Second Quarter 2018
Management's Discussion and Analysis
As of August 13, 2018

This management's discussion and analysis ("MD&A") of financial results and condition of Corridor Resources Inc. ("Corridor" or the "Company") for the three and six months ended June 30, 2018 should be read in conjunction with Corridor's unaudited condensed financial statements and notes thereto for the three and six months ended June 30, 2018, audited financial statements and notes thereto for the year ended December 31, 2017 and the MD&A for the year ended December 31, 2017 ("2017 Annual MD&A"), copies of which are available on the Company's website at www.corridor.ca and through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Additional information about Corridor, including its annual information form for the year ended December 31, 2017 (the "Annual Information Form"), is available on SEDAR at www.sedar.com. All amounts referred to in this MD&A are in Canadian dollars unless otherwise stated.

Introduction

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.

Selected Financial Information

	Three months ended June 30		**Six months ended June 30**	
thousands of dollars except per share amounts	**2018**	2017	**2018**	2017
Sales	**$ 1,583**	$ 46	**$ 13,419**	$ 4,513
Net 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
Cash flow from operations[(1)]	**$ 187**	$ (1,282)	**$ 9,832**	$ 2,401
Capital expenditures	**$ 502**	$ 74	**$ 1,223**	$ 173
Total assets	**$ 117,773**	$ 103,508	**$ 117,773**	$ 103,508

(1) "Cash flow from operations" is a non-IFRS financial measure; see "Non-IFRS Financial Measures".

Corridor's natural gas sales are priced at Algonquin city-gates ("AGT") near Boston, Massachusetts. In recent years, the AGT market has been characterized by excess demand during the winter season resulting in significant premiums in the sale price for natural gas during the winter season as compared to prices during other periods of the year. In response to this trend in natural gas prices, since 2015 Corridor has determined to shut-in most of its producing natural gas wells in the McCully Field in New Brunswick for a portion of the summer/fall period and to time 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. A key component of this production optimization strategy is to enter into financial hedges to mitigate the risks associated with the volatility of natural gas prices when natural gas production resumes after a shut-in period. In accordance with this strategy, Corridor shut-in its natural gas production starting in May 2018 and expects to continue restricting production until December 2018.

Non-IFRS Financial Measures

This MD&A refers to "cash flow from operations" which is a financial measure that is not determined in accordance with International Financial Reporting Standards ("IFRS"). This measure does not have a standardized meaning and may not be comparable to similar measures presented by other companies. "Cash flow from operations" is used by the Company to analyse operating performance, leverage and liquidity and is included in this MD&A because it is believed to facilitate the understanding of the results of Corridor's operations and financial position. Cash flow from operations represents cash provided by operating activities excluding the change in non-cash operating working capital, as follows:

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2018**	2017	**2018**	2017
Cash provided by operating activities	**$ 2,336**	$ 193	**$ 12,447**	$ 3,638
Decrease in non-cash operating working capital	**(2,149)**	(1,475)	**(2,615)**	(1,237)
Cash flow from operations	**$ 187**	$ (1,282)	**$ 9,832**	$ 2,401

Forward Looking Information

This MD&A 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 MD&A contains forward-looking statements pertaining to the following:

- production levels;
- business plans and strategies;
- exploration and development plans of Corridor;
- Canadian – U.S. dollar exchange rate;
- natural gas prices and premiums;
- reserves;
- future taxable profits;
- capital expenditures;
- sources of funding; and
- government regulation.

Statements relating to "reserves" are forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described, as applicable, 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 Company and its shareholders.

Forward-looking statements are based on the Company's current beliefs as well as assumptions made by, and information currently available to, the Company including information 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 (including the terms of its hedging contracts). Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Unknown risks and uncertainties 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 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 and additional factors may be found under the heading "Risk Factors" in the 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 MD&A are made as of the date hereof and the Company 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.

