: development, adoption and success of new technologies; inflationary price pressure; scheduling delays; failure to maintain quality construction and manufacturing standards; and supply chain disruptions, including access to skilled labour. Electricity, water, chemicals, supplies, reclamation, abandonment and labour costs are examples of operating costs that are susceptible to significant fluctuation.

## **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. 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 all its properties at all times. 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.

### **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 and oil 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 natural gas and oil, 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.

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

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 natural 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. Changes in environmental laws and regulations may be enacted which could impose higher environmental standards which may increase the cost of Corridor's operations and have a material adverse effect on our business, financial condition, results of operations and cash flows. No assurance can be given that future environmental laws and regulations will not adversely impact Corridor's ability to develop or operate its properties.

Corridor believes that it is 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.

The New Brunswick Government announced on May 27, 2016 that it would indefinitely continue a moratorium on hydraulic fracturing. In November 2018, the Government of New Brunswick expressed its intention to allow natural gas development in the Sussex region, where Corridor's properties are located.

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

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.

### **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**

Nutrien has historically conducted potash mining operations pursuant to a lease granted by the Government of New Brunswick that overlays a substantial portion of the McCully Field. In 2018, Nutrien permanently closed its potash facility after putting the operation on care and maintenance in early 2016. 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. Notwithstanding the closure of the mining operations by Nutrien, there can be no assurance that the Corporation's future exploration and development activities will not be adversely affected as a result of the historical 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, including many factors beyond the Corporation's control. The reserves and associated cash flow information of the Corporation represents estimates only. The reserves, resources and future net cash flow information set forth in this AIF represent estimates only. While the reserves, resources and future net cash flow information from the Corporation's properties have been independently evaluated by GLJ in the GLJ Reserves Report and the GLJ Frederick Brook Resources Report, these evaluations include a number of assumptions, including, but not limited to, such factors as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of natural gas and oil, operating costs, abandonment and reclamation costs, royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on prices in use at the date the relevant evaluations were prepared, and many of these assumptions are subject to change and are beyond the control of the Corporation. Actual production and cash flow generated from this production will vary from these evaluations, and these variations could be material. **There is no certainty that any portion of the Corporation's resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.**



The present value of the Corporation's estimated future net revenue disclosed in this AIF or the GLJ Reserve Report should not be construed as the fair market value of the Corporation's reserves. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Geological complexities of the McCully Field make it difficult to predict the success of future exploration and development activities in the area. These complexities include the sporadic presence of overpressured "perched" water in some portions of the reservoir, the presence of significant amounts of bitumen in some parts of the reservoir, as well as depositional and structural character of the reservoir.

In addition, the reserves estimates have been determined based upon assumed commodity prices and operating costs. Market price fluctuations of natural gas and oil prices and an increase in actual operating costs experienced on a project may render the recovery of the reserves uneconomic.

### **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.

### **Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

Based on their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, and even those controls determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Failure to adequately prevent, detect and correct misstatements could have a material adverse effect on our business, financial condition, results of operations, cash flows, and the Corporation's reputation.

### **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.

## **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 from time to time enters 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. Risks of hedging include, but are not limited to: changes in the valuation of the hedge instrument being not well correlated to the change in natural gas prices; change in price of natural gas prices; counterparty default; deficiency in systems or controls; human error; and the unenforceability of contracts.

There is risk that the consequences of hedging to protect against unfavourable market conditions may limit the benefit to us of commodity price increases. We may also suffer financial loss due to hedging arrangements if we are unable to produce oil, natural gas or refined products to fulfill our delivery obligations related to the underlying physical transaction.

## **Information Systems**

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

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

## **Litigation**

From time to time, the Corporation may be the subject of litigation arising out of its operations. Claims under such litigation may be material or may be indeterminate. Various types of claims may be made including, without limitation, environmental damages, breach of contract, negligence, product liability, antitrust, bribery and other forms of corruption, tax, patent infringement and employment matters. The outcome of such litigation is uncertain and may materially impact our financial condition or results of operations. The Corporation may also be subject to adverse publicity associated with such matters, regardless of whether we are ultimately found responsible. The Corporation may be required to incur significant expenses or devote significant resources in the defense against any such litigation.

## **Aboriginal Land and Rights Claims**

In 2014, the Supreme Court of Canada granted Aboriginal title over non-treaty lands, representing the first instance of such a declaration. There may be Aboriginal and treaty rights claims, which may include Aboriginal title claims, on lands where Corridor operates. Any such claims could have adverse impacts on Corridor's operations or pace of growth. No certainty exists that any lands currently unaffected by claims brought by Aboriginal groups will remain unaffected by future claims.

