

Unaudited Statements of Income (Loss) and Comprehensive Income (Loss)

(thousands of dollars, except per share data)

For the	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Sales (note 4)	\$ 1,583	\$ 46	\$ 13,419	\$ 4,513
Royalties	(25)	(1)	(410)	(93)
Revenues, net	1,558	45	13,009	4,420
Expenses				
Impairment losses	11,368	-	11,368	-
Depletion, depreciation and amortization	804	72	3,568	2,003
Transportation expense	22	-	100	428
Production expense	701	510	1,403	1,299
General and administrative expense	604	686	1,212	1,337
Financial derivatives loss (gain) (note 14a i)	757	(10)	610	(1,357)
Share-based compensation expense (note 12)	29	72	121	143
	14,285	1,330	18,382	3,853
Income (loss) before the following items	(12,727)	(1,285)	(5,373)	567
Interest and other (note 5)	210	(214)	806	(208)
Equity loss	-	(11)	-	(44)
Income (loss) before income taxes	(12,517)	(1,510)	(4,567)	315
Deferred income tax recovery (note 6)	(2,390)	-	(9)	-
Net income (loss) and comprehensive income (loss)	\$ (10,127)	\$ (1,510)	\$ (4,558)	\$ 315
Net income (loss) per share – basic and diluted	\$ (0.114)	\$ (0.017)	\$ (0.051)	\$ 0.004
Weighted average number of common shares				
Basic	88,655	88,655	88,655	88,652
Diluted (note 7)	89,040	88,763	89,064	88,758

The accompanying notes are an integral part of these interim unaudited condensed financial statements.

Unaudited Statements of Financial Position

(thousands of dollars)

As at	June 30 2018	December 31 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 56,093	\$ 46,177
Restricted cash	650	650
Receivables (note 14a iv)	320	3,927
Inventory held for sale	154	154
Prepays and security deposits	372	100
	57,589	51,008
Non-current assets		
Property, plant and equipment (note 8)	55,917	58,917
Exploration and evaluation assets (note 9)	1,417	11,570
Deferred income tax assets (note 6)	2,439	2,430
Intangible assets	31	55
Restricted cash	380	380
Total assets	\$ 117,773	\$ 124,360
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 417	\$ 2,446
Deferred share units liability (note 12b)	229	132
Financial derivatives liability (note 14a i)	724	1,512
	1,370	4,090
Non-current liabilities		
Decommissioning liability (note 10)	9,196	8,529
Total liabilities	10,566	12,619
Shareholders' Equity		
Capital stock (note 11)	247,704	247,704
Contributed surplus (note 12)	10,950	10,926
Deficit	(151,447)	(146,889)
Total shareholders' equity	107,207	111,741
Total liabilities and shareholders' equity	\$ 117,773	\$ 124,360

The accompanying notes are an integral part of these interim unaudited condensed financial statements.

Contingencies (note 16)

On behalf of the Board

Signed "Stephen J. Moran" Director

Signed "Robert D. Penner" Director

Unaudited Statements of Changes in Shareholders' Equity

(thousands of dollars)

For the	Six months ended June 30	
	2018	2017
Capital stock, beginning of period	\$ 247,704	\$ 247,685
Exercise of stock options for cash	-	13
Amount previously expensed for stock options exercised	-	6
Capital stock, end of period	\$ 247,704	\$ 247,704
Contributed surplus, beginning of period	\$ 10,926	\$ 10,747
Share-based compensation expense (note 12)	24	129
Amount previously expensed for stock options exercised	-	(6)
Contributed surplus, end of period	\$ 10,950	\$ 10,870
Deficit, beginning of period	\$ (146,889)	\$ (164,628)
Net income (loss) and comprehensive income (loss)	(4,558)	315
Deficit, end of period	\$ (151,447)	\$ (164,313)
Shareholders' equity, end of period	\$ 107,207	\$ 94,261

The accompanying notes are an integral part of these interim unaudited condensed financial statements.

