Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

December 31, 2015
(Unaudited)

TAG Oil Ltd.

885 West Georgia Street, Suite 2040
Vancouver, BC, V6C 3E8 Canada

tel +1 604.682.6496
fax +1 604.682.1174
www.tagoil.com

TSX: TAO
OTCQX: TAOIF

Condensed Consolidated Interim Statements of Financial Position
Expressed in Canadian Dollars
Unaudited

	December 31, 2015	March 31, 2015
Assets		
Current:		
Cash and cash equivalents	$ 15,917,872	$ 27,055,116
Amounts receivable and prepaids	5,238,512	7,006,174
Inventory	4,963,627	4,528,217
	26,120,011	38,589,507
Non-Current:		
Restricted cash	210,793	269,503
Exploration and evaluation assets (Note 3)	11,568,621	26,079,280
Property, plant and equipment (Note 4)	130,928,065	131,900,762
Investments (Note 5(a))	47,773	46,582
Assets held for sale (Note 14(d))	3,980,725	-
	$ 172,855,988	$ 196,885,634
Liabilities and Shareholders' Equity		
Current:		
Accounts payable and accrued liabilities	$ 2,785,348	$ 9,712,280
Asset retirement obligations (Note 7)	1,079,466	1,082,202
Derivative financial instruments	-	1,838
	3,864,814	10,796,320
Non-Current:		
Asset retirement obligations (Note 7)	12,258,226	12,165,579
Liabilities held for sale (Note 14(d))	1,780,724	-
	17,903,764	22,961,899
Share capital (Note 8)	230,414,255	230,574,881
Share-based payment reserve (Note 8)	18,795,470	17,278,437
Foreign currency translation reserve	24,483,551	25,467,240
Available for sale marketable securities reserve	(585,641)	(586,832)
Deficit	(123,420,903)	(105,328,237)
Equity attributable to owners of the Company	149,686,732	167,405,489
Non-controlling interests	5,265,492	6,518,246
	154,952,224	173,923,735
	$ 172,855,988	$ 196,885,634

Nature of operations (Note 1)
Commitments (Note 12)
Subsequent event (Note 15)
See accompanying notes.

Approved by the Board of Directors:

"Toby Pierce" — Toby Pierce, Director

"Ken Vidalin" — Ken Vidalin, Director

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
Expressed in Canadian Dollars
Unaudited

	Three months ended December 31,		Nine months ended December 31,	
	2015	2014 *(Restated – Note 14)*	2015	2014 *(Restated – Note 14)*
Revenues				
Production revenue	$ 5,077,674	$ 11,333,200	$ 19,796,451	$ 40,716,707
Production costs	(2,220,648)	(2,141,289)	(6,417,733)	(6,332,475)
Transportation and storage costs	(901,797)	(1,579,395)	(2,977,431)	(4,435,175)
Royalties	(484,980)	(1,069,683)	(1,773,213)	(3,706,020)
	1,470,249	6,542,833	8,628,074	26,243,037
Expenses				
Depletion, depreciation and accretion	2,819,072	4,278,765	9,860,741	12,184,999
Foreign exchange	278,625	344,190	(1,083,873)	(550,039)
Insurance	19,326	33,422	84,341	122,345
Interest and other income	(33,791)	(126,598)	(273,034)	(417,585)
Share-based compensation	217,549	586,323	1,517,033	986,423
Consulting and director fees	333,674	341,983	704,955	728,236
Filing, listing and transfer agent	82,092	53,534	174,248	225,404
Reports	168	(2,290)	(678)	162,376
Office and administration	176,371	219,697	512,190	561,828
Professional fees	140,601	146,813	381,124	404,457
Rent	73,738	83,078	239,486	234,094
Shareholder relations and communications	227,120	210,737	506,945	765,132
Travel	116,149	118,943	420,224	378,338
Wages and salaries	728,439	948,921	2,205,020	2,074,013
Overhead recoveries	(23,571)	(31,187)	(113,414)	(181,382)
	(5,155,562)	(7,206,331)	(15,135,308)	(17,678,639)
Other Items				
Loss on sale of assets	(8,627)	-	(59,292)	-
Exploration expense	35,352	-	(397,720)	-
Write-off of oil and gas properties	(2,139,669)	-	(5,161,774)	-
	(2,112,944)	-	(5,618,786)	-
Net (loss) income from continuing operations	(5,798,257)	(663,498)	(12,126,020)	8,564,398
Net loss from discontinued operations (Note 14(a))	(6,471,840)	(280,502)	(7,219,400)	(671,901)
Net (loss) income for the period	$ (12,270,097)	$ (944,000)	$ (19,345,420)	$ 7,892,497
Other comprehensive income (loss) (Note 9)				
Cumulative translation adjustment	14,079,730	7,112,449	(983,689)	(12,806,161)
Change in available for sale assets:				
Investments	(19,834)	10,503	1,230	(34,452)
Comprehensive income (loss) for the period	$ 1,789,799	$ 6,178,952	$ (20,327,879)	$ (4,948,116)
Earnings per share – basic (Note 8(c))	$ (0.20)	$ (0.01)	$ (0.31)	$ 0.12
Earnings per share – diluted (Note 8(c))	$ (0.20)	$ (0.01)	$ (0.31)	$ 0.12

See accompanying notes.

