Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

December 31, 2013

(Unaudited)

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

	December 31, 2013	March 31, 2013
Assets		
Current:		
Cash and cash equivalents	$ 68,504,689	$ 68,931,018
Amounts receivable and prepaids	13,194,451	10,176,847
Advances receivable (Note 3)	350,410	1,969,415
Inventory	4,127,399	3,106,510
	86,176,949	84,183,790
Restricted cash	208,106	64,636
Advances receivable (Note 3)	302,494	294,198
Exploration and evaluation assets (Note 4)	49,295,566	4,328,113
Property, plant and equipment (Note 5)	117,933,641	118,633,974
Goodwill	-	186,700
Investments (Note 7(a))	156,799	197,045
Investment in associated company (Note 7(b))	-	3,048,858
	$ 254,073,555	$ 210,937,314
Liabilities and Shareholders' Equity		
Current:		
Accounts payable and accrued liabilities	$ 14,945,208	$ 16,110,414
Asset retirement obligations (Note 9)	4,674,656	3,133,303
	19,619,864	19,243,717
Share capital (Note 10 (a))	234,930,597	214,204,375
Share-based payment reserve (Note 10 (b))	15,744,088	13,870,959
Foreign currency translation	12,082,235	7,671,518
Available for sale marketable securities	(476,616)	(436,370)
Deficit	(35,164,196)	(44,119,881)
Equity attributable to owners of the Company	227,116,108	191,190,601
Non-controlling interests	7,337,583	502,996
	234,453,691	191,693,597
	$ 254,073,555	$ 210,937,314

Nature of operations (Note 1)
Commitments (Note 14)
Subsequent event (Note 16)

See accompanying notes.

Approved by the Board of Directors:

("Garth Johnson") *("Ron Bertuzzi")*
Garth Johnson, Director **Ron Bertuzzi, Director**

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

	Three months ended December 31, 2013	Three months ended December 31, 2012	Nine months ended December 31, 2013	Nine months ended December 31, 2012
Revenues and Costs				
Production revenue	$ 12,939,442	$ 10,851,223	$ 43,522,224	$ 32,293,424
Production costs	(2,231,767)	(1,341,219)	(7,083,804)	(4,167,506)
Transportation and storage costs	(949,057)	(695,216)	(2,771,245)	(2,265,863)
Royalties	(1,398,536)	(1,252,872)	(4,505,048)	(3,659,444)
	8,360,082	7,561,916	29,162,127	22,200,611
Expenses				
Depletion, depreciation and accretion	2,737,580	2,955,980	10,257,201	8,039,790
Directors & officers insurance	11,580	11,577	34,735	39,195
Foreign exchange	167,122	69,453	1,033,079	263,481
Insurance	48,491	110,189	312,316	294,356
Interest income	(188,484)	(246,036)	(558,877)	(829,991)
Emissions trading scheme	73,596	(141,494)	57,313	95,549
Share-based compensation	376,599	2,004,076	1,873,130	4,344,751
Consulting fees	224,239	188,382	416,120	399,569
Directors fees	152,157	97,167	306,250	227,667
Filing, listing and transfer agent	74,644	42,386	152,431	210,340
Reports	1,856	62,090	142,427	526,552
Office and administration	204,117	151,867	508,776	374,506
Professional fees	141,846	199,865	374,705	462,831
Rent	82,992	49,047	210,528	169,237
Shareholder relations and communications	112,870	86,958	348,753	244,004
Travel	98,353	129,611	328,799	319,829
Wages and salaries	1,157,184	1,137,670	2,470,389	1,930,408
Overhead recoveries	(103,093)	-	(107,309)	-
	(5,373,649)	(6,908,788)	(18,160,766)	(17,112,074)
Other Items				
Equity in loss of associated company (Note 7(b))	-	(14,607)	(221,641)	(32,069)
Loss on sale of subsidiary (Note 6)	-	-	(735,527)	-
Gain on hedge mark to market	93	-	7,167	-
Write-off of oil and gas properties (Note 4)	(15,368)	-	(1,147,791)	-
	(15,275)	(14,607)	(2,097,792)	(32,069)
Net income for the period	2,971,158	638,521	8,903,569	5,056,468
Other comprehensive income (Note 11)				
Cumulative translation adjustment	3,430,809	972,763	4,410,717	1,226,088
Change in fair value adjustment on available for sale financial instruments:				
Investments	(53,181)	(12,378)	(40,246)	(107,418)
Comprehensive income for the period	$ 6,348,786	$ 1,598,906	$ 13,274,040	$ 6,175,138
Earnings per share – basic (Note 10(c))	$ 0.05	$ 0.01	$ 0.15	$ 0.09
Earnings per share – diluted (Note 10(c))	$ 0.05	$ 0.01	$ 0.15	$ 0.08

See accompanying notes.

