Corridor Resources Inc.: Announces First Quarter Results

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HALIFAX, May 12, 2016 - Corridor Resources Inc. (TSX:CDH) ("Corridor") announced today its first quarter financial results.

The following table provides a summary of Corridor's financial and operating results for the three months ended March 31, 2016, with comparisons to the three months ended March 31, 2015. Corridor's unaudited financial statements and management's discussion and analysis for the first quarter have been filed on SEDAR at www.sedar.com and are available on Corridor's website at www.corridor.ca.

All amounts referred to in this press release are in Canadian dollars unless otherwise stated.

Selected Financial Information

	Three months ended March 31	
thousands of dollars except per share amounts	2016	2015
Sales	$ 6,495	$ 10,098
Net income	$ 1,283	$ 3,692
Net income per share - basic and diluted	$ 0.014	$ 0.042
Cash flow from operations *(1)*	$ 3,353	$ 7,612
Working capital	$ 29,636	$ 27,911
Capital expenditures	$ 81	$ 545
Total assets	$ 134,424	$ 167,926

Q1 2016 Netback Analysis

	Three months ended March 31	
thousands of dollars except as otherwise noted (2)	2016	2015
Natural gas sales	$ 6,314	$ 9,889
Other revenues	181	209
Royalty expense	(137)	(263)
Transportation expense	(1,355)	(965)
Production expense	(717)	(766)
Field operating netback	$ 4,286	$ 8,104
Natural gas production per day (mmscfpd)	8.1	6.9
Barrels of oil equivalent per day (boepd)	1,354	1,156
Average natural gas price ($/mscf)	$ 8.54	$ 15.84
Natural gas revenues ($/boe)	$ 51.25	$ 95.02
Other revenues ($/boe)	1.47	2.01
Royalty expense ($/boe)	(1.11)	(2.53)
Transportation expense ($/boe)	(11.00)	(9.28)
Production expense ($/boe)	(5.82)	(7.36)
Field operating netback ($/boe)	$ 34.79	$ 77.86
General and administrative expenses ($/boe)	(5.85)	(8.53)
Interest, foreign exchange gains and other ($/boe)	(1.73)	3.80
Cash flow from operations ($/boe) *(1)*	$ 27.21	$ 73.13

(1) Cash flow from operations is a non-IFRS measure. Cash flow from operations represents net earnings adjusted for non-cash items including depletion, depreciation and amortization, deferred income taxes, share-based compensation and other non-cash expenses. See "Non-IFRS Financial Measures" in Corridor's MD&A for the three months ended March 31, 2016.

(2) For the purpose of calculating unit revenues and costs, natural gas has been converted to barrels of oil equivalent ("boe") on the basis of six thousand cubic feet ("mscf") of natural gas being equal to one barrel of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of six mscf to one barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe measurements and conversions in this report are derived by converting natural gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil.

2016 First Quarter Highlights

- Average daily natural gas production was 8.1 mmscfpd, an increase from 6.9 mmscfpd in Q1 2015 due to flush production achieved following the shut-in of most of Corridor's McCully wells from May 1 to October 29, 2015;
- Cash flow from operations was $3.35 million;
- Corridor's average realized natural gas price of $8.54/mscf is the result of an average natural gas price at Algonquin city-gates ("AGT") of $US3.29/mmbtu on unhedged volumes and Corridor's forward sale agreements at an average price of $US9.25/mmbtu for 2,500 mmbtupd from January 1, 2016 to March 31, 2016 and $US9.35/mmbtu for 1,000 mmbtupd from January 1, 2016 to February 29, 2016;
- Superior natural gas pricing led Corridor to an industry top decile field operating netback of $34.79/boe ($5.80/mcf); and
- At March 31, 2016, Corridor had cash and cash equivalents of $27,206 thousand, working capital of $29,636 thousand and no outstanding debt.

MESSAGE TO SHAREHOLDERS

Operations Review

Anticosti Island

Corridor has a 21.67% interest in Anticosti Hydrocarbons L.P. ("Anticosti LP"), which has undeveloped lands on Anticosti Island, Québec. Anticosti LP has advised that a capital budget of $23.0 million was conditionally approved for the drilling of three horizontal wells on the Island during 2016. Two key conditions of the budget approval are: 1) Anticosti LP shall have received and be satisfied with the requisite regulatory approvals and permits for drilling and fracturing operations from the Québec Government; and 2) no work shall commence on the Island until such approvals and permits have been obtained.

The Anticosti LP has determined that it is preferable not to conduct operations in the winter months. As a result, there is risk that the drilling program will not move forward in 2016, as the operational window of opportunity for conducting the drilling operations will close if work does not commence by the middle of June. The regulatory approvals and permits were expected by the end of April, but to date have not been received.