Q2 2018 Financial Summary

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2018**	2017	**2018**	2017
Sales	**$ 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)	**757**	(10)	**610**	(1,357)
Share-based compensation expense	**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	**210**	(214)	**806**	(208)
Equity loss	**-**	(11)	**-**	(44)
Income (loss) before income taxes	**(12,517)**	(1,510)	**(4,567)**	315
Deferred income tax recovery	**(2,390)**	-	**(9)**	-
Net income (loss) and comprehensive income (loss)	**$ (10,127)**	$ (1,510)	**$ (4,558)**	$ 315

Second Quarter Summary

- Sales for Q2 2018 increased to $1,583 thousand from $46 thousand for Q2 2017 due to management’s decision to delay the shut-in of all wells at the McCully Field in 2018 until May while in 2017 management had determined to commence the shut-in earlier in April. As a result, the average daily natural gas production increased to 2.8 mmscfpd in Q2 2018 from 0.1 mmscfpd in Q2 2017. Corridor will continue to monitor forecast prices to determine when natural gas production should resume but expects to continue restricting production until December 2018.

- Corridor's cash flow from operations in Q2 2018 increased to $187 thousand from a negative cash flow from operations of $1,282 thousand in Q2 2017 due primarily to the higher natural gas sales in Q2 2018 resulting from the production in April 2018 as a result of management’s decision to delay the shut in of all of its wells in 2018 until May, rather than earlier in April in 2017. At June 30, 2018, Corridor had cash and cash equivalents of $56,093 thousand, working capital of $56,219 thousand and no outstanding debt.

- During the quarter, Corridor announced its decision to suspend all further technical work and capital spending on the Old Harry prospect after a comprehensive review revealed more complexity in the Old Harry prospect than previous analysis had suggested, which included the results of an integrated geotechnical analysis from a controlled source electromagnetic survey ("CSEM") and reprocessed two dimensional ("2D") seismic. This comprehensive review revealed that the geology and geochemical/petrological analysis of the Old Harry structure was more complicated than previously understood. Corridor determined there was no longer a viable path to drilling an exploration well on the Old Harry prospect before the current exploration licence on the Newfoundland side expires in January 2021. As a result, Corridor recognized impairment losses of $11,368 thousand in Q2 2018 relating to the costs incurred to date on the Old Harry prospect.

- During the quarter, the Company entered into an additional financial hedge at a fixed price of $US7.90/mmbtu for 2,500 mmbtupd of natural gas production for the period from December 1, 2018 to March 31, 2019.

- Corridor’s net loss increased to $10,127 thousand in Q2 2018 from $1,510 thousand in Q2 2017 due primarily to the recognition of impairment losses of $11,368 thousand partially offset by a deferred income tax recovery of $2,390 thousand in Q2 2018.

Results of Operations

Sales

thousands of dollars	Three months ended June 30 **2018**	 2017	Six months ended June 30 **2018**	 2017
Natural gas	**$ 1,432**	$ 38	**$ 12,938**	$ 4,204
Condensate	**49**	-	**77**	47
Natural gas and gas liquids sales	**1,481**	38	**13,015**	4,251
Gathering, processing & transportation fees	**102**	8	**404**	262
Sales	**$ 1,583**	$ 46	**$ 13,419**	$ 4,513

Production volumes and pricing

	Three months ended June 30 **2018**	 2017	Six months ended June 30 **2018**	 2017
Natural gas production (mmscf)	**255**	10	**1,147**	656
Natural gas production per day (mmscfpd)	**2.8**	0.1	**6.3**	3.6
Natural gas selling price ($/mscf)	**$ 5.63**	$ 3.86	**$ 11.28**	$ 6.41

Natural gas sales for Q2 2018 increased to $1,432 thousand from $38 thousand for Q2 2017 due primarily to management's decision to delay the shut-in of all wells at the McCully Field in 2018 until May while in 2017 management had determined to commence the shut-in earlier in April. As a result, the average daily natural gas production increased to 2.8 mmscfpd in Q2 2018 from 0.1 mmscfpd in Q2 2017.

Natural gas sales increased to $12,938 thousand for the six months ended June 30, 2018 from $4,204 thousand for the six months ended June 30, 2017 due to the increase in the average natural gas sales price to $11.28/mscf in Q2 2018 from $6.41/mscf in Q2 2017 and the increase in the average daily natural gas production to 6.3 mmscfpd for the six months ended June 30, 2018 from 3.6 mmscfpd for the six months ended June 30, 2017. The increase in Corridor's average daily natural gas production is due primarily to the higher flush production achieved in Q1 2018 following the comprehensive shut-in of most of Corridor's natural gas wells at the McCully Field for an eight month period between April and December 2017 as compared to the flush production achieved in Q1 2017 after a more limited partial shut-in of natural gas production for a three month period between September and November 2016.

