Second Quarter 2016
Management's Discussion and Analysis
As of August 11, 2016

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, 2016 should be read in conjunction with Corridor's unaudited condensed financial statements and notes thereto for the three and six months ended June 30, 2016, audited financial statements and notes thereto for the year ended December 31, 2015 and the MD&A for the year ended December 31, 2015 ("2015 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.

All amounts referred to in this MD&A are in Canadian dollars unless otherwise stated.

Additional information about Corridor, including its annual information form for the year ended December 31, 2015 (the "Annual Information Form"), is available on SEDAR at www.sedar.com.

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 Québec 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, an offshore conventional hydrocarbon prospect in the Gulf of St. Lawrence and an unconventional hydrocarbon prospect through a 21.67% interest in Anticosti Hydrocarbons L.P., a joint venture with undeveloped lands on Anticosti Island, Québec (the "Anticosti Joint Venture").

Selected Financial Information

	Three months ended June 30		Six months ended June 30	
thousands of dollars except per share amounts	**2016**	2015	**2016**	2015
Sales	**$ 2,523**	$ 1,372	**$ 9,018**	$ 11,470
Net income (loss)	**$ (41,629)**	$ (469)	**$ (40,346)**	$ 3,223
Net income (loss) per share – basic and diluted	**$ (0.469)**	$ (0.005)	**$ (0.455)**	$ 0.036
Cash flow from operations[(1)]	**$ (1)**	$ (923)	**$ 3,352**	$ 6,689
Capital expenditures	**$ 123**	$ 167	**$ 204**	$ 712
Total assets	**$ 92,783**	$ 167,791	**$ 92,783**	$ 167,791

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

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:

thousands of dollars	**Three months ended June 30** 2016	2015	**Six months ended June 30** 2016	2015
Cash provided by operating activities	**$ 259**	$ 765	**$ 3,508**	$ 7,795
Less: Increase in non-cash operating working capital	**260**	1,688	**156**	1,106
Cash flow from operations	**$ (1)**	$ (923)	**$ 3,352**	$ 6,689

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:

- exploration and development plans of Corridor, including plans of the Anticosti Joint Venture;
- royalty payments in respect of historical production;
- future taxable profits;
- capital expenditures;
- sources of funding; and
- government regulation.

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 agreements governing the Anticosti Joint Venture and 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 such as the agreements governing the Anticosti Joint Venture. 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, 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, competition, management of growth, conflicts of interest, issuance of debt, title to properties and hedging. 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.

Outlook Information

Corridor is on track to meet the guidance disclosed in the press release dated May 12, 2016, which is available on the Company's website at www.corridor.ca and on SEDAR at www.sedar.com.

Q2 2016 Financial Summary

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2016**	2015	**2016**	2015
Sales	**$ 2,523**	$ 1,372	**$ 9,018**	$ 11,470
Royalty expense	**(46)**	(26)	**(183)**	(289)
Revenues, net	**2,477**	1,346	**8,835**	11,181
Expenses				
Impairment losses	**28,400**	-	**28,400**	-
Depletion, depreciation and amortization	**1,359**	969	**3,511**	3,163
Transportation expense	**1,079**	400	**2,434**	1,365
Production expense	**532**	485	**1,249**	1,251
General and administrative expenses	**909**	1,392	**1,629**	2,280
Share-based compensation expense	**74**	97	**199**	221
	32,353	3,343	**37,422**	8,280
Income (loss) before the following items	**(29,876)**	(1,997)	**(28,587)**	2,901
Gain on sale of exploration assets	**-**	1,260	**110**	1,260
Interest and other	**(49)**	(51)	**(339)**	289
Equity loss	**(42)**	(50)	**(74)**	(93)
Income (loss) before income taxes	**(29,967)**	(838)	**(28,890)**	4,357
Deferred income tax expense (recovery)	**11,662**	(369)	**11,456**	1,134
Net income (loss) and comprehensive income (loss)	**$ (41,629)**	$ (469)	**$ (40,346)**	$ 3,223

Second Quarter Summary

- Sales for Q2 2016 increased to $2,523 thousand from $1,372 thousand for Q2 2015 due to increased natural gas production partially offset by the decrease in the average natural gas price to $3.53/mscf in Q2 2016 from $4.48/mscf in Q2 2015. The average daily natural gas production increased to 6.9 mmscfpd in Q2 2016 from 2.9 mmscfpd in Q2 2015 as a result of management's decision to produce continuously in Q2 2016 while management had determined to shut-in most of the McCully wells from May 1 to October 29, 2015 to take advantage of the expected significant differential in the sale price of natural gas at Algonquin city-gates ("AGT") for the summer of 2015 relative to the winter of 2015/2016.

- Corridor's cash flow from operations in Q2 2016 increased by $922 thousand compared to Q2 2015 to a negative cash flow from operations of $1 thousand due primarily to higher natural gas sales in Q2 2016. At June 30, 2016, Corridor had cash and cash equivalents of $27,175 thousand, working capital of $29,476 thousand and no outstanding debt.

- On May 27, 2016, the Government of New Brunswick announced its decision to extend the moratorium on hydraulic fracturing for an indefinite period. Corridor engaged GLJ Petroleum Consultants Ltd. ("GLJ") to assess the impact of this decision on Corridor's reserves. GLJ updated its reserves report in respect of the McCully Field as at December 31, 2015 to take into account the continuation of the moratorium, which report reduces the estimate of proved natural gas reserves by 23.1 bscf to 18.8 bscf and the estimate of proved plus probable natural gas reserves by 38.8 bscf to 22.9 bscf. As a result, Corridor recognized impairment losses of $28.4 million during Q2 2016.

- Corridor's net loss increased to $41,629 thousand in Q2 2016 from $469 thousand in Q2 2015 due primarily to the recognition of impairment losses of $28.4 million in Q2 2016 and a write-down of $20.5 million in deferred income tax assets.

