

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	
	2019	2018	2019	2018
Sales (note 4)	\$ 1,014	\$ 1,583	\$ 7,023	\$ 13,419
Royalty expense	(19)	(25)	(178)	(410)
Revenues, net	995	1,558	6,845	13,009
Expenses				
Impairment losses	-	11,368	-	11,368
Depletion, depreciation and amortization	739	804	3,313	3,568
Production expense	608	701	1,354	1,403
General and administrative expense	581	604	1,183	1,212
Transportation expense	-	22	-	100
Share-based compensation expense (note 14)	94	29	155	121
Financial derivatives losses (gains) (note 16a i)	(290)	757	(2,710)	610
	1,732	14,285	3,295	18,382
Income (loss) before the following items	(737)	(12,727)	3,550	(5,373)
Interest and other (note 5)	288	210	410	806
Income (loss) before income taxes	(449)	(12,517)	3,960	(4,567)
Deferred income tax expense (recovery) (note 7)	(175)	(2,390)	1,274	(9)
Net income (loss) and comprehensive income (loss)	\$ (274)	\$ (10,127)	\$ 2,686	\$ (4,558)
Net income (loss) per share – basic and diluted	\$ (0.003)	\$ (0.114)	\$ 0.030	\$ (0.051)
Weighted average number of common shares				
Basic	88,724	88,655	88,821	88,655
Diluted (note 6)	88,995	89,040	89,104	89,064

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 2019	December 31 2018
Assets		
Current assets		
Cash and cash equivalents (note 16a i)	\$ 61,629	\$ 53,652
Restricted cash	650	650
Receivables (note 16a iv)	840	4,197
Financial derivatives receivable (note 16a i)	807	996
Inventory held for sale	16	16
Prepays and security deposits	592	180
	64,534	59,691
Non-current assets		
Property, plant and equipment (note 8)	55,428	57,733
Exploration and evaluation assets (note 9)	3,938	3,451
Right-of-use assets (note 10)	363	-
Deferred income tax assets (note 7)	2,765	4,039
Intangible assets	-	7
Restricted cash	380	380
Total assets	\$ 127,408	\$ 125,301
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 367	\$ 2,190
Deferred share units liability (note 14b)	276	311
Current portion of lease liability (note 11)	147	-
	790	2,501
Non-current liabilities		
Lease liability (note 11)	213	-
Decommissioning liability (note 12)	12,257	11,100
Total liabilities	13,260	13,601
Shareholders' Equity		
Capital stock (note 13)	247,435	247,855
Contributed surplus (note 14)	11,230	11,048
Deficit	(144,517)	(147,203)
Total shareholders' equity	114,148	111,700
Total liabilities and shareholders' equity	\$ 127,408	\$ 125,301

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	Six months ended June 30	
	2019	2018
Capital stock, beginning of period	\$ 247,855	\$ 247,704
Exercise of stock options for cash	18	-
Amount previously expensed for stock options exercised	8	-
Purchases under normal course issuer bid	(446)	-
Capital stock, end of period	\$ 247,435	\$ 247,704
Contributed surplus, beginning of period	\$ 11,048	\$ 10,926
Share-based compensation expense (note 14)	190	24
Amount previously expensed for stock options exercised	(8)	-
Contributed surplus, end of period	\$ 11,230	\$ 10,950
Deficit, beginning of period	\$ (147,203)	\$ (146,889)
Net income (loss) and comprehensive income (loss)	2,686	(4,558)
Deficit, end of period	\$ (144,517)	\$ (151,447)
Shareholders' equity, end of period	\$ 114,148	\$ 107,207

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	
	2019	2018
Operating Activities		
Net income (loss)	\$ 2,686	\$ (4,558)
Adjustments not affecting cash:		
Impairment losses	-	11,368
Depletion, depreciation and amortization	3,313	3,568
Share-based compensation expense	155	121
Change in unrealized financial derivatives losses (gains)	189	(788)
Deferred income tax expense (recovery)	1,274	(9)
Other operating activities	100	130
	7,717	9,832
Decrease in non-cash operating working capital (note 15)	1,690	2,615
Cash provided by operating activities	9,407	12,447
Financing Activities		
Purchase of common shares under normal course issuer bid	(446)	-
Payment of lease liability	(73)	-
Proceeds from the exercise of stock options	18	-
Cash used in financing activities	(501)	-
Investing Activities		
Property, plant and equipment expenditures	(35)	(58)
Exploration and evaluation expenditures	(354)	(1,165)
Increase in non-cash investing working capital (note 15)	(555)	(1,309)
Other investing activities	15	1
Cash used in investing activities	(929)	(2,531)
Increase in cash and cash equivalents	7,977	9,916
Cash and cash equivalents, beginning of period	53,652	46,177
Cash and cash equivalents, end of period	\$ 61,629	\$ 56,093
Cash and cash equivalents consists of:		
Cash	\$ 11,579	\$ 9,992
Short-term investments	50,050	46,101
Cash and cash equivalents, end of period	\$ 61,629	\$ 56,093

