Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

December 31, 2016
(Unaudited)

TAG Oil Ltd.

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

	December 31, 2016	March 31, 2016
Assets		
Current:		
Cash and cash equivalents	$ 10,007,920	$ 16,846,272
Amounts receivable and prepaids	4,207,272	3,387,250
Advances receivable	147,741	224,738
Shares receivable	54,232	-
Inventory	5,510,213	5,380,394
	19,927,378	25,838,654
Non-Current:		
Advances receivable	-	71,630
Shares receivable	50,879	-
Restricted cash	834,319	205,066
Exploration and evaluation assets (Note 3)	7,415,243	7,291,078
Property, plant and equipment (Note 4)	63,715,223	62,509,594
Investments (Note 5)	27,778	51,140
	$ 91,970,820	$ 95,967,162
Liabilities and Shareholders' Equity		
Current:		
Accounts payable and accrued liabilities	$ 2,335,435	$ 3,022,774
Asset retirement obligations (Note 7)	123,222	705,902
	2,458,657	3,728,676
Non-Current:		
Asset retirement obligations (Note 7)	14,329,208	12,228,619
	16,787,865	15,957,295
Share capital (Note 8)	230,414,254	230,414,254
Share-based payment reserve (Note 8)	20,009,648	19,282,218
Foreign currency translation reserve	16,839,577	14,310,466
Available for sale marketable securities reserve	(5,170)	(582,274)
Deficit	(193,858,111)	(186,946,857)
Equity attributable to owners of the Company	73,400,198	76,477,807
Non-controlling interests	1,782,757	3,532,060
	75,182,955	80,009,867
	$ 91,970,820	$ 95,967,162

Nature of operations (Note 1)
Commitments (Note 12)
Subsequent events (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 (Loss) Income
Expressed in Canadian Dollars
Unaudited

	Three months ended December 31, 2016	Three months ended December 31, 2015 *(Note 14)*	Nine months ended December 31, 2016	Nine months ended December 31, 2015 *(Note 14)*
Revenues				
Production revenue	$ 6,037,513	$ 5,077,674	$ 17,084,800	$ 19,796,451
Production costs	(2,410,410)	(2,220,648)	(6,298,640)	(6,417,733)
Transportation and storage costs	(737,474)	(901,797)	(2,111,656)	(2,977,431)
Royalties	(648,526)	(484,980)	(1,710,836)	(1,773,213)
	2,241,103	1,470,249	6,963,668	8,628,074
Expenses				
Depletion, depreciation and accretion	2,088,078	2,819,072	6,585,301	9,860,741
Foreign exchange	(177,617)	278,625	31,095	(1,083,873)
Insurance	31,258	19,326	95,504	84,341
Interest and other income	(29,896)	(33,791)	(229,328)	(273,034)
Share-based compensation	355,064	217,549	727,430	1,517,033
Consulting and director fees	311,462	333,674	942,482	704,955
Filing, listing and transfer agent	58,808	82,092	103,395	174,248
Reports	40	168	3,535	(678)
Office and administration	173,549	176,371	495,544	512,190
Professional fees	156,941	140,601	311,370	381,124
Rent	67,721	73,738	222,332	239,486
Shareholder relations and communications	209,701	227,120	615,999	506,945
Travel	94,402	116,149	297,131	420,224
Wages and salaries	579,949	728,439	1,350,423	2,205,020
Overhead recoveries	(77,596)	(23,571)	(129,709)	(113,414)
	(3,841,864)	(5,155,562)	(11,422,504)	(15,135,308)
Other Items				
Exploration expense	(71,266)	35,352	(121,367)	(397,720)
Impairment of investments	-	-	(600,467)	-
Loss on sale of exploration and evaluation assets	(12,582)	-	(2,710,058)	-
Loss on sale of property and equipment	(543,983)	(8,627)	(543,983)	(59,292)
Write-off of inventory	(1,639)	-	(144,751)	-
Write-off of oil and gas properties	(15,206)	(2,139,669)	(81,095)	(5,161,774)
	(644,676)	(2,112,944)	(4,201,721)	(5,618,786)
Net loss from continuing operations	(2,245,437)	(5,798,257)	(8,660,557)	(12,126,020)
Net loss from discontinued operations (Note 14)	-	(6,471,840)	-	(7,219,400)
Net loss for the period	$ (2,245,437)	$ (12,270,097)	$ (8,660,557)	$ (19,345,420)
Other comprehensive (loss) income (Note 9)				
Cumulative translation adjustment	(1,650,342)	14,079,730	2,529,111	(983,689)
Change in available for sale assets:				
Investments	-	(19,834)	577,104	1,191
Comprehensive (loss) income for the period	$ (3,895,779)	$ 1,789,799	$ (5,554,342)	$ (20,327,918)
Loss per share – basic and diluted (Note8(c))	$ (0.04)	$ (0.20)	$ (0.14)	$ (0.31)

See accompanying notes.