- On July 22, 2016, the Québec Superior Court partially allowed an injunction application by subsidiaries of Pétrolia Inc. in their capacities as operator for, and partner of, Anticosti Hydrocarbons L.P. ("Anticosti L.P.") seeking an order requiring Ressources Québec ("RQ") and Saint-Aubin E&P Québec Inc. ("M&P") to comply with their contractual obligations in respect of Anticosti L.P. to fund the planned drilling program for three horizontal wells on Anticosti Island during the summer of 2016. Instead, the Court ordered RQ and M&P to only advance the funds necessary to retain the employees dedicated to Anticosti L.P. until May 31, 2017 and to build drilling locations for the wells included in the planned drilling program. As a result, Corridor believes it is unlikely that Anticosti L.P.'s drilling program will be undertaken in 2016.

Results of Operations

Sales

thousands of dollars	Three months ended June 30 2016	2015	Six months ended June 30 2016	2015
Natural gas	**$ 2,205**	$ 1,170	**$ 8,519**	$ 11,059
Condensate	**9**	14	**24**	39
Natural gas and gas liquids sales	**2,214**	1,184	**8,543**	11,098
Gathering, processing & transportation fees	**309**	188	**475**	372
Sales	**$ 2,523**	$ 1,372	**$ 9,018**	$ 11,470

	Three months ended June 30 2016	2015	Six months ended June 30 2016	2015
Total volumes				
Natural gas production (mmscf)	**625**	261	**1,364**	886
Condensate production (bbl)	**178**	196	**531**	567
Daily production averages				
Natural gas production per day (mmscfpd)	**6.9**	2.9	**7.5**	4.9
Condensate production per day (bblpd)	**2.0**	2.2	**2.9**	3.1
Average prices				
Natural gas selling price ($/mscf)	**$ 3.53**	$ 4.48	**$ 6.25**	$ 12.49
Condensate selling price ($/bbl)	**$ 52.26**	$ 72.01	**$ 45.74**	$ 69.01

Natural gas sales for Q2 2016 increased to $2,205 thousand from $1,170 thousand for Q2 2015 due to higher natural gas production partially offset by a decrease in the average natural gas price to $3.53/mscf in Q2 2016 from $4.48/mscf in Q2 2015. The average daily natural gas production increased to 6.9 mmscfpd in Q2 2016 from 2.9 mmscfpd in Q2 2015 as a result of management's decision to produce continuously in Q2 2016 while management had determined to shut-in most of the McCully wells from May 1 to October 29, 2015.

For the six months ended June 30, 2016, natural gas sales decreased to $8,519 thousand from $11,059 thousand for the six months ended June 30, 2015 due to the decrease in the average natural gas sales price to $6.25/mscf from $12.49/mscf for the six months ended June 30, 2015 partially offset by the increase in the average daily natural gas production to 7.5 mmscfpd from 4.9 mmscfpd in the six months ended June 30, 2015. The increase in natural gas production for the six months ended June 30, 2016 was also due to flush production achieved in 2016 following the shut-in of most of Corridor's McCully wells from May 1 to October 29, 2015.

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 is currently limited to Potash Corporation of Saskatchewan's ("PCS") share of gas from the McCully Field, is charged a cost of service. The increase in the gathering, processing and transportation ("GPT") fees to $309 thousand for Q2 2016 from $188 thousand for Q2 2015 and $475 thousand for the six months ended June 30, 2016 from $372 thousand for the six months ended June 30, 2015 is due to an increase in PCS's share of natural gas production as a result of the higher overall natural gas production in the three and six months ended June 30, 2016.

Royalty Expense

thousands of dollars	Three months ended June 30 2016	2015	Six months ended June 30 2016	2015
Crown royalties	**$ 46**	$ 26	**$ 183**	$ 289
Royalty expense per mscf ($/mscf)	**$ 0.07**	$ 0.10	**$ 0.13**	$ 0.33
Percentage of natural gas and gas liquids sales	**2.1%**	2.2%	**2.1%**	2.6%

Corridor's royalty expense for Q2 2016 increased to $46 thousand from $26 thousand for Q2 2015 due to the higher natural gas sales in Q2 2016. For the six months ended June 30, 2016, the royalty expense decreased to $183 thousand from $289 thousand for the six months ended June 30, 2015 due to the lower natural gas sales in the six months ended June 30, 2016.

The Company is currently undergoing an audit by the New Brunswick Department of Finance ("DOF") relating to the calculation of the royalty payments for the periods between November 1, 2009 and December 31, 2014. During the quarter, the Company filed a Notice of Appeal to object to the Notice of Debt received by the DOF seeking a total of $300 thousand, with Corridor's share estimated at $200 thousand. Corridor has not made a provision for any of the amount identified in the DOF's Notice of Debt, as management believes a successful claim by the DOF is not probable given previous discussions and conclusions reached with Government of New Brunswick officials.

Transportation Expense

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2016**	2015	**2016**	2015
Transportation expense	**$ 1,079**	$ 400	**$ 2,434**	$ 1,365
Transportation expense per mscf ($/mscf)	**$ 1.73**	$ 1.53	**$ 1.78**	$ 1.54

Transportation expense increased to $1,079 thousand and $2,434 thousand for the three and six months ended June 30, 2016 from $400 thousand and $1,365 thousand for the three and six months ended June 30, 2015 due to the increase in natural gas production and the cost of transportation in 2016. The cost of transportation was higher in the three and six months ended June 30, 2016 due to a stronger U.S. dollar than in the comparable periods in 2015 and the termination of a transportation agreement on October 31, 2015 for firm transportation of 6,500 mmbtu per day on the M&NP at a discount to the firm rate charged.