Unaudited Statements of Cash Flows

(thousands of dollars)

For the	Six months ended June 30	
	2018	2017
Operating Activities		
Net income (loss)	\$ (4,558)	\$ 315
Adjustments not affecting cash:		
Impairment losses	11,368	-
Depletion, depreciation and amortization	3,568	2,003
Share-based compensation expense	121	143
Change in unrealized gain on financial derivatives	(788)	(263)
Deferred income tax recovery	(9)	-
Loss on sale of assets	-	11
Other operating activities	130	192
	9,832	2,401
Decrease in non-cash operating working capital (note 13)	2,615	1,237
Cash provided by operating activities	12,447	3,638
Financing Activities		
Proceeds from the exercise of stock options	-	13
Cash provided by financing activities	-	13
Investing Activities		
Property, plant and equipment expenditures	(58)	(34)
Exploration and evaluation expenditures	(1,165)	(139)
Contribution in Anticosti Partnership	-	(48)
Proceeds on the sale of assets	1	52
Decrease (increase) in non-cash investing working capital (note 13)	(1,309)	1
Cash used in investing activities	(2,531)	(168)
Increase in cash and cash equivalents	9,916	3,483
Cash and cash equivalents, beginning of period	46,177	27,272
Cash and cash equivalents, end of period	\$ 56,093	\$ 30,755
Cash and cash equivalents consists of:		
Cash	\$ 9,992	\$ 11,403
Short-term investments	46,101	19,352
Cash and cash equivalents, end of period	\$ 56,093	\$ 30,755

The accompanying notes are an integral part of these interim unaudited condensed financial statements.

Notes to the Unaudited Condensed Financial Statements

June 30, 2018

1. Nature of operations

Corridor Resources Inc. ("Corridor" or the "Company") 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 is a public company incorporated under the Alberta Business Corporations Act with common shares listed on the Toronto Stock Exchange under the symbol "CDH". Corridor's head office is located at 5475 Spring Garden Road, Halifax, Nova Scotia, B3J 3T2.

2. Basis of presentation

These unaudited condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and in accordance with IAS 34 - *Interim Financial Reporting*. The unaudited condensed financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2017. These unaudited condensed financial statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended December 31, 2017, except for the changes in accounting policies disclosed in note 3. Certain prior period balances have been reclassified to be consistent with the current period's presentation.

On August 13, 2018, the unaudited condensed financial statements were approved by the Board of Directors and signed by the chair of the Audit Committee and the President and Chief Executive Officer of the Company.

3. Changes in accounting policies

a) IFRS 15, "Revenue from Contracts and Customers"

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

Corridor recognizes revenue from two major revenue streams: the sale of natural gas and natural gas liquids and gathering, processing and transportation fees, as disclosed in note 4.

i) Natural gas and natural gas liquids

Corridor delivers and sells its natural gas production daily from the McCully Field in New Brunswick to markets in northeastern United States and the Maritimes pursuant to long-term agreements with a marketing agent. The Company satisfies its performance obligations upon the delivery of the natural gas production. The transaction price is based on the daily commodity price adjusted for the delivery location and other seasonal factors based on the terms of the agreements. The fees associated with marketing and transportation services provided by the Company's marketing agent are deducted from the transaction price while transportation services procured by Corridor are recognized in transportation expenses. Corridor's natural gas revenues do not contain significant financing components and payments are typically due within 25 days following the month-end.

Revised revenue recognition policy

Revenue from Corridor's working interest of natural gas production is recognized at the point in time when control of the natural gas is transferred, being when the natural gas has been delivered to Corridor's marketing agent at the agreed delivery location, which coincides with the month the natural gas is produced. Natural gas revenue is recognized at the agreed transaction price based on the terms of the agreements. Natural gas liquids revenue is recognized at the point in time when delivery has taken place.

Notes to the Unaudited Condensed Financial Statements

June 30, 2018

3. Changes in accounting policies (continued)

ii) Gathering, processing and transportation fees

The Company has collaborative arrangements with its joint venture partner, Nutrien Inc., ("Nutrien") to gather, process and transport Nutrien's working interest share of natural gas production from the McCully Field through Corridor's production facilities. The gathering, processing and transportation fees are calculated based on the use of these facilities and include both a recovery of capital and a recovery of operating expenses.

Revenue recognition policy

Gathering, processing and transportation fees relating to the recovery of capital of Corridor's production facilities are recognized when the gathering, processing and transportation services have been provided to Nutrien, which coincides with the month the natural gas is produced.

b) IFRS 9, "Financial instruments"

The Company adopted IFRS 9 "Financial Instruments" ("IFRS 9") on January 1, 2018 which replaced IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The Company adopted the new standard using the retrospective method. The adoption of IFRS 9 did not have a material impact on the classification and measurement of the Company's financial assets and financial liabilities.