Condensed Consolidated Interim Statements of Comprehensive (Loss) Income
Expressed in Canadian Dollars
Unaudited

	Three months ended December 31,		Nine months ended December 31,	
	2015	2014	2015	2014
Net (loss) income attributable to:				
Owners of the Company	$ (11,667,598)	$ (757,010)	$ (18,092,666)	$ 8,363,754
Non-controlling interests	(602,499)	(186,990)	(1,252,754)	(471,257)
Net (loss) income for the period	$ (12,270,097)	$ (944,000)	$ (19,345,420)	$ 7,892,497
Net comprehensive (loss) income attributable to:				
Owners of the Company	$ (1,187,300)	$ 6,365,942	$ (19,075,125)	$ (4,476,859)
Non-controlling interests	(602,499)	(186,990)	(1,252,754)	(471,257)
Net comprehensive (loss) income for the period	$ (1,789,799)	$ 6,178,952	$ (20,327,879)	$ (4,948,116)

See accompanying notes.

Condensed Consolidated Interim Statements of Cash Flows
Expressed in Canadian Dollars
Unaudited

	Nine months ended December 31, 2015	2014
Operating Activities		
Net (loss) income for the period	$ (19,345,420)	$ 7,892,497
Changes for non-cash operating items:		
Depletion, depreciation and accretion	9,860,741	12,296,955
Impairment on remeasurement of disposal group	5,421,868	-
Interest and foreign exchange on restricted cash	(7,535)	(6,484)
Loss on derivative financial instruments	115,126	215,224
Loss on sale of assets	59,292	-
Share-based compensation	1,517,033	986,423
Write-off of exploration and evaluation assets	5,161,774	-
	2,782,879	21,384,615
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	649,720	2,304,233
Accounts payable and accrued liabilities	467,384	559,218
Inventory	(435,410)	(954,770)
Cash provided by operating activities	3,464,573	23,293,296
Financing Activities		
Shares purchased and returned to treasury	(160,626)	(3,159,010)
Options and warrants exercised	-	10,000
Cash used in financing activities	(160,626)	(3,149,010)
Investing Activities		
Cash and cash equivalents included in assets held for sale	(446,164)	-
Restricted cash	(49,976)	6,247
Exploration and evaluation assets	(4,163,614)	(25,301,437)
Property and equipment	(9,781,437)	(16,173,289)
Repayment of loan advances	-	414,278
Cash used in investing activities	(14,441,191)	(41,054,201)
Net decrease in cash and cash equivalents during the period	(11,137,244)	(20,909,915)
Cash and cash equivalents – beginning of the period	27,055,116	52,004,463
Cash and cash equivalents – end of the period	$ 15,917,872	$ 31,094,548
Supplementary disclosures:		
Interest received	$ 116,186	$ 437,389
Cash	4,419,719	$ 10,229,849
Cash equivalents	11,498,153	20,864,699
	$ 15,917,872	$ 31,094,548

Non-Cash Investing Activities:
The Company incurred $89,822 in exploration and evaluation expenditures which were in accounts payable at December 31, 2015 (2014: $5,023,309). The Company incurred $179,170 in property and equipment expenditures which were in accounts payable at December 31, 2015 (2014: $3,465,722).

See accompanying notes.

Condensed Consolidated Interim Statements of Changes in Equity
Expressed in Canadian Dollars

			Reserves						
	Number of Shares (Note 8)	Share Capital (Note 8)	Share-based Payments	Foreign Currency Translation	Available for Sale Marketable Securities	Deficit	Total	Non-Controlling Interest	Total Equity
Balance at March 31, 2015	62,361,452	$ 230,574,881	$ 17,278,437	$ 25,467,240	$ (586,832)	$ (105,328,237)	$ 167,405,489	$ 6,518,246	$ 173,923,735
Repurchase shares	(149,200)	(160,626)	-	-	-	-	(160,626)	-	(160,626)
Share-based payments	-	-	1,517,033	-	-	-	1,517,033	-	1,517,033
Currency translation adjustment	-	-	-	(983,689)	-	-	(983,689)	-	(983,689)
Unrealized gain on available-for-sale investments	-	-	-	-	1,191	-	1,191	-	1,191
Net loss for the period	-	-	-	-	-	(18,092,666)	(18,092,666)	(1,252,754)	(19,345,420)
Balance at December 31, 2015	62,212,252	$ 230,414,255	$ 18,795,470	$ 24,483,551	$ (585,641)	$ (123,420,903)	$ 149,686,732	$ 5,265,492	$ 154,952,224
Balance at March 31, 2014	64,166,052	$ 233,831,289	$ 15,919,377	$ 28,966,355	$ (501,248)	$ (36,420,970)	$ 241,794,803	$ 7,373,496	$ 249,168,299
Repurchase shares	(1,728,200)	(3,159,010)	-	-	-	-	(3,159,010)	-	(3,159,010)
Exercise of options	8,000	17,559	(7,559)	-	-	-	10,000	-	10,000
Share-based payments	-	-	986,423	-	-	-	986,423	-	986,423
Currency translation adjustment	-	-	-	(12,806,161)	-	-	(12,806,161)	-	(12,806,161)
Unrealized loss on available-for-sale investments	-	-	-	-	(34,452)	-	(34,452)	-	(34,452)
Net income for the period	-	-	-	-	-	8,363,754	8,363,754	(471,257)	7,892,497
Balance at December 30, 2014	62,445,852	$230,689,838	$ 16,898,241	$ 16,160,194	$ (535,700)	$ (28,057,216)	$235,155,357	$ 6,902,239	$242,057,596

See accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements
Nine Months Ended December 31, 2015
Expressed in Canadian Dollars
Unaudited

Note 1 – Nature of Operations

TAG Oil Ltd. (the "Company") is incorporated under the Business Corporations Act (British Columbia) and its major activity is the development and exploration of international oil and gas properties.