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

	Three months ended December 31,		Nine months ended December 31,	
	2013	2012	2013	2012
Net income attributable to:				
Owners of the Company	$ 3,022,628	$ 638,521	$ 8,955,685	$ 5,056,468
Non-controlling interests	(51,470)	-	(52,116)	-
Net income for the period	$ 2,971,158	$ 638,521	$ 8,903,569	$ 5,056,468
Net comprehensive income attributable to:				
Owners of the Company	$ 6,400,256	$ 1,598,906	$ 13,326,156	$ 6,175,138
Non-controlling interests	(51,470)	-	(52,116)	-
Total comprehensive income for the period	$ 6,348,786	$ 1,598,906	$ 13,274,040	$ 6,175,138

See accompanying notes.

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

	Nine months ended December 31, 2013	Nine months ended December 31, 2012
Operating Activities		
Net income for the period	$ 8,903,569	$ 5,056,468
Changes for non-cash operating items:		
Deemed interest expense	-	(8,822)
Depletion, depreciation and accretion	10,257,201	8,039,790
Share-based compensation	1,873,130	4,344,751
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	32,069
Gain on hedge mark to market	(7,167)	-
	23,131,692	17,464,256
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	(1,166,500)	(2,762,704)
Accounts payable and accrued liabilities	316,790	(26,966)
Inventory	(1,020,889)	446,798
Cash provided by operating activities	21,261,093	15,121,384
Financing Activities		
Shares issued – net of share issue costs	23,343,942	43,365,746
Shares purchased and returned to treasury	(2,785,017)	(666,320)
Options and warrants exercised	167,297	683,578
Cash provided by financing activities	20,726,222	43,383,004
Investing Activities		
Restricted cash	(143,470)	488
Cash acquired on purchase of subsidiary	7,029,536	-
Cash disposed on sale of subsidiary	(1,604,399)	-
Exploration and evaluation assets	(35,522,244)	(3,996,713)
Property and equipment	(11,976,919)	(51,790,969)
Repayment of loan advances	(196,148)	1,305,773
Loan receivable	-	(1,200,000)
Investments (Note 7 (a))	-	(3,117,000)
Cash used in investing activities	(42,413,644)	(58,798,421)
Net decrease in cash during the period	(426,329)	(294,033)
Cash and cash equivalents - beginning of the period	68,931,018	63,006,461
Cash and cash equivalents – end of the period	$ 68,504,689	$ 62,712,428
Supplementary disclosures:		
Interest received	$ 558,877	$ 829,991

Non-cash investing activities:

The Company incurred $487,908 in exploration and evaluation expenditures which amounts were in accounts payable at December 31, 2013 (March 31, 2013: $381,286). The Company incurred $13,690,791 in property and equipment which amounts were in accounts payable at December 31, 2013 (March 31, 2013: $15,118,640).

See accompanying notes

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

	Number of Shares (Note 10)	Share Capital (Note 10)	Reserves: Share-based Payments Reserves	Reserves: Foreign Currency Translation Reserve	Reserves: Available for Sale Marketable Securities	Deficit	Total	Non-Controlling Interests	Total Equity
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
Repurchase 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 loss on available-for-sale investments	-	-	-	-	(40,246)	-	(40,246)	-	(40,246)
Change in non-controlling interests	-	-	-	-	-	-	-	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
Balance at March 31, 2012	55,206,591	$171,169,355	$ 8,699,571	$ 2,854,612	$ (142,456)	$ (49,212,899)	$ 133,368,183	$ -	$ 133,368,183
Repurchase shares	(112,300)	(666,320)	-	-	-	-	(666,320)	-	(666,320)
Exercise of options	193,332	683,578	-	-	-	-	683,578	-	683,578
Transfer to share capital on exercise of options	-	425,936	(425,936)	-	-	-	-	-	-
Short form prospectus	4,435,000	43,365,746	-	-	-	-	43,365,746	-	43,365,746
Share-based payments	-	-	4,344,751	-	-	-	4,344,751	-	4,344,751
Currency translation adjustment	-	-	-	1,226,088	-	-	1,226,088	-	1,226,088
Unrealized loss on available-for-sale investments	-	-	-	-	(107,418)	-	(107,418)	-	(107,418)
Net income for the period	-	-	-	-	-	5,056,468	5,056,468	-	5,056,468
Balance at December 31, 2012	59,722,623	$214,978,295	$ 12,618,386	$ 4,080,700	$ (249,874)	$ (44,156,431)	$ 187,271,076	$ -	$ 187,271,076

See accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements
Nine Months Ended December 31, 2013
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 – Accounting Policies and Basis of Presentation

Basis of presentation and statement of compliance with International Financial Reporting Standards

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, 2013, 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, 2013. The accounting policies have been applied consistently by the Company and its subsidiaries.

