

Corridor Provides Update on Its Operations in New Brunswick

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HALIFAX, Dec. 19, 2018 - (TSX - CDH): [Corridor Resources Inc.](#) ("Corridor") is pleased to provide an update on its operations in New Brunswick.

Update on Pricing, Additional Financial Hedges, Production and Guidance

2018/2019

In our press release dated November 13, 2018, Corridor announced the following financial hedges for the winter of 2018/2019: 2,500 mmbtupd of natural gas production at a fixed price of \$US12.72/mmbtu for January 2019 and 2,500 mmbtupd at a fixed price of \$US12.50/mmbtu for February 2019. Corridor subsequently entered into an additional hedge for 2,500 mmbtupd of natural gas production at a fixed price of \$US10.35/mmbtu for December 2018. As a result, Corridor has now hedged approximately 70% of its estimated production for the period from December 1, 2018 to March 31, 2019 at an average price of \$US8.74.

Due to higher than normal natural gas prices in November 2018, Corridor resumed a portion of its natural gas production at the McCully Field, which production had been shut-in since May 2018. As a result of this earlier than anticipated resumption of production, together with the additional financial hedges, Corridor is now expecting an increase of \$1.0 million in cash flow from operations for the winter of 2018/2019 over its previous forecast and an estimated working capital balance as of March 31, 2019 of \$63.4 million.

2019/2020 and beyond

Subsequent to our November 13, 2018 press release, Corridor entered into an additional financial hedge for 2,500 mmbtupd of natural gas production at a fixed price of \$US9.00/mmbtu for the period from December 1, 2019 to March 31, 2020. In addition, Corridor recently entered into an agreement that will eliminate transportation charges on the Canadian portion of the Maritimes & Northeast Pipeline, not only in the current year, but until April 1, 2024. As a result, Corridor's operating cash flow is expected to increase by a minimum of \$6 million from April 1, 2019 to April 1, 2024.

Update on New Brunswick Assets

Recently, the Government of New Brunswick expressed its intention to allow natural gas development in the Sussex region where Corridor has been conducting exploration and production activities for close to 20 years. We are hopeful this will result in the permanent removal of the moratorium on hydraulic fracturing in Corridor's key operating area and, accordingly, Corridor provides an update on its producing assets, development assets and exploration assets in New Brunswick.

Producing Assets

Corridor has producing assets comprised of 32 natural gas wells in the McCully Field near Penobsquis in the Sussex region. The McCully Field was discovered in 2000 and has produced over 57 bcf of natural gas to date. Almost all of Corridor's production is sourced from the Hiram Brook formation, which is a tight sandstone. All of these producing wells have been hydraulically fracture stimulated, and the natural gas production is processed and transported through a 100% owned gas processing plant and gathering/transportation system. The continued production of these wells is not dependent on the removal of the hydraulic fracture moratorium, as they do not require additional fracture stimulation to remain productive. The current reserve life estimate of the McCully Field is 27 years.

For the past four years, Corridor has chosen to optimize its producing assets in the McCully Field using a seasonal production optimization strategy, which consists of shutting-in Corridor's producing natural

gas wells for a portion of the summer/fall period when natural gas prices are typically relatively low and timing the start-up of production, and the associated recovery of flush volumes, with peak winter pricing to maximize cash flow from operations and retain Corridor's reserves for production in future years. We will continue to evaluate the merits of the optimization strategy on an annual basis, taking into consideration estimated future gas prices and other market conditions.

Development Assets

Corridor has development assets comprised of 11 (10 net) drilling locations and 2 (1.5 net) previously drilled non-producing natural gas wells targeting the Hiram Brook formation in the McCully Field, which development would require roughly an estimated \$77 million of gross future development capital. Each of these development assets is situated within a few kilometers of an existing producing well in the McCully Field area. All of the drilling locations would need to be fracture stimulated in order to be productive.

Currently, these development assets are categorized as contingent resources by GLJ Petroleum Consultants ("GLJ"), as set forth in GLJ's report dated February 2, 2018 and effective December 31, 2017 (the "GLJ Contingent Resource Report"), which report was prepared in accordance with the standards contained in the COGE Handbook and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") and is summarized in Appendix A to Corridor's Annual Information Form for the year ended December 31, 2017 (the "Annual Information Form").

The GLJ Contingent Resource Report assumed these development wells would be drilled over a four-year period commencing in 2021. The timing of when Corridor may proceed with these development activities is dependent on the timing of the permanent removal of the New Brunswick moratorium on hydraulic fracturing and other factors such as future capital availability, commodity prices, addressing regulatory limitations and estimated capital costs. In particular, these development activities require the approval of a facility and process by which water produced in association with fracture stimulations can be stored, transported, treated and disposed of in New Brunswick. Corridor has previously filed numerous recommendations/proposals to remedy regulatory uncertainties and intends to renew its efforts with the New Brunswick regulatory authorities in this regard.

For more information on Corridor's producing assets and development assets, including a summary of the GLJ Contingent Resources Report, please refer to the "Statements of Reserves Data and Contingent Resources Data" in the Annual Information Form.

