

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

(thousands of dollars, except per share data)

For the	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Sales (note 4)	-	-	\$ 7,023	\$ 13,419
Royalty expense	-	-	(178)	(410)
Revenues, net	-	-	<b>6,845</b>	13,009
Expenses				
Impairment losses	-	40	-	11,408
Depletion, depreciation and amortization	74	56	3,387	3,624
Production expense	600	525	1,954	1,928
General and administrative expense	1,106	574	2,289	1,786
Share-based compensation expense (note 14)	79	118	234	239
Financial derivatives losses (gains) (note 16a i)	137	712	(2,573)	1,322
Transportation expense	-	-	-	100
	<b>1,996</b>	2,025	<b>5,291</b>	20,407
Income (loss) before interest and other	(1,996)	(2,025)	1,554	(7,398)
Interest and other (note 5)	215	165	625	971
Income (loss) before income taxes	(1,781)	(1,860)	2,179	(6,427)
Deferred income tax expense (recovery) (note 7)	(463)	-	811	(9)
Net income (loss) and comprehensive income (loss)	<b>\$ (1,318)</b>	\$ (1,860)	<b>\$ 1,368</b>	\$ (6,418)
Net income (loss) per share – basic and diluted	<b>\$ (0.015)</b>	\$ (0.021)	<b>\$ 0.015</b>	\$ (0.072)
Weighted average number of common shares				
Basic	<b>88,172</b>	88,689	<b>88,602</b>	88,667
Diluted (note 6)	<b>88,406</b>	89,029	<b>88,861</b>	89,055

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

# Unaudited Statements of Financial Position

(thousands of dollars)

As at	September 30 2019	December 31 2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 16a i)	\$ 61,253	\$ 53,652
Restricted cash	680	650
Receivables (note 16a iv)	66	4,197
Financial derivatives receivable (note 16a i)	671	996
Inventory held for sale	8	16
Prepays and security deposits	289	180
	<b>62,967</b>	59,691
Non-current assets		
Property, plant and equipment (note 8)	55,737	57,733
Exploration and evaluation assets (note 9)	4,016	3,451
Right-of-use assets (note 10)	328	-
Deferred income tax assets (note 7)	3,228	4,039
Intangible assets	-	7
Restricted cash	350	380
<b>Total assets</b>	<b>\$ 126,626</b>	<b>\$ 125,301</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 498	\$ 2,190
Deferred share units liability (note 14b)	290	311
Current portion of lease liability (note 11)	120	-
	<b>908</b>	2,501
Non-current liabilities		
Lease liability (note 11)	200	-
Decommissioning liability (note 12)	12,726	11,100
<b>Total liabilities</b>	<b>13,834</b>	13,601
Shareholders' Equity		
Capital stock (note 13)	247,332	247,855
Contributed surplus (note 14)	11,295	11,048
Deficit	(145,835)	(147,203)
<b>Total shareholders' equity</b>	<b>112,792</b>	111,700
<b>Total liabilities and shareholders' equity</b>	<b>\$ 126,626</b>	<b>\$ 125,301</b>

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

Contingencies (note 18)  
Subsequent event (note 19)

On behalf of the Board

Signed "Stephen J. Moran" Director

Signed "James McKee" Director

# Unaudited Statements of Changes in Shareholders' Equity

(thousands of dollars)

For the	Nine months ended September 30	
	2019	2018
Capital stock, beginning of period	\$ 247,855	\$ 247,704
Exercise of stock options for cash	18	39
Amount previously expensed for stock options exercised	8	18
Purchases under normal course issuer bid	(549)	-
Capital stock, end of period	\$ 247,332	\$ 247,761
Contributed surplus, beginning of period	\$ 11,048	\$ 10,926
Share-based compensation expense (note 14a)	255	116
Amount previously expensed for stock options exercised	(8)	(18)
Contributed surplus, end of period	\$ 11,295	\$ 11,024
Deficit, beginning of period	\$ (147,203)	\$ (146,889)
Net income (loss) and comprehensive income (loss)	1,368	(6,418)
Deficit, end of period	\$ (145,835)	\$ (153,307)
Shareholders' equity, end of period	\$ 112,792	\$ 105,478

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

# Unaudited Statements of Cash Flows

(thousands of dollars)

