Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

June 30, 2017
(Unaudited)

TAG Oil Ltd. 885 West Georgia Street, Suite 2040 Vancouver, British Columbia Canada V6C 3E8

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

	June 30, 2017	March 31, 2017
Assets		
Current:		
Cash and cash equivalents	$ 12,172,845	$ 21,564,654
Amounts receivable and prepaids	4,632,546	5,901,747
Advances receivable	38,062	92,784
Inventory	4,904,266	5,239,187
Shares receivable	-	54,812
	21,747,719	32,853,184
Non-Current:		
Exploration and evaluation assets (Note 3)	15,196,467	13,454,930
Investments (Note 5(a))	58,796	58,796
Property, plant and equipment (Note 4)	106,776,059	99,183,801
Restricted cash	247,798	262,491
Shares receivable	-	51,423
	$ 144,026,839	$ 145,864,625
Liabilities and Shareholders' Equity		
Current:		
Accounts payable and accrued liabilities	$ 5,936,921	$ 6,309,993
Asset retirement obligations (Note 6)	142,665	127,618
Current portion of agreement for purchase (Note 3)	501,605	508,700
	6,581,191	6,946,311
Non-Current:		
Asset retirement obligations (Note 6)	15,210,099	14,836,097
Long-portion of agreement for purchase (Note 3)	1,242,795	1,271,750
	23,034,085	23,054,158
Share capital (Note 8)	244,169,454	244,169,454
Share-based payment reserve (Note 8)	20,364,930	20,226,202
Foreign currency translation reserve	19,076,267	17,117,040
Available for sale marketable securities reserve	25,849	25,849
Deficit	(162,643,746)	(160,471,809)
Equity attributable to owners of the Company	120,992,754	121,066,736
Non-controlling interests	-	1,743,731
	120,992,754	122,810,467
	$ 144,026,839	$ 145,864,625

Nature of Operations (Note 1)
Commitments (Note 13)

See accompanying notes.

Approved by the Board of Directors:

"Toby Pierce"
Toby Pierce, Director

"Ken Vidalin"
Ken Vidalin, Director

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

	Three months ended June 30, 2017	2016
Revenues		
Production revenue	$ 5,381,732	$ 5,820,884
Production costs	(1,943,646)	(1,639,443)
Transportation and storage costs	(680,178)	(660,955)
Royalties	(538,248)	(547,505)
	2,219,660	2,972,981
Expenses		
Depletion, depreciation and accretion	2,669,906	2,336,614
Foreign exchange	(88,498)	195,322
Insurance	29,620	30,791
Interest and other income	(41,491)	(85,133)
Share-based compensation	138,728	223,387
Consulting and director fees	221,180	234,803
Filing, listing and transfer agent	40,489	39,700
Reports	14,555	3,395
Office and administration	167,709	191,757
Professional fees	110,286	35,612
Rent	68,213	76,443
Shareholder relations and communications	118,346	168,752
Travel	174,497	126,440
Wages and salaries	519,795	348,651
Overhead recoveries	(105,705)	(67,429)
	(4,037,630)	(3,859,105)
Other Items		
Exploration expense	(13,517)	(48,004)
Impairment of investments	-	(600,467)
Interest and penalties (Note 14)	(551,215)	-
Gain on distribution of subsidiary (Note 5(b))	210,765	-
Write-off of inventory	-	(139,038)
Write-off of exploration and evaluation assets	-	(51,799)
	(353,967)	(839,308)
Net loss for the period	$ (2,171,937)	$ (1,725,432)
Other comprehensive income (Note 9)		
Cumulative translation adjustment	1,959,227	2,024,223
Change in available for sale assets:		
Investments	-	582,274
Comprehensive (loss) income for the period	$ (212,710)	$ 881,065
Loss per share – basic and diluted (Note 8(d))	$ (0.03)	$ (0.03)

See accompanying notes.

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

	Three months ended June 30, 2017	2016
Net loss attributable to:		
Owners of the Company	$ (2,171,937)	$ (1,699,511)
Non-controlling interests	-	(25,921)
Net loss for the period	$ (2,171,937)	$ (1,725,432)
Net comprehensive (loss) income attributable to:		
Owners of the Company	$ (212,710)	$ 906,986
Non-controlling interests	-	(25,921)
Net comprehensive **(loss)** income for the period	$ (212,710)	$ 881,065

See accompanying notes.