The federal and provincial governments have a duty to consult with Aboriginal people in relation to actions and decisions which may impact asserted Aboriginal or treaty rights and, in certain cases, have a duty to accommodate Aboriginal peoples' concerns. These duties may adversely affect Corridor's ability to obtain and renew permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals. The scope of the duty to consult by federal and provincial governments is subject to ongoing litigation which may result in uncertainty with respect to the process to obtain permits, leases, licences and other approvals. Opposition by Aboriginal groups may also negatively impact Corridor in terms of public perception, diversion of time and resources, legal and other advisory expenses, potential blockades or other interference by third parties in our operations, or court-ordered relief impacting operations. Challenges by Aboriginal groups could adversely impact Corridor's progress and ability to explore and develop properties.

In May 2016, Canada announced its support for the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP"). The means of implementation of UNDRIP by government bodies are uncertain and may include an increase in consultation obligations and processes associated with project development, posing risks and creating uncertainty with respect to project regulatory approval timelines and requirements.

## **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 27, 2019, there were 88,924,465 Common Shares issued and outstanding.

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.

Corridor implemented a normal course issuer bid under the TSX that commenced on August 23, 2018 and will expire on August 22, 2019. Under this normal course issuer bid, Corridor may purchase up to 6,803,118 of Common Shares. As at this time, Corridor has not purchased any Common Shares under the normal course issuer bid.

## 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 table sets 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, 2018:

<b>Period</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume (Common Shares)</b>
<b>2018</b>			
January	0.81	0.60	804,795
February	0.83	0.68	515,293
March	0.78	0.65	1,963,815
April	0.74	0.62	1,288,724
May	0.88	0.66	968,581
June	1.25	0.60	1,948,362
July	0.70	0.63	652,304
August	0.74	0.64	927,320
September	0.69	0.64	608,403
October	0.68	0.63	640,937
November	0.86	0.64	836,898
December	0.99	0.69	839,837

## PRIOR SALES

During the 12 month period ended December 31, 2018, the Corporation did not issue any Common Shares, other than 244,166 Common Shares issued upon the exercise of stock options granted pursuant to the Corporation's stock option plan. During the 12 month period ended December 31, 2018, the Corporation granted options exercisable for Common Shares, the particulars of which are set forth in the following table:

<b>Date of Grant</b>	<b>Exercise Price (\$)</b>	<b>Number of Options <sup>(1)</sup> Issued</b>
August 28, 2018	0.68	717,500
December 21, 2018	0.72	1,065,000

**Note:**

(1) Each option entitles the holder to acquire one Common Share, on the terms and conditions set forth in the Corporation's stock option plan.

## 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:

<b>Name and Municipality of Residence</b>	<b>Director Since</b>	<b>Office or Position with Corridor</b>	<b>Present Occupation and Positions Held During the Last Five Years</b>
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, was President and Director of Stellavista Capital Corp (a private oil and gas company) and was President, Chief Executive Officer and Director at Bellamont Exploration Ltd. (a TSXV listed junior oil and gas company) from 2006 to 2012.
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. 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>(1) (2)</sup> Calgary, Alberta	May 1998	Director and Chairman	President of Fostco Holdings Ltd. (private investments). Prior thereto, was 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) (2)</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) (3)</sup> Calgary, Alberta	January 2006	Director	Independent consultant since April 2004. Prior thereto, senior tax partner with KPMG LLP (accounting firm).

<b>Name and Municipality of Residence</b>	<b>Director Since</b>	<b>Office or Position with Corridor</b>	<b>Present Occupation and Positions Held During the Last Five Years</b>
Lisette F. Hachey Halifax, Nova Scotia	–	Chief Financial Officer	Chief Financial Officer of Corridor since April 2006.
Alan Archibald	–	Manager – New Brunswick Production and Operations	Manager – New Brunswick Production and Operations since February 19, 2019. Prior thereto, President of Point Advisory Services Ltd. from 2016 to February 2019 and CEO of Northpoint Resources Ltd. from 2013 to 2016.
Andrea Creemer	-	Exploitation Engineer	Exploitation Engineer since May 2015. Prior thereto, was Reservoir Engineer of Corridor.
David Graves <sup>(4)</sup>	–	(Former) Manager – New Brunswick Production and Operations.	Manager - New Brunswick Production and Operations since July 2016 until February 19, 2019. Prior thereto, Senior Environmental consultant with Amec Foster Wheeler from March 2015 to July 2016 and various positions at Corridor from May 2008 to February 2014.

