

Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2017
and
March 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TAG Oil Ltd.

We have audited the accompanying consolidated financial statements of TAG Oil Ltd., which comprise the consolidated statements of financial position as at March 31, 2017 and 2016 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TAG Oil Ltd. as at March 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

"De Visser Gray LLP"

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
June 28, 2017

Consolidated Statements of Financial Position
Expressed in Canadian Dollars

As at March 31,	2017	2016
Assets		
Current:		
Cash and cash equivalents	\$ 21,564,654	\$ 16,846,272
Amounts receivable and prepaids	5,901,747	3,387,250
Advances receivable	92,784	224,738
Inventory	5,239,187	5,380,394
Shares receivable	54,812	-
	32,853,184	25,838,654
Non-Current:		
Advances receivable	-	71,630
Exploration and evaluation assets (Note 3)	13,454,930	7,291,078
Investments (Note 5)	58,796	51,140
Property, plant and equipment (Note 4)	99,183,801	62,509,594
Restricted cash	262,491	205,066
Shares receivable	51,423	-
	\$ 145,864,625	\$ 95,967,162
Liabilities and Shareholders' Equity		
Current:		
Accounts payable and accrued liabilities	\$ 6,309,993	\$ 3,022,774
Asset retirement obligations (Note 7)	127,618	705,902
Current portion of agreement for purchase (Note 3)	508,700	-
	6,946,311	3,728,676
Non-Current:		
Asset retirement obligations (Note 7)	14,836,097	12,228,619
Long-term portion of agreement for purchase (Note 3)	1,271,750	-
	23,054,158	15,957,295
Share capital (Note 8(a))	244,169,454	230,414,254
Share-based payment reserve (Note 8(b))	20,226,202	19,282,218
Foreign currency translation	17,117,040	14,310,466
Available for sale marketable securities	25,849	(582,274)
Deficit	(160,471,809)	(186,946,857)
Equity attributable to owners of the Company	121,066,736	76,477,807
Non-controlling interests	1,743,731	3,532,060
	122,810,467	80,009,867
	\$ 145,864,625	\$ 95,967,162

Nature of operations (Note 1)

Commitments (Note 13)

Subsequent event (Note 16)

See accompanying notes.

Approved by the Board of Directors:

"Toby Pierce"

Toby Pierce, Director

"Ken Vidalin"

Ken Vidalin, Director

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

For the years ended March 31,	2017	2016
Revenues and Costs		
Production revenue	\$ 23,340,949	\$ 24,809,530
Production costs	(8,431,768)	(8,237,910)
Royalties	(2,358,719)	(2,238,822)
Transportation and storage costs	(2,949,747)	(3,705,981)
	9,600,715	10,626,817
Expenses		
Consulting and directors' fees	1,117,670	911,803
Depletion, depreciation and accretion	8,734,033	13,676,537
Filing, listing and transfer agent	134,229	230,263
Foreign exchange	205,880	(777,034)
Insurance	126,547	112,037
Interest and other income	(222,467)	(303,323)
Office and administration	824,712	621,308
Overhead recoveries	(148,934)	(132,033)
Professional fees	442,707	589,712
Rent	306,200	334,445
Reports	145,057	78,408
Share-based compensation	943,984	2,003,781
Shareholder relations and communications	741,882	734,020
Travel	439,308	561,103
Wages and salaries	1,791,728	2,597,565
	(15,582,536)	(21,238,592)
Other Items		
Exploration and evaluation impairment (Note 3)	(174,035)	(8,658,350)
Exploration expense	(121,853)	(577,424)
Forgiveness of debt	(64,512)	-
Impairment of investments	(600,467)	-
Loss on disposal of asset	(26,346)	-
Loss on sale of exploration and evaluation assets	(2,694,833)	-
Loss on sale of property and equipment	(543,983)	(304,069)
Property, plant and equipment impairment reversal (impairment) (Note 4)	35,039,882	(59,287,290)
Write-off of inventory	(145,313)	-
	30,668,540	(68,827,133)
Net income (loss) from continuing operations	24,686,719	(79,438,908)
Net loss from discontinued operations (Note 14(a))	-	(5,165,898)
Net income (loss) for the year	24,686,719	(84,604,806)
Other comprehensive income (loss) (Note 9)		
Cumulative translation adjustment	2,806,574	(11,156,774)
Change in available for sale assets:		
Investments	608,123	4,558
Comprehensive income (loss) for the year	\$ 28,101,416	\$ (95,757,022)
Earnings (loss) per share – basic (Note 8(d))	\$ 0.39	\$ (1.36)
Earnings (loss) per share – diluted (Note 8(d))	\$ 0.38	\$ (1.36)

See accompanying notes.

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

For the years ended March 31,	2017	2016
Net income (loss) attributable to:		
Owners of the Company	\$ 26,475,048	\$ (81,618,620)
Non-controlling interests	(1,788,329)	(2,986,186)
Net income (loss) for the year	\$ 24,686,719	\$ (84,604,806)
Net comprehensive income (loss) attributable to:		
Owners of the Company	\$ 29,889,745	\$ (92,770,836)
Non-controlling interests	(1,788,329)	(2,986,186)
Total comprehensive income (loss) for the year	\$ 28,101,416	\$ (95,757,022)

See accompanying notes.

Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

For the years ended March 31,	2017	2016
Operating Activities		
Net income (loss) for the year	\$ 24,686,719	\$ (84,604,806)
Changes for non-cash operating items:		
Depletion, depreciation and accretion	8,734,033	13,676,537
Exploration and evaluation impairment	174,036	8,658,350
Exploration expense	121,852	-
Forgiveness of debt	64,512	-
Impairment of investments	600,467	-
Interest and foreign exchange on restricted cash	(1,102)	(1,818)
Loss on discontinued operations	-	5,165,898
Loss on disposal of asset	26,346	-
Loss on sale of exploration and evaluation assets	2,694,833	-
Loss on sale of property and equipment	543,983	304,069
Property, plant and equipment (impairment reversal) impairment	(35,039,882)	59,287,290
Share-based compensation	943,984	2,003,781
Write-off of inventory	145,313	-
	3,695,094	4,489,301
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	(2,579,009)	2,539,483
Accounts payable and accrued liabilities	350,535	2,672,568
Inventory	(4,106)	(52,473)
Cash provided by operating activities	1,462,514	9,648,879
Financing Activities		
Shares purchased and returned to treasury	-	(160,627)
Short form prospectus – net of share issue costs	13,755,200	-
Cash provided by (used in) financing activities	13,755,200	(160,627)
Investing Activities		
Cash of subsidiary sold	-	(445,027)
Exploration and evaluation assets	(3,680,824)	(4,771,355)
Proceeds on sale of asset	250,000	2,017,653
Property and equipment	(7,214,952)	(16,208,136)
Repayment (payment) of advance receivable	203,584	(296,368)
Cash (restricted) redeemed	(57,140)	6,137
Cash used in investing activities	(10,499,332)	(19,697,096)
Net increase (decrease) in cash and cash equivalents during the year	4,718,382	(10,208,844)
Cash and cash equivalents – beginning of the year	16,846,272	27,055,116
Cash and cash equivalents – end of the year	\$ 21,564,654	\$ 16,846,272
Supplementary disclosures:		
<i>Interest received</i>	\$ 83,825	\$ 154,454
<i>Cash</i>	\$ 16,623,416	\$ 6,147,270
<i>Cash equivalents</i>	4,941,238	10,699,002
	\$ 21,564,654	\$ 16,846,272

Non-cash investing activities:

The Company incurred \$4,884,903 in exploration and evaluation expenditures which were in accounts payable at March 31, 2017 (March 31, 2016: \$315,276). The Company incurred \$608,744 in property and equipment additions which were in accounts payable at March 31, 2017 (March 31, 2016: \$461,237).

See accompanying notes.

Consolidated Statements of Changes in Equity
Expressed in Canadian Dollars

	Number of Shares (Note 8)	Share Capital (Note 8)	Reserves				Deficit	Total	Non- Controlling Interest	Total Equity
			Share-Based Payments	Foreign Currency Translation	Available for Sale Marketable Securities					
Balance at March 31, 2015	62,361,452	\$230,574,881	\$ 17,278,437	\$ 25,467,240	\$ (586,832)	\$(105,328,237)	\$167,405,489	\$ 6,518,246	\$173,923,735	
Repurchase shares	(149,200)	(160,627)	-	-	-	-	(160,627)	-	(160,627)	
Share-based payments	-	-	2,003,781	-	-	-	2,003,781	-	2,003,781	
Currency translation adjustment	-	-	-	(11,156,774)	-	-	(11,156,774)	-	(11,156,774)	
Unrealized loss on available-for-sale investments	-	-	-	-	4,558	-	4,558	-	4,558	
Net loss for the year	-	-	-	-	-	(81,618,620)	(81,618,620)	(2,986,186)	(84,604,806)	
Balance at March 31, 2016	62,212,252	\$230,414,254	\$ 19,282,218	\$ 14,310,466	\$ (582,274)	\$(186,946,857)	\$ 76,477,807	\$ 3,532,060	\$ 80,009,867	
Short form prospectus – net of share issue costs	23,070,000	13,755,200	-	-	-	-	13,755,200	-	13,755,200	
Share-based payments	-	-	943,984	-	-	-	943,984	-	943,984	
Currency translation adjustment	-	-	-	2,806,574	-	-	2,806,574	-	2,806,574	
Impairment of investments	-	-	-	-	582,273	-	582,273	-	582,273	
Unrealized loss on available-for-sale investments	-	-	-	-	25,850	-	25,850	-	25,850	
Net income (loss) for the year	-	-	-	-	-	26,475,048	26,475,048	(1,788,329)	24,686,719	
Balance at March 31, 2017	85,282,252	\$244,169,454	\$ 20,226,202	\$ 17,117,040	\$ 25,849	\$(160,471,809)	\$121,066,736	\$ 1,743,731	\$122,810,467	

See accompanying notes.

Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2017 and 2016
Expressed in Canadian Dollars

Note 1 – Nature of Operations

TAG Oil Ltd. (the “Company” or “TAG”) is a publicly listed issuer that is incorporated under the Business Corporations Act (British Columbia), with a focus on oil and gas exploration, development and production from its international properties that are situated in New Zealand and Australia.