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

	Three months ended December 31, 2016	Three months ended December 31, 2015	Nine months ended December 31, 2016	Nine months ended December 31, 2015
Net loss attributable to:				
Owners of the Company	$ (2,885,504)	$ (11,667,598)	$ (6,911,254)	$ (18,092,666)
Non-controlling interests	640,067	(602,499)	(1,749,303)	(1,252,754)
Net loss for the period	$ (2,245,437)	$ (12,270,097)	$ (8,660,557)	$ (19,345,420)
Net comprehensive loss attributable to:				
Owners of the Company	$ (4,535,846)	$ (1,187,300)	$ (3,805,039)	$ (19,075,164)
Non-controlling interests	640,067	(602,499)	(1,749,303)	(1,252,754)
Net comprehensive loss for the period	$ (3,895,779)	$ (1,789,799)	$ (5,554,342)	$ (20,327,918)

See accompanying notes.

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

	Nine months ended December 31, 2016	2015
Operating Activities		
Net loss for the period	$ (8,660,557)	$ (19,345,420)
Changes for non-cash operating items:		
Depletion, depreciation and accretion	6,585,301	9,860,741
Exploration expense	121,367	-
Impairment of investments	600,467	-
Impairment on remeasurement of disposal group	-	5,421,868
Interest and foreign exchange on restricted cash	(2,403)	(7,535)
Loss on derivative financial instruments	-	115,126
Loss on sale of exploration and evaluation assets	2,710,058	-
Loss on sale of property and equipment	543,983	59,292
Share-based compensation	727,430	1,517,033
Write-off of inventory	144,751	-
Write-off of oil and gas properties	81,095	5,161,774
	2,851,492	2,782,879
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	(820,022)	649,720
Accounts payable and accrued liabilities	(612,253)	467,384
Inventory	(274,570)	(435,410)
Cash provided by operating activities	1,144,647	3,464,573
Financing Activity		
Shares purchased and returned to treasury	-	(160,626)
Cash used in financing activity	-	(160,626)
Investing Activities		
Cash and cash equivalents included in assets held for sale	-	(446,164)
Exploration and evaluation assets	(2,382,894)	(4,163,614)
Property and equipment	(5,372,189)	(9,781,437)
Proceeds on sale of exploration and evaluation assets	250,000	-
Repayment of loan advances	148,627	-
Restricted cash	(626,543)	(49,976)
Cash used in investing activities	(7,982,999)	(14,441,191)
Net decrease in cash and cash equivalents during the period	(6,838,352)	(11,137,244)
Cash and cash equivalents – beginning of the period	16,846,272	27,055,116
Cash and cash equivalents – end of the period	$ 10,007,920	$ 15,917,872
Supplementary disclosures:		
Interest received	$ 90,926	$ 116,186
Cash	3,132,957	4,419,719
Cash equivalents	6,874,963	11,498,153
	$ 10,007,920	$ 15,917,872

Non-Cash Investing Activities:

The Company incurred $315,276 in exploration and evaluation expenditures which were in accounts payable at December 31, 2016 (2015: $89,822). The Company incurred $461,237 in property and equipment expenditures which were in accounts payable at December 31, 2016 (2015: $179,170).