Production Expense

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2016**	2015	**2016**	2015
Gross production expense	**$ 695**	$ 556	**$ 1,489**	$ 1,425
Third party recoveries	**(163)**	(71)	**(240)**	(174)
Net production expense	**$ 532**	$ 485	**$ 1,249**	$ 1,251
Net production expense per mscf ($/mscf)	**$ 0.85**	$ 1.85	**$ 0.92**	$ 1.41

Gross production expense increased to $695 thousand for Q2 2016 from $556 thousand in Q2 2015 and to $1,489 thousand for the six months ended June 30, 2016 from $1,425 thousand for the six months ended June 30, 2015 due to the shut-in of most of the McCully wells from May 1, 2015 to October 29, 2015 which resulted in lower production expenses in Q2 2015.

Impairment Losses

	Three months ended June 30		Six months ended June 30	
thousands of dollars	**2016**	2015	**2016**	2015
Impairment losses	**$ 28,400**	$ -	**$ 28,400**	$ -

The Company recognized impairment losses of $28.4 million for the six months ended June 30, 2016 relating to the Company's New Brunswick cash generating unit ("CGU") which includes the McCully Field, a natural gas producing asset, and exploration and evaluation natural gas assets. The impairment losses for the six months ended June 30, 2016 resulted from the announcement by the Government of New Brunswick on May 27, 2016 of its decision to continue a moratorium on hydraulic fracturing for an indefinite period. Following this announcement, upon the request of the Company, GLJ updated its reserves report in respect of the McCully Field as at December 31, 2015 to take into account the continuation of the moratorium, resulting in a decrease in the estimate of proved natural gas reserves by 23.1 bscf to 18.8 bscf and in the estimate of proved plus probable natural gas reserves by 38.8 bscf to 22.9 bscf.

The calculation of the impairment losses was based on the difference between the carrying value of the New Brunswick CGU and its recoverable amount. The recoverable amount was determined using fair value less costs to sell based on after-tax future net cash flows of proved plus probable reserves using forecast prices and costs and discounted using 10%.

For the six months ended June 30, 2016, the Company utilized the following forecast prices in the fair value calculation which are consistent with the prices used by GLJ in its updated reserves report:

	2016	2017	2018	2019	2020	2021-2025	Thereafter
Henry Hub ($US/mmbtu)	$ 2.60	$ 3.10	$ 3.30	$ 3.50	$ 3.70	$ 3.90-$ 4.60	+2%/year
McCully ($CDN/mscf)	$ 4.91	$ 4.46	$ 4.57	$ 4.68	$ 4.78	$ 4.87-$ 5.71	+2%/year
Exchange rate ($US/$CDN)	$ 0.725	$ 0.750	$ 0.775	$ 0.800	$ 0.825	$ 0.850	$ 0.850

The forecast McCully gas prices were calculated by adjusting the Henry Hub gas prices to reflect the expected premiums received at AGT, transportation costs and heat content.

Depletion, Depreciation and Amortization

	Three months ended June 30		**Six months ended June 30**	
thousands of dollars	**2016**	2015	**2016**	2015
Depletion, depreciation and amortization	**$ 1,359**	$ 969	**$ 3,511**	$ 3,163
Depletion, depreciation and amortization per mscf ($/mscf)	**$ 2.44**	$ 4.03	**$ 2.87**	$ 3.97

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.

In its updated reserves report in respect of the McCully Field as at December 31, 2015, GLJ decreased the estimate of gross proved natural gas reserves by 23.1 bscf to 18.8 bscf and the estimated future development costs relating to the development of proved reserves to $3,518 thousand from $63,165 thousand in Q4 2015.

The increase in depletion, depreciation and amortization ("DD&A") expense for Q2 2016 to $1,359 thousand from $969 thousand in Q2 2015 and to $3,511 thousand from $3,163 thousand for the six months ended June 30, 2015 is due to the increase in natural gas production in the three and six months ended June 30, 2016. The impact on DD&A of the lower proved natural gas reserves was largely offset by the decrease in the related future development costs.

General and Administrative Expenses

	Three months ended June 30		**Six months ended June 30**	
thousands of dollars	**2016**	2015	**2016**	2015
Gross expenses	**$ 939**	$ 1,439	**$ 1,714**	$ 2,388
Capitalized overhead	**(22)**	(15)	**(49)**	(73)
Operator recoveries	**(8)**	(32)	**(36)**	(35)
Net expenses	**$ 909**	$ 1,392	**$ 1,629**	$ 2,280

Gross general and administrative expenses ("G&A") decreased to $939 thousand in Q2 2016 from $1,439 thousand in Q2 2015 and to $1,714 thousand for the six months ended June 30, 2016 from $2,388 thousand for the six months ended June 30, 2015 due primarily to the payment of severances following a reduction in the Company personnel in Q2 2015.

Gain on Sale of Exploration Assets

	Three months ended June 30		**Six months ended June 30**	
thousands of dollars	**2016**	2015	**2016**	2015
Gain on sale of exploration assets	**$ -**	$ 1,260	**$ 110**	$ 1,260

In connection with the establishment of the Anticosti Joint Venture on April 1, 2014, Corridor transferred its Anticosti exploration licenses to Anticosti L.P. in exchange for an interest of 21.67% in Anticosti L.P. and net cash proceeds of $13,479 thousand. In accordance with their obligations under the agreements governing the Anticosti Joint Venture, RQ and M&P contributed $9,255 thousand during the three and six months ended June 30, 2015 and $822 thousand during the six months ended June 30, 2016 towards an exploration program on Anticosti Island. As a result, Corridor recognized a gain on sale of $1,260 thousand during the three and six months ended June 30, 2015 and $110 thousand during the six months ended June 30, 2016.

Deferred Income Taxes

thousands of dollars	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Deferred income tax expense (recovery)	**$ 11,662**	$ (369)	**$ 11,456**	$ 1,134
Effective tax rate	**(38.9)%**	44.0%	**(39.7)%**	26.0%
Blended Canadian statutory income tax rate	**29.3%**	28.0%	**29.3%**	28.0%

The deferred income tax expense for the three and six months ended June 30, 2016 includes a write-down of deferred income tax assets of $20,510 thousand. Management has determined it is no longer probable that there will be sufficient taxable profits and reversal of taxable temporary differences to facilitate the utilization of the underlying tax deductible amounts, based on the expected lower future natural gas sales following the decrease in the proved plus probable reserves by GLJ.

