# Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

June 30, 2015
(Unaudited)

**TAG Oil Ltd.**

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

| | June 30, 2015 | March 31, 2015 |
|---|---|---|
| **Assets** | | |
| Current: | | |
| Cash and cash equivalents | $ 20,544,838 | $ 27,055,116 |
| Amounts receivable and prepaids | 8,062,079 | 7,006,174 |
| Inventory | 4,006,683 | 4,528,217 |
| | 32,613,600 | 38,589,507 |
| Non-Current: | | |
| Restricted cash | 276,931 | 269,503 |
| Exploration and evaluation assets (Note 3) | 14,968,848 | 26,079,280 |
| Property, plant and equipment (Note 4) | 124,722,267 | 131,900,762 |
| Investments (Note 5(a)) | 80,690 | 46,582 |
| | $ 172,662,336 | $ 196,885,634 |
| **Liabilities and Shareholders' Equity** | | |
| Current: | | |
| Accounts payable and accrued liabilities | $ 5,387,544 | $ 9,712,280 |
| Asset retirement obligations (Note 7) | 963,642 | 1,082,202 |
| Derivative financial instruments | 197,556 | 1,838 |
| | 6,548,742 | 10,796,320 |
| Non-Current: | | |
| Asset retirement obligations (Note 7) | 10,904,985 | 12,165,579 |
| | 17,453,727 | 22,961,899 |
| Share capital (Note 8 (a)) | 230,512,403 | 230,574,881 |
| Share-based payment reserve (Note 8 (b)) | 18,174,745 | 17,278,437 |
| Foreign currency translation reserve | 8,284,203 | 25,467,240 |
| Available for sale marketable securities reserve | (552,724) | (586,832) |
| Deficit | (107,169,730) | (105,328,237) |
| Equity attributable to owners of the Company | 149,248,897 | 167,405,489 |
| Non-controlling interests | 5,959,712 | 6,518,246 |
| | 155,208,609 | 173,923,735 |
| | $ 172,662,336 | $ 196,885,634 |

Nature of operations (Note 1)
Commitments (Note 12)
Subsequent event (Note 14)
See accompanying notes.

Approved by the Board of Directors:

*"Toby Pierce"* *"Ken Vidalin"*

**Toby Pierce, Director** **Ken Vidalin, Director**

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

| | Three months ended June 30, 2015 | 2014 |
|---|---|---|
| **Revenues and Costs** | | |
| Production revenue | $ 10,384,887 | $ 15,571,267 |
| Production costs | (3,548,130) | (3,029,199) |
| Transportation and storage costs | (1,208,764) | (1,417,274) |
| Royalties | (804,632) | (1,275,374) |
| | 4,823,361 | 9,849,420 |
| **Expenses** | | |
| Depletion, depreciation and accretion | 3,928,497 | 3,635,718 |
| Foreign exchange | (552,931) | 311,546 |
| Insurance | 44,302 | 27,639 |
| Interest income | (51,733) | (149,762) |
| Share-based compensation | 896,308 | 43,658 |
| Consulting and directors fees | 198,179 | 224,936 |
| Filing, listing and transfer agent | 692 | 131,182 |
| Office and administration | 232,676 | 226,643 |
| Professional fees | 140,225 | 155,820 |
| Rent | 91,273 | 81,555 |
| Shareholder relations and communications | 131,135 | 326,361 |
| Travel | 147,306 | 144,346 |
| Wages and salaries | 1,107,467 | 731,744 |
| Overhead recoveries | (55,458) | (65,143) |
| | (6,257,938) | (5,826,243) |
| **Other Items** | | |
| Loss on derivative financial instrument | (199,363) | (333,616) |
| Loss on sale of assets | (51,342) | - |
| Exploration expense | (320,690) | - |
| Write-off of exploration and evaluation | (394,055) | - |
| | (965,450) | (333,616) |
| **Net (loss) income for the period** | (2,400,027) | 3,689,561 |
| **Other comprehensive (loss) income (Note 9)** | | |
| Cumulative translation adjustment | (17,183,037) | (5,929,732) |
| Change in available for sale asset | | |
| Investments | 34,108 | (74,002) |
| **Comprehensive loss for the period** | $ (19,548,956) | $ (2,314,173) |
| **(Loss) earnings per share – basic (Note 8(c))** | $ ( 0.04) | $ 0.06 |
| **(Loss) earnings per share – diluted (Note 8(c))** | $ ( 0.04) | $ 0.06 |

See accompanying notes.