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, 2016	62,212,252	$ 230,414,254	$ 19,282,218	$ 14,310,466	$ (582,274)	$(186,946,857)	$ 76,477,807	$ 3,532,060	$ 80,009,867
Share-based payments	-	-	727,430	-	-	-	727,430	-	727,430
Currency translation adjustment	-	-	-	2,529,111	-	-	2,529,111	-	2,529,111
Impairment of investments	-	-	-	-	577,104	-	577,104	-	577,104
Net loss for the period	-	-	-	-	-	(6,911,254)	(6,911,254)	(1,749,303)	(8,660,557)
Balance at December 31, 2016	62,212,252	$ 230,414,254	$ 20,009,648	$ 16,839,577	$ (5,170)	$ (193,858,111)	$ 73,400,198	$ 1,782,757	$ 75,182,955
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)	(160,627)	-	-	-	-	(160,627)	-	(160,627)
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	$ 230,414,254	$ 18,795,470	$ 24,483,551	$ (585,641)	$ (123,420,903)	$ 149,686,731	$ 5,265,492	$ 154,952,223

See accompanying notes.

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 located in New Zealand and Australia, and has two oil and gas properties that contain reserves that are economically recoverable, which are located in the onshore portion of the Taranaki Basin in New Zealand. 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 nine months ended December 31, 2016, Coronado Resources Ltd. ("Coronado"), a subsidiary of the Company, sold its copper and gold mining property located in Silverstar, Montana and related assets (the "Madison Property") (see note 3).

During the year ended March 31, 2016, Coronado sold the electrical generation and sales business (see note 14).

Also refer to note 15.

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 nine month period ended December 31, 2016, 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, 2016.

The condensed consolidated interim financial statements were authorized for issuance on February 13, 2017 by the Board of Directors of the Company.

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	Proportion of Ownership Interest	Principal Activity
Cheal Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
CX Oil Limited (formerly Eastern Petroleum Limited)	New Zealand	100%	Oil and Gas Exploration
Orient Petroleum (NZ) Limited	New Zealand	100%	Oil and Gas Exploration
Stone Oil Limited	New Zealand	100%	Oil and Gas Exploration
TAG Oil (NZ) Limited	New Zealand	100%	Oil and Gas Exploration
TAG Oil (Offshore) Limited	New Zealand	100%	Oil and Gas Exploration
Cypress Petroleum Pty Ltd.	Australia	100%	Oil and Gas Exploration
Trans-Orient Petroleum Ltd.	Canada	100%	Oil and Gas Exploration
Coronado Resources Ltd.	Canada	49%	Mineral Property
Lynx Clean Power Corp.	Canada	49%	Holding Company
Lynx Gold Corp.	Canada	49%	Holding Company
Lynx Petroleum Ltd.	Canada	49%	Holding Company
Coronado Resources USA LLC	USA	49%	Mineral Property
Lynx Platinum 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. 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 1.62% and a risk free discount rate ranging from 2.94% to 4.15% 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.

Future changes in accounting policies

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee, but not yet effective as at December 31, 2016. The Company intends to adopt these standards and interpretations when they become effective. Pronouncements that are not applicable to the Company have been excluded from those described below.

Effective for annual reporting periods beginning on or after January 1, 2017:

- IFRS 15 – Revenue from Contracts with Customers Issued

Effective for annual reporting periods beginning on or after January 1, 2018:

- IFRS 9, Financial Instruments, Classification and Measurement

The Company has not early adopted these new and amended standards and is currently assessing the impact that these standards will have on the Company's financial statements.

Note 3 – Exploration and Evaluation Assets

Permit	PEP54879	PEP57063	PEP57065	PEP55769	PEP51153	PEP54877	PEP38348 / 38748 / 55770
Ownership Interest	**50%**	**100%**	**100%**	**100%**	**70%**	**70%**	**100%**
Cost							
At March 31, 2015	$ 4,013,064	$ -	$ -	$ 279,006	$ -	$10,134,664	$ 2,141,234
Capital expenditures	224,131	14,280	1,702	104,706	-	-	128,023
Transfer to PP&E	-	-	-	-	-	(9,865,127)	-
Transfer to inventory	-	-	-	-	-	-	-
Write-off oil and gas properties/other	-	-	-	-	-	-	(1,925,297)
Addition (reduction) in ARO	-	-	-	-	-	584,023	(206,586)
Foreign exchange movement	(216,019)	-	-	(15,018)	-	(853,560)	(137,374)
At March 31, 2016	4,021,176	14,280	1,702	368,694	-	-	-
Capital expenditures	651,612	42,882	407,172	883	449,842	-	-
Write-off oil and gas properties	-	-	-	-	-	-	-
Addition in ARO	-	-	-	-	1,238,108	-	-
Proceeds on sale of asset	-	-	-	-	-	-	-
Loss on sale of asset	-	-	-	-	-	-	-
Foreign exchange movement	160,274	568	68	(1,823)	-	-	-
At December 31, 2016	$ 4,833,062	$ 57,730	$ 408,942	$ 367,754	$ 1,687,950	$ -	$ -
Net book value							
March 31, 2016	$ 4,021,176	$ 14,280	$ 1,702	$ 368,694	$ -	$ -	$ -
December 31, 2016	**$ 4,833,062**	**$ 57,730**	**$ 408,942**	**$ 367,754**	**$ 1,687,950**	**$ -**	**$ -**