Corridor owns the midstream facilities which process and transport gas from the McCully Field to the Maritimes and Northeast Pipeline ("M&NP"). Third party gas flowing through these facilities, which currently is limited to Nutrien Inc.'s ("Nutrien") (formerly Potash Corporation of Saskatchewan Inc.) share of gas from the McCully Field, is charged a cost of service. The increase in the gathering, processing and transportation ("GPT") fees to $102 thousand for Q2 2018 from $8 thousand for Q2 2017 and to $404 thousand for the six months ended June 30, 2018 from $262 thousand for the six months ended June 30, 2017 is due to an increase in Nutrien's share of natural gas production flowing through Corridor's gas plant in 2018.

Financial Derivatives Gain (Loss)

thousands of dollars	Three months ended June 30 **2018**	 2017	Six months ended June 30 **2018**	 2017
Realized financial derivatives gain (loss)	**$ (320)**	-	**$ (1,398)**	$ 1,094
Change in unrealized gain (loss) on financial derivatives:				
Reversal of prior period unrealized gain (loss)	**287**	-	**1,512**	253
Current period calculation of unrealized gain (loss)	**(724)**	10	**(724)**	10
Financial derivatives gain (loss)	**$ (757)**	$10	**$ (610)**	$ 1,357

A key component of Corridor's production optimization strategy is to enter into financial hedges to mitigate the risks associated with the volatility of natural gas prices when natural gas production resumes at the McCully Field after a shut-in period. The settlement of financial hedges in Q2 2018 resulted in a realized financial derivatives loss of $320 thousand. No financial hedges were outstanding in Q2 2017.

Corridor had the following financial derivative contracts at June 30, 2018: 2,500 mmbtupd of natural gas production at a fixed price of $US7.90/mmbtu for the period from December 1, 2018 to March 31, 2019 and 2,500 mmbtupd at a fixed price of $US7.40/mmbtu for the period from December 1, 2018 to March 31, 2019. The calculation of the fair value of these contracts as of June 30, 2018, based on forecasted natural gas prices as of that date, resulted in the recognition of an unrealized loss on financial derivatives of $724 thousand for the three and six months ended June 30, 2018.

Royalty Expense

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2018**	2017	**2018**	2017
Royalties	**$ 25**	$ 1	**$ 410**	$ 93
Royalty expense per mscf ($/mscf)	**$ 0.10**	$ 0.12	**$ 0.36**	$ 0.14
Percentage of natural gas and gas liquids sales	**1.8%**	3.2%	**3.2%**	2.2%

Corridor's royalty expense for Q2 2018 increased to $25 thousand from $1 thousand for Q2 2017 and to $410 thousand for the six months ended June 30, 2018 from $93 thousand for the six months ended June 30, 2017 due to higher natural gas sales.

Transportation Expense

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2018**	2017	**2018**	2017
Transportation expense	**$ 22**	-	**$ 100**	$ 428
Transportation expense per mscf ($/mscf)	**$ 0.09**	-	**$ 0.09**	$ 0.65

Transportation expense decreased to $100 thousand in the six months ended June 30, 2018 from $428 thousand in the six months ended June 30, 2017 due in part to forward sale agreements in place for the delivery of natural gas production to the local Maritimes market as opposed to the New England market. The natural gas prices for the volumes sold under these forward sale agreements are based on natural gas prices at AGT but are subject to lower transportation expenses. Corridor had a forward sale agreement for the sale of 4,755 mmbtupd of its natural gas production to the local Maritimes market for the period from December 1, 2016 to March 31, 2017, and for substantially all of its natural gas production for the period from December 1, 2017 to April 30, 2018. As a result, transportation expense decreased to $0.09/mscf for the six months ended June 30, 2018 from $0.65/mscf for the six months ended June 30, 2017.