The nature and effect of the key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarized below.

i) Classification of Financial Assets and Financial Liabilities

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

Under the revised classification in IFRS 9, the Company's accounts receivables are classified as financial assets at amortized cost and will no longer be classified under loans and receivables. There was no change to the Company's classifications under financial liabilities at amortized costs or fair value through profit or loss. See note 15 for additional disclosure on Corridor's financial instruments.

ii) Impairment of Financial Assets

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

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for accounts receivables and requires expected lifetime losses to be recognized from initial recognition of the accounts receivables. Each period, Corridor assesses the expected credit losses on a forward-looking basis. See note 14a iv) for additional disclosure on Corridor's credit risk.

c) IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16 "Leases" which replaces IAS 17 "Leases". IFRS 16 will require the recognition of assets and liabilities for most leases. The standard will come into effect for years beginning on or after January 1, 2019 with earlier adoption permitted. The extent of the impact of adoption of IFRS 16 has not yet been determined.

Notes to the Unaudited Condensed Financial Statements

June 30, 2018

4. Sales

Sales consist of the following:

(thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Natural gas and natural gas liquids sales	\$ 1,481	\$ 38	\$ 13,015	\$ 4,251
Gathering, processing and transportation fees	102	8	404	262
	\$ 1,583	\$ 46	\$ 13,419	\$ 4,513

5. Interest and other

Interest and other consist of the following:

(thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Foreign exchange gains (losses)	\$ 54	\$ (205)	\$ 544	\$ (180)
Interest and finance costs	(66)	(73)	(130)	(149)
Interest and other income	222	64	392	121
	\$ 210	\$ (214)	\$ 806	\$ (208)

6. Income taxes

Deferred income tax expense (recovery) differs from the amount which would be obtained by applying the Canadian statutory income tax rates to the income before income taxes as follows:

(thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Income (loss) before income taxes	\$ (12,517)	\$ (1,510)	\$ (4,567)	\$ 315
Blended Canadian statutory tax rate	29.3%	29.3%	29.3%	29.3%
Expected income tax expense (recovery)	\$ (3,667)	\$ (442)	\$ (1,338)	\$ 92
Increase (decrease) resulting from:				
Deferred incomes taxes not recognized	1,176	425	1,540	(136)
Non-deductible (non-taxable):				
share-based compensation expense	9	21	36	42
unrealized loss (gain) on financial derivatives	128	-	(231)	-
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	(36)	(4)	(16)	2
	\$ (2,390)	-	\$ (9)	-

At December 31, 2016, management had determined it was no longer probable that there would be sufficient taxable profits from operations and sufficient reversal of taxable temporary differences to facilitate the utilization of the underlying tax-deductible amounts due to a decrease in estimated future natural gas prices and the Government of New Brunswick's decision to continue a moratorium on hydraulic fracturing indefinitely in 2016. As a result, the Company did not recognize deferred income tax expense of \$136 thousand during the six months ended June 30, 2017.

At December 31, 2017, estimated future natural gas prices increased and management recognized a write-up of deferred income tax assets of \$2,430 thousand to reflect an expected reversal of taxable temporary differences. The Company did not recognize a deferred income tax recovery of \$1,540 thousand relating to temporary differences that arose during the six months ended June 30, 2018 as they are not expected to reverse.

Notes to the Unaudited Condensed Financial Statements

June 30, 2018

7. Income per share

For the three and six months ended June 30, 2018, stock options of 2,233 thousand and 1,436 thousand (three and six months ended June 30, 2017 – 2,741 thousand) were excluded from the dilution calculation since the average market price for the period was lower than the exercise price.

8. Property, plant and equipment

(thousands of dollars)