The Company adopted the following new IFRS standards effective April 1, 2013

(a) IFRS 10, *Consolidated Financial Statements,* IFRS 11, *Joint Arrangements,* IFRS 12, *Disclosure of Interests in Other Entities,* and amendments to IAS 27, *Separate Financial Statements* and IAS 28, *Investments in Associated and Joint Ventures:*

These five new standards establish control as the basis for consolidation and provide enhanced disclosure requirements for the Company's interests in other entities and the effects of those interests on the Company's financial statements. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on April 1, 2013, and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries or investees. IFRS 11 also had no impact as the Company had classified its joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements. The Company will continue to include herein its proportionate share of the relevant assets and liabilities.

(b) IFRS 7*, Financial Instruments Disclosures*

This standard contains amendments relating to disclosure requirements for the offsetting of financial assets and liabilities when offsetting is permitted under IFRS. Amendments to IFRS 7 required minimal disclosure changes in the Company's financial statements as of March 31, 2013.

(c) IFRS 13, *Fair Value Measurement*:
This new standard provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on April 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at April 1, 2013.

(d) IFRS 19, *Employee benefits*
This standard includes fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Amendments to IFRS 19 required minimal disclosure changes in the Company's financial statements as of March 31, 2013.

(e) IAS 1, *Presentation of Financial Statements*
The Company has adopted the amendments to IAS 1, Presentation of Financial Statements, effective April 1, 2013. These amendments require the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

The condensed consolidated interim financial statements were authorized for issuance on February 14, 2013 by the directors of the Company.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in Canadian dollars.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

(iii) Subsidiaries

The results and financial position of subsidiaries and of the associate that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the period-end exchange rate;
- Income and expenses for each statement of income are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognized in the statement of income as part of the gain or loss on sale.

Cash and cash equivalents

At December 31, 2013, cash and cash equivalents were $68,504,689 comprising cash balances of $20,463,691 (2012: $8,980,006) and term investments together with accrued interest thereon, which are readily convertible to known amounts of cash, of $48,040,998 (2012: $53,732,422).

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
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
Coronado Resources Ltd	Canada	49%	Electricity Generation and Retailing and Mineral Property
Trans Orient Petroleum Limited	Canada	100%	Oil and Gas Exploration
DLJ Management Services Limited	Canada	100%	Inactive

Subsidiaries

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally, but not in all cases, accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated on consolidation.

Where the Company's interest is less than 100%, the interest attributable to outside shareholders is reflected in non-controlling interest. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

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 0.9% and a risk free discount rate of 2.5% 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.

Non oil and gas reserves

Share-based payment reserve

The share-based payment reserve records items recognized as share-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount remains in the reserve.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of subsidiaries that have a functional currency other than the Canadian dollar.

Available for sale marketable securities reserve

The available for sale marketable securities reserve records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the consolidated statement of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. These instruments will be classified into one of the following five categories: fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale or financial liabilities at amortized cost.

i) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are measured at fair value with changes in fair value recognized in net income (loss). Cash and cash equivalents are designated as fair value through profit or loss.

ii) Held-to-maturity

Held-to-maturity investments are measured at amortized cost at the settlement date using the effective interest method of amortization.

iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are measured at amortized cost at the settlement date using the effective interest method of amortization. Accounts receivable and advance are classified as loans and receivables.

iv) Available-for-sale

Available-for-sale financial assets are instruments that are classified in this category or not classified in any other category. They are measured at fair value at the settlement date, with changes in the fair value recognized in other comprehensive income. The Company's investment in equity securities are classified as available-for-sale.

v) Financial liabilities at amortized cost

These financial liabilities are measured at amortized cost at the settlement date using the effective interest method of amortization. Accounts payable and accrued liabilities are classified as financial liabilities at amortized cost.

The Company has financial instruments in the form of equity securities that give rise to other comprehensive income. Instruments are classifieds current if they are assumed to be settled within one year; otherwise they are classified as non-current. The Company will assess at each reporting period whether there is any objective evidence that a financial asset, other than those measured at fair value, is impaired. When assessing impairment, the carrying value of financial assets carried at amortized cost is compared to the present value of estimated future cash flows discounted using the instrument's original effective interest rate.

Hedges

As part of its risk management strategy, the Company uses derivatives to reduce its exposure to commodity price risk. The Company designates certain derivatives as hedges and prepares documentation at the inception of the hedging contract. The Company performs an assessment at inception and during the term of the contract to determine if the derivative used as a hedge is effective in offsetting the risks in the values or cash-flows of the hedged item.