For the	Nine months ended September 30	
	2019	2018
<b>Operating Activities</b>		
Net income (loss)	<b>\$ 1,368</b>	\$ (6,418)
Adjustments not affecting cash:		
Impairment losses	-	11,408
Depletion, depreciation and amortization	<b>3,387</b>	3,624
Share-based compensation expense	<b>234</b>	239
Change in unrealized financial derivatives losses (gains)	<b>325</b>	(76)
Deferred income tax expense (recovery)	<b>811</b>	(9)
Other operating activities	<b>170</b>	197
	<b>6,295</b>	8,965
Decrease in non-cash operating working capital (note 15)	<b>2,775</b>	2,830
Cash provided by operating activities	<b>9,070</b>	11,795
<b>Financing Activities</b>		
Purchase of common shares under normal course issuer bid	<b>(549)</b>	-
Payment of lease liability	<b>(113)</b>	-
Proceeds from the exercise of stock options	<b>18</b>	39
Cash provided by (used in) financing activities	<b>(644)</b>	39
<b>Investing Activities</b>		
Property, plant and equipment expenditures	<b>(81)</b>	(306)
Exploration and evaluation expenditures	<b>(377)</b>	(1,224)
Increase in non-cash investing working capital (note 15)	<b>(445)</b>	(1,104)
Proceeds from the sale of assets	<b>112</b>	1
Other investing activities	<b>(34)</b>	-
Cash used in investing activities	<b>(825)</b>	(2,633)
Increase in cash and cash equivalents	<b>7,601</b>	9,201
Cash and cash equivalents, beginning of period	<b>53,652</b>	46,177
Cash and cash equivalents, end of period	<b>\$ 61,253</b>	\$ 55,378
<b>Cash and cash equivalents consists of:</b>		
Cash	<b>\$ 44,626</b>	\$ 5,328
Short-term investments	<b>16,627</b>	50,050
Cash and cash equivalents, end of period	<b>\$ 61,253</b>	\$ 55,378

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

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2019

### 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, 2018. 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, 2018, except for the change in accounting policy disclosed in note 3.

On November 12, 2019, 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. Change in accounting policy

#### *IFRS 16, "Leases"*

On January 1, 2019, the Company adopted IFRS 16 "Leases" ("IFRS 16") which replaces IAS 17 "Leases" ("IAS 17"). The Company applied the modified retrospective approach which does not require restatement of prior period financial information as the cumulative effect of applying the standard to prior periods is recorded as an adjustment to opening retained earnings. IFRS 16 requires the recognition of a right-of-use asset and lease liability on the Statement of Financial Position for most leases, however, leases relating to the exploration of natural gas and oil resources are excluded.

On transition to IFRS 16, the Company elected not to reassess whether a contract is, or contains, a lease and IFRS 16 was therefore only applied to contracts that were previously classified as operating leases under IAS 17. The Company did not have any leases that were classified as finance leases under IAS 17 at December 31, 2018. The Company also applied the permitted practical expedient relating to the use of hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

The reconciliation of lease commitments from December 31, 2018 to the lease liabilities at January 1, 2019 is as follows:

*(thousands of dollars)*

	<b>January 1 2019</b>
Operating lease commitments disclosed as at December 31, 2018	<b>\$ 1,211</b>
Exclusion for leases to explore for natural gas	<b>(972)</b>
Practical expedient relating to lease term extension	<b>219</b>
Discounting, using weighted average incremental borrowing rate of 4.4%	<b>(104)</b>
Lease liabilities at January 1, 2019	<b>\$ 354</b>

Management has identified right-of-use assets related to office space, vehicles and land surface rights relating to producing facilities. The Company elected to measure right-of-use assets at an amount equal to the lease liability of \$354 thousand and therefore the adoption of IFRS 16 had no impact on the retained earnings at January 1, 2019.

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2019

### 3. Change in accounting policy (continued)

#### *Policy at January 1, 2019*

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received. The right-of-use asset is subsequently depreciated on a straight-line basis over the lease term. The carrying amount will be reviewed for impairment at each reporting period.

The lease liability is initially measured at the present value of future lease payments, discounted using the interest rate implicit in the lease, if applicable, or the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option with a corresponding adjustment to the carrying amount of the right-of-use asset.

The Company has elected not to recognize assets and lease liabilities for short-term leases with a term of 12 months or less, and leases of low value assets. The lease payments associated with these leases are recognized as an expense in the Statement of Income and Comprehensive Income over the lease term.