	Oil and gas properties	Production facilities	Inventory	Office and other assets	Total
Cost					
Balance at December 31, 2016	\$ 242,972	\$ 77,342	\$ 998	\$ 2,889	\$ 324,201
Additions	-	96	-	5	101
Sale of assets	-	-	-	(227)	(227)
Transfer from current assets	-	-	57	-	57
Changes in future abandonment costs	(1,260)	-	-	-	(1,260)
Balance at December 31, 2017	\$ 241,712	\$ 77,438	\$ 1,055	\$ 2,667	\$ 322,872
Additions	-	42	-	16	58
Sale of assets	-	-	-	(3)	(3)
Changes in future abandonment costs	487	-	-	-	487
Balance at June 30, 2018	\$ 242,199	\$ 77,480	\$ 1,055	\$ 2,680	\$ 323,414
Accumulated impairment, depletion and depreciation					
Balance at December 31, 2016	\$ 206,560	\$ 64,299	\$ 527	\$ 1,934	\$ 273,320
Depletion or depreciation expense	1,856	632	-	113	2,601
Impairment reversal	(8,600)	(3,400)	-	-	(12,000)
Write-down of inventory	-	-	146	-	146
Transfer from current assets	-	-	37	-	37
Sale of assets	-	-	-	(149)	(149)
Balance at December 31, 2017	\$ 199,816	\$ 61,531	\$ 710	\$ 1,898	\$ 263,955
Depletion or depreciation expense	2,581	919	-	44	3,544
Sales of assets	-	-	-	(2)	(2)
Balance at June 30, 2018	\$ 202,397	\$ 62,450	\$ 710	\$ 1,940	\$ 267,497
Net book value					
At December 31, 2017	\$ 41,896	\$ 15,907	\$ 345	\$ 769	\$ 58,917
At June 30, 2018	\$ 39,802	\$ 15,030	\$ 345	\$ 740	\$ 55,917

The calculation of depletion includes estimated future development costs relating to the development of proved reserves of \$3,171 thousand for the three and six months ended June 30, 2018 (three and six months ended June 30, 2017 - \$3,437 thousand). During the quarter, no indicators of impairment were identified.

9. Exploration and evaluation assets

(thousands of dollars)

	Six months ended June 30, 2018	Year ended December 31, 2017
Balance, beginning of period	\$ 11,570	\$ 8,813
Additions	1,165	2,928
Loss on impairment and disposition of assets	(11,368)	(32)
Changes in future abandonment costs	50	(139)
Balance, end of period	\$ 1,417	\$ 11,570

During the quarter, the Company announced its decision to suspend any further capital spending on the Old Harry prospect and, as a result, impairment losses of \$11,368 thousand were recognized.

Notes to the Unaudited Condensed Financial Statements

June 30, 2018

10. Decommissioning liability

The change in the decommissioning liability is due to the following:

(thousands of dollars)

	Six months ended June 30, 2018	Year ended December 31, 2017
Balance, beginning of period	\$ 8,529	\$ 9,636
Change in discount rate	537	(1,391)
Change in estimate	-	(8)
Finance costs	130	292
Balance, end of period	\$ 9,196	\$ 8,529

The total undiscounted amount of estimated cash flows required to settle these obligations is \$14,519 thousand (December 31, 2017 - \$14,661 thousand). Management estimates the settlement of these obligations between 2018 and 2039. At June 30, 2018, a risk-free rate of 2.19% (December 31, 2017 – 2.55%) and an inflation rate of 2% (December 31, 2017 – 2%) was used to calculate the estimated fair value of the decommissioning liability.

11. Capital stock

a) **Authorized** – Unlimited common shares without nominal or par value.

b) **Issued and outstanding**

(thousands of dollars and thousands of shares)

	Six months ended June 30, 2018		Year ended December 31, 2017	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	88,655	\$ 247,704	88,622	\$ 247,685
Exercise of stock options for cash and amount recognized from contributed surplus	-	-	33	13
	-	-	-	6
Balance, end of period	88,655	\$ 247,704	88,655	\$ 247,704

12. Share-based compensation

a) **Stock options**

The Company has a stock option plan under which options to purchase common shares of the Company may be granted to directors, officers, employees and consultants of the Company. The stock option plan is limited to 8,262,513 common shares with no more than 5% being issued to any one officer, director or employee. On May 12, 2014, the Board of Directors determined that non-employee directors would no longer be eligible to receive stock option grants. The exercise price of each option is based on the market price for the common share on the close of the day prior to the date the option was granted. Options granted under the plan generally vest over a three year period and expire five years after the grant date. Participants of the stock option plan can elect to surrender any vested option in exchange for a cash payment based on the difference between the market value of the common share and the exercise price of the option. The Board of Directors has the sole discretion to consent or deny this election.

For the three and six months ended June 30, 2018, the Company recorded share-based compensation expense with an offsetting increase to contributed surplus of \$7 thousand and \$24 thousand relating to the stock option plan (three and six months ended June 30, 2017 - \$48 thousand and \$129 thousand).