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

	Three months ended June 30, 2017	Three months ended June 30, 2016
Operating Activities		
Net loss for the period	$ (2,171,937)	$ (1,725,432)
Changes for non-cash operating items:		
Depletion, depreciation and accretion	2,669,906	2,336,614
Interest and foreign exchange on restricted cash	346	(1,209)
Exploration expenses	13,517	-
Gain on distribution of subsidiary	(210,765)	-
Impairment of investments	-	600,467
Share-based compensation	138,728	223,387
Write-off of inventory	-	139,038
Write-off of exploration and evaluation assets	-	51,799
	439,795	1,624,664
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	1,263,815	(1,273,273)
Accounts payable and accrued liabilities	(231,053)	729,841
Inventory	334,921	(238,850)
Cash provided by operating activities	1,807,478	842,382
Investing Activities		
Cash of subsidiary on deconsolidation	(1,432,166)	-
Exploration and evaluation assets	(4,383,956)	(1,138,265)
Property and equipment	(5,437,887)	(1,568,227)
Repayment of loan advances	54,722	43,162
Cash used in investing activities	(11,199,287)	(2,663,330)
Net decrease in cash and cash equivalents during the period	(9,391,809)	(1,820,948)
Cash and cash equivalents – beginning of the period	21,564,654	16,846,272
Cash and cash equivalents – end of the period	$ 12,172,845	$ 15,025,324
Supplementary disclosures:		
Interest received	$ 33,032	$ 51,597
Cash	$ 8,932,214	$ 5,289,441
Cash equivalents	3,240,631	9,735,883
	$ 12,172,845	$ 15,025,324

Non-Cash Investing Activities:
The Company incurred $2,100,269 in exploration and evaluation expenditures which were in accounts payable at June 30, 2017 (2016: $194,543). The Company incurred $3,273,786 in property and equipment expenditures which were in accounts payable at June 30, 2017 (2016: $617,963).

See accompanying notes.

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

	Number of Shares (Note 8)	Share Capital (Note 8)	Reserves: Share-based Payments	Reserves: Foreign Currency Translation	Reserves: Available for Sale Marketable Securities	Deficit	Total	Non-Controlling Interest	Total Equity
Balance at March 31, 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
Share-based payments	-	-	138,728	-	-	-	138,728	-	138,728
Currency translation adjustment	-	-	-	1,959,227	-	-	1,959,227	-	1,959,227
Net loss for the period	-	-	-	-	-	(2,171,937)	(2,171,937)	(1,743,731)	(3,915,668)
Balance at June 30, 2017	85,282,252	$ 244,169,454	$ 20,364,930	$ 19,076,267	$ 25,849	$ (162,643,746)	$ 120,992,754	$ -	$ 120,992,754
Balance at March 31, 2016	62,212,252	$ 230,414,254	$ 19,282,218	$ 14,310,466	$ (582,274)	$ (186,946,857)	$ 76,477,807	$ 3,532,060	$ 80,009,867
Share-based payments	-	-	223,387	-	-	-	223,387	-	223,387
Currency translation adjustment	-	-	-	2,024,223	-	-	2,024,223	-	2,024,223
Impairment of investments	-	-	-	-	582,274	-	582,274	-	582,274
Net loss for the period	-	-	-	-	-	(1,699,511)	(1,699,511)	(25,921)	(1,725,432)
Balance at June 30, 2016	62,212,252	$ 230,414,254	$ 19,505,605	$ 16,334,689	$ -	$ (188,646,368)	$ 77,608,180	$ 3,506,139	$ 81,114,319

See accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements
Three Months Ended June 30, 2017
Expressed in Canadian Dollars
Unaudited

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 located 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 to establish additional proved reserves and to commercialize oil and gas exploration properties. The Company's operations are subject to financial risks as well as commodity price fluctuations. The Company monitors its cash and cash equivalents and adjusts its expenditure plans to conform to available funding as appropriate. The Company plans to fund its exploration and development activities through existing cash and operating cash flow, as well as through potential future capital raising.