The Company is in the process of exploring, developing and producing from its oil and gas properties and has two oil and gas properties that contain reserves that are economically recoverable. The success of the Company's exploration and development of its oil and gas properties requires significant additional exploration and development activities to establish additional proved reserves and to commercialize its oil and gas exploration properties. The Company is also influenced by significant financial risks as well as commodity prices. In addition, the Company will use cash and operating cash flow to further explore and develop its properties towards planned principal operations. The Company monitors its cash and cash equivalents and adjusts its expenditure plans to conform to available funding. The Company plans to fund exploration and development activities through existing cash resources and any future capital raising.

During the period-ended, Coronado Resources Ltd. ("Coronado"), a subsidiary of the Company, entered into agreement (see Note 15) which would remove itself from the electrical generation and sales business. As such, the Company has prepared these financial statements to reflect the assets and liabilities held for sale and the discontinued operations.

Note 2 – Significant Accounting Policies

Statement of compliance and basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board, and its interpretations. Accordingly, these condensed consolidated interim financial statements do not include all of the information and foot notes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes. Results for the period ended December 31, 2015, are not necessarily indicative of future results.

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale, which are stated at their fair value. In addition these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies applied by the Company in the condensed consolidated interim financial statements are the same as those applied by the Company in its most recent annual consolidated financial statements for the year ended March 31, 2015.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries.

The Company's subsidiaries are:

Name of Subsidiary	Place of Incorporation	Ownership Interest	Principal Activity
TAG Oil (NZ) Limited	New Zealand	100%	Oil and Gas Exploration
Cheal Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
TAG Oil (Offshore) Limited	New Zealand	100%	Oil and Gas Exploration
Eastern Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
Orient Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
Trans Orient Petroleum Ltd.	Canada	100%	Oil and Gas Exploration
Coronado Resources Ltd.	Canada	49%	Electricity Generation and Retailing and Mineral Property
Lynx Clean Power Corp.	Canada	49%	Electricity Generation and Retailing
Lynx Gold Corp.	Canada	49%	Mineral Property
Lynx Petroleum Ltd.	Canada	49%	Inactive
Coronado Resources USA LLC	USA	49%	Mineral Property
Opunake Hydro Limited	New Zealand	49%	Electricity Generation and Retailing
Utilise Limited	New Zealand	49%	Electricity Generation and Retailing
Lynx Gold (NZ) Limited	New Zealand	49%	Inactive
Lynx Platinum Limited	New Zealand	49%	Inactive
Lynx Oil and Gas Limited	New Zealand	49%	Inactive

Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingencies. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these consolidated financial statements.

Areas of judgment that have the most significant effect on the amounts recognized in these consolidated financial statements are: recoverability, impairment and fair value of oil and gas properties, deferred tax assets and liabilities and functional currency.

Key sources of estimation uncertainty that have the most significant effect on the amounts recognized in these consolidated financial statements are: recoverability, impairment and fair value of oil and gas properties, deferred tax assets and liabilities, determination of the fair values of share-based compensation and assessment of contingencies.

Recoverability, impairment and fair value of oil and gas properties

Fair values of oil and gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of crude oil and natural gas reserves, oil and gas prices and future costs required to develop those reserves. By nature, estimates of reserves and the related future cash flows are subject to measurement uncertainty and the impact of differences between actual and estimated amounts on the consolidated financial statements of future periods could be material. The fair value of properties is determined based on cost and supported by the discounted cash flow of reserves based on anticipated work programs. The net present value uses a discount rate of 10% and costs are determined on the anticipated exploration program, forecast oil prices and contractual price of natural gas along with forecast operating and decommissioning costs. A discount rate of 10% has been used in determining the net present value of oil and gas properties.

Petroleum and natural gas properties, exploration and evaluation assets and other corporate assets are aggregated into cash-generating-units (CGUs) based on their ability to generate largely independent cash flows and are used for impairment testing unless the recoverable amount based on value in use can be estimated for an individual asset. The determination of the Company's CGUs is based on separate business units for electricity generation and retail and producing oil and gas fields with petroleum mining permits granted. This includes associated infrastructure on the basis that field investment decisions are made based on expected field production and all wells are dependent on the field infrastructure.

Each CGU or asset is evaluated for impairment to ensure the carrying value is recoverable. Management looks at the discounted cash flows of capital development, income, production, reserves, field life and asset retirement obligations of the CGU or asset in assessing the recoverable amount of the CGU or asset. A discount rate of 10% is applied to the assessment of the recoverable amount.

The decision to transfer exploration and evaluation assets to property, plant and equipment is based on management's determination of an area's technical feasibility and commercial viability based on proved and probable reserves. The calculation of decommissioning liabilities includes estimates of the future costs to settle the liability, the timing of the cash flows to settle the liability, the risk-free rate and the future inflation rates. The rates used to calculate decommissioning liabilities are an inflation rate of 1.6% and a risk free discount rate of 2.75% which prevailed at the date of these financial statements. The impact of differences between actual and estimated costs, timing and inflation on the consolidated financial statements of future periods may be material.