The effective portion of changes in the fair value of cash-flow hedges is recognized in Other Comprehensive Income. Ineffective portions and amounts excluded from effectiveness testing of hedges are included in income. Gains or losses from cash-flow hedges that have been included in accumulated other comprehensive income are included in net income when the underlying transaction has occurred or is likely not to occur.

Exploration and evaluation assets – petroleum and natural gas

All costs directly associated with petroleum and natural gas reserves are initially capitalized. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include costs to acquire acreage and exploration rights, geological and geophysical costs, asset retirement costs, exploration and evaluation drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to net earnings as exploration and evaluation expense.

When an area is determined to be technically feasible and commercially viable and a mining permit is granted, the accumulated costs are transferred to property, plant and equipment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to net earnings as exploration and evaluation expense.

Exploration and evaluation assets – mineral property

The Company capitalizes all costs related to investments in exploration and evaluation assets on a property-by-property basis. Such costs include exploration and evaluation asset acquisition costs and exploration and development expenditures, net of cost recoveries from incidental revenues. Incidental revenues are recognized when the product has been delivered to the buyer’s plant. Costs are deferred until such time as the extent of mineralization has been determined and exploration and evaluation assets are either developed, the interest is sold or the Company's mineral rights are allowed to lapse.

All capitalized costs are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property interest exceeds its net recoverable amount (as estimated by quantifiable evidence of an economic geological resource or reserve or by reference to option or joint venture expenditure commitments) or when, in the Company’s assessment, it will be unable to sell the property interest for an amount greater than the deferred costs, provision is made for the impairment in value.

When it has been determined that a exploration and evaluation asset can be economically developed as a result of establishing proven and probable reserves, costs incurred prospectively to develop the property are capitalized as incurred and will be amortized using the unit-of-production method over the estimated life of the ore body based upon recoverable ounces to be mined from estimated proven and probable reserves.

The Company is still in the exploration stage and commercial production has not yet commenced. Hence, amortization has not been charged in these financial statements. Commercial production occurs when an asset or property is substantially complete and ready for its intended use. Revenues realized on the sale of ore prior to the commencement of commercial production are offset against the accumulated costs incurred on the property to which they relate, with any excess amounts included in operations.

From time to time the Company may acquire or dispose of an exploration and evaluation asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale or option of the Company’s property are recorded as a reduction of the exploration and evaluation asset cost. The Company recognizes in income those costs that are recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Property, plant and equipment

All costs directly associated with the development of petroleum and natural gas reserves are capitalized on an area by area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined through the granting of a mining permit. These costs include proved property acquisitions, development drilling, completion, gathering lines and infrastructure, decommissioning costs and transfers of exploration and evaluation assets. Where development costs related to drilling are incurred in an area, but the associated reserves are not able to be included in the independent reserves evaluation at year end these costs are separately categorized in property, plant and equipment as exploration in progress.

Costs accumulated within each area are depleted using the unit-of-production method based on proved and probable reserves using estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved and probable reserves but do not include exploration in progress costs which will be evaluated for impairment once proved.

For property dispositions, a gain or loss is recognized in net earnings. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in net earnings.

Assets attributable to electricity generation are recorded at cost less accumulated depreciation and depreciation is calculated using the declining-balance method. Corporate assets consist primarily of office equipment and leasehold improvements and are stated at cost less accumulated depreciation. Depreciation of these corporate assets is calculated using the declining-balance method.

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree. Contingent consideration is included at cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, re-measured subsequently through profit and loss. Any direct costs of acquisition are recognized immediately as an expense.

Goodwill is capitalized with any impairment in carrying value being charged to the Consolidated Statement of Comprehensive Income. Where fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the Consolidated Statement of Comprehensive Income on the acquisition date.

Impairment of non-financial assets

The carrying value of the Company's non-financial assets is reviewed at each reporting date for indicators that the carrying value of an asset or CGU may not be recoverable. These indicators include, but are not limited to, extended decreases in prices or margins for oil and gas commodities or products, a significant downward revision in estimated reserves or an upward revision in future development costs. If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount the asset or CGU is written down with an impairment recognized in net earnings.

Exploration and evaluation costs and property, plant and equipment costs are aggregated into CGUs based on their ability to generate largely independent cash flows. The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and its value in use. Fair value less cost to sell is determined to be the amount for which the asset could be sold in an arm's length transaction, less the costs of disposal. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

Goodwill acquired in a business combination is allocated to the CGU that is expected to benefit from the combination. Gains and losses calculated on the disposal of a business include the carrying value of goodwill relating to the business sold. The Company performs its annual test for goodwill impairment at March 31.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or CGU is increased to its revised recoverable amount with an impairment reversal recognized in net earnings. The recoverable amount is limited to the original carrying amount less depletion and depreciation as if no impairment had been recognized for the asset or CGU for prior periods.