### 4. Sales

Sales consist of the following:

*(thousands of dollars)*

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Natural gas and natural gas liquids sales	-	-	\$ 6,668	\$ 13,015
Gathering, processing and transportation fees	-	-	355	404
	-	-	\$ 7,023	\$ 13,419

### 5. Interest and other

Interest and other consist of the following:

*(thousands of dollars)*

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Interest and other income	\$ 279	\$ 236	\$ 850	\$ 628
Foreign exchange gains (losses)	(2)	(3)	(43)	541
Finance costs	(53)	(68)	(169)	(198)
Interest on lease liability	(9)	-	(13)	-
	\$ 215	\$ 165	\$ 625	\$ 971

### 6. Income per share

For the three and nine months ended September 30, 2019, stock options of 2,702 thousand and 2,020 thousand (three and nine months ended September 30, 2018 – 1,457 thousand) were excluded from the dilution calculation since the average market price for the period was lower than the exercise price.

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2019

### 7. 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 September 30		Nine months ended September 30	
	2019	2018	2019	2018
Income (loss) before income taxes	\$ (1,781)	\$ (1,860)	\$ 2,179	\$ (6,427)
Blended Canadian statutory tax rate	29.3%	29.3%	29.3%	29.3%
Expected income tax expense (recovery)	\$ (521)	\$ (545)	\$ 639	\$ (1,883)
Increase (decrease) resulting from:				
Deferred incomes taxes not recognized	-	305	-	1,845
Non-deductible (non-taxable):				
- share-based compensation expense	24	34	69	70
- unrealized financial derivatives losses (gains)	40	209	95	(22)
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	(6)	(3)	8	(19)
	\$ (463)	-	\$ 811	\$ (9)

At September 30, 2019, the Company has \$101 million of deductible temporary differences for which no deferred tax asset is recognized as management has determined it is not probable that there will be sufficient taxable profits from operations and sufficient reversal of taxable temporary differences to facilitate the utilization of the underlying tax-deductible amounts.

### 8. Property, plant and equipment

(thousands of dollars)

	Oil and gas properties	Production facilities	Inventory	Office and other assets	Total
<b>Cost</b>					
Balance at December 31, 2017	\$ 241,712	\$ 77,438	\$ 1,055	\$ 2,667	\$ 322,872
Additions	587	225	96	98	1,006
Transfer from (to) current assets	8	67	380	(67)	388
Sale of assets	-	-	-	(3)	(3)
Changes in future abandonment costs	2,018	-	-	-	2,018
Balance at December 31, 2018	\$ 244,325	\$ 77,730	\$ 1,531	\$ 2,695	\$ 326,281
Additions	26	14	-	41	81
Sale of assets	(49)	(15)	-	(55)	(119)
Changes in future abandonment costs	1,286	-	-	-	1,286
<b>Balance at September 30, 2019</b>	<b>\$ 245,588</b>	<b>\$ 77,729</b>	<b>\$ 1,531</b>	<b>\$ 2,681</b>	<b>\$ 327,529</b>
<b>Accumulated impairment, depletion &amp; depreciation</b>					
Balance at December 31, 2017	\$ 199,816	\$ 61,531	\$ 710	\$ 1,898	\$ 263,955
Depletion or depreciation expense	3,485	1,233	-	105	4,823
Impairment reversal	(380)	(150)	-	-	(530)
Transfer from (to) current assets	-	12	250	(12)	250
Write-down and sale of assets	-	-	52	(2)	50
Balance at December 31, 2018	\$ 202,921	\$ 62,626	\$ 1,012	\$ 1,989	\$ 268,548
Sale of assets	-	-	-	(31)	(31)
Depletion or depreciation expense	2,396	797	-	82	3,275
<b>Balance at September 30, 2019</b>	<b>\$ 205,317</b>	<b>\$ 63,423</b>	<b>\$ 1,012</b>	<b>\$ 2,040</b>	<b>\$ 271,792</b>
<b>Net book value</b>					
At December 31, 2018	\$ 41,404	\$ 15,104	\$ 519	\$ 706	\$ 57,733
<b>At September 30, 2019</b>	<b>\$ 40,271</b>	<b>\$ 14,306</b>	<b>\$ 519</b>	<b>\$ 641</b>	<b>\$ 55,737</b>

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2019

### 8. Property, plant and equipment (continued)

The calculation of depletion includes estimated future development costs relating to the development of proved reserves of \$2,652 thousand for the three and nine months ended September 30, 2019 (three and nine months ended September 30, 2018 - \$3,171 thousand).

During the quarter, no indicators of impairment were identified.