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

During the year ended March 31, 2017, Coronado Resources Ltd. (“Coronado”), a subsidiary of the Company, sold its copper and gold mining property, and related assets, located in Silverstar, Montana (the “Madison Property”) (see Note 4). During the year ended March 31, 2016, Coronado sold its electrical generation and sales business (see Note 14). As such, these financial statements reflect the electrical generation and sales business as discontinued operations. On May 25, 2017, TAG distributed the Coronado common shares (the “Coronado Shares”) that it held to its shareholders of record (see Note 16).

Note 2 – Significant Accounting Policies and Basis of Presentation

Basis of Presentation and Statement of Compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance and comply with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements were authorized for issuance on June 29, 2017 by the directors of the Company.

Basis of Consolidation

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

The Company’s subsidiaries are:

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Cypress Petroleum Pty Ltd.	Australia	100%	Oil and Gas Exploration
Cheal Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
CX Oil Limited	New Zealand	100%	Oil and Gas Exploration
Orient Petroleum (NZ) Limited	New Zealand	100%	Oil and Gas Exploration
Stone Oil Limited	New Zealand	100%	Oil and Gas Exploration
TAG Oil (NZ) Limited	New Zealand	100%	Oil and Gas Exploration
TAG Oil (Offshore) Limited	New Zealand	100%	Oil and Gas Exploration
Trans-Orient Petroleum Ltd.	Canada	100%	Oil and Gas Exploration
Coronado Resources Ltd.	Canada	49%	Holding Company
Lynx Clean Power Corp.	Canada	49%	Holding Company
Lynx Gold Corp.	Canada	49%	Holding Company
Lynx Petroleum Ltd.	Canada	49%	Holding Company
Coronado Resources USA LLC	USA	49%	Holding 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 which 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

Cash and cash equivalents are comprised of cash on hand, deposits in banks and highly liquid investments having terms to maturity of 365 days or less when acquired and have immediate redemption options.

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 programs. The net present value uses a discount rate of 10% and costs are determined on the anticipated exploration program, forecast oil prices and contractual price of natural gas along with forecast operating and decommissioned costs (see Note 4).

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 (sold during the year) 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 1.74% and a risk-free discount rate ranging from 3.00% to 4.36% 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 rate 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 and are 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 classified 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.

Derivative Financial Instruments

The Company does not hold derivative financial instruments to hedge its commodity price risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are recognized initially at fair value; any directly attributable transaction costs are recognized in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

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 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 impairment.

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 (sold during the previous year) are recorded at cost less accumulated depreciation and depreciation is calculated using the declining-balance method and units of production 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.

Joint Venture Activities and Joint Controlled Operations

Joint control is defined as the contractually agreed sharing of control over an economic activity, and exists only when the strategic, financial and operating decisions essential to the relevant activities require the unanimous consent of the parties sharing control. When the Company enters into agreements that provide for specific percentage interests in exploration properties, a portion of the Company's exploration activities is conducted jointly with others, without establishment of a corporation, partnership or other entity.

Under IFRS 11 "Joint Arrangements", this type of joint control of exploration assets and joint exploration and/or development activities is considered as a joint operation, which is defined as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. In these Financial Statements, the Company recognizes the following in relation to its interests in joint operations:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

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.

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 1.74% and a risk free discount rate ranging from 3.00% to 4.36%. 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.

Contingencies

When a contingency is substantiated by confirming events, it 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 (loss) per share ("EPS") is calculated by dividing the net earnings (loss) for the year attributable to equity owners of TAG Oil by the weighted average number of common shares outstanding during the year.

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's potentially dilutive common shares comprise share options, granted to employees and directors, and warrants.

Discontinued operations

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

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

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

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

Future changes in accounting policies

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee, but not yet effective as at March 31, 2017. The Company intends to adopt these standards and interpretations when they become effective. Pronouncements that are not applicable to the Company have been excluded from those described below.

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

- IFRS 9, Financial Instruments, Classification and Measurement.

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

Note 3 – Exploration and Evaluation Assets

Permit	PEP54879	PEP57063	PEP57065	PEP55769	PEP51153	PEP54876 / PEP54877	PEP38348 / 38748 / 55770
Ownership Interest	50%	100%	100%	100%	70%	70%	100%
Cost							
At March 31, 2015	\$ 4,013,064	\$ -	\$ -	\$ 279,006	\$ -	\$10,134,664	\$ 2,141,234
Capital expenditures	224,131	14,280	1,702	104,706	-	-	128,023
Transfer to PP&E	-	-	-	-	-	(9,865,127)	-
Transfer to inventory	-	-	-	-	-	-	-
Write-off oil and gas properties/other	-	-	-	-	-	-	(1,925,297)
Addition (reduction) in ARO	-	-	-	-	-	584,023	(206,586)
Foreign exchange movement	(216,019)	-	-	(15,018)	-	(853,560)	(137,374)
At March 31, 2016	4,021,176	14,280	1,702	368,694	-	-	-
Capital expenditures	655,485	50,341	3,564,374	30,539	700,974	4,608	-
Write-off oil and gas properties	-	(65,169)	-	-	-	(4,608)	(18,117)
Addition in ARO	-	-	-	-	1,086,683	-	18,117
Proceeds on sale of asset	-	-	-	-	-	-	-
Loss on sale of asset	-	-	-	-	-	-	-
Foreign exchange movement	154,455	548	66	(2,333)	-	-	-
At March 31, 2017	\$ 4,831,116	\$ -	\$3,566,142	\$ 396,900	\$ 1,787,657	\$ -	\$ -
Net book value							
March 31, 2016	\$ 4,021,176	\$ 14,280	\$ 1,702	\$ 368,694	\$ -	\$ -	\$ -
March 31, 2017	\$ 4,831,116	\$ -	\$3,566,142	\$ 396,900	\$ 1,787,657	\$ -	\$ -