Asset retirement obligations

Asset retirement obligations include present obligations where the Company will be required to retire tangible long-lived assets such as producing well sites and facilities. Management has calculated the cost to plug and abandon current wells, dispose of facilities and rehabilitate land based on local regulations. The asset retirement obligations are measured at the present value of the expenditure expected to be incurred using an inflation rate of 0.9% and a risk-free discount rate of 2.5%.The associated asset retirement obligation is capitalized as part of the cost of the related long-lived asset. Changes in the estimated liability resulting from revisions to estimated timing, amount of cash flows, or changes in the discount rate are recognized as a change in the asset retirement obligation and the related decommissioning cost.

Increases in asset retirement obligations resulting from the passage of time are recorded as accretion of asset retirement obligations in the consolidated statement of comprehensive income. Actual expenditures incurred are charged against the asset retirement obligation liability as incurred.

Share-based payments

Obligations for issuance of common shares under the Company's share-based compensation plan are accrued over the vesting period using fair values. Fair values are determined at issuance using the Black-Scholes option-pricing model, taking into account a nominal forfeiture rate, and are recognized as share-based compensation with a corresponding credit to share based payments reserve.

Emission Credits

Emission credits purchased or generated internally are recorded at fair value and included in other current assets. As no active market currently exists, emission credits are recorded at cost.

Contingencies

When a contingency is substantiated by confirming events, can be reliably measured and will likely result in an economic outflow, a liability is recognized in the consolidated financial statements as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

Income tax

Income tax expense is comprised of current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current. Tax on income in periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Revenue

Revenue is recognized when it is probable that the economic benefits will flow to the Company and delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. These criteria are generally met at the time the product is shipped and delivered to the customer and, depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained. Revenue is measured based on the price specified in the sales contract.

Earnings / loss per share

Basic earnings per share ("EPS") is calculated by dividing the net earnings (loss) for the period attributable to equity owners of TAG Oil by the weighted average number of common shares outstanding during the period.

Diluted EPS is not presented when it is anti-dilutive.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. TAG Oil's potentially dilutive common shares comprise share options granted to employees and directors, and warrants.

Future Changes in Accounting Policies

International Financial Reporting Standard 9, *Financial Instruments: Classification and Measurement* ("IFRS 9"), was issued as an amendment in 2011 to provide additional guidance to classification and measurement of the Company's financial assets, but will have an impact on classification and measurement of financial liabilities. Due to the amendment in 2011, this standard is now required to be adopted for periods beginning January 1, 2015. The Company is currently analyzing the impact, if any, that the adoption of this standard will have on its financial statements.

IAS 32: *Offsetting Financial Assets and Financial Liabilities* – In 2011, the IASB issued amendments to IAS32 clarifying the meaning of "currently has a legal enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are required to be adopted for periods beginning January 1, 2014. The Company is currently analyzing the impact, if any, that the adoption of this standard will have on its financial statements.

In May 2013, the IASB released an amendment to IAS 36, "*Impairment of Assets"* . This amendment requires entities to disclose the recoverable amount of impaired Cash Generating Units ("CGU"). The amendment is effective January 1, 2014. Early adoption is permitted.

Note 3 – Advances Receivable

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, 2013	$ 1,268,115	$ 995,498	$ 2,263,613
Less repayments	(1,268,115)	(342,594)	(1,610,709)
Balance at December 31, 2013	-	652,904	652,904
Consisting of:			
Current	-	350,410	350,410
Non-current	$ -	$ 302,494	$ 302,494

	Petra	Rival	Total
Balance at March 31, 2012	$ 2,987,065	$ -	$ 2,987,065
Amounts advanced	-	1,000,000	1,000,000
Amounts repaid	(1,754,139)	(36,775)	(1,790,914)
Deemed interest income	35,189	-	35,189
Foreign exchange movement	-	32,273	32,273
Balance at March 31, 2013	1,268,115	995,498	2,263,613
Consisting of:			
Current	1,268,115	701,300	1,969,415
Non-current	$ -	$ 294,198	$ 294,198