Production Expense

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2018**	2017	**2018**	2017
Gross production expense	**$ 767**	$ 513	**$ 1,662**	$ 1,478
Third party recoveries	**(66)**	(3)	**(259)**	(179)
Net production expense	**$ 701**	$ 510	**$ 1,403**	$ 1,299
Net production expense per mscf ($/mscf)	**$ 2.76**	$ 51.58	**$ 1.22**	$ 1.98

Gross production expense for Q2 2018 increased to $767 thousand from $513 thousand for Q2 2017 due to a workover expenditure program being undertaken in Q2 2018 while a workover program was undertaken in Q1 2017. In addition, management's decision to produce in April 2018 increased production expenses, particularly utilities and supplies expenses, for the three and six months ended June 30, 2018. Third party recoveries increased for the three and six months ended June 30, 2018 due to management's decision to produce in April 2018 while management had determined not to produce in April 2017.

Impairment Losses

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2018**	2017	**2018**	2017
Impairment losses	**$ 11,368**	-	**$ 11,368**	-

Corridor recognized impairment losses of $11,368 thousand in Q2 2018 relating to costs incurred to date on the Old Harry prospect. The recognition of impairment losses resulted from the Company's decision to suspend any further technical and capital spending on the Old Harry prospect after a comprehensive review revealed more complexity in the Old Harry prospect than previous analysis had suggested, which included the results of an integrated geotechnical analysis of a CSEM survey and reprocessed 2D seismic. This comprehensive review revealed that the geology and geochemical/petrological analysis of the Old Harry structure was more complicated than previously understood. Corridor determined there was no longer a viable path to drilling an exploration well on the Old Harry prospect before the current exploration licence on the Newfoundland side expires in January 2021.

Depletion, Depreciation and Amortization

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2018**	2017	**2018**	2017
Depletion, depreciation and amortization	**$ 804**	$ 72	**$ 3,568**	$ 2,003
Depletion, depreciation and amortization per mscf ($/mscf)	**$ 3.51**	$ 7.42	**$ 3.41**	$ 3.39

Depletion expense is calculated using the unit-of-production method which is based on production volumes (excluding penalty wells) in relation to the proved reserve base. The increase in depletion, depreciation and amortization ("DD&A") expense to $804 thousand and $3,568 thousand for the three and six months ended June 30, 2018 from $72 thousand and $2,003 thousand for the three and six months ended June 30, 2017 is due to the increase in natural gas production in the three and six months ended June 30, 2018 and to the increase in the net book value of the depletion asset base following the recognition of a reversal of impairment losses of $12 million in Q4 2017.

General and Administrative Expenses

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2018**	2017	**2018**	2017
Gross expenses	**$ 644**	$ 712	**$ 1,292**	$ 1,394
Capitalized overhead	**(39)**	(26)	**(79)**	(57)
Operator recoveries	**(1)**	-	**(1)**	-
Net expenses	**$ 604**	$ 686	**$ 1,212**	$ 1,337

Gross general and administrative expenses ("G&A") decreased to $644 thousand in Q2 2018 from $712 thousand during Q2 2017 and to $1,292 thousand for the six months ended June 30, 2018 from $1,394 thousand for the six months ended June 30, 2017 due to management's continued efforts to reduce costs.

Deferred Income Taxes

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2018**	2017	**2018**	2017
Deferred income tax expense (recovery)	**$ (2,390)**	-	**$ (9)**	-
Canadian statutory income tax rate	**29.3%**	-	**29.3%**	-

The Company wrote-down its remaining deferred income tax asset balance in Q4 2016 as a result of management's determination, following the decrease in expected future natural gas sales by GLJ Petroleum Consultants Ltd. ("GLJ") in 2016, that it was no longer probable that there would be sufficient taxable profits and reversal of taxable temporary differences to facilitate the utilization by the Company of the underlying tax-deductible amounts. As a result, the Company did not recognize deferred income tax expense for the three and six months ended June 30, 2017. In Q4 2017, the Company recognized a write-up of deferred income tax assets of $2,430 thousand to reflect an expected reversal of taxable temporary differences following an increase in estimated future natural gas sales by GLJ as at December 31, 2017. As a result, the Company recognized a recovery of deferred income taxes of $2,390 thousand and $9 thousand for the three and six months ended June 30, 2018 and 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.

At June 30, 2018, the Company had approximately $165 million of tax pools available to be applied against future taxable income. Based on planned capital expenditure programs and current natural gas price assumptions, the Company does not expect to be cash taxable for the foreseeable future.