**Notes:**

- (1) *Member of the Audit Committee.*  
(2) *Member of the Corporate Governance Committee.*  
(3) *Member of the Reserves Committee.*  
(4) *Mr. Graves retired as Manager - New Brunswick Production and Operations effective February 19, 2019.*

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 27, 2019, the directors and executive officers of Corridor, as a group, beneficially owned or controlled or directed, directly or indirectly, 3,441,303 Common Shares, representing approximately 3.9% of the issued and outstanding Common Shares. In addition, directors and executive officers held options to purchase an additional 2,630,000 Common Shares, resulting in directors and executive officers holding 6.6% 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 was a director of Terra Energy Corp. since April 21, 2005 until his resignation on March 16, 2016. Terra Energy Corp., a public company with its shares listed on the TSX, was engaged in oil and gas exploration, development and production operating primarily in the Western Canadian Sedimentary Basin. On March 30, 2016, the Supreme Court of British Columbia issued an interim receivership order 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). On November 1 and 28, 2016, the Court approved the sale of assets of Terra Energy to Pavilion Energy Corp. and to Crew Energy and on November 22, 2016 granted judgment against Terra Energy in favor of the Canadian Western Bank. On February 23, 2017, Ernst & Young Inc. was discharged as receiver.

Mr. Penner was a director of Storm Cat Energy Corporation ("**Storm Cat**") from January 2005 until 2011. 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). 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 was a director of Gastar Exploration Inc. ("**Gastar**") until his resignation on January 22, 2019. Gastar, a public company with its shares listed on the OTCQB over-the-counter market, is engaged in exploration, development and production of oil, condensate, natural gas and NGLs in the U.S. Mid-Continent. On October 31, 2018, Gastar filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code (United States) with the United States Bankruptcy Court for the Southern District of Texas seeking confirmation of a prepackaged plan of reorganization which provided for the payment of all general unsecured claims in full. This prepackaged plan was substantially consummated and Gastar emerged from chapter 11 on January 22, 2019. Gastar has made a motion for a final decree closing the Chapter 11 proceedings, with the hearing to consider the motion to be held on March 29, 2019.

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 hereof. On April 9, 2013, Poseidon obtained creditor protection under the Companies Creditor Arrangement Act, and on May 14, 2013, the common shares of Poseidon were delisted from the TSX. On May 4, 2018, the court granted six orders, including the plan sanction and implementation order and, October 10, 2018, the court issued the discharge order whereby, among other things, PwC was discharged as monitor.

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**

Corridor does not have any material contracts entered into within the most recently completed financial year or before the most recently completed financial year but still in effect.

### **INTERESTS OF EXPERTS**

PricewaterhouseCoopers LLP, Chartered Professional Accountants, are the Corporation's auditors and have audited the financial statements of the Corporation for the year ended December 31, 2018. 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*" and information relating to petroleum resources of the Corporation set forth in the "*Appendix "A" – GLJ Frederick Brook Resource Study*" was evaluated by GLJ, as independent



qualified reserves evaluator. As at the date hereof, the principals of GLJ 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 "D" hereto.

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

The current members of the Audit Committee are: Robert Penner, James McKee and Douglas Foster, 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 Professional 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 McKee	Mr. McKee is a Chartered Professional 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, Corporate Development at Trican Well Service Ltd. from February 2013 to February 2016; 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.
Douglas Foster	Mr. Foster was Partner of Bennett Jones LLP (law firm) from 1990 to 2014. Mr. Foster practiced corporate and securities law for over 30 years. As a securities lawyer, Mr. Foster provided advice in respect of and reviewed financial statements as part of his responsibilities in carrying out legal services.

### **External Auditor Service Fees**

PricewaterhouseCoopers LLP are Corridor's auditors for the years ended December 31, 2018 and 2017. 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, 2018 and December 31, 2017.

	2018	2017
Audit Fees <sup>(1)</sup>	\$145,551	\$142,366
Audit-Related Fees <sup>(2)</sup>	11,251	—
Tax Fees <sup>(3)</sup>	—	4,000
All Other Fees <sup>(4)</sup>	—	—
Total	\$156,802	\$144,366

**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.
- (2) "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.
- (3) "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.
- (4) "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, 2018.

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"

**Resources estimates contained in this Appendix "A" have been prepared by GLJ in the GLJ Frederick Brook Resource Study dated March 1, 2017 and effective December 31, 2016 in respect of the shale gas resources contained within the Frederick Brook formation in the McCully and Elgin area of New Brunswick. The GLJ Frederick Brook Resource Study has been prepared in accordance with the standards contained in the COGE Handbook and NI 51-101. GLJ has confirmed that the estimates in the GLJ Frederick Brook Resource Study remain effective as at December 31, 2018.**

Certain terms used herein are defined under the headings "*Definitions*" and "*Statement of Reserves Data and Other Oil and Gas Information*" in the AIF. Certain other terms used herein but not defined are defined in NI 51-101, CSA Staff Notice 51-324 or the COGE Handbook and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101, CSA Staff Notice 51-324 or the COGE Handbook, as applicable.