Income taxes

The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of reversals of temporary differences, and estimating the reliability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense (recovery).

Share-based compensation

The calculation of share-based compensation requires estimates of volatility, forfeiture rates and market prices surrounding the issuance of share options. These estimates impact share-based compensation expense and share-based payment reserve.

Functional currency

The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

Contingencies

Contingencies are resolved only when one or more events transpire. As a result, the assessment of contingencies inherently involves estimating the outcome of future events.

Discontinued operations

A discontinued operation is a component of the Company's business. The operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is reclassified as if the operation had been discontinued from the start of the comparative year.

Assets held for sale

Non-current assets, or disposal comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposals, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to financial assets or investment property, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

New accounting standards and recent pronouncements

The Company has evaluated the following new and revised IFRS standards and has determined there to be no material impact on the financial statements upon adoption:

- IAS 1 – Presentation of Financial Statements
- IFRIC 21 – Levies
- IAS 32 – Financial Instruments - Presentation

Future changes in accounting policies

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") but not yet effective as at December 31, 2015. The Company intends to adopt these standards and interpretations when they become effective. The Company does not expect these standards to have an impact on its financial statements. Pronouncements that are not applicable to the Company have been excluded from those described below.

The following standards or amendments are effective for annual periods beginning on or after January 1, 2015:

- IFRS 9 – Financial Instruments (annual periods beginning January 1, 2018)

Note 3 – Exploration and Evaluation Assets

Permit	PEP38748	PEP57063 / 57065	PEP55769	PEP52181	PEP54873	PEP54876	PEP54877	PEP54879
Ownership Interest	**100%**	**100%**	**100%**	**40%**	**100%**	**50%**	**70%**	**50%**
Cost								
At March 31, 2014	$ 7,006,849	$ -	$ -	$ 2,147,779	$ 3,047,335	$1,168,562	$11,865,289	$ 3,739,159
Capital expenditures	552,344	-	279,006	1,569,967	(1,709,243)	1,387,096	3,943,854	314,426
Transfer from/(to) PP&E	2,618,146	-	-	-	-	-	(5,722,196)	-
Write-off oil and gas properties	(7,707,606)	-	-	-	(1,263,688)	(2,462,363)	-	-
Change in ARO	-	-	-	-	-	-	176,299	-
Foreign exchange movement	(328,499)	-	-	(23,274)	(74,404)	(93,295)	(128,582)	(40,521)
At March 31, 2015	2,141,234	-	279,006	3,694,472	-	-	10,134,664	4,013,064
Capital expenditures	114,089	9,275	50,580	684,228	-	-	-	31,723
Transfer from/(to) PP&E	-	-	-	-	-	-	(10,094,576)	-
Write-off oil and gas properties	(2,249,909)	-	-	-	-	-	-	-
Foreign exchange movement	(5,414)	-	(705)	(9,341)	-	-	(40,088)	(10,145)
At December 31, 2015	$ -	$ 9,275	$ 328,881	$ 4,369,359	$ -	$ -	$ -	$ 4,034,642
Net book value								
March 31, 2015	$ 2,141,234	$ -	$ 279,006	$ 3,694,472	$ -	$ -	$10,134,664	$ 4,013,064
December 31, 2015	**$ -**	**$ 9,275**	**$ 328,881**	**$ 4,369,359**	**$ -**	**$ -**	**$ -**	**$ 4,034,642**

Permit	PEP38348 / 55770	PEP38349	PEP53674	PEP52589	Madison / Other	Cardiff	TOTAL
Ownership Interest	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	
Cost							
At March 31, 2014	$ 2,075,155	$ 7,888,862	$ 1,186,310	$2,853,316	$ 2,291,347	$ 29,904,014	$75,173,977
Capital expenditures	19,753,024	700,148	160,495	63,283	639,814	603,501	28,257,715
Transfer from/(to) PP&E	-	-	-	-	-	-	(3,104,050)
Write-off oil and gas properties	(21,527,926)	(8,233,895)	(1,291,607)	-	-	(29,226,411)	(71,713,496)
Change in ARO	427,185	-	-	-	-	-	603,484
Foreign exchange movement	(727,438)	(355,115)	(55,198)	(30,920)	-	(1,281,104)	(3,138,350)
At March 31, 2015	-	-	-	2,885,679	2,931,161	-	26,079,280
Capital expenditures	-	-	-	9,161	482,313	-	1,381,369
Transfer from/(to) PP&E	-	-	-	-	-	-	(10,094,576)
Write-off oil and gas properties	-	-	-	(2,887,543)	(385,120)	-	(5,522,572)
Foreign exchange movement	-	-	-	(7,297)	(201,890)	-	(274,880)
At December 31, 2015	$ -	$ -	$ -	$ -	$ 2,826,464	$ -	$11,568,621
Net book value							
March 31, 2015	$ -	$ -	$ -	$2,885,679	$ 2,931,161	$ -	$26,079,280
December 31, 2015	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2,826,464**	**$ -**	**$11,568,621**

The Company's oil and gas properties are located in New Zealand and its interests in these properties are maintained pursuant to the terms of exploration and mining permits granted by the national government. The Company is satisfied that evidence supporting the current validity of these permits is adequate and acceptable by prevailing industry standards in respect to the current stage of exploration on these properties. The Company's mineral property called the Madison property is located in the United States. Although the Company has taken steps to verify title, these procedures do not guarantee the Company's title.