On May 24, 2017, TAG distributed its Coronado Resources Ltd. ("Coronado") common shares to its shareholders of record (see Note 5).

Note 2 – Significant Accounting Policies

Statement of compliance and basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board, and its interpretations. Accordingly, these condensed consolidated interim financial statements do not include all of the information and foot notes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes. Results for the period ended June 30, 2017, are not necessarily indicative of future results.

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale, which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies applied by the Company in the condensed consolidated interim financial statements are the same as those applied by the Company in its most recent annual consolidated financial statements for the year ended March 31, 2017.

These condensed consolidated interim financial statements were authorized for issuance on August 14, 2017 by the directors of the Company.

Basis of consolidation

These condensed consolidated interim 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. (until May 24, 2017)	Canada	49%	Holding Company
Lynx Clean Power Corp. (until May 24, 2017)	Canada	49%	Holding Company
Lynx Gold Corp. (until May 24, 2017)	Canada	49%	Holding Company
Lynx Petroleum Ltd. (until May 24, 2017)	Canada	49%	Holding Company
Coronado Resources USA LLC (until May 24, 2017)	USA	49%	Holding Company

Significant accounting estimates and judgments

The preparation of the condensed consolidated interim 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 condensed consolidated interim financial statements. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these condensed consolidated interim financial statements.

Areas of judgment that have the most significant effect on the amounts recognized in these condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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.

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 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 condensed consolidated interim 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.

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 June 30, 2017. The Company intends to adopt these standards and interpretations when they become effective. The Company does not expect these standards to have an impact on its financial statements. Pronouncements that are not applicable to the Company have been excluded from those described below.

Effective for annual reporting periods beginning on or after April 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**	**PEP57065**	**PEP55769**	**PEP51153**	**Cardiff**	**PL17 Cypress**
Ownership Interest	**50%**	**100%**	**100%**	**70%**	**100%**	**100%**
Cost						
At March 31, 2016	$ 4,021,176	$ 1,702	$ 368,694	$ -	$ -	$ -
Capital expenditures	655,485	3,564,374	30,539	700,974	274,495	2,598,620
Write-off oil and gas properties	-	-	-	-	-	-
Addition in ARO	-	-	-	1,086,683	-	-
Proceeds on sale of asset	-	-	-	-	-	-
Loss on sale of asset	-	-	-	-	-	-
Foreign exchange movement	154,455	66	(2,333)	-	-	-
At March 31, 2017	4,831,116	3,566,142	396,900	1,787,657	274,495	2,598,620
Capital expenditures	35,027	417,213	43,990	143,766	721,165	224,644
Foreign exchange movement	92,718	68,440	7,617	34,308	5,269	(52,620)
At June 30, 2017	$ 4,958,861	$ 4,051,795	$ 448,507	$ 1,965,731	$ 1,000,929	$ 2,770,644
Net book value						
March 31, 2017	$ 4,831,116	$ 3,566,142	$ 396,900	$ 1,787,657	$ 274,495	$ 2,598,620
June 30, 2017	**$ 4,958,861**	**$ 4,051,795**	**$ 448,507**	**$ 1,965,731**	**$ 1,000,929**	**$ 2,770,644**

Permit	**PEP57063**	**PEP54876 / PEP54877**	**PEP38348 / 38748 / 55770**	**PEP52181**	**Madison / Other**	**TOTAL**
Ownership Interest	**100%**	**70%**	**100%**	**40%**	**100%**	
Cost						
At March 31, 2016	$ 14,280	$ -	$ -	$ -	2,885,226	$ 7,291,078
Capital expenditures	50,341	4,608	-	86,438	164,437	8,130,311
Write-off oil and gas properties	(65,169)	(4,608)	(18,117)	(86,141)	-	(174,035)
Addition in ARO	-	-	18,117	-	-	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	548	-	-	(297)	-	152,439
At March 31, 2017	-	-	-	-	-	13,454,930
Capital expenditures	-	-	-	-	-	1,585,805
Foreign exchange movement	-	-	-	-	-	155,732
At June 30, 2017	$ -	$ -	$ -	$ -	$ -	$ 15,196,467
Net book value						
March 31, 2017	$ -	$ -	$ -	$ -	$ -	$ 13,454,930
June 30, 2017	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 15,196,467**

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.