During the six months ended June 30, 2016, the Company recognized a deferred income tax recovery of $547 thousand resulting from a provincial tax rate change effective April 1, 2016. In Q1 2016, the Company increased its deferred income tax rate from 28.25% to 29.60% following the New Brunswick Government's 2016 budget which resulted in the increase of New Brunswick's corporate income tax rate from 12% to 14% effective April 1, 2016.

Capital Expenditures

thousands of dollars	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Exploration, development and production activities	**$ 69**	$ 116	**$ 99**	$ 591
Capitalized overhead	**22**	15	**49**	73
Office and other assets	**32**	36	**56**	48
	$ 123	$ 167	**$ 204**	$ 712

The decrease in capital expenditures to $123 thousand in Q2 2016 from $167 thousand in Q2 2015 and to $204 thousand for the six months ended June 30, 2016 from $712 thousand for the six months ended June 30, 2015 is the result of a planned decision by the Company to reduce capital expenditures in New Brunswick following the New Brunswick Government's announcement of a moratorium on hydraulic fracturing in December 2014. The Company does not plan to incur any significant capital expenditures in New Brunswick while the moratorium on hydraulic fracturing remains in place.

Statement of Financial Position Changes

Significant changes between Corridor's June 30, 2016 and December 31, 2015 Statement of Financial Positions include:

- $857 thousand decrease in receivables, primarily reflecting lower natural gas prices in June 2016 compared to December 2015.
- $31,507 thousand decrease in property, plant and equipment, primarily reflecting impairment losses of $28.3 million in Q2 2016.
- $11,456 thousand decrease in deferred income tax assets reflecting the write-down of deferred income tax assets.

Cash Flow Summary

thousands of dollars	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Cash provided by operating activities	**$ 259**	$ 765	**$ 3,508**	$ 7,795
Cash used in investing activities	**(290)**	(281)	**(392)**	(2,955)
Increase (decrease) in cash and cash equivalents	**$ (31)**	$ 484	**$ 3,116**	$ 4,840

The decrease in cash provided by operating activities for the six months ended June 30, 2016 is primarily the result of the decrease in natural gas sales resulting from the decrease in natural gas prices in 2016.

The decrease in cash used in investing activities for the six months ended June 30, 2016 to $392 thousand from $2,955 thousand is due to the payment of amounts owing during the six months ended June 30, 2015 relating to the Company's 2014 well re-entry and fracturing program.

Outstanding Share Information

As of July 31, 2016, the outstanding share information was as follows:

Common shares outstanding	**88,621,966**
Stock options to purchase common shares	**3,858,500**
Total common shares outstanding after exercise of all stock options	**92,480,466**

thousands of dollars	
Total proceeds due on exercise of all stock options	**$ 4,260**

The weighted average exercise price for the stock options outstanding at July 31, 2016 was $1.10.

Summary of Quarterly Information

thousands of dollars, except per share amounts and average natural gas price	**2016**		**2015**				**2014**	
	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	**$ 2,205**	$ 6,314	$ 3,433	$ 595	**$ 1,170**	$ 9,889	$ 5,241	$ 2,066
Net income (loss)	**$ (41,629)**	$ 1,283	$ (33,952)	$ (1,150)	**$ (469)**	$ 3,692	$ (27,767)	$ (199)
Net income (loss) per share - basic	**$ (0.469)**	$ 0.014	$ (0.383)	$ (0.013)	**$ (0.005)**	$ 0.042	$ (0.313)	$ (0.002)
Net income (loss) per share - diluted	**$ (0.469)**	$ 0.014	$ (0.383)	$ (0.013)	**$ (0.005)**	$ 0.042	$ (0.311)	$ (0.002)
Natural gas production (mmscfpd)	**6.9**	8.1	5.3	1.1	**2.9**	6.9	6.9	6.6
Average natural gas price ($/mscf)	**$ 3.53**	$ 8.54	$ 6.99	$ 6.10	**$ 4.48**	$ 15.84	$ 8.30	$ 3.38
Capital expenditures	**$ 123**	$ 81	$ 163	$ 62	**$ 167**	$ 545	$ 2,736	$ 18,090

Since 2014, natural gas prices at AGT have trended down (notwithstanding favourable prices obtained by the Company as a result of certain forward sales agreements) resulting in reduced natural gas prices year over year. In response to this trend in natural gas prices, and to take advantage of the expected significant differential in the sale price of natural gas at AGT for the summer of 2015 relative to the winter of 2015/2016, management shut-in most of Corridor's producing natural gas wells in the McCully Field in New Brunswick from May 1, 2015 to October 29, 2015, which resulted in a decrease in natural gas production during this period. Due to a build-up in the formation pressure in the wells during this shut-in period, the shut-in wells produced at flush rates and natural gas production increased to 8.1 mmscpd in Q1 2016 and 6.9 mmscfpd in Q2 2016.

In Q3 2014, Corridor undertook a well re-entry and fracturing program at the McCully Field to increase natural gas production. However, late in 2014, the forecast for future natural gas prices at AGT began to decrease and the New Brunswick Government announced a moratorium on hydraulic fracturing, which contributed in part to the decrease in the estimate of the Company's proved plus probable natural gas reserves resulting in the recognition of an impairment loss of $39,150 thousand and a net loss of $27,767 thousand in Q4 2014. The forecast for natural gas prices at AGT continued to decrease in 2015 which resulted in the recognition of an impairment loss of $21,300 thousand, a write-down of deferred income tax assets of $16,209 thousand and a net loss of $33,952 thousand in Q4 2015. In Q2 2016, the New Brunswick Government announced its decision to continue the moratorium on hydraulic fracturing for an indefinite period. As a result, GLJ’s estimate of the Company's proved plus probable natural gas reserves decreased, resulting in the recognition of an impairment loss of $28,400 thousand, a write-down of deferred income tax assets of $20,510 thousand and a net loss of $41,629 thousand in Q2 2016.