Capital Expenditures

thousands of dollars	Three months ended June 30 2018	2017	Six months ended June 30 2018	2017
Exploration, development and production	**$ 463**	$ 48	**$ 1,128**	$ 112
Capitalized overhead	**39**	26	**79**	57
Office and other assets	**-**	-	**16**	4
	$ 502	$ 74	**$ 1,223**	$ 173

The increase in capital expenditures to $502 thousand in Q2 2018 from $74 thousand in Q2 2017 and to $1,223 thousand for the six months ended June 30, 2018 from $173 thousand for the six months ended June 30, 2017 is primarily due to additional costs incurred on the CSEM survey and 2D seismic reprocessing over the Newfoundland and Labrador portion of the Old Harry prospect in 2018.

The Company does not plan to incur any significant capital expenditures in New Brunswick while the moratorium on hydraulic fracturing remains in place or any further capital expenditures on the Old Harry prospect.

Statement of Financial Position Changes

Significant changes between Corridor's June 30, 2018 Statement of Financial Position and December 31, 2017 Statement of Financial Position include:

- $9,916 thousand increase in cash and cash equivalents, primarily reflecting the increase in natural gas sales in 2018,
- $3,607 thousand decrease in receivables, primarily reflecting the shut-in of natural gas production in May 2018,
- $10,153 thousand decrease in exploration and evaluation assets reflecting the recognition of impairment losses of $11,368 thousand relating to the Old Harry prospect, and
- $2,029 thousand decrease in accounts payable and accrued liabilities, primarily reflecting lower payables relating to the CSEM survey.

Cash Flow Summary

thousands of dollars	Three months ended June 30 2018	2017	Six months ended June 30 2018	2017
Cash provided by operating activities	**$ 2,336**	$ 193	**$ 12,447**	$ 3,638
Cash provided by financing activities	**-**	-	**-**	13
Cash used in investing activities	**(1,193)**	(107)	**(2,531)**	(168)
Increase in cash and cash equivalents	**$ 1,143**	$ 86	**$ 9,916**	$ 3,483

The increase in cash provided by operating activities to $2,336 thousand and $12,447 thousand for the three and six months ended June 30, 2018 from $193 thousand and $3,638 thousand for the three and six months ended June 30, 2017 is primarily due to the increase in natural gas sales in 2018.

The increase in cash used in investing activities to $1,193 thousand and $2,531 thousand for the three and six months ended June 30, 2018 from $107 thousand and $168 thousand for the three and six months ended June 30, 2017 is due to costs incurred on the Old Harry prospect and the decrease in amounts payable relating to the CSEM survey in 2018.

Outstanding Share Information

As of July 31, 2018, the outstanding share information was as follows:

Common shares outstanding	**88,655,299**
Stock options to purchase common shares	**3,264,833**
Total common shares outstanding after exercise of all stock options	**91,920,132**

thousands of dollars	
Total proceeds due on exercise of all stock options	**$ 2,576**

The weighted average exercise price for the stock options outstanding at July 31, 2018 was $0.79.

Summary of Quarterly Information

	2018		2017				2016	
thousands of dollars, except per share amounts and average natural gas price	Three months ended		Three months ended				Three months ended	
	Jun. 30	Mar. 31	Dec. 31	Sep. 30	**Jun. 30**	Mar. 31	Dec. 31	Sep. 30
Natural gas sales	**$ 1,432**	$ 11,506	$ 3,088	-	**$ 38**	$ 4,166	$ 2,199	$ 1,878
Net income (loss)	**$ (10,127)**	$ 5,569	$ 13,598	$ 3,826	**$ (1,510)**	$ 1,825	$ 12,316	$ (1,261)
Net income (loss) per share – basic and diluted	**$ (0.114)**	$ 0.063	$ 0.153	$ 0.043	**$ (0.017)**	$ 0.021	$ 0.139	$ (0.014)
Natural gas production (mmscfpd)	**2.8**	9.9	2.7	-	**0.1**	7.2	3.0	5.1
Average natural gas price ($/mscf)	**$ 5.63**	$ 12.90	$ 12.51	-	**$ 3.86**	$ 6.45	$ 7.88	$ 3.98
Capital expenditures	**$ 502**	$ 721	$ 2,729	$ 127	**$ 74**	$ 99	$ 175	$ 41