At March 31, 2015, the Company assessed and concluded that the carrying value of PEP 53674, PEP 54873, PEP 54876, PEP 38348, PEP 38349 and Cardiff exceeded recoverable amounts and has written off the costs associated with the permits. The write-off reflects the assessment that existing exploration wells are unlikely to access proved and probable reserves in the near term. In PEP 38748 (Sidewinder) the partial write-off reduced the carrying amount to $2,141,234 reflecting seismic data from which the Company expects to obtain additional value.

On June 10, 2015, the Company relinquished PEP 55770 and has written off the costs associated with this permit as at March

31, 2015.

On July 27, 2015, Lynx Platinum Limited, a subsidiary of Coronado, was given notice that the surrender of all permits on the Platinum property had been granted and therefore all costs associated with the property were written-off as at December 31, 2015.

At September 30, 2015, the Company transferred the remaining PEP 54877 exploration and evaluation asset balance to proven oil and gas properties. The balance has been transferred and combined with PMP 38156 due to the interconnecting pipeline and reliance on facilities to produce proven and probable reserves from PEP 54877.

At December 31, 2015, the Company fully impaired the remaining balance in PEP 38748.

Note 4 – Property, Plant and Equipment

	Proven Oil and Gas Property PMP 38156/ PEP54877	Proven Oil & Gas Property PMP 53803	Opunake Hydro Limited	Madison Mine	Office Equipment and Leasehold Improvements	Total
Cost						
At March 31, 2014	$ 134,699,976	$ 36,347,232	$ 5,241,070	$ 663,480	$ 2,021,651	$ 178,973,409
Capital expenditures	18,595,134	(671,073)	3,053,909	-	379,937	21,357,907
Transfer from/(to) E&E	5,722,196	(2,618,146)	-	-	-	3,104,050
Change in ARO	743,125	232,144	-	-	-	975,269
Impairment	-	(9,181,989)	-	-	-	(9,181,989)
Foreign exchange movement	(2,935,875)	(699,317)	(475,120)	-	(108,669)	(4,218,981)
At March 31, 2015	156,824,556	23,408,851	7,819,859	663,480	2,292,919	191,009,665
Capital expenditures	6,843,047	-	660,815	-	51,507	7,555,369
Transfer from/(to) E&E	10,094,576	-	-	-	-	10,094,576
Reclassification to assets held for sale	-	-	(8,460,904)	-	(28,575)	(8,489,479)
Foreign exchange movement	(382,013)	(59,182)	(19,770)	-	(3,304)	(464,269)
At December 31, 2015	$ 173,380,166	$ 23,349,669	$ -	$ 663,480	$ 2,312,547	$ 199,705,862
Accumulated depletion and depreciation						
At March 31, 2014	$ (29,281,390)	$ (12,862,250)	$ (540,002)	$ (31,365)	$ (1,226,750)	$ (43,941,757)
Depletion and depreciation	(14,488,599)	(832,251)	(44,639)	(62,180)	(208,484)	(15,636,153)
Foreign exchange movement	317,314	139,385	5,852	-	6,456	469,007
At March 31, 2015	(43,452,675)	(13,555,116)	(578,789)	(93,545)	(1,428,778)	(59,108,903)
Depletion and depreciation	(9,971,957)	(292,121)	-	(28,030)	(101,548)	(10,393,656)
Reclassification to assets held for sale	-	-	577,326	-	-	577,326
Foreign exchange movement	109,856	34,270	1,463	-	1,848	147,437
At December 31, 2015	$ (53,314,776)	$ (13,812,967)	$ -	$ (121,575)	$ (1,528,478)	$ (68,777,796)
Net book value						
March 31, 2015	$ 113,371,881	$ 9,853,735	$ 7,241,070	$ 569,935	$ 864,141	$ 131,900,762
December 31, 2015	**$ 120,065,390**	**$ 9,536,702**	**$ -**	**$ 541,905**	**$ 784,069**	**$ 130,928,065**

Note 5 – Investments

a) Marketable Securities

	December 31, 2015		March 31, 2015	
	Number of Shares Held	**Market Value**	Number of Shares Held	Market Value
Marketable securities available for sale	**1,089,095**	**$ 47,773**	1,089,095	$ 46,582

b) Investment in Associated Company

The Company has 2,785,029 common shares or 49.18% interest in Coronado and all accounts are consolidated with the Company.

Note 6 – Related Party Transactions

The Company is of the view that the amounts incurred for services provided by related parties approximates what the Company would incur to arms-length parties for the same services.

