Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

December 31, 2014
(Unaudited)

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

	December 31, 2014	March 31, 2014
Assets		
Current:		
Cash and cash equivalents	$ 31,094,548	$ 52,004,463
Amounts receivable and prepaids	9,474,994	11,779,227
Advances receivable (Note 3)	-	414,278
Derivative financial instruments	27,815	257,928
Inventory	4,579,305	3,624,535
	45,176,662	68,080,431
Restricted cash	242,669	242,432
Exploration and evaluation assets (Note 4)	88,351,572	75,173,977
Property, plant and equipment (Note 5)	138,059,307	135,031,652
Investments (Note 6(a))	97,715	132,167
	$ 271,927,925	$ 278,660,659
Liabilities and Shareholders' Equity		
Current:		
Accounts payable and accrued liabilities	$ 12,195,948	$ 12,244,422
Non-Current:		
Deferred income tax liabilities	5,474,972	5,803,291
Asset retirement obligations (Note 8)	12,199,409	11,444,647
	29,870,329	29,492,360
Share capital (Note 9 (a))	230,689,838	233,831,289
Share-based payment reserve (Note 9 (b))	16,898,241	15,919,377
Foreign currency translation reserve	16,160,194	28,966,355
Available for sale marketable securities reserve	(535,700)	(501,248)
Deficit	(28,057,216)	(36,420,970)
Equity attributable to owners of the Company	235,155,357	241,794,803
Non-controlling interests	6,902,239	7,373,496
	242,057,596	249,168,299
	$ 271,927,925	$ 278,660,659

Nature of operations (Note 1)
Commitments (Note 13)
See accompanying notes.

Approved by the Board of Directors:

("Garth Johnson") *("Dr. Douglas Ellenor")*
Garth Johnson, Director **Dr. Douglas Ellenor, Director**

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

	Three months ended December 31, 2014	Three months ended December 31, 2013	Nine months ended December 31, 2014	Nine months ended December 31, 2013
Revenues				
Production revenue	$ 12,281,817	$ 12,939,442	$ 44,032,044	$ 43,522,224
Production costs	(3,156,636)	(2,305,363)	(9,598,938)	(7,141,117)
Transportation and storage costs	(1,579,394)	(949,057)	(4,435,175)	(2,771,245)
Royalties	(1,069,682)	(1,398,536)	(3,706,020)	(4,505,048)
	6,476,105	8,286,486	26,291,911	29,104,814
Expenses				
Depletion, depreciation and accretion	4,335,413	2,737,580	12,296,955	10,257,201
Foreign exchange	344,188	167,122	(550,039)	1,033,079
Insurance	67,496	60,071	156,419	347,051
Interest income	(132,532)	(188,484)	(437,390)	(558,877)
Share-based compensation	586,323	376,599	986,423	1,873,130
Consulting fees	110,847	224,239	346,104	416,120
Directors fees	231,709	152,157	386,459	306,250
Filing, listing and transfer agent	53,534	74,644	225,404	152,431
Reports	(2,290)	1,856	162,376	142,427
Office and administration	231,320	204,117	623,260	508,776
Professional fees	149,699	141,846	419,463	374,705
Rent	88,346	82,992	250,560	210,528
Shareholder relations and communications	210,736	112,870	765,132	348,753
Travel	121,422	98,353	381,813	328,799
Wages and salaries	1,049,713	1,157,184	2,350,135	2,470,389
Overhead recoveries	(31,187)	(103,093)	(181,382)	(107,309)
	(7,414,737)	(5,300,053)	(18,181,692)	(18,103,453)
Other Items				
Equity in loss of associated company	-	-	-	(221,641)
Loss on sale of associated company	-	-	-	(735,527)
Gain (loss) on derivative financial instrument	(5,368)	93	(217,722)	7,167
Write-off of oil and gas properties	-	(15,368)	-	(1,147,791)
	(5,368)	(15,275)	(217,722)	(2,097,792)
Net (loss) income for the period	(944,000)	2,971,158	7,892,497	8,903,569
Other comprehensive income (loss) (Note 10)				
Cumulative translation adjustment	7,112,449	3,430,809	(12,806,161)	4,410,717
Change in available for sale assets: Investments	10,503	(53,181)	(34,452)	(40,246)
Comprehensive income (loss) for the period	$ 6,178,952	$ 6,348,786	$ (4,948,116)	$ 13,274,040
Earnings (loss) per share – basic (Note9(c))	$ (0.01)	$ 0.05	$ 0.12	$ 0.15
Earnings (loss) per share – diluted (Note 9(c))	$ (0.01)	$ 0.05	$ 0.12	$ 0.15

See accompanying notes.