Notes to the Unaudited Condensed Financial Statements

June 30, 2018

12. Share-based compensation (continued)

The following table summarizes the changes in the outstanding stock options:

(thousands of options)

	Six months ended June 30, 2018		Year ended December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	3,265	\$ 0.79	3,775	\$ 1.12
Granted	-	-	508	\$ 0.52
Forfeited and cancelled	-	-	(985)	\$ 1.86
Exercised ⁽¹⁾	-	-	(33)	\$ 0.40
Options outstanding, end of period	3,265	\$ 0.79	3,265	\$ 0.79
Options exercisable, end of period	3,067	\$ 0.81	2,745	\$ 0.85

(1) The Company's weighted average share price, at the date of exercise, for stock options exercised during the year ended December 31, 2017 was \$0.52 per common share.

The range of exercise prices of stock options outstanding and exercisable as at June 30, 2018 is as follows:

(thousands of options)

Exercise prices	Outstanding options			Exercisable options		
	Number of options outstanding	Weighted average remaining term (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price	
\$ 0.40 - \$ 0.99	2,365	1.17	\$ 0.62	2,167	\$ 0.63	
\$ 1.00 - \$ 1.24	900	1.38	\$ 1.24	900	\$ 1.24	
	3,265	1.23	\$ 0.79	3,067	\$ 0.81	

b) Deferred share units

The Company has a deferred share unit ("DSU") plan for directors. Each vested DSU will automatically be redeemed on the third business day after the date the director ceases to be a director of Corridor. When redeemed, each vested DSU will be paid based on the weighted average trading price of the common shares over the five previous trading days.

The following table summarizes the changes in the outstanding DSUs:

(thousands of dollars and thousands of DSUs)

	Six months ended June 30, 2018		Year ended December 31, 2017	
	Number of DSUs	Amount	Number of DSUs	Amount
DSUs, beginning of period	216	\$ 132	137	\$ 77
DSUs granted during the period	30	20	79	40
Fair value adjustment during the period	-	3	-	15
DSUs earned but not yet granted	-	74	-	-
DSUs, end of period	246	\$ 229	216	\$ 132

The DSU liability as of June 30, 2018 of \$229 thousand is based on a fair value of \$0.63 which is the Company's closing share price at June 30, 2018.

Notes to the Unaudited Condensed Financial Statements

June 30, 2018

13. Supplemental cash flow information

(thousands of dollars)

	Six months ended June 30	
	2018	2017
Change in non-cash operating working capital:		
Receivables	\$ 3,169	\$ 1,978
Prepays and security deposits	(272)	(272)
Accounts payable and accrued liabilities	(282)	(469)
	\$ 2,615	\$ 1,237
Change in non-cash investing working capital:		
Receivables	\$ 438	\$ 39
Accounts payable and accrued liabilities	(1,747)	(38)
	\$ (1,309)	\$ 1

14. Risk management

a) The Company is exposed to the following risks:

i) Commodity price risk

Corridor enters into financial derivative contracts and physical delivery contracts to manage the risks associated with fluctuations in natural gas prices. The Company does not use derivative financial instruments for speculative purposes.

Financial derivatives

The Company has the following outstanding financial derivative contracts at June 30, 2018:

Type	Period	Daily Volume	Price	Index
Swap	December 1, 2018 to March 31, 2019	2,500 mmbtu	\$US7.90/mmbtu	Algonquin city-gates-daily
Swap	December 1, 2018 to March 31, 2019	2,500 mmbtu	\$US7.40/mmbtu	Algonquin city-gates-monthly

As security for these financial swaps, the bank has the authority to hold Corridor funds in the amount of \$US5.8 million.

The following financial derivatives gain (loss) is reflected in the Statement of Income:

(thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Realized financial derivatives gain (loss)	\$ (320)	-	\$ (1,398)	\$ 1,094
Change in unrealized gain (loss) on financial derivatives	(437)	10	788	263
Financial derivatives gain (loss)	\$ (757)	\$10	\$ (610)	\$ 1,357

The fair value of the financial derivatives liability of \$724 thousand is based on forecasted natural gas prices as of June 30, 2018. When assessing the potential impact of natural gas price changes on the fair value of the financial derivative contracts outstanding as at June 30, 2018, a 10% increase in forecast natural gas prices would increase the change in unrealized loss on financial derivatives by \$680 thousand (June 30, 2017 – nil), while a 10% decrease in forecast natural gas prices would decrease the change in unrealized loss on financial derivatives by \$680 thousand (June 30, 2017 – nil).

ii) Foreign currency risk

The Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar. Natural gas prices, condensate prices and transportation expenses are based upon reference prices denominated in U.S. dollars, while the Company's remaining expenses are denominated in Canadian dollars. The Company does not have any derivative financial instruments in place to manage this risk.