Permit	PEP52181	PEP38349	PEP52589	Cardiff	PL 17 Cypress	Madison / Other	TOTAL
Ownership Interest	**40%**	**100%**	**100%**	**100%**	**100%**	**100%**	
Cost							
At March 31, 2015	$ 3,694,472	$ -	$ 2,885,679	$ -	$ -	$ 2,931,161	$26,079,280
Capital expenditures	909,512	-	8,690	-	-	476,713	1,867,757
Transfer to PP&E	-	-	-	-	-	-	(9,865,127)
Transfer to inventory	(799,704)	-	-	-	-	-	(799,704)
Write-off oil and gas properties	(3,564,466)	103,363	(2,707,929)	(175,577)	-	(388,444)	(8,658,350)
Addition (reduction) in ARO	-	(104,550)	-	177,594	-	-	450,481
Foreign exchange movement	(239,814)	1,187	(186,440)	(2,017)	-	(134,204)	(1,783,259)
At March 31, 2016	-	-	-	-	-	2,885,226	7,291,078
Capital expenditures	81,682	-	-	-	59,805	179,662	1,873,540
Write-off oil and gas properties	(81,095)	-	-	-	-	-	(81,095)
Addition in ARO	-	-	-	-	-	-	1,238,108
Proceeds on sale of asset	-	-	-	-	-	(354,830)	(354,830)
Loss on sale of asset	-	-	-	-	-	(2,710,058)	(2,710,058)
Foreign exchange movement	(587)	-	-	-	-	-	158,500
At December 31, 2016	$ -	$ -	$ -	$ -	$ 59,805	$ -	$ 7,415,243
Net book value							
March 31, 2016	$ -	$ -	$ -	$ -	$ -	$ 2,885,226	$ 7,291,078
December 31, 2016	**$ -**	**$ -**	**$ -**	**$ -**	**$ 59,805**	**$ -**	**$ 7,415,243**

The Company's oil and gas properties are located in New Zealand and Australia, 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. Although the Company has taken steps to verify title, these procedures do not guarantee the Company's title.

On October 13, 2016, Coronado and its wholly owned subsidiary, Coronado Resources USA LLC ("Coronado USA"), completed the asset purchase and sale agreement with Broadway Gold Mining Ltd. (formerly Carolina Capital Corp.) ("Broadway"), pursuant to which Coronado USA sold the Madison Property to Broadway in exchange for $250,000 on the closing date (received), 1,000,000 common shares in future instalments of Broadway and the sum of $100,000 to be paid within 30 days of the commencement of commercial production.

On January 31, 2017, the Company and its wholly owned subsidiary, Cypress Petroleum Pty Ltd. ("Cypress"), completed the purchase of 100% interest in Petroleum Lease 17 and all related assets, which are located in Australia's Surat Basin and subject to underlying royalties, from Southern Cross Petroleum & Exploration Pty Ltd. ("Southern Cross") in exchange for AUD$2,500,000, payable to Southern Cross as follows:

1) AUD$750,000 (less the AUD$40,000 non-refundable deposit already paid) payable in cash on the closing date;

2) AUD$500,000 payable in cash on July 20, 2017;

3) AUD$500,000 payable, at the sole discretion of Cypress, in cash or satisfied by shares of the Company, on the second anniversary of the closing date; and

4) AUD$750,000 payable, at the sole discretion of Cypress, in cash or satisfied by shares of the Company, on the third anniversary of the closing date.

During the year ended March 31, 2016, the Company assessed and concluded that the carrying value of PEP 52589 ("Canterbury"), PEP 52181 ("Kaheru"), and PEP 38748 ("Sidewinder B"), exceeded recoverable amounts and has written off the costs associated with the permits. The write-off reflected the assessment that existing exploration wells were unlikely to access proved and probable reserves in the near term. The Canterbury, Kaheru and Sidewinder B permits have been relinquished.