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 this time, management does not expect to undertake any significant capital spending in New Brunswick and assumes that no additional funds will be utilized from other sources such as equity financings, corporate debt or asset sales.

At June 30, 2016, the Company was holding cash and cash equivalents of $27,175 thousand and working capital of $29,476 thousand. The Company has sufficient financial resources to undertake its planned activities in 2016. However, Corridor does not presently have sufficient financial resources to undertake by itself the exploration and development of its properties or any additional properties to be acquired. Future exploration and development of the Company's properties will depend, therefore, on 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.

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, 2016, 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, 2016, there were no changes in the critical accounting estimates disclosed in Corridor's 2015 Annual MD&A.

Changes in Accounting Policies

Corridor's unaudited condensed financial statements for the six months ended June 30, 2016 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, 2015.

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, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, expiration of licenses and leases, trading of common shares, seasonality, competition, management of growth, conflicts of interest, issuance of debt, title to properties, and hedging. 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 production 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 and the invasion of water into producing formations. 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. 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 oil and gas reserves.

Corridor's natural gas production is sold at AGT. The New England market has in recent years been characterized by excess demand during the winter season resulting in elevated prices for natural gas as compared to 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. While numerous projects are proposed which could satisfy the New England peak winter market demands by 2018, 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.

Hydraulic Fracturing

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.

Both the New Brunswick Government and the Québec Government have implemented temporary moratoriums on hydraulic fracturing until further studies can be completed. On May 27, 2016, the New Brunswick Government announced its decision to extend the moratorium for an indefinite period. In June 2016, the Québec Government issued permits for hydraulic fracturing of wells to be drilled on Anticosti Island.

Corridor utilizes hydraulic fracturing in connection with its drilling and completion activities in New Brunswick. As a result of the moratorium, management has not forecast any capital spending in New Brunswick. While the moratorium is in effect, Corridor's ability to continue to maintain or increase production through the development of the McCully Field is materially and adversely affected and the ability to obtain a joint venture partner to develop the Frederick Brook prospect in the Elgin Sub-Basin is negatively affected.

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. It is likely the trend to stricter environmental legislation will continue. Changes in environmental laws and regulations may be enacted which could impose higher environmental standards which may increase the cost of our 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.

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.

In addition, Corridor is dependent upon the Anticosti Joint Venture partners to fund their contractual share of the planned exploration expenditures related to the Anticosti Joint Venture. If these partners do not approve or are unable to fund their share of certain expenditures or otherwise fulfill their obligations, this may result in delays or additional future costs to Corridor in respect of the development of the properties on Anticosti Island.

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. To the extent that Corridor engages in such risk management activities, it will be subject to credit risk associated with counterparties with which it contracts.

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

(thousands of dollars, except per share data)

For the	Three months ended June 30 **2016**	2015	Six months ended June 30 **2016**	2015
Sales	**$ 2,523**	$ 1,372	**$ 9,018**	$ 11,470
Royalty expense	**(46)**	(26)	**(183)**	(289)
Revenues, net	**2,477**	1,346	**8,835**	11,181
Expenses				
Impairment losses *(note 6)*	**28,400**	-	**28,400**	-
Depletion, depreciation and amortization	**1,359**	969	**3,511**	3,163
Transportation expense	**1,079**	400	**2,434**	1,365
Production expense	**532**	485	**1,249**	1,251
General and administrative expenses	**909**	1,392	**1,629**	2,280
Share-based compensation expense (*note 11)*	**74**	97	**199**	221
	32,353	3,343	**37,422**	8,280
Income (loss) before the following items	**(29,876)**	(1,997)	**(28,587)**	2,901
Gain on sale of exploration assets *(note 8)*	**-**	1,260	**110**	1,260
Interest and other *(note 3)*	**(49)**	(51)	**(339)**	289
Equity loss *(note 8)*	**(42)**	(50)	**(74)**	(93)
Income (loss) before income taxes	**(29,967)**	(838)	**(28,890)**	4,357
Deferred income tax expense (recovery) (*note 4)*	**11,662**	(369)	**11,456**	1,134
Net income (loss) and comprehensive income (loss)	**$ (41,629)**	$ (469)	**$ (40,346)**	$ 3,223
Net income (loss) per share – basic and diluted	**$ (0.469)**	$ (0.005)	**$ (0.455)**	$ 0.036
Weighted average number of common shares				
Basic	**88,622**	88,622	**88,622**	88,622
Diluted *(note 5)*	**88,686**	88,639	**88,709**	88,743

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 2016**	December 31 2015
Assets		
Current assets		
Cash and cash equivalents	**$ 27,175**	$ 24,059
Restricted cash	**650**	650
Receivables *(note 13 a iv)*	**706**	1,563
Inventory held for sale	**1,176**	1,176
Prepaids and security deposits	**360**	109
	30,067	27,557
Non-current assets		
Property, plant and equipment *(note 6)*	**39,732**	71,239
Exploration and evaluation assets *(note 7)*	**8,577**	8,493
Investment in Anticosti partnership *(note 8)*	**13,900**	13,790
Deferred income tax assets *(note 4)*	**-**	11,456
Intangible assets	**127**	151
Restricted cash	**380**	380
Total assets	**$ 92,783**	$ 133,066
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 591**	$ 1,127
Non-current liabilities		
Decommissioning liability *(note 9)*	**9,564**	9,121
Total liabilities	**10,155**	10,248
Shareholders' Equity		
Capital stock *(note 10)*	**247,685**	247,685
Contributed surplus *(note 11)*	**10,626**	10,470
Deficit	**(175,683)**	(135,337)
Total shareholders' equity	**82,628**	122,818
Total liabilities and shareholders' equity	**$ 92,783**	$ 133,066