Corridor’s natural gas sales are priced at AGT. The AGT market has been characterized by excess demand during the winter season resulting in significant premiums in the sale prices for natural gas during the winter season as compared to prices during other periods of the year. In response to this trend in natural gas prices, since 2015 Corridor has determined to shut-in most of its producing natural gas wells in the McCully Field in New Brunswick for a portion of the summer/fall period and to time 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. A key component of this production optimization strategy is to enter into financial hedges to mitigate the risks associated with the volatility of natural gas prices when natural gas production resumes.

On May 27, 2016, the New Brunswick Government announced its decision to extend the moratorium on hydraulic fracturing for an indefinite period. This decision has resulted in reduced capital expenditures and lower expected future production and sales. In its reserves report dated March 1, 2017, in respect of the McCully Field effective as at December 31, 2016, GLJ increased the estimate of future natural gas revenues resulting in the recognition of a reversal of impairment losses of $12,700 thousand and a net income of $12,316 thousand in Q4 2016. In 2017, GLJ further increased the estimate of future natural gas revenues in its reserves report effective as at December 31, 2017 resulting in the recognition of an additional reversal of impairment losses of $12 million and net income of $13,598 thousand in Q4 2017.

In Q2 2018, Corridor announced its decision to suspend any further technical work and capital spending on the Old Harry prospect which resulted in impairment losses of $11,368 thousand and a net loss of $10,127 thousand in Q2 2018.

Liquidity and Capital Resources

Corridor's liquidity depends upon cash flow from operations, supplemented as necessary by equity and debt financings and bank debt. At June 30, 2018, the Company was holding cash and cash equivalents of $56,093 thousand and working capital of $56,219 thousand. The Company has sufficient financial resources to undertake its planned activities in 2018 and assumes that no additional funds will be utilized from other sources such as equity financings, corporate debt or asset sales, recognizing that the Company does not plan to incur any significant capital expenditures in New Brunswick while the moratorium on hydraulic fracturing remains in place. Corridor does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties or any additional properties that may be acquired in the future. Future exploration and development of the Company's properties will depend, therefore, on the termination of the moratorium in New Brunswick, the Company's cash flow from operations and its ability to obtain additional financing through joint ventures, debt financings, equity financings or other means. Failure to obtain any financing necessary for Corridor's capital expenditure plans may result in a delay in development or production on Corridor's properties.

Corridor's short-term investments consist of bank deposits with 90 days or less to maturity.

Given the Company’s available liquid resources and the Company’s current plans, management expects to have sufficient available funds to meet the current and foreseeable contractual obligations.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The President and the Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance that: (i) material information relating to the Company is made known to them, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The President and the Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting to a standard which provides reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the three months ended June 30, 2018, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Critical Accounting Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures of contingencies and commitments. Actual results could differ materially from those estimates. During the six months ended June 30, 2018, there were no changes in the critical accounting estimates disclosed in Corridor’s 2017 Annual MD&A.

Changes in Accounting Policies

Corridor’s unaudited condensed financial statements for the six months ended June 30, 2018 have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board, and in accordance with IAS 34 – *Interim Financial Reporting*. These unaudited condensed financial statements have been prepared following the same accounting policies disclosed in note 3 of Corridor’s audited financial statements for the year ended December 31, 2017 except for the following changes in accounting policies (for more information see note 3 of Corridor’s unaudited condensed financial statements for the six months ended June 30, 2018).

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.

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.

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.

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 following is the new accounting standard that has been issued but is not yet effective.

IFRS 16 "*Leases*"
IFRS 16 "*Leases*" ("IFRS 16") will replace IAS 17 "*Leases*". The new standard will require the recognition of assets and liabilities for most leases on the Statement of Financial Position of the lessee. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The extent of the impact of adopting IFRS 16 has not yet been determined.

Business Conditions and Risks

An overview of the industry conditions in which the Company operates is set forth in the Annual Information Form under the heading "Industry Conditions".