Permit	PEP52181	PEP38349	PEP52589	Cardiff	PL17 Cypress	Madison / Other	TOTAL
Ownership Interest	40%	100%	100%	100%	100%	100%	
Cost							
At March 31, 2015	\$ 3,694,472	\$ -	\$ 2,885,679	\$ -	\$ -	\$ 2,931,161	\$ 26,079,280
Capital expenditures	909,512	-	8,690	-	-	476,713	1,867,757
Transfer to PP&E	-	-	-	-	-	-	(9,865,127)
Transfer to inventory	(799,704)	-	-	-	-	-	(799,704)
Write-off oil and gas properties	(3,564,466)	103,363	(2,707,929)	(175,577)	-	(388,444)	(8,658,350)
Addition (reduction) in ARO	-	(104,550)	-	177,594	-	-	450,481
Foreign exchange movement	(239,814)	1,187	(186,440)	(2,017)	-	(134,204)	(1,783,259)
At March 31, 2016	-	-	-	-	-	2,885,226	7,291,078
Capital expenditures	86,438	-	-	274,495	2,598,620	164,437	8,130,311
Write-off oil and gas properties	(86,141)	-	-	-	-	-	(174,035)
Addition in ARO	-	-	-	-	-	-	1,104,800
Proceeds on sale of asset	-	-	-	-	-	(354,830)	(354,830)
Loss on sale of asset	-	-	-	-	-	(2,694,833)	(2,694,833)
Foreign exchange movement	(297)	-	-	-	-	-	152,439
At March 31, 2017	\$ -	\$ -	\$ -	\$ 274,495	\$ 2,598,620	\$ -	\$13,454,930
Net book value							
March 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,885,226	\$ 7,291,078
March 31, 2017	\$ -	\$ -	\$ -	\$ 274,495	\$ 2,598,620	\$ -	\$13,454,930

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

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

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

- 1) AUD\$750,000 (less the AUD\$40,000 non-refundable deposit already paid) payable in cash on the closing date (paid);
- 2) AUD\$500,000 payable in cash on July 20, 2017;
- 3) AUD\$500,000 payable, at the sole discretion of Cypress, in cash or shares of the Company, on the second anniversary of the closing date; and
- 4) AUD\$750,000 payable, at the sole discretion of Cypress, in cash or shares of the Company, on the third anniversary of the closing date.

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

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

On July 27, 2015, Lynx Platinum Limited, a subsidiary of Coronado, was given notice that the surrender of all permits on the Platinum property had been granted and therefore all costs associated with the property were written-off as at March 31, 2016.

Note 4 – Property, Plant and Equipment

	Proven Oil and Gas Property PMP 38156/ PEP54877	Proven Oil and Gas Property PMP 53803	Proven Oil and Gas Property PL17	Opunake Hydro Limited	Madison Mine	Office Equipment and Leasehold Improvements	Total
Cost							
At March 31, 2015	\$ 156,824,556	\$ 23,408,851	\$ -	\$ 7,819,859	\$ 663,480	\$ 2,292,919	\$ 191,009,665
Capital expenditures	9,247,836	-	-	660,815	-	19,811	9,928,462
Transfer from E&E	9,865,127	-	-	-	-	-	9,865,127
Addition (reduction) in ARO	(365,299)	21,214	-	-	-	-	(344,085)
Sale of assets	-	(1,149,697)	-	(8,059,738)	-	-	(9,209,435)
Impairment	(59,287,290)	-	-	-	-	-	(59,287,290)
Foreign exchange movement	(8,814,711)	(1,260,078)	-	(420,936)	-	(70,355)	(10,566,080)
At March 31, 2016	107,470,219	21,020,290	-	-	663,480	2,242,375	131,396,364
Capital expenditures	5,745,942	1,247,926	402,891	-	-	45,667	7,442,426
Addition (reduction) in ARO	137,509	261,794	121,166	-	-	-	520,469
Sale of assets	-	-	-	-	(663,480)	(324,335)	(987,815)
Impairment reversal	33,008,015	2,031,867	-	-	-	-	35,039,882
Foreign exchange movement	4,191,772	811,302	-	-	-	(92,534)	4,910,540
At March 31, 2017	\$ 150,553,457	\$ 25,373,179	\$ 524,057	\$ -	\$ -	\$ 1,871,173	\$ 178,321,866
Accumulated depletion and depreciation							
At March 31, 2015	\$ (43,452,675)	\$ (13,555,116)	\$ -	\$ (578,789)	\$ (93,545)	\$ (1,428,778)	\$ (59,108,903)
Depletion and depreciation	(12,898,669)	(385,153)	-	-	(39,231)	(141,633)	(13,464,686)
Sale of assets	-	-	-	547,633	-	-	547,633
Foreign exchange movement	2,339,020	729,660	-	31,156	-	39,350	3,139,186
At March 31, 2016	(54,012,324)	(13,210,609)	-	-	(132,776)	(1,531,061)	(68,886,770)
Depletion and depreciation	(7,625,143)	(354,520)	-	-	(28,647)	(288,269)	(8,296,579)
Sale of assets	-	-	-	-	161,423	282,409	443,832
Foreign exchange movement	(2,074,622)	(507,422)	-	-	-	183,496	(2,398,548)
At March 31, 2017	\$ (63,712,089)	\$ (14,072,551)	\$ -	\$ -	\$ -	\$ (1,353,425)	\$ (79,138,065)
Net book value							
March 31, 2016	\$ 53,457,895	\$ 7,809,681	\$ -	\$ -	\$ 530,704	\$ 711,314	\$ 62,509,594
March 31, 2017	\$ 86,841,368	\$ 11,300,628	\$ 524,057	\$ -	\$ -	\$ 517,748	\$ 99,183,801