On December 31, 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.

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 March 31, 2016.

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, 2015	$ 156,824,556	$ 23,408,851	$ 7,819,859	$ 663,480	$ 2,292,919	$ 191,009,665
Capital expenditures	9,247,836	-	660,815	-	19,811	9,928,462
Transfer from E&E	9,865,127	-	-	-	-	9,865,127
Addition (reduction) in ARO	(365,299)	21,214	-	-	-	(344,085)
Sale of assets	-	(1,149,697)	(8,059,738)	-	-	(9,209,435)
Impairment	(59,287,290)	-	-	-	-	(59,287,290)
Foreign exchange movement	(8,814,711)	(1,260,078)	(420,936)	-	(70,355)	(10,566,080)
At March 31, 2016	107,470,219	21,020,290	-	663,480	2,242,375	131,396,364
Capital expenditures	4,783,802	735,742	-	-	54,317	5,573,861
Sale of assets	-	-	-	(663,480)	(324,335)	(987,815)
Foreign exchange movement	4,283,492	837,797	-	-	(90,676)	5,030,613
At December 31, 2016	$ 116,537,513	$ 22,593,829	$ -	$ -	$ 1,881,681	$ 141,013,023
Accumulated depletion and depreciation						
At March 31, 2015	$ (43,452,675)	$ (13,555,116)	$ (578,789)	$ (93,545)	$ (1,428,778)	$ (59,108,903)
Depletion and depreciation	(12,898,669)	(385,153)	-	(39,231)	(141,633)	(13,464,686)
Sale of assets	-	-	547,633	-	-	547,633
Foreign exchange movement	2,339,020	729,660	31,156	-	39,350	3,139,186
At March 31, 2016	(54,012,324)	(13,210,609)	-	(132,776)	(1,531,061)	(68,886,770)
Depletion and depreciation	(5,873,499)	(258,682)	-	(28,647)	(197,068)	(6,357,896)
Sale of assets	-	-	-	161,423	282,409	443,832
Foreign exchange movement	(2,152,795)	(526,542)	-	-	182,371	(2,496,966)
At December 31, 2016	$ (62,038,618)	$ (13,995,833)	$ -	$ -	$ (1,263,349)	$ (77,297,800)
Net book value						
March 31, 2016	$ 53,457,895	$ 7,809,681	$ -	$ 530,704	$ 711,314	$ 62,509,594
December 31, 2016	**$ 54,498,895**	**$ 8,597,996**	**$ -**	**$ -**	**$ 618,332**	**$ 63,715,223**

At March 31, 2016, the Company assessed and concluded that the carrying value of PMP 38156 and PMP 54877 exceeded recoverable amounts resulting in an impairment of $59.3 million. The impairment relates to a revision of total proven and probable reserves whereby, some existing wells were reclassified into the no reserves assigned ("NRA") category due to the Company's field development and waterflood plan. The remaining NRA reclassification is attributed to shut-in wells that have not produced since 2015, which were identified as becoming uneconomic or having contingencies preventing production (Cheal-E2, E5, E6, B7, and G1 wells).

On October 13, 2016, Coronado completed the sale of the Madison Property. A resulting loss of $543,983 was realized. See also Note 3.

Note 5 – Investments

Marketable Securities

	December 31, 2016		March 31, 2016	
	Number of Shares Held	**Market Value**	Number of Shares Held	Market Value
Marketable securities available for sale	**572,095**	**$ 27,778**	572,095	$ 51,140

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:

	2016	2015
Share-based compensation	**$ 484,980**	$ 910,590
Management wages and director fees	**740,493**	701,703
Total management compensation	**$ 1,225,473**	$ 1,612,293

Note 7 – Asset Retirement Obligations

The following is a continuity schedule of asset retirement obligations for the nine months ended December 31, 2016:

Balance at March 31, 2016	$ 12,934,521
Addition of ARO	1,238,108
Release of ARO	(615,695)
Accretion expense	375,078
Foreign exchange movement	520,418
Balance at December 31, 2016	$ 14,452,430

This is represented by:	
Current liability	$ 123,222
Non-current liability	14,329,208
Balance at December 31, 2016	$ 14,452,430

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 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 $14.5 million which will be incurred between 2016 and 2027. 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 1.62% and discounted to its present value using a risk free rate ranging from 2.94% to 4.15%. 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, 2016:

No common shares were issued or purchased and cancelled.