The following is a summary of certain risk factors and should not be construed as exhaustive. There are numerous factors both known and unknown, that could cause actual results or events to differ materially from forecast results. Additional risk factors are included in the Annual Information Form under the heading "Risk Factors" and include development and operating costs, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, expiration of licenses and leases, reserves and contingent 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, litigation, and aboriginal land and rights claims. See also "Forward-Looking Statements" in this MD&A.

Risks Associated with Oil and Gas Exploration, Development and Production
The long-term success of Corridor depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves from exploration, development or acquisition activities, Corridor's existing reserves and production will decline over time. Production decline rates will vary by the type of reservoir, age of the wells and other factors and are not necessarily indicative of future performance. Future increases in Corridor's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to generate or raise sufficient capital to make the necessary investments to replace or expand its oil and natural gas reserves. Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

There is no assurance that expenditures made on future exploration, development or acquisition by Corridor will result in new discoveries of oil or natural gas in commercial quantities.

Operational Risks
Corridor's oil and natural gas operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, mechanical or pipe failure, cratering and oil spills, acts of vandalism, or other unexpected or dangerous conditions. Any of these hazards can interrupt operations, impact Corridor's reputation, cause a loss of life or personal injury, result in a loss of, or damage to, equipment or property and cause environmental damage that may include polluting water, land or air.

Oil and natural gas operations are also subject to all the risks typically associated with such operations, including drilling into unexpected formations or unexpected pressures, premature decline of reservoirs, the invasion of water into producing formations and sour gas from wells. Losses resulting from the occurrence of any of these risks may have a material adverse effect on Corridor's business, financial condition, results of operations and cash flows.

Substantial Capital Requirements and Financing
Substantial capital expenditures are required to finance the exploration, development and production of the Company's natural gas and oil properties and any other properties that may be acquired by the Company. The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties. The Company's cash flows from its reserves may not be sufficient to fund its ongoing activities at all times. If the Company's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other

corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties. The exploration and development of the Company's properties depend, therefore, on Corridor's ability to obtain additional financing through joint ventures, debt financing, equity financing or other means. Failure to obtain any financing necessary for Corridor's capital expenditure plans may result in a delay in development or production of Corridor's properties. There can be no assurance that Corridor's efforts to raise such funding or to enter into a joint venture with a partner will be successful, or achieved on terms favourable to the Company or its existing shareholders. The failure of Corridor to obtain additional financing or enter into a joint venture on a timely basis or on terms favourable to the Company could result in the loss or substantial dilution of the Company's interests (as existing or as proposed to be acquired) in its properties.

Volatility of Natural Gas and Oil Prices

Corridor's revenues, cash flows, results of operations and financial condition are dependent upon, among other things, the price it receives from the sale of its natural gas production. A substantial or extended decline in the price of natural gas or a continued low price environment for natural gas could have a material adverse effect on Corridor's revenues, cash flows, financial condition and the value of the Company's natural gas reserves.

In recent years, the price of natural gas in North America has been declining. However, Corridor's natural gas production is sold to markets in New England, and more recently, the Maritimes, at prices referenced to AGT. The New England market and recently the Maritimes market, have in recent years been characterized by excess demand during the winter season resulting in elevated prices for natural gas as compared to depressed prices in other areas of North America, and this excess demand is expected to continue until new pipeline infrastructure is available to increase the supply of natural gas into this market, especially in light of declining natural gas production in Atlantic Canada. While numerous projects are planned which could alleviate the supply constraints to the New England market, it is not known whether the required regulatory approvals will be received and, if the projects proceed, the timing of completion of these projects.

Government Regulation

The oil and natural gas industry (exploration, production, pricing, marketing and transportation) is subject to extensive controls and regulations imposed by various levels of government. These regulations include, among other things, matters related to land tenure, drilling, production practices, environmental protection, royalties, carbon tax, marketing and pricing and various taxes and levies. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could have a material adverse impact on Corridor's business, financial condition, results of operations and cash flows.

Environmental

Corridor's natural gas and oil operations are subject to significant environmental local, provincial and federal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills and releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be constructed, operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with environmental legislation can require significant expenditures and failure to comply with these laws and regulations may result in the assessment of fines and penalties, orders to remediate property contamination and the issuance of injunctions that could limit or prohibit our operations, all of which could have a material impact on Corridor. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Corridor to incur costs to remedy such discharge. Changes in environmental laws and regulations may be enacted which could impose higher environmental standards which may increase the cost of the Company's operations and have a material adverse effect on our business, financial condition, results of operations and cash flows. No assurance can be given that future environmental laws and regulations will not adversely impact Corridor's ability to develop or operate its properties.