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

Notes to the Unaudited Condensed Financial Statements

June 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 August 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

a) 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)

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

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

June 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 June 30		Six months ended June 30	
	2019	2018	2019	2018
Natural gas and natural gas liquids sales	\$ 931	\$ 1,481	\$ 6,668	\$ 13,015
Gathering, processing and transportation fees	83	102	355	404
	\$ 1,014	\$ 1,583	\$ 7,023	\$ 13,419

5. Interest and other

Interest and other consist of the following:

(thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Interest and other income	\$ 307	\$ 222	\$ 571	\$ 392
Foreign exchange gains (losses)	19	54	(41)	544
Finance costs	(36)	(66)	(116)	(130)
Interest on lease liability	(2)	-	(4)	-
	\$ 288	\$ 210	\$ 410	\$ 806

6. Income per share

For the three and six months ended June 30, 2019, stock options of 2,165 thousand (three and six months ended June 30, 2018 – 2,233 thousand and 1,436 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

June 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 June 30		Six months ended June 30	
	2019	2018	2019	2018
Income (loss) before income taxes	\$ (449)	\$ (12,517)	\$ 3,960	\$ (4,567)
Blended Canadian statutory tax rate	29.3%	29.3%	29.3%	29.3%
Expected income tax expense (recovery)	\$ (132)	\$ (3,667)	\$ 1,160	\$ (1,338)
Increase (decrease) resulting from:				
Deferred incomes taxes not recognized	-	1,176	-	1,540
Non-deductible (non-taxable):				
- share-based compensation expense	27	9	45	36
- unrealized financial derivatives losses (gains)	(70)	128	55	(231)
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	-	(36)	14	(16)
	\$ (175)	\$ (2,390)	\$ 1,274	\$ (9)

At June 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
Cost					
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	2	6	-	27	35
Sale of assets	-	-	-	(55)	(55)
Changes in future abandonment costs	920	-	-	-	920
Balance at June 30, 2019	\$ 245,247	\$ 77,736	\$ 1,531	\$ 2,667	\$ 327,181
Accumulated impairment, depletion & depreciation					
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	787	-	53	3,236
Balance at June 30, 2019	\$ 205,317	\$ 63,413	\$ 1,012	\$ 2,011	\$ 271,753
Net book value					
At December 31, 2018	\$ 41,404	\$ 15,104	\$ 519	\$ 706	\$ 57,733
At June 30, 2019	\$ 39,930	\$ 14,323	\$ 519	\$ 656	\$ 55,428

Notes to the Unaudited Condensed Financial Statements

June 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 six months ended June 30, 2019 (three and six months ended June 30, 2018 - \$3,171 thousand).

During the quarter, no indicators of impairment were identified.

9. Exploration and evaluation assets

(thousands of dollars)

	Six months ended June 30, 2019	Year ended December 31, 2018
Balance, beginning of period	\$ 3,451	\$ 11,570
Additions	354	1,248
Impairment losses	-	(11,408)
Changes in future abandonment costs	133	2,041
Balance, end of period	\$ 3,938	\$ 3,451

During the quarter, no indicators of impairment were identified.

10. Right-of-use assets

(thousands of dollars)

	Office building	Land	Vehicles	Total
Cost				
Leases recognized at January 1, 2019	\$ 170	\$ 174	\$ 10	\$ 354
Additions	-	-	79	79
Balance at June 30, 2019	\$ 170	\$ 174	\$ 89	\$ 433
Accumulated depreciation				
Depreciation expense	57	4	9	70
Balance at June 30, 2019	57	4	9	70
Net book value at June 30, 2019	\$ 113	\$ 170	\$ 80	\$ 363

11. Lease liability

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

(thousands of dollars)

	Six months ended June 30, 2019	Year ended December 31, 2018
Leases recognized at January 1, 2019	\$ 354	-
Leases recognized during the period	79	-
Payment of lease liability	(73)	-
Lease liability, end of period	\$ 360	-
Current portion of lease liability	(147)	-
Non-current portion of lease liability	\$ 213	-