Key management personnel compensation for the nine months ended December 31:

	2015	2014
Share-based compensation	**$ 910,590**	$ 498,928
Management wages and director fees	**701,703**	1,347,545
Total management compensation	**$ 1,612,293**	$ 1,846,473

Note 7 – Asset Retirement Obligations

The following is a continuity schedule of asset retirement obligations for the nine months ended December 31, 2015:

Balance at March 31, 2015	$ 13,247,781
Revaluation of ARO	-
Accretion expense	242,640
Foreign exchange movement	(152,729)
Balance at December 31, 2015	$ 13,337,692

This is represented by:	
Current liability	$ 1,079,466
Non-current liability	12,258,226
Balance at December 31, 2015	$ 13,337,692

The following is a continuity of asset retirement obligations for the nine months ended December 31, 2014:

Balance at March 31, 2014	$ 11,444,647
Revaluation of ARO	1,240,401
Accretion expense	175,047
Foreign exchange movement	(660,686)
Balance at December 31, 2014	$ 12,199,409

This is represented by:	
Current liability	$ -
Non-current liability	12,199,409
Balance at December 31, 2014	$ 12,199,409

The Company's asset retirement obligations result from net ownership interests in petroleum and natural gas development activity. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations to be approximately $14,930,223 which will be incurred between 2016 and 2032. The retirement obligation is calculated based on an assessment of the cost to plug and abandon each well, the removal and sale of facilities and the rehabilitation and reinstatement of land at the end of the life of the field.

The fair value of the liability for the Company's asset retirement obligation is recorded in the period in which it is incurred, using an inflation rate of 1.6% and discounted to its present value using a risk free rate of 2.75%. The corresponding amount is recognized by increasing the carrying amount of the oil and gas properties. The liability is accreted each period and the capitalized cost is depreciated over the useful life of the related asset using the unit-of-production method based on proved and probable reserves.

Note 8 – Share Capital

a) Authorized and Issued Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

During the nine months ended December 31, 2015:

The Company purchased and cancelled 149,200 common shares under its normal course issuer bids at an average price of $1.08 per common share.

During the nine months ended December 31, 2014:

The Company purchased and cancelled 1,728,200 common shares under its normal course issuer bids at an average price of $1.83 per common share.

On August 11, 2014, 8,000 stock options were exercised at $1.25 for proceeds of $10,000.

b) Incentive Share Options

The Company has a share option plan for the granting of share options to directors, employees and service providers. Under the terms of the share option plan, the number of shares reserved for issuance as share incentive options will be equal to 10% of the Company's issued and outstanding shares at any time. The exercise price of each option equals the market price of the Company's shares the day prior to the date that the grant occurs less any applicable discount approved by the Board of Directors and per the guidelines of the TSX. The options maximum term is five years and must vest over a minimum of two years as of May 13, 2015 (prior to that it was eighteen months).

On May 13, 2015, the Company granted 2,000,000 incentive stock options to various directors, executive officers, employees and consultants. These options are exercisable until May 13, 2020 at a price of $1.54 per share subject to one-third of the total options vested on grant date, one-third of the total options one year from the date of the grant and one-third of the total options two years from the date of the grant.

On June 9, 2015, the Company granted 800,000 incentive stock options to various directors, executive officers, employees and consultants. These options are exercisable until June 9, 2020 at a price of $1.50 per share subject to one-third of the total options vested on grant date, one-third of the total options one year from the date of the grant and one-third of the total options two years from the date of the grant.

The following is a continuity of outstanding share options:

	Number of Shares	Average Price per Share
Balance at March 31, 2014	3,683,334	$ 6.21
Granted during the year	1,360,000	2.70
Exercised during the year	(8,000)	1.25
Expired/Cancelled during the year	(775,000)	4.90
Balance at March 31, 2015	4,260,334	$ 5.33
Granted during the period	2,800,000	1.53
Expired/Cancelled during the period	(2,470,334)	4.63
Balance at December 31, 2015	4,590,000	$ 3.39

The following summarizes information about share options that are outstanding at December 31, 2015:

Number of Shares	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
310,000	$7.15	0.01	February 8, 2016	310,000
300,000	$6.15	0.03	July 5, 2016	300,000
200,000	$7.00	0.04	December 20, 2016	200,000
495,000	$6.70	0.17	August 8, 2017	495,000
50,000	$6.47	0.02	September 12, 2017	50,000
75,000	$6.66	0.03	September 19, 2017	75,000
75,000	$5.00	0.05	November 30, 2018	75,000
585,000	$2.75	0.46	August 13, 2019	390,000
200,000	$2.39	0.16	August 31, 2019	133,333
1,500,000	$1.54	1.43	May 13, 2020	500,000
800,000	$1.50	0.77	June 9, 2020	266,667
4,590,000		3.17		2,795,000

The Company applies the Black-Scholes option pricing model using the closing market prices on the grant dates and to date the Company has calculated option benefits using a volatility ratio of 60.61% to 61.62%, a risk free interest rate of 1.66% to 1.69% and expected life of 5 years to calculate option benefits. The fair value of the options maximum term is five years and must vest over a minimum of two years.

c) Income per Share

Basic weighted average shares outstanding for the nine-month period ended December 31, 2015 was 62,275,022 (2014: 63,640,799) and diluted weighted average shares outstanding for the period was 62,275,022 (2014: 63,640,799). Basic weighted average shares outstanding for the three-month period ended December 31, 2015 was 62,218,415 (2014: 62,978,023) and diluted weighted average shares outstanding for the period was 62,275,022 (2014: 62,978,023). Share options and share purchase warrants outstanding are not included in the computation of diluted loss per share when the inclusion of such securities would be anti-dilutive.