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

Cash generating units – impairments and reversals

An impairment reversal of \$35.0 million (2016: \$59.3 million impairment) has been recognized during the year as the value of proved and probable reserves was higher than the carrying value of the production asset.

The Group's Oil & Gas Production Assets were assessed for impairment against the proved and probable reserves within the Group's producing fields. The valuation was completed by ERC Equipoise, on March 31, 2017. Oil reserves were estimated volumetrically using volumetric data from Petrel model and net pay thicknesses based on well logs and seismic interpretation. The valuation determined that the Net Present Value of Oil and Gas Reserves at a discount rate of 10% are \$82.1 million (2016: \$45.8 million); together with production facilities and restoration assets the oil and gas production assets net book value is \$99.2 million (2016: \$62.5 million).

Proved reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Probable reserves are defined as those which have a better than 50% chance of being technically and economically recoverable.

Oil and gas reserves cannot be measured exactly since estimation of reserves involves substantial judgement. All estimates are therefore subject to revision.

Reserves

2P Reserves			
2016 Total Estimated Reserves (Mboe)	2017 Actual Production (Mboe)	2017 Total Estimated Reserves (Mboe)	Increase / (Decrease) in Estimated Reserves (Mboe)
3,620	(421)	4,143	946

Net 2P reserves estimates within the Taranaki Basin at March 31, 2017 were 4,143 Mboe compared to fiscal year 2016 2P reserves of 3,620 Mboe. Taking into account the 421 Mboe the Company produced over the 12-month period and the 946 Mboe increase for technical revisions and economic factors, the Company's reserves increased by 14%. This is primarily due to improved recovery and reclassification from no reserves assigned ("NRA") category:

- This is predominately from the inclusion of waterflood volumes, as TAG Oil has commenced injection into the Cheal-B3 wellbore, and has recently converted the Cheal-A2 wellbore to an injector. These waterflood conversions will provide pressure support to the Cheal A and B-Sites, and are expected to increase the overall Cheal Permit recovery by 5% and 10% respectively for the proven plus probable volumes. Additional behind pipe pay opportunities have also been assigned reserves that were not previously included, which consist of recompletions in the Urenui formation on the Cheal-A11, A7 and B7 wells.
- The technical revisions increased the gross proved volumes due to revisions to the production profiles and the inclusion of reserves from the Cheal-E2, E5 and E6 wells, which had previously been classified as NRA due to operational issues. The Cheal-E5 well is back on production, and TAG Oil has development plans to bring the Cheal-E2 and E6 wells back on line in the near term.
- Due to revisions to the production profiles and geological modelling, the probable volumes decreased for the Cheal-A3X, B3, B6 and B8 wells. The infill locations for the Cheal-BP, BQ and BR well locations have also been reduced as lower recovered volumes have been assigned due to the depletion of the Cheal B-Site.
- The workover and recompletion of the Sidewinder-1 and 2 wells, along with the planned workovers of the Sidewinder-3 and 4 wells, has added proved, probable and possible reserves up from having no reserves or resources assigned the previous fiscal year 2016.

Assumptions for March 31, 2017 fair value calculation

Discount Rate	10%
Brent Crude Prices (2016-2030)	\$57 - \$91 USD bbl
Exchange rate (USD/NZD) (2016-2030)	\$0.7183
Exchange rate (CND/NZ) (2016-2030)	\$0.9614
Exchange rate (USD/CND) (2016-2030)	\$0.7472

Sensitivity Analysis

The tables below summarize the impact of possible changes in production, costs, oil price and discount rate. The analysis assumes that all variables were held constant except for the relevant market risk factor:

Incremental NPV10 (CAD\$000's) Sensitivity to % Changes in Production, Costs and Oil Price

	-20%	-10%	+10%	+20%
Production	(32,958)	(16,943)	13,184	27,134
Costs	17,372	8,169	(11,052)	(18,417)
Oil Price	(35,274)	(17,992)	13,946	28,608
	NPV5	NPV10	NPV15	NPV20
Incremental Discount Impact	17,406	-	13,316	23,622

At March 31, 2016, the Company assessed and concluded that the carrying value of PMP 38156 and PEP 54877 exceeded recoverable amounts resulting in an impairment of \$59.3 million. The impairment relates to a revision of total proven and probable reserves whereby some existing wells were reclassified into NRA category due to the Company's field development and waterflood plan. The remaining NRA reclassification is attributed to shut-in wells, wells becoming uneconomic or contingencies preventing production (Cheal-E2, E5, E6, B7 and G1).