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.

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 will be set by the Board of Directors at the time such option is allocated under the share option plan, and cannot be less than the closing price of the Company's shares on the Toronto Stock Exchange for the last market trading day prior to the date of the grant of the option. An option can be exercisable for a maximum of 10 years from the date of grant and must vest at the discretion of the Board of Directors.

On November 23, 2016, the Company granted 1,475,000 incentive stock options to various directors, executive officers, employees and consultants. These options are exercisable until November 23, 2021, at a price of $1.05 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 November 23, 2016, the Company granted 60,000 incentive stock options to a New Zealand executive officer. These options are exercisable until November 23, 2021, at a price of $1.05 per share subject to one-third of the total options vest one year from the date of the grant, one-third of the total options vest two years from the date of the grant and one-third of the total options vest three years from the date of the grant.

On November 23, 2016, the Company granted 50,000 incentive stock options to a New Zealand consultant. These options are exercisable until November 23, 2021, at a price of $0.90 per share subject to one-third of the total options vest six months from the date of the grant, one-third of the total options vest one year from the date of the grant and one-third of the total options vest eighteen months 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, 2015	4,260,334	$ 5.33
Granted during the year	4,700,000	1.21
Expired/Cancelled during the year	(3,935,334)	5.37
Balance at March 31, 2016	5,025,000	$ 1.45
Granted during the period	1,585,000	1.05
Expired/Cancelled during the period	(390,000)	2.64
Balance at December 31, 2016	6,220,000	$ 1.21

The following summarizes information about share options that are outstanding at December 31, 2016:

Number of Shares	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
335,000	$2.75	0.14	August 13, 2019	335,000
200,000	$2.39	0.09	August 31, 2019	200,000
1,500,000	$1.54	0.81	May 13, 2020	1,000,000
800,000	$1.50	0.44	June 9, 2020	533,333
800,000	$0.75	0.54	March 2, 2021	266,667
500,000	$0.75	0.34	March 2, 2021	-
500,000	$0.75	0.34	March 9, 2021	166,667
1,475,000	$1.05	1.16	November 23, 2021	491,667
60,000	$1.05	0.05	November 23, 2021	-
50,000	$0.90	0.04	November 23, 2021	-
6,220,000		3.94		2,993,334

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 63.28%, a risk free interest rate of 1.24% and expected life of five years to calculate option benefits.

c) Loss per Share

Basic and diluted weighted average shares outstanding for the nine month period ended December 31, 2016, was 62,212,252 (2015: 62,275,022). Basic and diluted weighted average shares outstanding for the three month period ended December 31, 2016, was 62,212,252 (2015: 62,218,415). 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 Income (Loss)

		Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2016	$	13,728,192
Impairment of investments		582,274
Unrealized loss on available for sale investments		(5,170)
Cumulative translation adjustment		2,529,111
Balance at December 31, 2016	$	16,834,407
Balance at March 31, 2015	$	24,880,408
Unrealized gain on available for sale investments		1,191
Cumulative translation adjustment		(983,689)
Balance at December 31, 2015	$	23,897,910

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 Canadian financial institutions and are monitored to ensure a stable return. The Company's short-term investment policy is to utilize non-complex, low-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, 2016, and did not provide for any doubtful accounts. During the period ended December 31, 2016, the Company was required to write-off $Nil (2015: $Nil). As at December 31, 2016, 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 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 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 and Australian 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 and Australian 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, 2016, 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 accordingly 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, 2016		March 31, 2016	
	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	10,007,920	-	16,846,272	-
Investments	1	27,778	-	51,140	-
Restricted cash	1	834,319	-	205,066	-
Shares receivable		-	105,111	-	-
		10,870,017	105,111	17,102,478	-
Financial liabilities:					
Accounts payable and accrued liabilities		-	2,335,435	-	3,022,774
		-	2,335,435	-	3,022,774

During the period ended December 31, 2016 and the year ended March 31, 2016, 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, 2016:

Contractual Obligations	Total $	Less than One Year $	More than One Year $
Operating leases (1)	877,567	233,072	644,495
Other long-term obligations (2)	30,607,000	13,371,000	17,236,000
Total Contractual Obligations (3)	31,484,567	13,604,072	17,880,495