Note 9 – Accumulated Other Comprehensive (Loss) Income

	Accumulated Other Comprehensive (Loss) Income
Balance at March 31, 2015	$ 24,880,408
Unrealized loss on available for sale investments	1,191
Cumulative translation adjustment	(983,689)
Balance at December 31, 2015	$ 23,897,910

Balance at March 31, 2014	$ 28,465,107
Unrealized loss on available for sale investments	(34,452)
Cumulative translation adjustment	(12,806,161)
Balance at December 31, 2014	$ 15,624,494

Note 10 – Capital Management

The Company's primary objective for managing its capital structure is to maintain financial capacity for the purpose of sustaining the future development of the business and maintaining investor, creditor and market confidence.

The Company considers its capital structure to include shareholders' equity and working capital. Management is continually monitoring changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas industry. In the event that adjustments to the capital structure are necessary, the Company may consider issuing additional equity, raising debt or revising its capital investment programs.

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any currently contemplated. There have been no changes to the Company's approach to capital management during the period.

Note 11 – Financial Instruments

The nature of the Company's operations exposes the Company to credit risk, liquidity risk and market risk, and changes in commodity prices, foreign exchange rates and interest rates may have a material effect on cash flows, net income and comprehensive income.

This note provides information about the Company's exposure to each of the above risks as well as the Company's objectives, policies and processes for measuring and managing these risks.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is relative to the sale of oil production. All of the Company's production is sold directly to an oil super major. The Company is paid for its oil sales within 30 days of shipment. The Company has assessed the risk of non-collection from the buyer as low due to the buyer's financial condition.

Cash and cash equivalents consist of cash bank balances and short-term deposits. The Company's short-term investments are held with a Canadian chartered bank and are monitored to ensure a stable return. The Company's short-term investments currently consist of term deposits as it is not the Company's policy to utilize complex, higher-risk investment vehicles.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at December 31, 2015 and did not provide for any doubtful accounts. During the period ended December 31, 2015, the Company was required to write-off $Nil (2014: $Nil). As at December 31, 2015, there were no significant amounts past due or impaired.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its power purchase and capital commitments, and other financial obligations as they are due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation.

The Company's liquidity is dependent upon maintaining its current working capital balances, operating cash flows and ability to raise funds. To forecast and monitor liquidity the Company prepares operating and capital expenditure budgets which are monitored and updated as considered necessary. Considering these circumstances and the Company's cash balance liquidity risk is assessed as low.

c) Market Risk

Market risk is the risk that changes in foreign exchange rates, commodity prices and interest rates will affect the Company's cash flows, net income and comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

d) Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that future cash flows, net income and comprehensive income will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum sales are denominated in United States dollars and operational and capital activities related to our properties are transacted primarily in New Zealand dollars and/or United States dollars with some costs also being incurred in Canadian dollars.

The Company currently does not have significant exposure to other currencies and this is not expected to change in the foreseeable future as the work commitments in New Zealand are expected to be carried out in New Zealand and to a lesser extent, in United States dollars.

e) Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and the level of spending for future activities. Prices received by the Company for its production are largely beyond the Company's control as petroleum prices are impacted by world economic events that dictate the levels of supply and demand. All of the Company's oil production is sold at spot rates exposing the Company to the risk of price movements.

f) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its cash and cash equivalents which bear a floating rate of interest. The risk is not considered significant.

The Company did not have any interest rate swaps or financial contracts in place during the period ended December 31, 2015 and any variations in interest rates would not have materially affected net income.

g) Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value classification of the Company's financial instruments are as follows:

		December 31, 2015		March 31, 2015	
	Fair Value Level	Fair Value through Profit or Loss	Loans and Receivables and Other Financial Liabilities at Amortized Cost	Fair Value through Profit or Loss	Loans and Receivables and Other Financial Liabilities at Amortized Cost
		$	$	$	$
Financial assets:					
Cash and cash equivalents	1	15,917,872	-	27,055,116	-
Restricted cash	1	210,793	-	269,503	-
Investments	1	47,773	-	46,582	-
		16,176,438	-	27,371,201	-
Financial liabilities:					
Derivative financial instrument	2	-	-	1,838	-
Accounts payable and accrued liabilities		-	2,785,348	-	9,712,280
		-	2,785,348	1,838	9,712,280

The Company's cash and cash equivalents are classified as level 1. During the period ended December 31, 2015 and the year ended March 31, 2015, there were no transfers between level 1, level 2 and level 3.

Note 12 – Commitments

The Company has the following commitments for capital expenditure at December 31, 2015:

Contractual Obligations	Total $	Less than One Year $	More than One Year $
Operating leases (1)	345,000	300,000	45,000
Other long-term obligations (2)	44,025,000	29,727,000	14,298,000
Total Contractual Obligations (3)	44,370,000	30,027,000	14,343,000

(1) The Company has commitments related to office leases signed in New Plymouth and Napier New Zealand and Vancouver, Canada.

(2) The other long term obligations that the Company has are in respect to the Company's share of expected exploration and development permit obligations and/or commitments at the date of this report. The Company may choose to alter the program, request extensions, reject development costs, relinquish certain permits or farm-out its interest in permits where practical.

(3) The Company's total commitments include those that are required to be incurred to maintain its permits in good standing during the current permit term, prior to the Company committing to the next stage of the permit term where additional expenditures would be required. In addition, costs are also included that relate to commitments the Company has made that are in addition to what is required to maintain the permit in good standing.