Anticosti LP also advised that it has determined that fracturing and testing operations will be deferred until 2017, in order that the wells can be tested for a longer period of time than originally contemplated in the partnership agreements, while avoiding winter conditions. Any such activity will also require receipt of the requisite regulatory approvals and permits from the Québec Government.

New Brunswick

On February 26, 2016, the New Brunswick Commission on Hydraulic Fracturing (the "NB Commission") released its final report. The New Brunswick Government has advised that it is reviewing the report and that it will announce its position on the current moratorium on hydraulic fracturing by early summer 2016.

"We are confident that the practice of hydraulic fracturing is safe and can be done environmentally responsibly. Furthermore, we believe we have a superior track record of operating in New Brunswick and have earned support of the communities in which we work" said Mr. Steve Moran, President and Chief

Executive Officer of Corridor.

Even if the moratorium on hydraulic fracturing is lifted in New Brunswick, Corridor would not expect to renew drilling operations in the Province until 2018, at the earliest. This is due to: 1) an inordinately lengthy, multi-departmental approval process for new well licence applications; and 2) the lack of a facility in New Brunswick licenced for the purpose of treating and disposing flow back and produced water.

In their report, the NB Commission recommended that New Brunswick create an independent regulator to replace the existing multi-departmental system. Corridor concurs with that recommendation, but has cautioned government officials that the transition to a single regulator must be done concurrent with the industry moving forward in the Province under the existing rules and regulations, not as a prerequisite.

Another key finding by the NB Commission was that the technology exists to treat and dispose of flowback and formation water. Corridor has advised elected officials, on both provincial and municipal levels, of its willingness to work collaboratively to achieve a "Made in New Brunswick" solution for water treatment and disposal. Corridor will not proceed with any new drilling and fracturing operations in New Brunswick until a water treatment and disposal facility is approved and licensed in the Province.

Old Harry

As previously reported, for the past two years Corridor has been in discussions with the Canada-Newfoundland and Labrador Offshore Petroleum Board ("C-NLOPB") regarding the necessity of extending Exploration Licence EL-1105 beyond its current expiry date of January 13, 2017. The rationale for the extension is that, for over four years, Corridor has been prevented from completing its Environmental Assessment ("EA") for a drilling licence while the C-NLOPB undertakes a review of its consultation process. On numerous occasions over this time period, Corridor has requested the C-NLOPB provide clarity as to the next steps forward in the EA consultation process. To date, Corridor has received no clear direction, with the effect being that Corridor has been unable to advance the EA process to obtain a drilling permit.

Corridor has previously disclosed plans to purchase a user license for Controlled Source Electro Magnetic ("CSEM") data over the Newfoundland and Labrador side of the Old Harry prospect. CSEM data is a marine geophysical tool developed in recent years to investigate 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, would serve to reduce exploration risk and increase the likelihood of finding commercial quantities of hydrocarbons.

The CSEM data was intended to be acquired by a third-party contractor pursuant to an authorization issued to that contractor by the C-NLOPB. Although an application for authorization was made by the third-party contractor to the C-NLOPB in early 2015, Corridor's understanding is that the C-NLOPB will not process this application until it has finalized the consultation process for the drilling permit EA. The rationale for this is unclear to Corridor, as the two projects involve different proponents, project scopes and environmental risk profiles.

The effect of the delay in the C-NLOPB processing the CSEM application, is that the opportunity to conduct the CSEM data acquisition program cost effectively in 2016 has passed.. As a result, Corridor has decided not to proceed with its plans to acquire the CSEM data this year and will revisit whether to acquire this data in the future, but would only proceed if an agreement is reached with the C-NLOPB to extend Exploration Licence EL-1105.
Production/Revenue Optimization

In response to the expected substantial differential in the sale price of natural gas at Algonquin city-gates ("AGT") for the summer of 2015 relative to the winter of 2015/2016, Corridor shut-in most of its producing natural gas wells in the McCully Field in New Brunswick from May 1, 2015 to October 29, 2015. Corridor also curtailed production in November and December of 2015 and March 2016 due to low natural gas prices at AGT during these periods. To assess the effectiveness of this optimization strategy, Corridor conducted a lookback analysis from May 1, 2015 to April 30, 2016 comparing actual results for this period (with estimates for April 2016) to the results management would have expected, had Corridor continued to produce continuously with no shut-in or corresponding flush production. Based on this review, management has deemed this optimization strategy a success.

This lookback analysis highlights that Corridor's field operating netback was approximately 95% of the result management would have expected to achieve had Corridor produced continuously, with approximately 70% of the cumulative production volume. By electing to shut-in during low pricing periods, Corridor conserved approximately 600 mmcf for future sales, thereby extending the life of the McCully Field. By producing more volumes during the higher priced winter period, Corridor achieved an estimated 35% improvement in the field operating netback per boe. Furthermore, had it not been for Corridor's firm transportation agreement in place prior to initiating the shut-in, resulting in an unavoidable cost of $0.5 million, Corridor would have generated more field operating netback than the continuous production case.