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

| | Three months ended June 30, 2015 | 2014 |
|---|---|---|
| **Net income attributable to:** | | |
| Owners of the Company | $ (1,841,493) | $ 4,067,311 |
| Non-controlling interests | (558,534) | (377,750) |
| Net (loss) income for the period | $ (2,400,027) | $ 3,689,561 |
| **Net comprehensive loss attributable to:** | | |
| Owners of the Company | $ (18,990,422) | $ (1,936,423) |
| Non-controlling interests | (558,534) | (377,750) |
| Total comprehensive loss for the period | $ (19,548,956) | $ (2,314,173) |

See accompanying notes.

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

| | Three months ended June 30, 2015 | Three months ended June 30, 2014 |
|---|---|---|
| **Operating Activities** | | |
| Net (loss) income for the period | $ (2,400,027) | $ 3,689,561 |
| Changes for non-cash operating items: | | |
| Depletion, depreciation and accretion | 3,928,497 | 3,635,718 |
| Interest and foreign exchange on restricted cash | 1,683 | 12,602 |
| Loss on derivative financial instrument | 199,363 | 333,616 |
| Loss on sale of assets | 51,342 | - |
| Share-based compensation | 896,308 | 43,658 |
| Write-off of exploration and evaluation assets | 394,055 | - |
| | 3,071,221 | 7,715,155 |
| Changes for non-cash working capital accounts: | | |
| Amounts receivable and prepaids | (1,055,905) | 280,121 |
| Accounts payable and accrued liabilities | 781,474 | (1,369,967) |
| Inventory | 521,534 | 540,754 |
| Cash provided by operating activities | 3,318,324 | 7,166,063 |
| **Financing Activity** | | |
| Shares purchased and returned to treasury | (62,478) | (428,304) |
| Cash used in financing activity | (62,478) | (428,304) |
| **Investing Activities** | | |
| Restricted cash | (19,888) | (13,837) |
| Exploration and evaluation assets | (3,859,069) | (3,255,213) |
| Property and equipment | (5,887,167) | (9,430,821) |
| Repayment of loan advances | - | 414,278 |
| Cash used in investing activities | (9,766,124) | (12,285,593) |
| **Net decrease in cash and cash equivalents during the period** | (6,510,278) | (5,547,834) |
| **Cash and cash equivalents - beginning of the period** | 27,055,116 | 52,004,463 |
| **Cash and cash equivalents – end of the period** | $ 20,544,838 | $ 46,456,629 |
| Supplementary disclosures: | | |
| Interest received | $ 51,733 | $ 149,762 |
| *Cash* | 5,776,997 | 13,847,263 |
| *Cash equivalents* | 14,767,841 | 32,609,366 |
| | $ 20,544,838 | $ 46,456,629 |

***Non-cash investing activities:***

The Company incurred $561,164 in exploration and evaluation expenditures which amounts were in accounts payable at June 30, 2015 (2014: $622,245). The Company incurred $350,372 in property and equipment expenditures which amounts were in accounts payable at June 30, 2015 (2014: $3,958,144).

See accompanying notes.