Note 13 – Segmented Information

The Company operates in three geographical regions, therefore information on country segments is provided as follows:

For the period ended December 31, 2015	Canada	New Zealand	United States	Total Company
Production revenue	$ -	$ 19,796,451	$ -	$ 19,796,451
Discontinued operations sales revenue	$ -	$ 4,922,438	$ -	$ 4,922,438
Restricted cash	$ 127,815	$ -	$ 82,978	$ 210,793
Exploration and evaluation assets	-	8,742,158	2,826,463	11,568,621
Property, plant and equipment	181,905	130,170,801	575,359	130,928,065
Investments	47,773	-	-	47,773
Assets held for sale	-	3,980,725	-	3,980,725
Total non-current assets	$ 357,493	$ 142,893,684	$ 3,484,800	$ 146,735,977

For the year ended March 31, 2015	Canada	New Zealand	United States	Total Company
Production revenue	$ -	$ 49,376,797	$ -	$ 49,376,797
Discontinued operations sales revenue	-	4,360,368	-	4,360,368
	$ -	$ 53,737,165	$ -	$ 53,737,165
Restricted cash	$ 87,778	$ 105,987	$ 75,738	$ 269,503
Exploration and evaluation assets	-	23,497,978	2,581,302	26,079,280
Property, plant and equipment	198,078	131,081,482	621,202	131,900,762
Investments	46,582	-	-	46,582
Total non-current assets	$ 332,438	$ 154,685,447	$ 3,278,242	$ 158,296,127

The Company operates in three industries: petroleum exploration and production, electricity generation and retailing, and mining:

For the period ended December 31, 2015	Petroleum Exploration and Production	Electricity Generation and Retailing *(discontinued)*	Mining	Total Company
Loss for the period	$ (11,468,277)	$ (7,219,400)	$ (657,743)	$ (19,345,420)
Total assets	$ 164,633,955	$ 3,980,725	$ 4,241,308	$ 172,855,988
Total liabilities	$ 16,107,424	$ 1,780,724	$ 15,616	$ 17,903,764

For the year ended March 31, 2015	Petroleum Exploration and Production	Electricity Generation and Retailing *(discontinued)*	Mining	Total Company
Loss for the period	$ (68,088,075)	$ (1,379,982)	$ (294,460)	$ (69,762,517)
Total assets	$ 182,183,875	$ 10,739,984	$ 3,961,775	$ 196,885,634
Total liabilities	$ 21,933,615	$ 962,175	$ 66,109	$ 22,961,899

Note 14 – Disposal Group Held for Sale and Discontinued Operations

The Company is committed to sell its electrical generation operating segment in early 2016, following a decision to place greater focus on other activities.

The electricity generation segment was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of comprehensive profit or loss and OCI has been restated to show the discontinued operation separately from continuing operations.

a. Results of discontinued operation

		December 31, 2015		December 31, 2014
Electricity sales	$	4,922,438	$	3,315,336
Cost of sales		(5,090,088)		(3,266,463)
		(167,650)		48,873
General and administrative expenses		(1,098,192)		(503,052)
Other items		(531,690)		(217,722)
Impairment on remeasurement of disposal		(5,421,868)		-
Net loss for the period	$	(7,219,400)	$	(671,901)
Loss per share, basic and diluted	$	(0.12)	$	(0.01)

b. Cash flows used in discontinued operation

		December 31, 2015		December 31, 2014
Net cash used in operating activities	$	(787,088)	$	(135,117)
Net cash from investing activities		335,488		(606,180)
Net cash flow for the period	$	(451,600)	$	(741,297)

c. Impairment losses relating to the remeasurement of disposal group

Impairment losses of $5,421,868 for losses relating to the remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in net loss from discontinued operations. The impairment losses have been applied to reduce the carrying amount of property and equipment within the disposal group.

d. Assets and liabilities of disposal group held for sale

As at December 31, 2015, the disposal group was stated at fair value less costs to sell and comprised of the following assets and liabilities:

Property and equipment	$	2,364,341
Cash		446,165
Reclamation deposits, restricted cash and other		52,279
Accounts receivable and prepaids		1,117,940
Assets held for sale	$	3,980,725
Accounts payable and accrued liabilities	$	1,645,563
Electricity derivatives		135,161
Liabilities held for sale	$	1,780,724

e. Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal.

f. Measurement of fair value

The non-recurring fair value measurement for the disposal is $2,200,001 has been categorized as a level 2 fair value based on the inputs to the valuation technique used.

Note 15 – Subsequent Event

Electricity generation and retailing segment

On October 30, 2015, Coronado announced that its wholly owned subsidiary, Lynx Clean Power Corp. (“Lynx”), entered into a definitive share purchase agreement with Opunake Hydro Holdings Limited (“OHHL”) dated October 30, 2015 (the “SPA”). Under the terms of the SPA, Lynx has agreed to sell to OHHL all of the issued and outstanding common shares of OHL, which holds Coronado’s interest in its hydro generation and gas-fired generation facilities, and OHHL will pay Lynx NZ$200,000 in cash at closing and assume all existing liabilities of OHL (the “OHL Sale Acquisition”). Coronado has since received the requisite shareholder and TSX Venture Exchange approvals for the OHL Sale Acquisition, and is currently in the process of completion.