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

	Three months ended December 31, 2014	Three months ended December 31, 2013	Nine months ended December 31, 2014	Nine months ended December 31, 2013
Net income attributable to:				
Owners of the Company	$ (757,010)	$ 3,022,628	$ 8,363,754	$ 8,955,685
Non-controlling interests	(186,990)	(51,470)	(471,257)	(52,116)
Net income (loss) for the period	$ (944,000)	$ 2,971,158	$ 7,892,497	$ 8,903,569
Net comprehensive income (loss) attributable to:				
Owners of the Company	$ 6,365,942	$ 6,400,256	$ (4,476,859)	$ 13,326,156
Non-controlling interests	(186,990)	(51,470)	(471,257)	(52,116)
Net comprehensive (loss) income for the period	$ 6,178,952	$ 6,348,786	$ (4,948,116)	$ 13,274,040

See accompanying notes.

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

	Nine months ended December 31, 2014	Nine months ended December 31, 2013
Operating Activities		
Net income for the period	$ 7,892,497	$ 8,903,569
Changes for non-cash operating items:		
Depletion, depreciation and accretion	12,296,955	10,257,201
Interest on restricted cash	(6,484)	-
Share-based compensation	986,423	1,873,130
Write down of oil and gas properties	-	1,147,791
Loss on sale of subsidiary	-	735,527
Equity in loss of associated company	-	221,641
Loss (gain) on derivative financial instrument	215,224	(7,167)
	21,384,615	23,131,692
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	2,304,233	(1,166,500)
Accounts payable and accrued liabilities	559,218	316,790
Inventory	(954,770)	(1,020,889)
Cash provided by operating activities	23,293,296	21,261,093
Financing Activities		
Shares issued – net of share issue costs	-	23,343,942
Shares purchased and returned to treasury	(3,159,010)	(2,785,017)
Options and warrants exercised	10,000	167,297
Cash (used in) provided by financing activities	(3,149,010)	20,726,222
Investing Activities		
Restricted cash	6,247	(143,470)
Cash acquired on purchase of subsidiary	-	7,029,536
Cash disposed on sale of subsidiary	-	(1,604,399)
Exploration and evaluation assets	(25,301,437)	(35,522,244)
Property and equipment	(16,173,289)	(11,976,919)
Repayment of loan advances	414,278	(196,148)
Cash used in investing activities	(41,054,201)	(42,413,644)
Net decrease in cash and cash equivalents during the period	(20,909,915)	(426,329)
Cash and cash equivalents - beginning of the period	52,004,463	68,931,018
Cash and cash equivalents – end of the period	$ 31,094,548	$ 68,504,689
Supplementary disclosures:		
Interest received	$ 437,389	$ 558,877
Cash	$ 10,229,849	$ 20,463,691
Cash equivalents	20,864,699	48,040,998
	$ 31,094,548	$ 68,504,689

Non-cash investing activities:

The Company incurred $5,023,309 in exploration and evaluation expenditures which amounts were in accounts payable at December 31, 2014 (2013: $487,908). The Company incurred $ 3,465,722 in property and equipment expenditures which amounts were in accounts payable at December 31, 2014 (2013: $13,690,791).

See accompanying notes.