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

| | Number of Shares (Note 8) | Share Capital (Note 8) | Reserves: Share-based Payments | Reserves: Foreign Currency Translation | Reserves: 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 | (47,400) | (62,478) | - | - | - | - | (62,478) | - | (62,478) |
| Share-based payments | - | - | 896,308 | - | - | - | 896,308 | - | 896,308 |
| Currency translation adjustment | - | - | - | (17,183,037) | - | - | (17,183,037) | - | (17,183,037) |
| Unrealized gain/(loss) on available-for-sale investments | - | - | - | - | 34,108 | - | 34,108 | - | 34,108 |
| Net loss for the period | - | - | - | - | - | (1,841,493) | (1,841,493) | (558,534) | (2,400,027) |
| **Balance at June 30, 2015** | 62,314,052 | $ 230,512,403 | $ 18,174,745 | $ 8,284,203 | $ (552,724) | $(107,169,730) | $ 149,248,897 | $ 5,959,712 | $ 155,208,609 |
| | | | | | | | | | |
| **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 | (159,600) | (428,304) | - | - | - | - | (428,304) | - | (428,304) |
| Share-based payments | - | - | 43,658 | - | - | - | 43,658 | - | 43,658 |
| Currency translation adjustment | - | - | - | (5,929,732) | - | - | (5,929,732) | - | (5,929,732) |
| Unrealized gain/(loss) on available-for-sale investments | - | - | - | - | (74,002) | - | (74,002) | - | (74,002) |
| Net income for the period | - | - | - | - | - | 4,067,311 | 4,067,311 | (377,750) | 3,689,561 |
| **Balance at June 30, 2014** | 64,006,452 | $ 233,402,985 | $ 15,963,035 | $ 23,036,623 | $ (575,250) | $ (32,353,659) | $ 239,473,734 | $ 6,995,746 | $ 246,469,480 |

See accompanying notes.

# Notes to the Condensed Consolidated Interim Financial Statements
## Three Months Ended June 30, 2015
## Expressed in Canadian Dollars
## Unaudited

### Note 1 – Nature of Operations

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.

### 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 June 30, 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 Limited | 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 |
| Lynx Gold (NZ) Limited | New Zealand | 49% | Inactive |
| Lynx Platinum Limited | New Zealand | 49% | Mineral Property |
| 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 stock-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 program. 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 decommissioned 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 including 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 asset or CGU. 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 the 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.

**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 June 30, 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) P,P&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 | 80,124 | 10,856 | 2,489 | 535,405 | - | - | - | 10,464 |
| Transfer from/(to) P,P&E | - | - | - | - | - | - | (8,397,476) | - |
| Write-off properties | - | - | - | - | - | - | - | - |
| Foreign exchange movement | (234,582) | - | (30,566) | (404,747) | - | - | (1,737,188) | (439,648) |
| At June 30, 2015 | $1,986,776 | $ 10,856 | $ 250,929 | $ 3,825,130 | $ - | $ - | $ - | $3,583,880 |
| **Net book value** | | | | | | | | |
| March 31, 2015 | $2,141,234 | $ - | $ 279,006 | $ 3,694,472 | $ - | $ - | $10,134,664 | $4,013,064 |
| **June 30, 2015** | **$1,986,776** | **$ 10,856** | **$ 250,929** | **$ 3,825,130** | **$ -** | **$ -** | **$ -** | **$3,583,880** |

| 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) P,P&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 | - | - | - | 38,413 | 463,761 | - | 1,141,512 |
| Transfer from/(to) P,P&E | - | - | - | - | - | - | (8,397,476) |
| Write-off properties | - | - | - | - | (394,055) | - | (394,055) |
| Foreign exchange movement | - | - | - | (316,139) | (297,543) | - | (3,460,413) |
| At June 30, 2015 | $ - | $ - | $ - | $ 2,607,953 | $ 2,703,324 | $ - | $14,968,848 |
| **Net book value** | | | | | | | |
| March 31, 2014 | $ - | $ - | $ - | $ 2,885,679 | $ 2,931,161 | $ - | $26,079,280 |
| **June 30, 2015** | **$ -** | **$ -** | **$ -** | **$ 2,607,953** | **$ 2,703,324** | **$ -** | **$14,968,848** |

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 that the Company expects to obtain additional value from.

At June 30, 2015 the Company transferred the remaining exploration and evaluation asset balance from PEP 54877 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 out proven and probable reserves from PEP 54877.

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 Resources Ltd, was given notice that the surrender of all permits on the Platinum property has been granted and therefore all costs associated with the property were written-off as at June 30, 2015.