Note 5 – Investments

	2017		2016	
	Number of Shares Held	Market Value	Number of Shares Held	Market Value
Marketable securities available for sale	572,095	\$ 58,796	572,095	\$ 51,140

Note 6 – Related Party Transactions

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

Key management personnel compensation for the years ended March 31:

	2016	2015
Share-based compensation	\$ 615,748	\$ 1,354,242
Management wages and director fees	992,975	912,950
Total management compensation	\$ 1,608,723	\$ 2,267,192

Note 7 – Asset Retirement Obligations

The following is a continuity of asset retirement obligations for the year ended March 31, 2017:

Balance at March 31, 2016	\$ 12,934,521
Revaluation and addition of ARO	1,625,269
Release of ARO	(610,102)
Accretion expense	530,623
Foreign exchange movement	483,404
Balance at March 31, 2017	\$ 14,963,715
This is represented by:	
Current liability	\$ 127,618
Non-current liability	14,836,097
Balance at March 31, 2017	\$ 14,963,715

The following is a continuity of asset retirement obligations for the year ended March 31, 2016:

Balance at March 31, 2015	\$ 13,247,781
Revaluation of ARO	106,396
Accretion expense	293,460
Foreign exchange movement	(713,116)
Balance at March 31, 2016	\$ 12,934,521
This is represented by:	
Current liability	\$ 705,902
Non-current liability	12,228,619
Balance at March 31, 2016	\$ 12,934,521

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 \$15 million which will be incurred between 2016 and 2027. The retirement obligation is calculated based on an assessment of the cost to plug and abandon each well, the removal and sale of facilities and the rehabilitation and reinstatement of land at the end of the life of the field.

The fair value of the liability for the Company's asset retirement obligation is recorded in the period in which it is incurred, using an inflation rate of 1.74% and discounted to its present value using a risk-free rate ranging from 3.00% to 4.36%. The corresponding amount is recognized by increasing the carrying amount of the oil and gas properties. The liability is accreted each period and the capitalized cost is depreciated over the useful life of the related asset using the unit-of-production method based on proved and probable reserves.

Note 8 – Share Capital

a) Authorized and Issued Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value at March 31, 2017.

During the year ended March 31, 2017:

The Company issued 23,070,000 units under a short form private placement at \$0.65 per unit. Each unit consists of one common share and one-half warrant and each whole warrant is exercisable at \$0.90 per common share for two years. The short form private placement included costs of approximately \$1.24 million.

During the year ended March 31, 2016:

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

b) Incentive Share Options

The Company has a share option plan for the granting of share options to directors, employees and service providers. Under the terms of the share option plan, the number of shares reserved for issuance as share incentive options will be equal to 10% of the Company's issued and outstanding shares at any time. The exercise price of each option 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 Toronto Stock Exchange. The options maximum term is five years and must vest over a minimum of eighteen months. Options issued after March 31, 2015, vest over a minimum of two years.

Share Options 2017

During the year ended March 31, 2017, no share options were exercised and 390,000 options expired or were cancelled at a weighted average exercise price of \$2.64.

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

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

On November 23, 2016, the Company granted 50,000 incentive stock options to a New Zealand consultant. These options are exercisable until November 23, 2021, at a price of \$0.90 per share subject to one-third of the total options vesting six months from the date of the grant, one-third of the total options vesting one year from the date of the grant and one-third of the total options vesting eighteen months from the date of the grant.

Share Options 2016

During the year ended March 31, 2016, no share options were exercised and 3,935,334 options expired or were cancelled at a weighted average exercise price of \$5.37.

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

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

On March 3, 2016, the Company granted 1,400,000 incentive stock options to various directors, executive officers, employees and consultants. These options are exercisable until March 2, 2021 at a price of \$0.75 per share subject to one-third of the total options vesting on the date of grant, one-third of the total options vesting one year from the date of the grant and one-third of the total options vesting two years from the date of the grant.

On March 10, 2016, the Company granted 500,000 incentive stock options to a director. These options are exercisable until March 9, 2021 at a price of \$0.75 per share subject to one-third of the total options vesting on grant date, one-third of the total options vesting one year from the date of the grant and one-third of the total options vesting two years from the date of the grant.

The following is a continuity of outstanding share options:

	Weighted Average of Options	Weighted Average of Exercise Price
Balance at March 31, 2015	4,260,334	\$ 5.33
Granted during the year	4,700,000	1.21
Expired/Cancelled during the year	(3,935,334)	5.37
Balance at March 31, 2016	5,025,000	\$ 1.45
Granted during the year	1,585,000	1.05
Expired/Cancelled during the year	(390,000)	2.64
Balance at March 31, 2017	6,220,000	\$ 1.27

The following table summarizes information about share options that are outstanding at March 31, 2017:

Number of Options	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
335,000	\$2.75	0.13	August 13, 2019	335,000
200,000	\$2.39	0.08	August 31, 2019	200,000
1,500,000	\$1.54	0.75	May 13, 2020	1,000,000
800,000	\$1.50	0.41	June 9, 2020	533,333
800,000	\$0.75	0.50	March 2, 2021	533,333
500,000	\$0.75	0.32	March 2, 2021	166,667
500,000	\$0.75	0.32	March 9, 2021	333,333
1,475,000	\$1.05	1.10	November 23, 2021	491,667
60,000	\$1.05	0.04	November 23, 2021	-
50,000	\$0.90	0.04	November 23, 2021	-
6,220,000		3.69		3,593,333