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

Contingencies *(note 15)*

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 **2016**	2015
Capital stock, beginning and end of period	**$ 247,685**	$ 247,685
Contributed surplus, beginning of period	**$ 10,470**	$ 10,043
Share-based compensation expense *(note 11)*	**156**	221
Contributed surplus, end of period	**$ 10,626**	$ 10,264
Deficit, beginning of period	**$ (135,337)**	$ (103,458)
Net income (loss) and comprehensive income (loss)	**(40,346)**	3,223
Deficit, end of period	**$ (175,683)**	$ (100,235)
Shareholders' equity, end of period	**$ 82,628**	$ 157,714

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 **2016**	2015
Operating Activities		
Net income (loss)	**$ (40,346)**	$ 3,223
Adjustments not affecting cash:		
Impairment losses	**28,400**	-
Depletion, depreciation and amortization	**3,511**	3,163
Share-based compensation expense	**199**	221
Deferred income tax expense	**11,456**	1,134
Gain on sale of assets	**(97)**	(1,260)
Equity loss	**74**	93
Other operating activities	**155**	115
	3,352	6,689
Increase in non-cash operating working capital *(note 12)*	**156**	1,106
Cash provided by operating activities	**3,508**	7,795
Investing Activities		
Property, plant and equipment expenditures	**(59)**	(393)
Exploration and evaluation expenditures	**(145)**	(319)
Contribution in Anticosti partnership	**(74)**	(112)
Proceeds on the sale of assets	**15**	-
Increase in non-cash investing working capital *(note 12)*	**(129)**	(2,131)
Cash used in investing activities	**(392)**	(2,955)
Increase in cash and cash equivalents	**3,116**	4,840
Cash and cash equivalents, beginning of period	**24,059**	19,207
Cash and cash equivalents, end of period	**$ 27,175**	$ 24,047
Cash and cash equivalents consists of:		
Cash	**$ 7,935**	$ 4,857
Short-term investments	**19,240**	19,190
Cash and cash equivalents, end of period	**$ 27,175**	$ 24,047

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

Notes to the Unaudited Condensed Financial Statements June 30, 2016

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 Québec 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, 2015. 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, 2015.

On August 11, 2016, 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. Interest and other

Interest and other consist of the following:

(thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Foreign exchange gains (losses)	**$ (29)**	$ (72)	**$ (307)**	$ 253
Interest and finance costs	**(78)**	(60)	**(155)**	(123)
Interest and other income	**58**	81	**123**	159
	$ (49)	$ (51)	**$ (339)**	$ 289

4. 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 (loss) before income taxes as follows:

(thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Income (loss) before income taxes	**$ (29,967)**	$ (838)	**$ (28,890)**	$ 4,357
Blended Canadian statutory tax rate	**29.3%**	28%	**29.3%**	28%
Expected income tax expense (recovery)	**$ (8,780)**	$ (235)	**$ (8,465)**	$ 1,220
Increase (decrease) resulting from:				
Write-down of deferred income tax assets	**20,510**	-	**20,510**	-
Effect of provincial tax rate change	**-**	-	**(547)**	-
Non-taxable portion of gain on sale of exploration assets	**-**	(160)	**(15)**	(160)
Non-deductible share-based compensation	**22**	27	**58**	62
Originating temporary differences recorded at the future income tax rates expected to be in effect when realized	**(90)**	(1)	**(85)**	12
	$ 11,662	$ (369)	**$ 11,456**	$ 1,134

4. Income taxes (continued)

On May 27, 2016, the Government of New Brunswick announced its decision to continue a moratorium on hydraulic fracturing for an indefinite period. As a result, the Company wrote-down its deferred income tax assets by $20,510 thousand during the quarter as it is no longer 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.

During the year, the Company increased its deferred income tax rate from 28.25% to 29.60% following the New Brunswick Government's 2016 budget which resulted in the Province's corporate income tax rate being increased from 12% to 14% effective April 1, 2016. As a result, Corridor recognized a deferred income tax recovery of $547 thousand.

5. Income (loss) per share

For the three and six months ended June 30, 2016, stock options of 3,092 thousand (three and six months ended June 30, 2015 – 2,434 thousand and 1,717 thousand) were excluded from the dilution calculation since the average market price for the period was lower than the exercise price.

6. Property, plant and equipment

(thousands of dollars)

	Oil and gas properties	Production facilities	Inventory	Office and other assets	Total
Cost					
Balance at December 31, 2014	$ 243,168	$ 77,005	$ 2,829	$ 2,836	$ 325,838
Additions	(19)	358	-	60	399
Transfers	(898)	-	-	-	(898)
Investment tax credits	-	(21)	-	-	(21)
Changes in future abandonment costs	591	-	-	-	591
Balance at December 31, 2015	$ 242,842	$ 77,342	$ 2,829	$ 2,896	$ 325,909
Additions	3	-	-	56	59
Sale of assets	-	-	-	(68)	(68)
Changes in future abandonment costs	249	-	-	-	249
Balance at June 30, 2016	**$ 243,094**	**$ 77,342**	**$ 2,829**	**$ 2,884**	**$ 326,149**
Accumulated impairment, depletion and depreciation					
Balance at December 31, 2014	$ 172,885	$ 52,176	$ 2,408	$ 1,744	$ 229,213
Depletion or depreciation expense	4,278	747	-	104	5,129
Transfers	(898)	-	-	-	(898)
Impairment losses	15,200	5,900	-	-	21,100
Write-down of inventory	-	-	126	-	126
Balance at December 31, 2015	$ 191,465	$ 58,823	$ 2,534	$ 1,848	$ 254,670
Depletion or depreciation expense	2,818	606	-	63	3,487
Impairment losses	20,200	8,100	-	-	28,300
Sale of assets	-	-	-	(40)	(40)
Balance at June 30, 2016	**$ 214,483**	**$ 67,529**	**$ 2,534**	**$ 1,871**	**$ 286,417**
Net book value					
At December 31, 2015	$ 51,377	$ 18,519	$ 295	$ 1,048	$ 71,239
At June 30, 2016	**$ 28,611**	**$ 9,813**	**$ 295**	**$ 1,013**	**$ 39,732**

The calculation of depletion includes estimated future development costs relating to the development of proved reserves of $63,165 thousand for the three months ended March 31, 2016 and $3,518 thousand for the six months ended June 30, 2016 (three and six months ended June 30, 2015 - $78,954 thousand).