**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 | 1,483,667 | - | 319,496 | - | (28,874) | 1,774,289 |
| Transfer from/(to) E&E | 8,397,476 | - | - | - | - | 8,397,476 |
| Foreign exchange movement | (16,553,929) | (2,564,544) | (856,700) | - | (143,190) | (20,118,363) |
| At June 30, 2015 | $ 150,151,770 | $ 20,844,307 | $ 7,282,655 | $ 663,480 | $ 2,120,855 | $ 181,063,067 |
| **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 | (3,434,017) | (86,926) | (41,289) | (12,571) | (46,044) | (3,620,847) |
| Foreign exchange movement | 4,760,432 | 1,485,024 | 63,409 | - | 80,085 | 6,388,950 |
| At June 30, 2015 | $ (42,126,260) | $ (12,157,018) | $ (556,669) | $ (106,116) | $ (1,394,737) | $ (56,340,800) |
| **Net book value** | | | | | | |
| March 31, 2015 | $ 113,371,881 | $ 9,853,735 | $ 7,241,070 | $ 569,935 | $ 864,141 | $ 131,900,762 |
| **June 30, 2015** | **$ 108,025,510** | **$ 8,687,289** | **$ 6,725,986** | **$ 557,364** | **$ 726,118** | **$ 124,722,267** |

**Note 5 – Investments**

**a) Marketable Securities**

| | **June 30, 2015** | | March 31, 2015 | |
|---|---|---|---|---|
| | **Number of Shares Held** | **Market Value** | Number of Shares Held | Market Value |
| Marketable securities available for sale | **1,089,095** | **$ 80,690** | 1,089,095 | $ 46,582 |

**b) Investment in Associated Company**

On September 28, 2013, the Company increased its interest in Coronado Resources Ltd. (“Coronado”) from 25,975,000 common shares, or 40.08% to 38,990,410 common shares, or 49.18%. As of that date, the accounts of Coronado are now consolidated.

**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 three months ended June 30:

| | 2015 | 2014 |
|---|---|---|
| Share-based compensation | **$ 731,943** | $ 26,573 |
| Management wages and director fees | **230,929** | 250,383 |
| Total management compensation | **$ 962,872** | $ 276,956 |

**Note 7 – Asset Retirement Obligations**

The following is a continuity schedule of asset retirement obligations for the three months ended June 30, 2015:

| | |
|---|---|
| Balance at March 31, 2015 | $ 13,247,781 |
| Revaluation of ARO | - |
| Accretion expense | 76,795 |
| Foreign exchange movement | (1,455,949) |
| Balance at June 30, 2015 | $ 11,868,627 |

| | |
|---|---|
| This is represented by: | |
| Current liability | $ 963,642 |
| Non-current liability | 10,904,985 |
| Balance at June 30, 2015 | $ 11,868,627 |

The following is a continuity of asset retirement obligations for the three months ended June 30, 2014:

| | |
|---|---|
| Balance at March 31, 2014 | $ 11,444,647 |
| Revaluation of ARO | 1,084,206 |
| Accretion expense | 66,872 |
| Foreign exchange movement | (269,966) |
| Balance at June 30, 2014 | $ 12,325,759 |

| | |
|---|---|
| This is represented by: | |
| Current liability | $ - |
| Non-current liability | 12,325,759 |
| Balance at June 30, 2014 | $ 12,325,759 |

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 $13,983,694 which will be incurred between 2015 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 three months ended June 30, 2015:*

The Company purchased and cancelled 47,400 common shares under its normal course issuer bids at an average price of $1.32 per common share.

*During the three months ended June 30, 2014:*

The Company purchased and cancelled 159,600 common shares under its normal course issuer bids at an average price of $2.68 per common share.

**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:

| | Average 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 | (1,875,334) | 5.45 |
| Balance at June 30, 2015 | 5,185,000 | $ 3.24 |

The following summarizes information about share options that are outstanding at June 30, 2015:

| Number of Shares | Price per Share | Weighted Average Remaining Contractual Life | Expiry Date | Options Exercisable |
|---|---|---|---|---|
| 50,000 | $2.60 | 0.00 | September 9, 2015 | 50,000 |
| 330,000 | $7.15 | 0.04 | February 8, 2016 | 330,000 |
| 300,000 | $6.15 | 0.06 | July 5, 2016 | 300,000 |
| 225,000 | $7.00 | 0.06 | December 20, 2016 | 225,000 |
| 495,000 | $6.70 | 0.18 | 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 | 0.47 | August 13, 2019 | 195,000 |
| 200,000 | $2.39 | 0.16 | August 31, 2019 | 66,667 |
| 2,000,000 | $1.54 | 1.88 | May 13, 2020 | 666,666 |
| 800,000 | $1.50 | 0.76 | June 9, 2020 | 266,667 |
| 5,185,000 | | 3.72 | | 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 period ended June 30, 2015 was 62,320,739 (2014: 64,114,430) and diluted weighted average shares outstanding for the period was 62,320,739 (2014: 64,487,764). 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 | | 34,108 |
| Cumulative translation adjustment | | (17,183,037) |
| Balance at June 30, 2015 | $ | 7,731,479 |
| | | |
| Balance at March 31, 2014 | $ | 28,465,107 |
| Unrealized loss on available for sale investments | | (74,002) |
| Cumulative translation adjustment | | (5,929,732) |
| Balance at June 30, 2014 | $ | 22,461,373 |