The Company applies the Black-Scholes option pricing model using the closing market prices on the grant dates and to date the Company has calculated option benefits using a volatility ratio of 63.28%, a risk-free interest rate of 1.24% and expected life of five years to calculate option benefits.

c) Warrants

The following table summarizes information about warrants that are outstanding at March 31, 2017:

Number of Warrants	Price per Share	Weighted Average Remaining Contractual	Expiry Date
11,535,000	\$0.90	1.97	March 20, 2019
11,535,000			

d) Earnings (Loss) Per Share

Basic weighted average shares outstanding for the year ended March 31, 2017 was 62,907,512 (2016: 62,259,415) and diluted weighted average shares outstanding for the year ended March 31, 2017 was 64,707,512 (2016: 62,259,415). Share options and share purchase warrants outstanding are not included in the computation of diluted loss per share when the inclusion of such securities would be anti-dilutive.

Note 9 – Accumulated Other Comprehensive (Loss) Income

	Accumulated Other Comprehensive (Loss) Income
Balance at March 31, 2016	\$ 13,728,192
Impairment of investments	582,273
Unrealized gain on available for sale investments	25,850
Cumulative translation adjustment	2,806,574
Balance at March 31, 2017	\$ 17,142,889
Balance at March 31, 2015	\$ 24,880,408
Unrealized gain on available for sale investments	4,558
Cumulative translation adjustment	(11,156,774)
Balance at March 31, 2016	\$ 13,728,192

Note 10 – Capital Management

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

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

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation. There have been no changes to the Company's approach to capital management during the period other than the contemplation of a dividend in kind.

Note 11 – Financial Instruments

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

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

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

a) Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is relative to the sale of oil production. All the Company's production is sold directly to a significant oil company. 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 March 31, 2017 and did not provide for any doubtful accounts. During the year ended March 31, 2017, the Company was required to write-off \$Nil (2016 – \$Nil). As at March 31, 2017, there were no significant amounts past due or impaired.

b) Liquidity Risk

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

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

c) Market Risk

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

d) Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that future cash flows, net income and comprehensive income will fluctuate as a result of changes in foreign exchange rates. All 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, Australian 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 dollars 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 March 31, 2017 and any variations in interest rates would not have materially affected net income.

g) Fair Value of Financial Instruments

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

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

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

	Fair Value Level	March 31, 2017		March 31, 2016	
		Fair Value through Profit or Loss	Loans and Receivables and Other Financial Liabilities at Amortized Cost	Fair Value through Profit or Loss	Loans and Receivables and Other Financial Liabilities at Amortized Cost
		\$	\$	\$	\$
<i>Financial assets:</i>					
Cash and cash equivalents	1	21,564,654	-	16,846,272	-
Restricted cash	1	262,491	-	205,066	-
Investments	1	58,796	-	51,140	-
Accounts receivable		-	5,325,158	-	3,010,042
Shares receivable		-	106,235	-	-
		21,885,941	5,431,393	17,102,478	3,010,042
<i>Financial liabilities:</i>					
Accounts payable and accrued liabilities		-	6,309,993	-	3,022,774
Agreement for purchase		-	1,780,450	-	-
		-	8,090,443	-	3,022,774

During the years ended March 31, 2017 and 2016, there were no transfers between level 1, level 2 and level 3.

Note 12 – Segmented Information

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

For the year ended March 31, 2017					
	Canada	New Zealand	Australia	United States	Total Company
Production revenue	\$ -	\$ 23,340,949	\$ -	\$ -	\$ 23,340,949
Restricted cash	\$ 127,177	\$ -	\$ 135,314	\$ -	\$ 262,491
Shares receivable	-	-	-	51,423	51,423
Exploration and evaluation assets	-	10,856,313	2,598,617	-	13,454,930
Property, plant and equipment	151,053	98,508,691	524,057	-	99,183,801
Investments	58,796	-	-	-	58,796
Total non-current assets	\$ 337,026	\$ 109,365,004	\$ 3,257,988	\$ 51,423	\$ 113,011,441
For the year ended March 31, 2016					
	Canada	New Zealand	Australia	United States	Total Company
Production revenue	\$ -	\$ 24,809,530	\$ -	\$ -	\$ 24,809,530
Discontinued operations sales revenue	\$ -	\$ 6,187,175	\$ -	\$ -	\$ 6,187,175
Restricted cash	\$ 127,133	\$ -	\$ -	\$ 77,933	\$ 205,066
Advance receivable	-	71,630	-	-	71,630
Exploration and evaluation assets	-	4,405,850	-	2,885,228	7,291,078
Property, plant and equipment	174,908	61,773,316	-	561,370	62,509,594
Investments	51,140	-	-	-	51,140
Total non-current assets	\$ 353,181	\$ 66,250,796	\$ -	\$ 3,524,531	\$ 70,128,508

The Company operates in three industries: petroleum exploration and production, electricity generation and retailing (sold during the previous year), and mining:

For the year ended March 31, 2017

	Petroleum Exploration and Production	Mining	Total Company
Income (loss) for the period	\$ 28,116,782	\$ (3,430,063)	\$ 24,686,719
Impairment reversal included in income	\$ 35,039,882	\$ -	\$ 35,039,882
Total assets	\$ 144,279,901	\$ 1,584,724	\$ 145,864,625
Total liabilities	\$ 23,037,058	\$ 17,100	\$ 23,054,158

For the year ended March 31, 2016

	Petroleum Exploration and Production	Electricity Generation and Retailing <i>(discontinued)</i>	Mining	Total Company
Loss for the period	\$ (78,749,539)	\$ (5,172,317)	\$ (682,950)	\$ (84,604,806)
Total assets	\$ 90,923,986	\$ -	\$ 5,043,176	\$ 95,967,162
Total liabilities	\$ 15,920,053	\$ -	\$ 37,242	\$ 15,957,295

Note 13 – Commitments

The Company has the following commitments for capital expenditure at March 31, 2017:

Contractual Obligations	Total \$	Less than One Year \$	More than One Year \$
Operating leases (1)	808,000	197,000	611,000
Other long-term obligations (2)	30,172,000	28,851,000	1,321,000
Total Contractual Obligations (3)	30,980,000	29,048,000	1,932,000

(1) The Company has commitments related to office lease, vehicles, photocopier signed in New Plymouth and Napier, New Zealand and office lease in 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 14 – Disposal Group Held for Sale and Discontinued Operations

On February 18, 2016, the Company completed its sale of two 1 megawatt gas-fired generators owned by Opunake Hydro Limited ("OHL"), a wholly owned subsidiary of Coronado, and Cheal Petroleum Limited, a wholly owned subsidiary of TAG. The Company also completed its sale of all of the issued and outstanding shares of OHL pursuant to the terms of a share purchase agreement dated October 30, 2015, between Lynx Clean Power Corp., a wholly owned subsidiary of Coronado, and Opunake Hydro Holdings Limited, an unrelated Company, for total proceeds of \$2,017,653.

The electricity generation segment was not previously classified as a discontinued operation. The comparative consolidated statement of comprehensive loss has been restated to show the discontinued operation separately from continuing operations.

a. Results of discontinued operation

	2017	2016
Electricity sales	\$ -	\$ 6,187,175
Cost of sales	-	(6,406,164)
	-	(218,989)
General and administrative expenses	-	(1,350,997)
Other items	-	123,447
Impairment on remeasurement of disposal	-	(3,719,359)
Net loss for the year	\$ -	\$ (5,165,898)
Loss per share, basic and diluted	\$ -	\$ (0.08)

b. *Cash flows used in discontinued operation*

	2017	2016
Net cash used in operating activities	\$ -	\$ 4,708,387
Net cash from investing activities	-	(5,161,125)
Net cash flow for the year	\$ -	\$ (452,738)

c. *Cumulative income or expenses included in OCI*

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

Note 15 – Income Taxes

A reconciliation of income taxes at statutory rates and the significant components of the Company's deferred income tax assets are as follows:

	2017	2016
Net income (loss) for the year	\$ 24,686,719	\$ (84,604,806)
Expected income tax expense	8,017,211	(20,970,747)
Net adjustment for amortization, deductible and non-deductible amounts	(18,586,402)	15,899,833
Recognition of previously unrecognized income tax assets	10,569,191	5,070,914
Total income tax (recovery) expense	\$ -	\$ -

The components of the Company's deferred tax assets and liabilities are as follows:

	2017	2016
Deferred tax asset: non-capital losses net of unrecognized amounts	\$ 3,791,391	\$ 1,862,578
Deferred tax liabilities: Exploration and evaluation assets	(3,791,391)	(1,862,578)
Net deferred tax	\$ -	\$ -

The Company's unrecognized temporary differences and unused tax losses consists of the following:

	2017	2016
Deferred income tax assets (liabilities):		
Net property and equipment carrying amounts in excess of tax pools	\$ (37,665,589)	\$ 36,715,886
Exploration and evaluation assets	(5,405,018)	86,247
Capital and non-capital loss carry forwards and share issue costs	180,865,540	133,609,050
Unrecognized deductible temporary differences	\$ 137,794,933	\$ 170,411,183

The Company has Canadian non-capital losses of approximately \$33.1 million (2016: \$28.3 million), which are available to reduce future taxable income. These expire between 2026 and 2037. Subject to certain restrictions the Company also has mineral property expenditures of approximately \$8.0 million (2016: \$8.0 million) available to reduce taxable income in future years.

At March 31, 2017, the Company also has losses and deductions of approximately NZ\$139.1 million (2016: NZ\$100.8 million) available to offset future taxable income earned in New Zealand. These tax losses may be carried forward indefinitely as long as shareholder continuity is maintained.

Note 16 – Subsequent Event

The Company announced and on May 24, 2017, subsequently completed the distribution of approximately 2,785,029 Coronado Shares to its shareholders of record at the close of business on May 9, 2017 (the "Record Date"), and ceased to be a control person of Coronado. The Company's shareholders received approximately 0.0326 of a Coronado Share for each common share of the Company held as of the Record Date. At March 31, 2017, Coronado had approximately \$1.54 million in net assets and represented the \$1.74 million of non-controlling interests on the Company's consolidated statement of financial position.