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

			Reserves						
	Number of Shares (Note 9)	Share Capital (Note 9)	Share-based Payments	Foreign Currency Translation	Available for Sale Marketable Securities	Deficit	Total	Non-Controlling Interest	Total Equity
Balance at March 31, 2014	64,166,052	$233,831,289	$ 15,919,377	$ 28,966,355	$ (501,248)	$(36,420,970)	$241,794,803	$ 7,373,496	$249,168,299
Repurchase shares	(1,728,200)	(3,159,010)	-	-	-	-	(3,159,010)	-	(3,159,010)
Exercise of options	8,000	17,559	(7,559)				10,000		10,000
Share-based payments	-	-	986,423	-	-	-	986,423	-	986,423
Currency translation adjustment	-	-	-	(12,806,161)	-	-	(12,806,161)	-	(12,806,161)
Unrealized loss on available-for-sale investments	-	-	-	-	(34,452)	-	(34,452)	-	(34,452)
Net income for the period	-	-	-	-	-	8,363,754	8,363,754	(471,257)	7,892,497
Balance at December 31, 2014	62,445,852	$230,689,838	$ 16,898,241	$ 16,160,194	$ (535,700)	$(28,057,216)	$235,155,357	$ 6,902,239	$242,057,596
Balance at March 31, 2013	59,532,623	$214,204,375	$ 13,870,959	$ 7,671,518	$ (436,370)	$ (44,119,881)	$191,190,601	$ 502,996	$191,693,597
Re-purchase shares	(817,000)	(2,785,017)	-	-	-	-	(2,785,017)	-	(2,785,017)
Exercise of options	71,429	167,297	-	-	-	-	167,297	-	167,297
Short form prospectus	5,700,000	23,343,942					23,343,942		23,343,942
Share-based payments	-	-	1,873,129	-	-	-	1,873,129	-	1,873,129
Currency translation adjustment	-	-	-	4,410,717	-	-	4,410,717	-	4,410,717
Unrealized gain on available-for-sale investments	-	-	-	-	(40,246)	-	(40,246)	-	(40,246)
Change in non-controlling interest	-	-	-	-	-	-	-	6,886,703	6,886,703
Net income for the period	-	-	-	-	-	8,955,685	8,955,685	(52,116)	8,903,569
Balance at December 31, 2013	64,487,052	$234,930,597	$ 15,744,088	$ 12,082,235	$ (476,616)	$ (35,164,196)	$227,116,108	$ 7,337,583	$234,453,691

See accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements
Nine Months Ended December 31, 2014
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 December 31, 2014, 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 Company has used the same accounting policies and methods of computation as in the annual consolidated statements for the year ended March 31, 2014. The accounting policies have been applied consistently by the Company and its subsidiaries.

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
Opunake Hydro Limited	New Zealand	49%	Electricity Generation and Retailing
Trans Orient Petroleum Limited	Canada	100%	Oil and Gas Exploration
DLJ Management Services Limited	Canada	100%	Inactive
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
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
Utilise Limited	New Zealand	49%	Electricity Generation and Retailing

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

New and amended standards adopted by the Company

Effective April 1, 2014, the Company adopted the following new and revised IFRS that were issued by the IASB:

- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities
- Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39, Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21, Levies

The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

New standards, amendments and interpretations to existing standards not yet effective

Effective for annual reporting periods beginning on or after January 1, 2016:

- Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortization

Effective for annual reporting periods beginning on or after January 1, 2018 (tentative date):

- 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 – Advances Receivable

During the year ended March 31, 2013, TAG Oil entered into an agreement with Petra Drilling, a 100%-owned subsidiary of New Zealand-based Webster Drilling and Exploration. The Company provided secured financing of US$2,912,174 for Petra to acquire and deliver to New Zealand the fully automated VR500 rack and pinion, top-drive drill rig. The advance is converted and repaid in New Zealand dollars at a fixed amount based on daily use of the rig and the Company has secured a fixed price for future drilling, as well as the first right of refusal on use of the rig until all financing has been repaid.

TAG Oil (NZ) Limited entered into an agreement with Rival Energy Services Limited ("Rival") on December 8, 2012. The Company provided secured financing of $1 million for Rival to relocate a Skytop RR400 skid double class III (4200m) service rig and hot oiler to New Plymouth. The advance is repaid at a fixed amount based on daily use of the rig and hot oiler and the Company has secured a fixed price for future operations, as well as the first right of refusal on use of the rig and hot oiler until all financing has been repaid.

	Petra	Rival	Total
Balance at March 31, 2014	$ -	$ 414,278	$ 414,278
Less repayments	-	(414,278)	(414,278)
Balance at December 31, 2014	$ -	$ -	$ -
Balance at March 31, 2013	$ 1,268,115	$ 995,498	$ 2,263,613
Amounts repaid	(1,268,115)	(581,220)	(1,849,335)
Balance at March 31, 2014	-	414,278	414,278
Consisting of:			
Current	-	414,278	414,278
Non-current	$ -	$ -	$ -