**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 expose 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 June 30, 2015 and did not provide for any doubtful accounts. During the period ended June 30, 2015, the Company was required to write-off $Nil (2014: $Nil). As at June 30, 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 June 30, 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:

| | Fair Value Level | June 30, 2015 Fair Value through Profit or Loss | June 30, 2015 Loans and Receivables and Other Financial Liabilities at Amortized Cost | March 31, 2015 Fair Value through Profit or Loss | March 31, 2015 Loans and Receivables and Other Financial Liabilities at Amortized Cost |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| *Financial assets:* | | | | | |
| Cash and cash equivalents | 1 | 20,544,838 | - | 27,055,116 | - |
| Restricted cash | 1 | 276,931 | - | 269,503 | - |
| Investments | 1 | 80,690 | - | 46,582 | - |
| | | 20,902,459 | - | 27,371,201 | - |
| *Financial liabilities:* | | | | | |
| Derivative financial instrument | 2 | 197,556 | - | 1,838 | - |
| Accounts payable and accrued liabilities | | - | 5,387,544 | - | 9,712,280 |
| | | 197,556 | 5,387,544 | 1,838 | 9,712,280 |

The Company's cash and cash equivalents are classified as level 1. During the period ended June 30, 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 June 30, 2015:

| Contractual Obligations | Total $ | Less than One Year $ | More than One Year $ |
|---|---|---|---|
| Operating leases (1) | 377,000 | 283,000 | 94,000 |
| Other long-term obligations (2) | 54,876,000 | 52,864,000 | 2,012,000 |
| Total Contractual Obligations (3) | 55,253,000 | 53,147,000 | 2,106,000 |

*(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.*

The Company has provided a guarantee of NZ$900,000 on a credit facility that provides security to the New Zealand electrical clearing manager.

## Note 13 – Segmented Information

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

| For the period ended June 30, 2015 | Canada | New Zealand | United States | Total Company |
|---|---|---|---|---|
| Production revenue | $ - | $ 10,384,887 | $ - | $ 10,384,887 |
| Total non-current assets | $ 163,848 | $ 136,294,830 | $ 3,590,058 | $ 140,048,736 |

| For the year ended March 31, 2015 | Canada | New Zealand | United States | Total Company |
|---|---|---|---|---|
| Production revenue | $ - | $ 53,737,165 | $ - | $ 53,737,165 |
| Total non-current assets | $ 332,440 | $ 154,685,445 | $ 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 June 30, 2015 | Petroleum Exploration and Production | Electricity Generation and Retailing | Mining | Total Company |
|---|---|---|---|---|
| Production revenue | $ 9,005,966 | $ 1,378,921 | $ - | $ 10,384,887 |
| Loss | $ (1,304,862) | $ (614,746) | $ (480,418) | $ (2,400,026) |
| Total Assets | $ 158,755,246 | $ 8,779,577 | $ 5,127,513 | $ 172,662,336 |
| Total Liabilities | $ 15,152,168 | $ 2,233,456 | $ 68,102 | $ 17,453,726 |

| For the year ended March 31, 2015 | Petroleum Exploration and Production | Electricity Generation and Retailing | Mining | Total Company |
|---|---|---|---|---|
| Production revenue | $ 49,376,797 | $ 4,360,368 | $ - | $ 53,737,165 |
| Loss | $ (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 – Subsequent Event

**Share capital**

Subsequent to June 30, 2015, the Company purchased and cancelled 12,800 common shares under its normal course issuer bids at an average price of $1.31 per common share.