Note 4 – Exploration and Evaluation Assets

Permit Ownership Interest	PEP38748 100%	PEP52181 40%	PEP54873 100%	PEP54876 50%	PEP54877 70%	PEP54879 50%	PEP50940 100%
Cost							
At March 31, 2012	$ -	$ 345,851	$ -	$ -	$ -	$ -	$ 74,484
Capital expenditures	-	103,217	13,271	21,496	21,496	21,496	304,463
Change in ARO	-	-	-	-	-	-	-
Apache re-imbursement	-	-	-	-	-	-	(274,616)
Foreign exchange movement	-	18,027	586	948	948	948	17,478
At March 31, 2013	-	467,095	13,857	22,444	22,444	22,444	121,809
Capital expenditures	5,871,755	344,189	1,680,347	109,105	7,305,830	346,350	211,546
Mineral property assets acquired	-	-	-	-	-	-	-
Write-off oil and gas properties	-	-	-	-	-	-	(300,423)
Transfer from P,P&E	-	-	-	-	-	-	-
Change in ARO	-	-	-	-	884,290	-	-
Foreign exchange movement	63,324	25,053	58,395	4,400	283,353	12,589	(32,932)
At December 31, 2013	$ 5,935,079	$ 836,337	$1,752,599	$ 135,949	$ 8,495,917	$ 381,383	$ -
Net book value							
March 31, 2013	$ -	$ 467,095	$ 13,857	$ 22,444	$ 22,444	$ 22,444	$ 121,809
December 31, 2013	**$ 5,935,079**	**$ 836,337**	**$1,752,599**	**$ 135,949**	**$ 8,495,917**	**$ 381,383**	**$ -**

Permit Ownership Interest	PEP38348 100%	PEP38349 100%	PEP52676 100%	PEP53674 100%	PEP52589 100%	Madison 100%	Cardiff 100%	TOTAL
Cost								
At March 31, 2012	$ 1,202,455	$ 635,084	$ -	$ -	$ -	$ -	$ -	$ 2,257,874
Capital expenditures	723,629	546,112	793,500	793,500	1,786,376	-	-	5,128,556
Change in ARO	4,411	124,470	-	-	-	-	-	128,881
Apache re-imbursement	(1,919,088)	(1,202,528)	-	-	-	-	-	(3,396,232)
Foreign exchange movement	(7,826)	28,935	35,046	35,046	78,898	-	-	209,034
At March 31, 2013	3,581	132,073	828,546	828,546	1,865,274	-	-	4,328,113
Capital expenditures	425,642	5,508,645	55,582	91,922	635,201	(451,579)	18,709,719	40,844,254
Mineral property assets acquired	-	-	-	-	-	2,684,543	-	2,684,543
Write-off oil and gas properties	-	-	(847,368)	-	-		-	(1,147,791)
Change in ARO	-	253,770	-	-	-	-	-	1,138,060
Foreign exchange movement	37,951	210,897	(36,760)	26,537	74,525	-	721,055	1,448,387
At December 31, 2013	$ 467,174	$ 6,105,385	$ -	$ 947,005	$ 2,575,000	$ 2,232,964	$19,430,774	$49,295,566
Net book value								
March 31, 2013	$ 3,581	$ 132,073	$ 828,546	$ 828,546	$ 1,865,274	$ -	$ -	$ 4,328,113
December 31, 2013	**$ 467,174**	**$ 6,105,385**	**$ -**	**$ 947,005**	**$ 2,575,000**	**$ 2,232,964**	**$19,430,774**	**$49,295,566**

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.

On July 23, 2013 and July 12, 2013, the Company relinquished PEP50940 and PEP 52676 respectively and has subsequently written off the costs associated with these permits.

Note 5 – Property, Plant and Equipment

	Proven Oil and Gas Property PMP 38156	Proven Oil & Gas Property PMP 53803	Opunake Hydro Limited	Madison mine	Office Equipment and leasehold improvements	Total
Cost						
At March 31, 2012	$ 50,989,122	$ 29,913,776	$ -	$ -	$ 1,370,258	$ 82,273,156
Capital expenditures	58,545,867	5,126,954	-	-	178,236	63,851,057
Exploration in progress	-	5,484,738	-	-	-	5,484,738
Impairment	-	(13,074,069)	-	-	-	(13,074,069)
Transfer on acquisition	-	-	475,848	-	-	475,848
Change in ARO	(1,603,076)	-	-	-	-	(1,603,076)
Foreign exchange movement	4,479,033	3,069,724	13,503	-	28,948	7,591,208
At March 31, 2013	112,410,946	30,521,123	489,351	-	1,577,442	144,998,862
Capital expenditures	2,241,974	(133,660)	401,812	-	147,737	2,657,863
Transfer on acquisition	-	-	3,775,004	663,480	46,813	4,485,297
Change in ARO	(398,408)	-	-	-	-	(398,408)
Foreign exchange movement	3,070,934	995,410	(13,434)	-	26,345	4,079,255
At December 31, 2013	$ 117,325,446	$ 31,382,873	$ 4,652,733	$ 663,480	$ 1,798,337	$ 155,822,869
Accumulated depletion and depreciation						
At March 31, 2012	$ (12,338,740)	$ (573,996)	$ -	$ -	$ (834,422)	$ (13,747,158)
Depletion and depreciation	(4,225,586)	(7,291,466)	(6,668)	-	(136,889)	(11,660,609)
Foreign exchange movement	(597,873)	(344,389)	(295)	-	(14,564)	(957,121)
At March 31, 2013	(17,162,199)	(8,209,851)	(6,963)	-	(985,875)	(26,364,888)
Depletion and depreciation	(7,185,203)	(2,760,727)	(456,035)	(13,213)	(124,220)	(10,539,398)
Foreign exchange movement	(644,632)	(326,807)	295	-	(13,798)	(984,942)
At December 31, 2013	$ (24,992,034)	$ (11,297,385)	$ (462,703)	$ (13,213)	$ (1,123,893)	$ (37,889,228)
Net book value						
March 31, 2013	$ 95,248,747	$ 22,311,272	$ 482,388	$ -	$ 591,567	$ 118,633,974
December 31, 2013	**$ 92,333,412**	**$ 20,085,488**	**$ 4,190,030**	**$ 650,267**	**$ 674,444**	**$ 117,933,641**