### 9. Exploration and evaluation assets

(thousands of dollars)

	Nine months ended September 30, 2019	Year ended December 31, 2018
Balance, beginning of period	\$ 3,451	\$ 11,570
Additions	377	1,248
Impairment losses	-	(11,408)
Changes in future abandonment costs	188	2,041
<b>Balance, end of period</b>	<b>\$ 4,016</b>	<b>\$ 3,451</b>

During the quarter, no indicators of impairment were identified.

### 10. Right-of-use assets

(thousands of dollars)

	Office building	Land	Vehicles	Total
<b>Cost</b>				
Leases recognized at January 1, 2019	\$ 170	\$ 174	\$ 10	\$ 354
Additions	-	-	79	79
<b>Balance at September 30, 2019</b>	<b>\$ 170</b>	<b>\$ 174</b>	<b>\$ 89</b>	<b>\$ 433</b>
<b>Accumulated depreciation</b>				
Depreciation expense	85	6	14	105
<b>Balance at September 30, 2019</b>	<b>\$ 85</b>	<b>\$ 6</b>	<b>\$ 14</b>	<b>\$ 105</b>
<b>Net book value at September 30, 2019</b>	<b>\$ 85</b>	<b>\$ 168</b>	<b>\$ 75</b>	<b>\$ 328</b>

### 11. Lease liability

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

(thousands of dollars)

	Nine months ended September 30, 2019	Year ended December 31, 2018
Leases recognized at January 1, 2019	\$ 354	-
Leases recognized during the period	79	-
Payment of lease liability	(113)	-
Lease liability, end of period	\$ 320	-
Current portion of lease liability	(120)	-
Non-current portion of lease liability	\$ 200	-

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2019

### 12. Decommissioning liability

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

*(thousands of dollars)*

	Nine months ended September 30, 2019	Year ended December 31, 2018
Balance, beginning of period	\$ 11,100	\$ 8,529
Change in discount rate	1,457	519
Change in estimate	17	3,540
Liabilities settled	(17)	(1,755)
Finance costs	169	267
Balance, end of period	<b>\$ 12,726</b>	\$ 11,100

The total undiscounted amount of estimated cash flows required to settle these obligations is \$17,481 thousand (December 31, 2018 - \$17,481 thousand). Management estimates the settlement of these obligations between 2019 and 2040. At September 30, 2019, a risk-free rate of 1.60% (December 31, 2018 – 2.22%) and an inflation rate of 2% (December 31, 2018 – 2%) were used to calculate the estimated fair value of the decommissioning liability.

### 13. Capital stock

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

b) **Issued and outstanding**

*(thousands of dollars and thousands of shares)*

	Nine months ended September 30, 2019		Year ended December 31, 2018	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	88,899	\$ 247,855	88,655	\$ 247,704
Exercise of stock options for cash and amount recognized from contributed surplus	25	18	244	102
Cancellations under normal course issuer bid	-	8	-	49
	(777)	(549)	-	-
Balance, end of period	<b>88,147</b>	<b>\$ 247,332</b>	88,899	\$ 247,855

### 14. 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 nine months ended September 30, 2019, the Company recorded share-based compensation expense with an offsetting increase to contributed surplus of \$65 thousand and \$255 thousand relating to the stock option plan (three and nine months ended September 30, 2018 - \$92 and \$116 thousand).

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2019

### 14. Share-based compensation (continued)

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

*(thousands of options)*

	Nine months ended September 30, 2019		Year ended December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	3,471	\$ 0.79	3,265	\$ 0.79
Granted	225	0.70	1,783	0.70
Forfeited, cancelled or expired	(181)	0.71	(1,333)	0.75
Exercised <sup>(1)</sup>	(25)	0.72	(244)	0.42
Options outstanding, end of period	3,490	\$ 0.79	3,471	\$ 0.79
Options exercisable, end of period	2,173	\$ 0.83	1,769	\$ 0.89

*(1) The Company's weighted average share price, at the date of exercise, for stock options exercised during the nine months ended September 30, 2019 was \$0.76 per common share (year ended December 31, 2018 - \$0.79 per common share).*

The range of exercise prices of stock options outstanding and exercisable as at September 30, 2019 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	2,590	3.0	\$ 0.63	1,273	\$ 0.55	
\$ 1.00 - \$ 1.24	900	0.1	\$ 1.24	900	\$ 1.24	
	3,490	2.2	\$ 0.79	2,173	\$ 0.83	

#### 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)*

	Nine months ended September 30, 2019		Year ended December 31, 2018	
	Number of DSUs	Amount	Number of DSUs	Amount
DSUs, beginning of period	388	\$ 311	216	\$ 132
DSUs granted during the period	45	30	172	114
Fair value adjustment during the period	-	(51)	-	65
DSUs, end of period	433	\$ 290	388	\$ 311

The DSU liability as of September 30, 2019 of \$290 thousand is based on a fair value of \$0.67 per DSU, the Company's closing share price at September 30, 2019 (December 31, 2018 - \$0.80 per DSU).