Note 4 – Exploration and Evaluation Assets

Permit Ownership Interest	PEP38748 100%	PEP55769 100%	PEP52181 40%	PEP54873 100%	PEP54876 50%	PEP54877 70%	PEP54879 50%	PEP50940 100%
Cost								
At March 31, 2013	$ -	$ -	$ 467,095	$ 13,857	$ 22,444	$ 22,444	$ 22,444	$ 121,809
Capital expenditures	6,176,061	-	1,461,120	2,732,551	1,030,441	9,444,016	3,347,379	202,030
Transfer from mineral property assets acquired	-	-	-	-	-	-	-	-
Write-off oil and gas properties	-	-	-	-	-	-	-	(294,769)
Change in ARO	-	-	-	-	-	1,227,633	-	-
Foreign exchange movement	830,788	-	219,564	300,927	115,677	1,171,196	369,336	(29,070)
At March 31, 2014	7,006,849	-	2,147,779	3,047,335	1,168,562	11,865,289	3,739,159	-
Capital expenditures	460,780	264,958	698,959	(1,628,219)	1,290,464	3,190,689	273,450	-
Transfer to P,P&E	-	-	-	-	-	(5,450,945)	-	-
Change in ARO	-	-	-	-	-	14,951	-	-
Foreign exchange movement	(404,648)	-	(123,983)	(175,911)	(67,457)	(684,941)	(215,849)	-
At December 31, 2014	$ 7,062,981	$ 264,958	$ 2,722,755	$ 1,243,205	$ 2,391,569	$ 8,935,043	$ 3,796,760	$ -
Net book value								
March 31, 2014	$ 7,006,849	$ -	$ 2,147,779	$ 3,047,335	$ 1,168,562	$11,865,289	$ 3,739,159	$ -
December 31, 2014	**$ 7,062,981**	**$ 264,958**	**$ 2,722,755**	**$ 1,243,205**	**$ 2,391,569**	**$ 8,935,043**	**$ 3,796,760**	**$ -**

Permit Ownership Interest	PEP38348 100%	PEP38349 100%	PEP52676 100%	PEP53674 100%	PEP52589 100%	Madison/other 100%	Cardiff 100%	TOTAL
Cost								
At March 31, 2013	$ 3,581	$ 132,073	$ 828,546	$ 828,546	$ 1,865,274	$ -	$ -	$ 4,328,113
Capital expenditures (net recoveries)	1,821,240	6,680,959	(58,499)	227,171	676,022	(393,196)	26,619,477	59,966,772
Transfer from mineral property assets acquired	-	-	-	-	-	2,684,543	-	2,684,543
Write-off oil and gas properties	-	-	(751,881)	-	-	-	-	(1,046,650)
Change in ARO	-	259,500	-	-	-	-	248,874	1,736,007
Foreign exchange movement	250,334	816,330	(18,166)	130,593	312,020	-	3,035,663	7,505,192
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	16,316,208	322,063	-	148,140	54,981	536,533	558,710	22,487,716
Transfer to P,P&E	-	-	-	-	-	-	-	(5,450,945)
Change in ARO	406,935	-	-	-	-	-	-	421,886
Foreign exchange movement	(119,791)	(528,996)	-	(68,527)	(164,712)	-	(1,726,247)	(4,281,062)
At December 31, 2014	$18,678,507	$7,681,929	$ -	$ 1,265,923	$ 2,743,585	$ 2,827,880	$28,736,477	$88,351,572
Net book value								
March 31, 2014	$ 2,075,155	$7,888,862	$ -	$ 1,186,310	$ 2,853,316	$ 2,291,347	$29,904,014	$75,173,977
December 31, 2014	**$18,678,507**	**$7,681,929**	**$ -**	**$ 1,265,923**	**$ 2,743,585**	**$ 2,827,880**	**$28,736,477**	**$88,351,572**

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.