(1) The Company has commitments related to office leases signed in New Plymouth, 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 four geographical regions, therefore information on country segments is provided as follows:

For the period ended December 31, 2016	Australia	Canada	New Zealand	United States	Total Company
Production revenue	$ -	$ -	$ 17,084,800	$ -	$ 17,084,800
Restricted cash	$ 626,543	$ 127,025	$ -	$ 80,751	$ 834,319
Shares Receivable	-	-	-	50,879	50,879
Exploration and evaluation assets	59,805	-	7,355,438	-	7,415,243
Property, plant and equipment	-	154,380	63,560,843	-	63,715,223
Investments	-	27,778	-	-	27,778
Total non-current assets	$ 686,348	$ 309,183	$ 70,916,281	$ 131,630	$ 72,043,442

For the year ended March 31, 2016	Australia	Canada	New Zealand	United States	Total Company
Production revenue	$ -	$ -	$ 24,809,530	$ -	$ 24,809,530
Discontinued operations sales	$ -	$ -	$ 6,187,175	$ -	$ 6,187,175
Restricted cash	$ -	$ 127,133	$ -	$ 77,933	$ 205,066
Advance receivable	-	-	71,630	-	71,630
Exploration and evaluation assets	-	-	4,405,850	2,885,228	7,291,078
Property, plant and equipment	-	174,908	61,773,316	561,370	62,509,594
Investments	-	51,140	-	-	51,140
Total non-current assets	$ -	$ 353,181	$ 66,250,796	$ 3,524,531	$ 70,128,508

The Company operates in two industries: petroleum exploration and production and mining:

For the period ended December 31, 2016	Petroleum Exploration and Production	Mining	Total Company
Loss for the period	$ (5,230,831)	$ (3,429,726)	$ (8,660,557)
Total assets	$ 90,369,731	$ 1,601,089	$ 91,970,820
Total liabilities	$ 16,768,132	$ 19,733	$ 16,787,865

For the year ended March 31, 2016	Petroleum Exploration and Production	Mining	Electricity Generation and Retailing *(discontinued)*	Total Company
Loss for the year	$ (78,749,539)	$ (682,950)	$ (5,172,317)	$ (84,604,806)
Total assets	$ 90,923,986	$ 5,043,176	$ -	$ 95,967,162
Total liabilities	$ 15,920,053	$ 37,242	$ -	$ 15,957,295

Note 14 – Disposal Group Held for Sale and Discontinued Operations

On February 18, 2016, the Company completed the sale of two of its one megawatt gas-fired generators pursuant to the terms of an asset purchase agreement dated October 30, 2015, between Opunake Hydro Limited ("OHL"), a wholly owned subsidiary of Coronado, and Cheal Petroleum Limited, a wholly owned subsidiary of the Company. Coronado also completed the sale of all of its issued and outstanding shares of OHL pursuant to the terms of a share purchase agreement dated October 30, 2015, between Lynx Clean Power Corp., a wholly owned subsidiary of Coronado, and Opunake Hydro Holdings Limited, for total proceeds of $2,017,653.

As at March 31, 2016, the electricity generation segment was classified as a discontinued operation. Accordingly, the comparative consolidated statement of comprehensive loss has been restated to show the discontinued operation separately from continuing operations.

a. *Results of discontinued operation*

For the nine months ended		December 31, 2016		December 31, 2015
Electricity sales	$	-	$	4,922,438
Cost of sales		-		(5,090,088)
		-		(167,650)
General and administrative expenses		-		(1,098,192)
Other items		-		(531,690)
Impairment on remeasurement of disposal		-		(5,421,868)
Net loss for the period	$	-	$	(7,219,400)
Loss per share, basic and diluted	$	-	$	(0.12)

b. *Cash flows from (used in) discontinued operation*

For the nine months ended		December 31, 2016		December 31, 2015
Net cash used in operating activities	$	-	$	(787,088)
Net cash from investing activities		-		335,488
Net cash flow for the period	$	-	$	(451,600)

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*

As at December 31, 2015, there are no cumulative income or expenses included in OCI relating to the disposal.

f. *Measurement of fair value*

As at December 31, 2015, 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

On January 31, 2017, the Company and Cypress completed the purchase of 100% interest in Petroleum Lease 17 and all related assets. Refer to note 3.