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2019

### 15. Supplemental cash flow information

(thousands of dollars)

	Nine months ended September 30	
	2019	2018
Change in non-cash operating working capital:		
Receivables	\$ 3,600	\$ 3,324
Prepays and security deposits	(109)	(108)
Accounts payable and accrued liabilities	(716)	(386)
	<b>\$ 2,775</b>	<b>\$ 2,830</b>
Change in non-cash investing working capital:		
Receivables	\$ 531	\$ 483
Accounts payable and accrued liabilities	(976)	(1,587)
	<b>\$ (445)</b>	<b>\$ (1,104)</b>

### 16. 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 September 30, 2019:

Type	Period	Daily Volume	Price	Index
Swap	December 1, 2019 to March 31, 2020	2,500 mmbtu	\$US9.00/mmbtu	Algonquin city-gates-daily

As security for the financial swaps, the bank has the authority to hold Corridor funds in the amount of \$US11 million.

The following financial derivatives gains (losses) are reflected in the Statement of Income:

(thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Financial derivatives gains (losses):				
realized gains (losses)	-	-	\$ 2,898	\$ (1,398)
- change in unrealized gains (losses)	(137)	(712)	(325)	76
Financial derivatives gains (losses)	<b>\$ (137)</b>	<b>\$ (712)</b>	<b>\$ 2,573</b>	<b>\$ (1,322)</b>

The fair value of the financial derivatives receivable of \$671 thousand as of September 30, 2019 is based on estimated future natural gas prices as of that date. When assessing the potential impact of natural gas price changes on the fair value of the financial derivative contracts outstanding as at September 30, 2019, a 10% increase in forecast natural gas prices would increase the change in unrealized losses on financial derivatives by \$295 thousand (September 30, 2018 – \$744 thousand), while a 10% decrease in forecast natural gas prices would decrease the change in unrealized losses on financial derivatives by \$295 thousand (September 30, 2018 – \$744 thousand).

#### Physical delivery contracts

The Company has no physical delivery contracts at September 30, 2019.

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2019

### 16. Risk management (continued)

#### 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.

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

*(thousands of U.S. dollars)*

	September 30, 2019	December 31, 2018
Cash	\$ 6	\$ 1,134
Receivables	506	3,320
Financial instruments in U.S. dollars	\$ 512	\$ 4,454

At September 30, 2019, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in an increase of \$24 thousand in the Company's net loss (September 30, 2018 – decrease in net loss of \$63 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 a decrease of \$24 thousand in the Company's net loss (September 30, 2018 – increase in net loss of \$63 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 September 30, 2019, the Company was holding cash and cash equivalents of \$61,253 thousand.

Given the Company's available liquid resources and the Company's 2019 budget, management expects to have sufficient available funds to meet the current and foreseeable financial liabilities as disclosed in the Company's December 31, 2018 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 September 30, 2019, 100% of the Company's accounts receivables were outstanding for less than 30 days. The average expected credit loss on the Company's accounts receivable was 0% as at September 30, 2019.

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.

# Notes to the Unaudited Condensed Financial Statements

## September 30, 2019

### 17. Financial instruments

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

#### **i) Financial assets at amortized cost**

Financial assets at amortized cost 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.

#### **ii) Financial liabilities at amortized cost**

Financial liabilities at amortized cost include accounts payable, accrued liabilities and lease liabilities. Accounts payable, accrued liabilities and lease 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 or receivable 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 or receivable 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.

### 18. Contingencies

During the quarter, the lawsuit brought by Geophysical Services Incorporated against Corridor in 2013 was dismissed by the Alberta Court of Queen's Bench by consent of the parties.

### 19. Subsequent event

Subsequent to the quarter end, the Company entered into a financial hedge for 2,500 mmbtupd from December 1, 2019 to March 31, 2020 at a fixed price of \$US7.12/mmbtu and a financial hedge for 2,500 mmbtupd from November 8, 2019 to November 30, 2019 at a fixed price of \$US4.85/mmbtu.