Note 5 – Property, Plant and Equipment

	Proven Oil and Gas Property PMP 38156 / PEP 54877	Proven Oil & Gas Property PMP 53803	Opunake Hydro Limited	Madison mine	Office Equipment and leasehold improvements	Total
Cost						
At March 31, 2013	$ 115,492,684	$ 32,385,772	$ 489,351	$ -	$ 1,577,442	$ 149,945,249
Capital expenditures	4,401,136	(14,706)	951,418	-	271,569	5,609,417
Transfer on acquisition	-	-	3,813,804	663,480	46,813	4,524,097
Change in ARO	70,089	-	-	-	-	70,089
Foreign exchange movement	14,736,067	3,976,166	(13,503)	-	125,827	18,824,557
At March 31,2014	134,699,976	36,347,232	5,241,070	663,480	2,021,651	178,973,409
Capital expenditures	14,267,144	(484,605)	2,560,901	-	319,533	16,662,973
Transfer from E&E	5,450,945	-	-	-	-	5,450,945
Change in ARO	464,605	236,804	-	-	-	701,409
Foreign exchange movement	(9,181,935)	(2,097,981)	(475,120)	-	(108,669)	(11,863,705)
At December 31, 2014	$ 145,700,735	$ 34,001,450	$ 7,326,851	$ 663,480	$ 2,232,515	$ 189,925,031
Accumulated depletion and depreciation						
At March 31, 2013	$ (17,162,199)	$ (8,209,851)	$ (6,963)	$ -	$ (985,875)	$ (26,364,888)
Depletion and depreciation	(9,306,560)	(3,249,113)	(533,334)	(31,365)	(178,344)	(13,298,716)
Foreign exchange movement	(2,812,631)	(1,403,286)	295	-	(62,531)	(4,278,153)
At March 31, 2014	(29,281,390)	(12,862,250)	(540,002)	(31,365)	(1,226,750)	(43,941,757)
Depletion and depreciation	(9,687,508)	(564,589)	40,972	(47,658)	(163,546)	(10,422,329)
Foreign exchange movement	1,690,306	742,491	31,172	-	34,393	2,498,362
At December 31, 2014	$ (37,278,592)	$ (12,684,348)	$ (467,858)	$ (79,023)	$ (1,355,903)	$ (51,865,724)
Net book value						
March 31, 2014	$ 105,418,586	$ 23,484,982	$ 4,701,068	$ 632,115	$ 794,901	$ 135,031,652
December 31, 2014	**$ 108,422,143**	**$ 21,317,102**	**$ 6,858,993**	**$ 584,457**	**$ 876,612**	**$ 138,059,307**

Note 6 – Investments

a) Marketable Securities

	Number of Shares Held	December 31, 2014 Market Value	Number of Shares Held	March 31, 2014 Market Value
Marketable securities available for sale	1,089,095	$ 97,715	1,309,477	$ 132,167

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 7 – 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:

	2014	2013
Share-based compensation	$ 498,928	$ 1,100,354
Management wages and director fees	1,347,545	1,163,190
Total management compensation	$ 1,846,473	$ 2,263,544

Note 8 – Asset Retirement Obligations

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

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

The following is a continuity of asset retirement obligations for the nine months ended December 31, 2013:

Balance at March 31, 2013	$ 3,133,303
Revaluation of ARO	1,344,484
Accretion expense	60,018
Foreign exchange movement	136,851
Balance at December 31, 2013	$ 4,674,656

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 $13,601,055 which will be incurred between 2014 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 9 – 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 at December 31, 2014.

During the nine month period ended December 31, 2014:

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

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

During the nine month period ended December 31, 2013:

The Company purchased and cancelled 817,000 common shares under its normal course issuer bids at an average price of $3.40 per common share.

On June 20, 2013, 71,429 stock options were exercised at US$2.24 for proceeds of US$160,000.

On November 13, 2013, the Company closed a bought deal offering of common shares of the Company for aggregate gross proceeds of $25,080,000, net proceeds of $23,343,942, by issuing 5,700,000 common shares at a price of $4.40 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 eighteen months.

On August 14, 2014, the Company granted 1,160,000 incentive stock options to various directors, executive officers, employees and consultants. These options are exercisable until August 13, 2019 at a price of $2.75 per share subject to one-third of the total options vesting every six months from the date of the grant over a period of eighteen months.

On September 1, 2014, the Company granted 200,000 incentive stock options to an executive officer. These options are exercisable until August 31, 2019 at a price of $2.39 per share subject to one-third of the total options vesting every six months from the date of the grant over a period of eighteen months.