Notes to the Unaudited Condensed Financial Statements

June 30, 2019

12. Decommissioning liability

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

(thousands of dollars)

	Six months ended June 30, 2019	Year ended December 31, 2018
Balance, beginning of period	\$ 11,100	\$ 8,529
Change in discount rate	1,041	519
Change in estimate	12	3,540
Liabilities settled	(12)	(1,755)
Finance costs	116	267
Balance, end of period	\$ 12,257	\$ 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 June 30, 2019, a risk-free rate of 1.77% (December 31, 2018 – 2.22%) and an inflation rate of 2% (December 31, 2018 – 2%) was 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)

	Six months ended June 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	(623)	(446)	-	49
Balance, end of period	88,301	\$ 247,435	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 six months ended June 30, 2019, the Company recorded share-based compensation expense with an offsetting increase to contributed surplus of \$100 thousand and \$190 thousand relating to the stock option plan (three and six months ended June 30, 2018 - \$7 and \$24 thousand).

Notes to the Unaudited Condensed Financial Statements

June 30, 2019

14. Share-based compensation (continued)

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

(thousands of options)

	Six months ended June 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	-	-	(1,333)	0.75
Exercised ⁽¹⁾	(25)	0.72	(244)	0.42
Options outstanding, end of period	3,671	\$ 0.78	3,471	\$ 0.79
Options exercisable, end of period	1,934	\$ 0.85	1,769	\$ 0.89

(1) The Company's weighted average share price, at the date of exercise, for stock options exercised during the six months ended June 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 June 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	2,771	3.3	\$ 0.63	1,034	\$ 0.52	
\$ 1.00 - \$ 1.24	900	0.4	\$ 1.24	900	\$ 1.24	
	3,671	2.6	\$ 0.78	1,934	\$ 0.85	

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, 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	29	20	172	114
Fair value adjustment during the period	-	(55)	-	65
DSUs, end of period	417	\$ 276	388	\$ 311

The DSU liability as of June 30, 2019 of \$276 thousand is based on a fair value of \$0.66 per DSU, the Company's closing share price at June 30, 2019.

Notes to the Unaudited Condensed Financial Statements

June 30, 2019

15. Supplemental cash flow information

(thousands of dollars)

	Six months ended June 30	
	2019	2018
Change in non-cash operating working capital:		
Receivables	\$ 2,896	\$ 3,169
Prepays and security deposits	(399)	(272)
Accounts payable and accrued liabilities	(807)	(282)
	\$ 1,690	\$ 2,615
Change in non-cash investing working capital:		
Receivables	\$ 461	\$ 438
Accounts payable and accrued liabilities	(1,016)	(1,747)
	\$ (555)	\$ (1,309)

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 June 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 these financial swaps, the bank has the authority to hold Corridor funds in the amount of \$US11 million.

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

(thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Realized financial derivatives gains (losses)	\$ 53	\$ (320)	\$ 2,899	\$ (1,398)
Change in unrealized gains (losses) on financial derivatives	237	(437)	(189)	788
Financial derivatives gains (losses)	\$ 290	\$ (757)	\$ 2,710	\$ (610)

The fair value of the financial derivatives receivable of \$807 thousand is based on estimated future natural gas prices as of June 30, 2019. When assessing the potential impact of natural gas price changes on the fair value of the financial derivative contracts outstanding as at June 30, 2019, a 10% increase in forecast natural gas prices would decrease the change in unrealized gains on financial derivatives by \$275 thousand (June 30, 2018 – \$680 thousand), while a 10% decrease in forecast natural gas prices would increase the change in unrealized gains on financial derivatives by \$275 thousand (June 30, 2018 – \$680 thousand).

Physical delivery contracts

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

Notes to the Unaudited Condensed Financial Statements

June 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)

	June 30, 2019	December 31, 2018
Cash	\$ 8	\$ 1,134
Receivables	617	3,320
Financial instruments in U.S. dollars	\$ 625	\$ 4,454

At June 30, 2019, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of \$30 thousand in the Company's net income (June 30, 2018 – increase in net income of \$20 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 \$30 thousand in the Company's net income (June 30, 2018 – decrease in net income of \$20 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, 2019, the Company was holding cash and cash equivalents of \$61,629 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 June 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 June 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

June 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

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 September 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.

19. Subsequent event

Subsequent to the quarter-end, Corridor purchased and cancelled an additional 154,066 of its common shares at an average price of \$0.673/share as part of the Company's normal course issuer bid.