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.

Note 6 – Opunake Hydro Limited (“OHL”) and Coronado Resources Ltd. (“Coronado”)

On February 8, 2013, TAG Oil (NZ) Limited (“TAG NZ”) acquired 90% of the share capital of OHL. OHL is engaged in the generation and retailing of electricity in New Zealand.

On September 28, 2013, the Company completed the sale of its 90% interest in OHL to Coronado in exchange for 13,015,410 common shares of Coronado at CDN$0.28 per share. Prior to September 30, 2013, the Company held 25,975,000 common shares, or 40.08%, of Coronado. After completion of the sale, and as at September 30, 2013, the Company holds 38,990,410 common shares, or 49.18%.

Sale of OHL:

	September 28, 2013
Share consideration	$ 3,644,315
Less:	
Net assets	(4,379,842)
Loss on sale of subsidiary	**$ (735,527)**

As a result of the additional common shares acquired on September 28, 2013, the Company determined that it had now obtained control of Coronado. Thus, the Company began consolidating Coronado as a business combination achieved in stages.

The purchase price consideration is as follows:

	September 28, 2013
Value of 13,015,410 common shares of Coronado	$ 3,644,315
Investment in Coronado prior to transaction	3,317,569
	$ 6,961,884

The purchase price allocation is as follows:

	September 28, 2013
Current assets	$ 7,653,629
Property, plant and equipment	4,524,097
Exploration and evaluation assets	2,684,543
	14,862,269
Less liabilities assumed:	
Current liabilities	654,343
	14,207,926
Non-controlling interest	7,246,042
	$ 6,961,884

Note 7 – Investments

a) Marketable Securities

	December 31, 2013		March 31, 2013	
	Number of Shares Held	Market Value	Number of Shares Held	Market Value
Marketable securities available for sale	1,309,477	$ 156,799	1,343,431	$ 197,045

b) Investment in Associated Company

On September 28, 2013, the Company increased its interest in Coronado from 25,975,000 common shares, or 40.08% to 38,990,410 common shares, or 49.18% and is now consolidated as at September 30, 2013. Refer to note 6.

Note 8 – 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:

	2013	2012
Share-based compensation	$ 1,100,354	$ 3,087,490
Management wages and director fees	1,163,190	1,425,145
Total management compensation	$ 2,263,544	$ 4,512,635

Note 9 – Asset Retirement Obligations

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 following is a continuity of asset retirement obligations for the nine months ended December 31, 2012:

Balance at March 31, 2012	$ 4,375,718
Revaluation of ARO	329,337
Accretion expense	98,062
Foreign exchange movement	400,584
Balance at December 31, 2012	$ 5,203,701

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 $5,444,019 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.

During the period, the Company reduced the asset retirement obligations for the Sidewinder permit as the salvage value of facilities exceeds the retirement obligation for the field abandonment costs. 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 2.5%.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 10 – 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, 2013.

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.

During the nine months ended December 31, 2013, the Company purchased and cancelled 817,000 common shares under normal course issuer bids at an average weighted price of $3.40 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.

The following is a continuity of outstanding share options:

	Number of Options	Weighted Average Exercise Price
Balance at March 31, 2012	2,526,429	$ 5.76
Granted during the year	1,545,000	6.53
Exercised during the year	(208,332)	3.47
Expired during the year	(83,334)	6.62
Balance at March 31, 2013	3,779,763	$ 6.18
Granted during the year	75,000	5.00
Exercised during the period	(71,429)	2.34
Expired during the year	(100,000)	7.15
Balance at December 31, 2013	3,683,334	$ 6.21

(1) Certain outstanding options are denominated in US dollars and have been converted to Canadian dollars using the year-end closing exchange rate of the year of grant.