6. Property, plant and equipment (continued)

For the six months ended June 30, 2016, the Company recognized impairment losses relating to the Company's New Brunswick cash generating unit ("CGU") which includes the McCully Field, a natural gas producing asset, and exploration and evaluation natural gas assets. The impairment loss was allocated as follows:

(thousands of dollars)

	Six months ended June 30, 2016
Oil and gas properties and production facilities	**$ 28,300**
Exploration and evaluation assets	**100**
	$ 28,400

The impairment losses for the six months ended June 30, 2016 resulted primarily from the announcement by the Government of New Brunswick on May 27, 2016 of its decision to continue a moratorium on hydraulic fracturing for an indefinite period. The impairment losses were based on the difference between the carrying value of the New Brunswick CGU and its recoverable amount of $30 million. The recoverable amount was determined using fair value less costs to sell based on after-tax future net cash flows of proved plus probable reserves, using forecast prices and costs and a discount rate of 10 percent. The key values used to determine the recoverable amount are classified as level 2 and level 3 in the fair value hierarchy classifications (see December 31, 2015 financial statements note 3p).

For the six months ended June 30, 2016, the Company utilized the following forecast prices in the fair value calculation:

	2016	2017	2018	2019	2020	2021-2025	Thereafter
Henry Hub ($US/mmbtu)	$ 2.60	$ 3.10	$ 3.30	$ 3.50	$ 3.70	$ 3.90-$ 4.60	+2%/year
McCully ($CDN/mscf)	$ 4.91	$ 4.46	$ 4.57	$ 4.68	$ 4.78	$ 4.87-$ 5.71	+2%/year
Exchange rate ($US/$CDN)	$ 0.725	$ 0.750	$ 0.775	$ 0.800	$ 0.825	$ 0.850	$ 0.850

The McCully gas price is calculated by adjusting the Henry Hub gas prices to reflect the premiums received at Corridor's pricing point, transportation costs and heat content.

The fair value calculation was based on the following proved plus probable natural gas reserves, as determined by independent reserves engineers:

	Six months ended June 30, 2016	Year ended December 31, 2015
Proved plus probable natural gas reserves (bscf)	**22.9**	61.8

The following table demonstrates the impact of a 1% change in the discount rate on the calculation of the impairment losses for the six months ended June 30, 2016:

(thousands of dollars)

	1% rate increase	**1% rate decrease**
Increase (decrease) in impairment losses	$ 1,540	$ (1,680)

7. Exploration and evaluation assets

(thousands of dollars)

	Six months ended June 30, 2016	Year ended December 31, 2015
Balance, beginning of period	**$ 8,493**	$ 8,141
Additions	**145**	538
Impairment losses	**(100)**	(200)
Changes in future abandonment costs	**39**	14
Balance, end of period	**$ 8,577**	$ 8,493

8. Investment in Anticosti partnership

(thousands of dollars)

	Six months ended June 30, 2016	Year ended December 31, 2015
Balance, beginning of period	**$ 13,790**	$ 12,511
Gain on sale of exploration assets	**110**	1,260
Contributions	**74**	163
Equity loss	**(74)**	(144)
Balance, end of period	**$ 13,900**	$ 13,790

On April 1, 2014, the Company entered into a joint venture with the Government of Québec, through its affiliate Ressources Québec (“RQ”), Pétrolia Inc. (“Pétrolia”) and Saint-Aubin E&P Québec Inc. (“Saint-Aubin”). In connection with the establishment of the joint venture, Pétrolia and Corridor transferred their respective Anticosti exploration licenses to Anticosti Hydrocarbons L.P. (“Anticosti Hydrocarbons”) and RQ and Saint-Aubin made a commitment to spend up to an aggregate $100 million on an exploration program. In exchange, Corridor received an interest of 21.67% in Anticosti Hydrocarbons and net cash proceeds of $13,479 thousand.

During the period, a gain on sale of $110 thousand (year ended December 31, 2015 - $1,260 thousand) was recognized to reflect the benefit received by Corridor from the funding by RQ and Saint-Aubin of $822 thousand (year ended December 31, 2015 - $9,255 thousand) in connection with their commitment to spend up to an aggregate $100 million on Anticosti Hydrocarbons’ exploration program.

9. Decommissioning liability

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

(thousands of dollars)

	Six months ended June 30, 2016	Year ended December 31, 2015
Balance, beginning of period	**$ 9,121**	$ 8,276
Change in discount rate	**288**	231
Change in estimate	**-**	374
Finance costs	**155**	240
Balance, end of period	**$ 9,564**	$ 9,121

The total undiscounted amount of estimated cash flows required to settle these obligations is $14,399 thousand (December 31, 2015 - $14,828 thousand). Management estimates the settlement of these obligations between 2020 and 2036. At June 30, 2016, a risk-free rate of 2.15% (December 31, 2015 – 2.37%) and an inflation rate of 2% (December 31, 2015 – 2%) was used to calculate the estimated fair value of the decommissioning liability.

10. 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, 2016		Year ended December 31, 2015	
	Number of shares	**Amount**	Number of shares	Amount
Balance, beginning and end of period	**88,622**	**$ 247,685**	88,622	$ 247,685

11. 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.