"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.

"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 rock.

**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.** The estimates of resources provided in this Appendix "A" are estimates only and there is no guarantee that the estimated resources will be recovered. Actual resources may be greater than or less than the estimates provided herein and variances could be material. With respect to Corridor's interests in undiscovered resources, there is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. Uncertainties and risk factors as described in the AIF under "*Statement of Reserves Data and Other Oil and Gas Information*" and "*Risk Factors*" are also applicable to the resources. Please see "*Risk Factors*", "*Description of the Properties*" and "*Statement of Reserves Data and Other Oil and Gas Information*" in the AIF to which this Appendix "A" is attached.

Corridor retained GLJ to estimate the quantity of shale gas resources contained within the Frederick Brook formation in the McCully and Elgin area of New Brunswick. The goal of the GLJ Frederick Brook Resource Study is to assist Corridor to develop a longer-term plan for the appraisal and potential development of this potentially vast resource. See "*Description of the Properties - New Brunswick Properties - Elgin Sub-Basin*" in the AIF. GLJ provided Corridor with probabilistic estimates of PIIP, based on available seismic and well information within the study area. The GLJ Frederick Brook Resource Study was prepared in accordance with the COGE Handbook and NI 51-101 and addressed only the PIIP, as this is the most specific category of resources due to insufficient information and uncertainty to determine the technical merits or commerciality of a project within the study area.

The GLJ Frederick Brook Resource Study does not estimate quantities of petroleum that may become recoverable in the future. The volumes are not classified further than PIIP as an established technology for commercial development has yet to be demonstrated, and there is not a development plan with which

recoverable volumes can be associated. Significant uncertainties exist for the project due to political and regulatory risk, timing, availability of capital, development area uncertainty, and inability to determine appropriate technical and commercial feasibility. As the resources cannot be placed in a classification other than PIIP, they are unrisks.

PIIP was determined using probabilistic methods consistent with the COGE Handbook. Gross rock volumes estimates were derived from geophysical interpretation of seismic data and distributions for petrophysical parameters were derived from available log data. The estimates and distributions were then input and analyzed in a probabilistic model to account for uncertainty of the in-place volumes.

The following table sets forth GLJ's low, best and high estimates of Corridor's interest of total unrisks undiscovered unrecoverable PIIP in respect of the Frederick Brook formation in New Brunswick:

<b>Summary of Total Unrisks Undiscovered Unrecoverable Petroleum Initially-In-Place Frederick Brook Shale, New Brunswick Effective December 31, 2018</b>			
	Low Estimate <sup>(1)</sup> (tscf)	Best Estimate <sup>(2)</sup> (tscf)	High Estimate <sup>(3)</sup> (tscf)
Gross lease	39.3	52.7	68.3
Corridor working interest	36.0	48.2	62.5

**Notes:**

- (1) The probability that the quantity actually in place is equal to or greater than the estimate is 90%.
- (2) The probability that the quantity actually in place is equal to or greater than the estimate is 50%.
- (3) The probability that the quantity actually in place is equal to or greater than the estimate is 10%.

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

The substantial in-place resources and the high working interest position of the Corporation are the most significant positive factors related to the PIIP. The development of resource plays such as the Marcellus and Utica in the Northeast United States will provide a substantial natural gas supply to the New Brunswick region, following the expected reversal of the M&NP pipeline. This supply may suppress the commercial viability of Frederick Brook shale.

**APPENDIX "B"**

**FORM 51-101F2**

**REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR**

**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, 2018. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2018, 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, 2018, 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\$)			
			<u>Audited</u>	<u>Evaluated</u>	<u>Reviewed</u>	<u>Total</u>
GLJ Petroleum Consultants	December 31, 2018	Canada	-	60,600	-	<b>60,600</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 14, 2019.

*“Originally Signed By”*

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

## **APPENDIX "C"**

### **FORM 51-101F3 REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE**

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, probable reserves and related future net revenue as at December 31, 2018, estimated using forecast prices and costs.

GLJ Petroleum Consultants Ltd. ("**GLJ**"), an independent qualified reserves evaluator, has evaluated and reviewed the Corporation's reserves data. GLJ's report 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 GLJ;
- (b) met with GLJ to determine whether any restrictions affected the ability of GLJ to report without reservation; and
- (c) reviewed the reserves data with management and GLJ.

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 are the reports of GLJ 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.

*"Stephen J. Moran"*

Stephen J. Moran  
Chief Executive Officer

*"Phillip R. Knoll"*

Phillip R. Knoll  
Director

*"Norman W. Miller"*

Norman W. Miller  
Director

*"Lisette F. Hachey"*

Lisette F. Hachey  
Chief Financial Officer

March 27, 2019

## **APPENDIX "D"**

### **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.