The following summarizes information about share options that are outstanding at December 31, 2013:

Number of Shares	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
83,000	$1.25	0.02	October 28, 2014	83,000
290,334	$2.60	0.13	September 9, 2015	290,334
965,000	$7.15	0.55	February 8, 2016	965,000
500,000	$6.15	0.34	July 5, 2016	500,000
225,000	$7.00	0.18	December 20, 2016	225,000
1,270,000	$6.70	1.24	August 8, 2017	846,667
50,000	$6.47	0.05	September 12, 2017	33,333
75,000	$6.66	0.08	September 19, 2017	50,000
150,000	$5.00	0.17	February 21, 2018	50,000
75,000	$5.00	0.10	November 30, 2018	-
3,683,334		2.86		3,043,334

During the nine months ended December 31, 2013, 71,429 share options were exercised for $167,297. The weighted average share price for the period of exercised options was $3.00.

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 61% and a risk free interest rate of 2.75% 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) **Income per share**

Basic weighted average shares outstanding for the nine months ended December 31, 2013 was 60,234,240 (2012: 58,320,676) and for the three months ended December 31, 2013 was 62,023,887 (2012: 55,211,635). Diluted weighted average shares outstanding for the nine months ended December 31, 2013 was 60,607,574 (2012: 62,015,439) and three months ended December 31, 2013 was 62,397,221 (2012: 62,817,388). 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 11 – Accumulated Other Comprehensive Income (Loss)

	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

	Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2012	$ 2,712,156
Unrealized loss on available for sale investments	(107,418)
Cumulative translation adjustment	1,226,088
Balance at December 31, 2012	$ 3,830,826

Note 12 – 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 13 – 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, 2013 and did not provide for any doubtful accounts. During the period ended December 31, 2013, the Company was required to write-off $Nil (2012 – $Nil). As at December 31, 2013, 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 work 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 cash balance at December 31, 2013 of $68.4 million (March 31, 2013: $68.9 million), the Company's liquidity risk is assessed as low. As at December 31, 2013 the Company's financial liabilities including accounts payable and accrued liabilities of $14.9 million (March 31, 2013: $16.1 million).

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.

The Company did not have any commodity price contracts in place as at or during the period ended December 31, 2013.

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, 2013 and any variations in interest rates would not have materially affected net income.

g) Fair Value of Financial Instruments

The Company's financial instruments included cash and cash equivalents, receivables, investments and accounts payable and accrued liabilities. The fair value of the financial instruments with exception of the Company's investments, approximate their carrying amounts due to their short terms to maturity. The Company's investments are at fair value as they are recorded at market value at December 31, 2013.

The Company's financial assets measured at fair value as at December 31, 2013 and March 31, 2013 are as follows:

	Fair Value Level	**As at December 31, 2013**		**As at March 31, 2013**	
		Fair value through profit or loss	Available for sale at fair value	Fair value through profit or loss	Available for sale at fair value
Financial assets:					
Cash and cash equivalents	1	$ 68,504,689	$ -	$ 68,931,018	$ -
Restricted cash	1	208,106	-	64,636	-
Investments	1	-	156,799	-	197,045
		$ 68,712,795	$ 156,799	$ 68,995,654	$ 197,045

Note 14 – Commitments

The Company has the following commitments for Capital Expenditure at December 31, 2013:

Contractual Obligations	Total $	Less than One Year $	More than One Year $
Long term debt	-	-	-
Operating leases (1)	838,322	362,786	475,536
Other long-term obligations (2)	70,585,000	51,481,000	19,104,000
Total Contractual Obligations (3)	71,423,322	51,843,786	19,579,536

(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 15 – 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	$ -	$ 43,522,224	$ -	$ 43,522,224
Total non-current assets	$ 438,631	$ 164,189,856	$ 3,268,129	$ 167,896,606

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	$ 40,658,568	$ 2,863,656	$ -	$ 43,522,224
Profit (Loss)	$ 8,975,528	$ 107,769	$ (179,728)	$ 8,903,569
Total Assets	$ 237,629,022	$ 5,814,994	$ 10,629,539	$ 254,073,555
Total Liabilities	$ 19,287,445	$ 2,863,656	$ 15,835	$ 19,619,864

During the nine month period ended December 31, 2013 and subsequent to the last annual Financial Statements of March 31, 2013 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.

Note 16 – Subsequent Event

Subsequent to December 31, 2013, the Company purchased and cancelled 85,000 common shares under its normal course issuer bids at an average weighted price of $3.29 per common share.