Corridor believes that it is reasonably likely that a trend towards stricter standards in environmental legislation will continue and the Company anticipates making increased expenditures of both a capital and an expense nature as a result of increasingly stringent environmental laws, and such legislation may have a material adverse effect on its business, financial condition, results of operations and cash flows.

Hydraulic Fracturing

Corridor utilizes hydraulic fracturing in connection with its drilling and completion activities in New Brunswick. There has been public concern over the hydraulic fracturing process. Most of these concerns have raised questions regarding the drilling fluids used in the fracturing process, their effect on fresh water aquifers, the use of water in connection with completion operations, the ability of such water to be recycled, and induced seismicity associated with fracturing. The U.S. and Canadian federal governments and certain U.S. state and Canadian provincial governments are currently reviewing certain aspects of the scientific, regulatory and policy framework under which hydraulic fracturing operations are conducted. At present, most of these governments are primarily engaged in the collection, review and assessment of technical information regarding the hydraulic fracturing process and, with the exception of increased chemical disclosure requirements in certain of the jurisdictions in which the Company operates, have not provided specific details with respect to any significant actual, proposed or contemplated changes to the hydraulic fracturing regulatory construct.

It is anticipated that federal, provincial and state regulatory frameworks to address concerns related to hydraulic fracturing will continue to emerge. While the Company is unable to predict the impact of any potential regulations upon its business, the implementation of new laws, regulations or permitting regulations with respect to water usage or disposal, or hydraulic fracturing generally could increase the Company's costs of compliance, operating costs, the risk of litigation and environmental liability, or negatively impact the Company's production and prospects, any of which may have a material adverse effect on the Company's business, financial condition and results of operations.

The New Brunswick Government announced on May 27, 2016 that it would indefinitely continue a moratorium on hydraulic fracturing. Corridor believes that all wells on its properties in New Brunswick require hydraulic fracture stimulation to be commercially productive. As a result of this announcement, Corridor has determined that it will not undertake any drilling or completion activities or incur associated capital expenditures in New Brunswick until the moratorium is lifted. Should the moratorium not be lifted, Corridor's ability to maintain or increase production in the McCully Field and the ability to obtain a joint venture partner to develop the Frederick Brook prospect in the Elgin Sub-Basin will be materially and adversely affected.

Third Party Risk

In the normal course of its business, Corridor has entered into contractual arrangements with third parties which subject Corridor to the risk that such parties may default on their obligations. Corridor sells all of its production to large credit-worthy purchasers under normal industry payment terms.

Variations in Exchange Rates

The Company's sales of natural gas from the McCully Field are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the prices received by the Company. Any material increase in the value of the Canadian dollar will negatively impact the Company's natural gas revenues. This increase in the exchange rate for the Canadian dollar and future Canadian/United States exchange rates could accordingly impact the future value of the Company's reserves as determined by independent evaluators. The Company has not engaged in any risk management activities related to the Canada/United States exchange rate.

Information Systems

The Company relies on information technology, such as computer hardware and software systems, in order to properly operate its business. In the event the Company is unable to regularly deploy software and hardware, effectively upgrade systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data.

In the ordinary course of business, the Company collects, uses and stores sensitive data, including intellectual property, proprietary business information and personal information of our employees and third parties. Despite our security measures, the Company's information systems, technology and infrastructure may be vulnerable to attacks by hackers and/or cyberterrorists or breaches due to employee error, malfeasance or other disruptions, including natural disasters and acts of war. Any such breach could compromise information used or stored on the Company's systems and/or networks and, as a result, the information could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operational disruption, site shut-down, leaks or other negative consequences, including damage to our reputation, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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
Prepaids 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.

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.

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.

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 June30, 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.

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	**-**	**-**	33	13
amount recognized from contributed surplus	**-**	**-**	-	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).

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)

	Outstanding options			Exercisable options	
Exercise prices	**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.

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
Prepaids 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.

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.

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.