Corridor's marketing contract provides for pricing on a daily basis, rather than a more typical monthly average. The AGT market has significant volatility on a day to day basis with the main driver being weather, and is therefore relatively predictable on a short term basis. As a result, Corridor has been actively optimizing short term pricing by flowing more gas on days with superior pricing, and restricting flows on lower pricing days. This has resulted in management being able to achieve a higher monthly average price than AGT.

Outlook

Based on the success of the 2015/16 optimization strategy, Corridor is once again evaluating the possibility of extended shut-in periods during the summer and fall of 2016. The key factors in management's decision are the expected differential of expected natural gas pricing at AGT for summer versus winter and the duration of a shut-in period (for the purpose of predicting flush production). Corridor's overall optimization objective is to maximize its field operating netback while producing less natural gas volumes, thereby conserving Corridor's reserves for future high priced sales.

Pricing at AGT is expected to be fairly robust this summer through to October 2016, due to scheduled maintenance on the AGT system which will restrict flows of natural gas into the New England market. As of April 29, 2016, Platts Bentek reported that the forward basis for the rest of the injection season (i.e. to the end of October) was averaging a positive $0.57 US/mmbtu versus a negative $0.29 US/mmbtu in 2015. At this pricing, management does not intend to shut-in production during the summer and fall of 2016. Notwithstanding, management will continue to monitor natural gas future prices at AGT closely and may elect to shut-in production periodically. Should Corridor elect to shut-in production for a significant period of time, management would employ a hedging strategy for the winter of 2017, similar to the 2015/16 optimization strategy.

Given that this optimization strategy takes into account both summer and winter pricing periods over two calendar years, management is providing guidance for the twelve month period from April 1, 2016 to March 31, 2017. A low production case and a high production case are presented as a range of results depending on management's decision to shut-in production as part of Corridor's optimization strategy.

Guidance from April 1, 2016 to March 31, 2017

	Low Case	High Case
AGT average natural gas price	$4.38US/mmbtu	$ 4.38US/mmbtu
USD/CAD exchange rate	$ 1.25USD/CAD	$ 1.25 USD/CAD
Average daily natural gas production	3.9 mmscfpd	5.9 mmscfpd
Field operating netback	$ 6.5 million	$ 7.0 million
Cash flow from operations	$ 3.3 million	$ 3.8 million
Average natural gas price realized	$ 7.69/mscf	$ 5.65/mscf
Field operating netback per mscf	$ 4.53/mscf	$ 3.25/mscf
Cash flow from operations per mscf	$ 2.26/mscf	$ 1.74/mscf
Capital expenditures (Calendar year 2016)	$ 0.6 million	$ 0.6 million
Working capital estimate (March 31, 2017)	$ 32.5 million	$ 33.0 million

Corridor's enviable balance sheet provides it with significant financial flexibility. Management has recently increased its efforts to identify and capture counter-cyclical opportunities in Western Canada. Should management successfully secure such an opportunity, upon board of director approval, Corridor's capital budget would be increased accordingly.

Corridor is a Canadian junior resource company engaged in the exploration for and development and production of petroleum and natural gas onshore in New Brunswick and Québec and offshore in the Gulf of St. Lawrence. Corridor currently has natural gas production and reserves in the McCully Field near Sussex, New Brunswick. In addition, Corridor has a shale gas prospect in New Brunswick, an offshore conventional hydrocarbon prospect in the Gulf of St. Lawrence and an unconventional hydrocarbon prospect through a 21.67% interest in Anticosti Hydrocarbons L.P., a joint venture which has undiscovered resources on Anticosti Island, Québec.

Forward Looking Statements

This press release 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 press release contains forward-looking statements pertaining to: business plans and strategies (including opportunities in Western Canada, optimization strategies to shut-in production in 2016 to take advantage of expected price differentials and entering into hedging agreements), exploration and development plans, including timing of such plans (including drilling plans in New Brunswick, the acquisition of CSEM data and Anticosti Hydrocarbons L.P.'s plans); the benefits of CSEM data, expectations of natural gas prices and premiums at AGT, daily production, field operating netbacks, cash flow from operations, capital expenditures, working capital estimates and the U.S-Canada exchange rate.

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 Corridor and its shareholders.

Forward-looking statements are based on Corridor's current beliefs as well as assumptions made by, and information currently available to, Corridor concerning anticipated financial performance, business prospects, strategies, regulatory developments, future natural gas commodity prices, 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, and the ability to add production and reserves through development and exploration activities. 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 may be found under the heading "Risk Factors" in Corridor's Annual Information Form for the year ended December 31, 2015.

The forward-looking statements contained in this press release are made as of the date hereof and Corridor 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.

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