The following is a continuity of outstanding share options:

Balance at March 31, 2013	3,779,763	$ 6.18
Granted during the year	75,000	5.00
Exercised during the year	(71,429)	2.34
Expired during the year	(100,000)	7.15
Balance at March 31, 2014	3,683,334	$ 6.21
Granted during the period	1,360,000	2.70
Exercised during the period	(8,000)	1.25
Expired/Cancelled during the period	(440,000)	4.54
Balance at December 31, 2014	4,595,334	$ 5.34

The following summarizes information about share options that are outstanding at December 31, 2014:

Number of Shares	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
250,334	$2.60	0.04	September 9, 2015	250,334
890,000	$7.15	0.21	February 8, 2016	890,000
500,000	$6.15	0.17	July 5, 2016	500,000
225,000	$7.00	0.10	December 20, 2016	225,000
1,210,000	$6.70	0.69	August 8, 2017	1,210,000
50,000	$6.47	0.03	September 12, 2017	50,000
75,000	$6.66	0.04	September 19, 2017	75,000
75,000	$5.00	0.06	November 30, 2018	50,000
1,120,000	$2.75	1.13	August 13, 2019	-
200,000	$2.39	0.20	August 31, 2019	-
4,595,334		2.67		3,250,334

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 71% and a risk free interest rate of 1.91% to calculate option benefits. The fair value of the option benefit is amortized over the vesting period of the options, generally being eighteen months.

c) Earnings (loss) per share

Basic weighted average shares outstanding for the period ended December 31, 2014 was 63,640,799 (2013: 60,234,240) and for the three months ended December 31, 2014 was 62,978,023 (2013: 62,023,887). Diluted weighted average shares outstanding for the nine months ended December 31, 2014 was 63,640,799 (2013: 60,607,574) and three months ended December 31, 2014 was 62,978,023 (2013: 62,397,221). 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 10 – Accumulated Other Comprehensive Income (Loss)

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

		Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2013	$	7,235,148
Unrealized loss on available for sale investments		(40,246)
Cumulative translation adjustment		4,410,717
Balance at December 31, 2013	$	11,605,619

Note 11 – 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 12 – 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 December 31, 2014 and did not provide for any doubtful accounts. During the period ended December 31, 2014, the Company was required to write-off $Nil (2013: $Nil). As at December 31, 2014, there were no significant amounts past due or impaired.

b) Liquidity Risk

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

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

c) Market Risk

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

d) Foreign Currency Exchange Rate Risk

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

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

e) Commodity Price Risk

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

f) Interest Rate Risk

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

The Company did not have any interest rate swaps or financial contracts in place during the period ended December 31, 2014 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 as at December 31, 2014 and March 31, 2014 are as follows:

		December 31, 2014		March 31, 2014	
	Fair Value Level	Fair value through profit or loss	Available for sale financial assets	Fair value through profit or loss	Available for sale financial assets
		$	$	$	$
Financial assets:					
Cash and cash equivalents	1	31,094,548	-	52,004,463	-
Derivative financial instrument	2	27,815	-	257,928	-
Restricted cash	1	242,669	-	242,432	-
Investments	1	-	97,715	-	132,167
		31,365,032	97,715	52,504,823	132,167

During the period ended December 31, 2014 and during the year ended March 31, 2014, there were no transfers between level 1, level 2 and level 3.

Note 13 – Commitments

The Company has the following commitments for Capital Expenditure at December 31, 2014:

Contractual Obligations	Total $	Less than One Year $	More than One Year $
Long term debt	-	-	-
Operating leases (1)	566,480	340,452	226,028
Other long-term obligations (2)	78,572,000	75,516,000	3,056,000
Total Contractual Obligations (3)	79,138,480	75,856,452	3,282,028

(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 14 – Segmented Information

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

	Canada	New Zealand	United States	Total Company
Production revenue	$ -	$ 44,032,044	$ -	$ 44,032,044
Total non-current assets	$ 388,075	$ 223,130,589	$ 3,432,599	$ 226,751,263

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

	Petroleum exploration and production	Electricity generation and retailing	Mining	Total Company
Production revenue	$ 40,716,707	$ 3,315,336	$ -	$ 44,032,044
Profit (Loss)	$ 8,814,950	$ (673,790)	$ (248,663)	$ 7,892,497
Total Assets	$ 257,203,158	$ 10,849,681	$ 3,875,086	$ 271,927,925
Total Liabilities	$ 29,058,301	$ 796,231	$ 15,797	$ 29,870,329

During the year ended March 31, 2014, the company acquired the mining operations and electricity generating and retailing operations of Coronado Resources Ltd. With these additions the Company now has three operating segments which are shown above.