Exploration Assets – Frederick Brook Shale

Corridor's exploration assets in New Brunswick are comprised of 195,000 net undeveloped acres. The primary target for potential exploration activity is the Frederick Brook shale, a black hydrocarbon rich shale that is up to 1100 meters thick. 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.

Corridor engaged GLJ to estimate the quantity of shale gas resources contained within Corridor's interests in the Frederick Brook shale in New Brunswick. The goal of the study was to assist Corridor to develop a longer-term plan for the appraisal and potential development of this potentially vast resource. The report, dated March 1, 2017 and effective December 31, 2016, was prepared in accordance with the COGE Handbook and NI 51-101 (the "Frederick Brook Resource Study"). GLJ has confirmed that the estimates in the Frederick Brook Resource Study remain effective as at the date hereof.

The Frederick Brook Resource Study provides a best estimate of 52.7 trillion standard cubic feet ("tscf") gross lease (48.2 tscf net to Corridor's working interest) of total unrisksed undiscovered unrecoverable petroleum initially-in-place or "PIIP" in respect of the Frederick Brook Shale in New Brunswick. With respect to Corridor's interests in unrisksed undiscovered unrecoverable PIIP, 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 Frederick Brook Resource Study does not estimate quantities of petroleum that may become recoverable in the future. The volumes are not classified further than total 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.

Corridor's future activities in respect of the Frederick Brook shale will 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. As the scope and scale of the opportunity in the Frederick Brook shale represents a significant upside potential for Corridor's shareholders this will be Corridor's top objective moving forward. While Corridor is optimistic that the Frederick Brook shale possesses the key attributes necessary for a commercial shale gas development, we caution that the Frederick Brook shale is still exploratory and at a very early stage. We provide no assurance that Corridor will be able to attract a joint venture partner or, if we do, the timing and extent of any future activity to develop the Frederick Brook shale in New Brunswick.

Corridor is proud of its track record in New Brunswick and is confident that drilling and completion activities can once again be undertaken in a safe and environmentally responsible manner. In early 2015, Corridor initiated the formation of the New Brunswick Responsible Energy Development Alliance ("NBREDA"). NBREDA's mandate is to provide fact-based information to New Brunswickers interested in learning more about hydraulic fracturing and the potential for natural gas development in the province. To achieve this objective, NBREDA established a website (www.nbnaturalgas.ca) aimed at promoting a two-way dialogue, which includes information about how hydraulic fracturing works, answers to important and frequently asked questions and identifies and provides links to independent, third party studies on the subject.

Corporate Presentation

An updated Corporate Presentation dated December 2018 is now available on Corridor's website at www.corridor.ca.

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

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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: the characteristics of Corridor's properties, including the current reserves life; business plans and strategies, including its production optimization strategy, hedging strategy, plans to attract a joint venture partner to conduct a pilot project and evaluate the Frederick Brook shale and drilling plans and drilling development wells identified in the GLJ Contingent Resources Report; expectations regarding natural gas prices, natural gas production, cash flow from operations, revenues from hedging agreements, future savings of transportation charges on Maritimes & Northeast Pipeline in Canada, future development costs, and working capital balance; and the New Brunswick Government's intentions to support natural gas development.

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 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, the terms of its financial hedges and transportation agreements, 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 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 and resources estimates, trading of common shares, seasonality, disclosure controls and procedures and internal controls over financial reporting, competition, conflicts of interest, issuance of debt, title to properties, hedging, information systems, litigation and aboriginal land and rights claims. Further information regarding these factors may be found under the heading "*Risk Factors*" in the Corporation's Annual Information Form. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive.

The forward-looking statements contained in this 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.

Oil and Gas Disclosure

Barrels of oil equivalent

The term "BOE" refers to barrels of oil equivalent. 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 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.

Resources Estimates

- Resources do not constitute, and should not be confused with, reserves. Actual reserves and resources will vary from the reserves and resources estimates, and those variations could be material. The estimates of resources provided in this press release 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 contingent resources, there is uncertainty that it will be commercially viable to produce any portion of the resources. 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 Corridor's Annual Information Form under "*Statement of Reserves Data and Other Oil and Gas Information*" and "*Risk Factors*" are also applicable to the resources.
- "Contingent resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as "contingent resources" the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent resources are not, and should not be confused or combined with, petroleum and natural gas reserves.
- "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 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.
- The Frederick Brook Resource Study provides a best estimate of 52.7 tscf gross lease (48.2 tscf net to Corridor's working interest) of total unrisksed undiscovered unrecoverable PIIP in respect of the Frederick Brook Shale in New Brunswick. The probability that the quantity actually in place is equal to or greater than the estimate is 50%. This estimate 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 Frederick Brook Resource Study does not estimate quantities of petroleum that may become recoverable in the future. The volumes are not classified further than total PIIP, as an established technology for commercial development has yet to be demonstrated, and there is not a development plan from which recoverable volumes can be associated with. 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 unrisksed. The substantial in-place resources and the high working interest position of Corridor are the most significant positive factors related to the estimate of PIIP. The development of resource plays such as the Marcellus and Utica in the Northeast United States may 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.

For more information regarding Corridor's reserves and contingent resources, readers should refer to Corridor's Annual Information Form.

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