Notes to the Unaudited Condensed Financial Statements

June 30, 2018

14. Risk management (continued)

The Company had the following financial instruments denominated in U.S. dollars at the Statement of Financial Position dates.

(thousands of U.S. dollars)

	June 30, 2018	December 31, 2017
Cash	\$ 154	\$ 4,800
Receivables	-	2,772
Payables	(550)	(2,528)
Financial instruments in U.S. dollars	\$ (396)	\$ 5,044

At June 30, 2018, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of \$20 thousand in the Company's net loss (June 30, 2017 – increase in net loss of \$375 thousand) due to a decrease in the financial instruments denominated in U.S. dollars. Conversely, a 5% increase in the U.S. dollar relative to the Canadian dollar would have resulted in an increase of \$20 thousand in the Company's net loss (June 30, 2017 – decrease in net loss of \$375 thousand).

iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At June 30, 2018, the Company was holding cash and cash equivalents of \$56,093 thousand.

Given the Company's available liquid resources and the Company's 2018 budget, management expects to have sufficient available funds to meet the current and foreseeable financial liabilities as disclosed in the Company's December 31, 2017 audited financial statements.

iv) Credit risk

Corridor sells all of its natural gas production to one large credit-worthy purchaser under normal industry payment terms. Corridor's receivables from joint venture partners are also subject to normal credit risks in the natural gas industry. At June 30, 2018, over 95% of the Company's accounts receivables were outstanding for less than 30 days and 100% were outstanding for less than 60 days. The average expected credit loss on the Company's accounts receivable was 0% as at June 30, 2018.

The cash equivalents consist mainly of guaranteed investment certificates held with banks with high credit-ratings assigned by international credit-rating agencies. Management believes the risk of loss is low.

b) Management of capital

Management's objectives when managing capital are to provide an adequate return to its shareholders and to safeguard the Company's ability to obtain financing and have access to capital. In the management of capital, the Company includes shareholders' equity and cash and cash equivalents. To facilitate the management of its capital structure, the Company prepares annual expenditure and operating budgets that are updated as necessary depending on success factors, industry conditions and operating cash flow. These annual and updated budgets are approved by the Board of Directors. Corridor has the ability to adjust its capital structure by making modifications to its capital expenditure program.

15. Financial instruments

The Company has classified each financial instrument into the following categories:

i) Financial assets at amortized cost

Financial assets at amortized costs include accounts receivables. They are financial assets held to collect contractual cash flows that represent payments of principal and interest only. The carrying values of accounts receivable approximate their fair values because of their short term to maturity.

Notes to the Unaudited Condensed Financial Statements

June 30, 2018

15. Financial instruments (continued)

ii) Financial liabilities at amortized cost

Financial liabilities at amortized cost include accounts payable and accrued liabilities. Accounts payable and accrued liabilities approximate their fair values because of their short term to maturity or because the interest rates approximate market rates at the end of the period.

iii) Fair value through profit or loss

The Company's financial derivatives liability is classified as fair value through profit or loss and is recognized at fair value based on quoted market prices at each reporting date. Financial derivatives liability is included in current assets or liabilities with any changes in fair value included in the Statement of Income. The Company does not apply hedge accounting to its derivative instruments.

The Company's deferred share units liability is classified as fair value through profit or loss and is recognized at fair value based on quoted market prices at each reporting date. The fair value of the DSUs granted and changes in their fair value are recognized as share-based compensation expense on the Statement of Income.

16. Contingencies

The Company was served with a statement of claim by Geophysical Services Incorporated ("GSI") on August 23, 2013 and with an amended statement of claim on June 22, 2017, both relating to the access and disclosure of confidential seismic information. GSI is seeking total damages of approximately \$3.4 million. On February 16, 2018, the Company filed an application for Summary Dismissal. The Company has not recorded any liability as management believes a successful claim is not probable.