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

(thousands of options)

	Six months ended June 30, 2016		Year ended December 31, 2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**3,431**	**$ 1.28**	3,649	$ 1.28
Granted	**827**	**$ 0.40**	-	-
Forfeited and cancelled	**(399)**	**$ 1.19**	(218)	$ 1.27
Options outstanding, end of period	**3,859**	**$ 1.10**	3,431	$ 1.28
Options exercisable, end of period	**2,465**	**$ 1.27**	2,594	$ 1.34

The range of exercise prices of stock options outstanding and exercisable as at June 30, 2016 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	2,258	2.57	$ 0.63	1,464	$ 0.71
$ 1.00 - $ 1.99	900	3.38	$ 1.24	300	$ 1.24
$ 2.00 - $ 2.49	701	0.33	$ 2.46	701	$ 2.46
	3,859	2.35	$ 1.10	2,465	$ 1.27

11. Share-based compensation (continued)

The fair value of options granted is estimated using the Black-Scholes option pricing model with the following assumptions:

	Six months ended June 30, 2016	Year ended December 31, 2015
Weighted average fair value of options granted	**$ 0.21**	-
Risk-free interest rate	**0.4%**	-
Expected life (years)	**4.0**	-
Expected volatility	**72%**	-

For the three and six months ended June 30, 2016, the Company recorded share-based compensation expense with an offsetting increase to contributed surplus of $72 thousand and $156 thousand relating to the stock option plan (three and six months ended June 30, 2015 - $97 thousand and $221 thousand).

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. During the period, the fair value of the DSUs granted and the changes in their fair value were recognized as share-based compensation expense on the Statement of Income (Loss) with a corresponding amount recorded in accounts payable and accrued liabilities on the Statement of Financial Position.

The following table summarizes the changes in the outstanding DSUs:

(thousands of dollars and thousands of DSUs)

	Six months ended June 30, 2016		Year ended December 31, 2015	
	Number of DSUs	**Amount**	Number of DSUs	Amount
DSUs granted during the period	**95**	**$ 45**	-	-
Fair value adjustment during the period	**-**	**(2)**	-	-
DSUs, end of period	**95**	**$ 43**	-	-

The DSU liability as of June 30, 2016 is based on a fair value of $0.45 which is the Company's closing share price at June 30, 2016.

12. Supplemental cash flow information

(thousands of dollars)

	Six months ended June 30 2016	2015
Change in non-cash operating working capital:		
Receivables	**$ 883**	$ 1,751
Prepaids and security deposits	**(251)**	(243)
Accounts payable and accrued liabilities	**(476)**	(402)
	$ 156	$ 1,106
Change in non-cash investing working capital:		
Receivables	**$ (26)**	$ 349
Accounts payable and accrued liabilities	**(103)**	(2,480)
	$ (129)	$ (2,131)
Interest received	**$ (203)**	$ (237)

13. Risk management

a) The Company is exposed to the following risks:

i) Commodity price risk

The Company is exposed to risks from fluctuations in the natural gas sales prices. During the period, the Company did not have any derivative financial instruments in place to manage this risk. With the Board of Directors' approval, Corridor will enter into forward sale commitments, in limited quantities and at fixed prices, when appropriate. The Company does not use derivative financial instruments for speculative purposes.

During the period, the Company had forward sale commitments at a fixed natural gas price for a portion of its production. For the remaining production, a 5% decrease in the price of natural gas would have resulted in an increase in the Company's net loss of approximately $110 thousand and $245 thousand for the three and six months ended June 30, 2016 (three and six months ended June 30, 2015– $25 thousand and $130 thousand) due to lower natural gas sales. Conversely, a 5% increase in the price of natural gas would have resulted in a decrease in the Company's net loss of approximately $110 thousand and $245 thousand for the three and six months ended June 30, 2016 (three and six months ended June 30, 2015– $25 thousand and $130 thousand) due to higher natural gas sales.

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, 2016**	December 31, 2015
Cash	**$ 243**	$ 2
Receivables	**241**	893
Financial instruments in U.S. dollars	**$ 484**	$ 895

At June 30, 2016, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in an increase of $30 thousand in the Company's net loss (June 30, 2015 – nil) due to a decrease in the financial instruments denominated in U.S. dollars. Conversely, a 5% increase in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of $30 thousand in the Company's net loss (June 30, 2015 – nil).

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, 2016, the Company was holding cash and cash equivalents of $27,175 thousand.

Given the Company's available liquid resources and the Company's 2016 budget, management expects to have sufficient available funds to meet the current and foreseeable financial liabilities as disclosed in the Company's December 31, 2015 audited financial statements.

iv) Credit risk

Corridor sells all of its 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. Management believes credit risk on these amounts is low and has not made any provision for an allowance for bad debts. 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.

13. Risk management (continued)

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. To maximize ongoing development and exploration activities, the Company does not anticipate paying out dividends during the year.

14. Financial instruments

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

i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets and consist of trade receivables. Their carrying values approximate fair values because of their short term to maturity.

ii) Financial liabilities at amortized cost
Financial liabilities at amortized cost include accounts payable and accrued liabilities. They 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.

15. Contingencies

An audit by the New Brunswick Department of Finance ("DOF") of the calculation of the royalty payments for the periods between November 1, 2009 and December 31, 2014 is ongoing. During the quarter, the Company filed a Notice of Appeal to object to the Notice of Debt received by the DOF for a total of $300 thousand, with Corridor's share estimated at $200 thousand. Corridor has not made a provision for any of the amount identified in the DOF's Notice of Debt, as management believes a successful claim by the DOF is not probable.

On August 23, 2013, the Company was served with a statement of claim by Geophysical Services Incorporated ("GSI") relating to the access and disclosure of confidential seismic information. GSI is seeking damages of $1.7 million. The Company has not recorded any liability as management believes a successful claim is not probable.