During the year ended March 31, 2017:

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 its copper and gold mining property located in Silverstar, Montana and related assets (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.

Note 4 – Property, Plant and Equipment

	Proven Oil and Gas Property PMP 38156/ PEP 54877	Proven Oil and Gas Property PMP 53803	Proven Oil and Gas Property PL17	Madison Mine	Office Equipment and Leasehold Improvements	Total
Cost						
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
Capital expenditures	8,189,109	11,024	-	-	24,686	8,224,819
Foreign exchange movement	2,912,679	486,952	(10,611)	-	26,390	3,415,410
At June 30, 2017	$ 161,655,245	$ 25,871,155	$ 513,446	$ -	$ 1,922,249	$ 189,962,095
Accumulated depletion and depreciation						
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)
Depletion and depreciation	(1,961,335)	(530,972)	(8,173)	-	(35,325)	(2,535,805)
Foreign exchange movement	(1,222,737)	(270,075)	-	-	(19,354)	(1,512,166)
At June 30, 2017	$ (66,896,161)	$ (14,873,598)	$ (8,173)	$ -	$ (1,408,104)	$ (83,186,036)
Net book value						
March 31, 2017	$ 86,841,368	$ 11,300,628	$ 524,057	$ -	$ 517,748	$ 99,183,801
June 30, 2017	**$ 94,759,084**	**$ 10,997,557**	**$ 505,273**	**$ -**	**$ 514,145**	**$ 106,776,059**

During the year ended March 31, 2017:

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

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 Company's oil and gas production assets were assessed for impairment against the proved and probable reserves within the producing fields. The reserves evaluation report for the year ended March 31, 2017 was conducted by ERC Equipoise Ltd (the "Report"). Oil reserves were estimated volumetrically using volumetric data from Petrel model and net pay thicknesses based on well logs and seismic interpretation. The Report 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.

Note 5 – Investments

a) Marketable Securities

	June 30, 2017		March 31, 2017	
	Number of Shares Held	**Market Value**	Number of Shares Held	Market Value
Marketable securities available for sale	**572,095**	**$ 58,796**	572,095	$ 58,796

b) Coronado Resources Ltd.

On May 24, 2017, the Company completed the distribution of the approximately 2,785,029 common shares of Coronado that it owned to its shareholders of record at the close of business on May 9, 2017 (the "Record Date"). The Company's shareholders received approximately 0.0326 of a Coronado common share for each common share of the Company held as of the Record Date. The gain on distribution of Coronado recognized in the consolidated statements of operations for the period ended June 30, 2017 is as follows:

Net assets of Coronado at the distribution date	$ (1,532,966)
Elimination of non-controlling interest balance	1,743,731
Gain on distribution of subsidiary	210,765

The following is a summary of the assets and liabilities over which the Company lost control upon the deconsolidation of Coronado:

Cash and cash equivalents	$ 1,432,166
Accounts receivable	5,386
Shares receivable	106,235
Restricted cash	11,606
Accounts payable	(22,427)
Net assets deconsolidated	1,532,966

Note 6 – Asset Retirement Obligations

The following is a continuity of asset retirement obligations for the three months ended June 30, 2017:

Balance at March 31, 2017	$ 14,963,715
Addition of ARO	-
Release of ARO	(33,566)
Accretion expense	140,424
Foreign exchange movement	282,191
Balance at June 30, 2017	$ 15,352,764

This is represented by:	
Current liability	$ 142,665
Non-current liability	15,210,099
Balance at June 30, 2017	$ 15,352,764

The following is a continuity of asset retirement obligations for the three months ended June 30, 2016:

Balance at March 31, 2016	$ 12,934,521
Addition of ARO	1,227,635
Release of ARO	(374,777)
Accretion expense	123,970
Foreign exchange movement	401,694
Balance at June 30, 2016	$ 14,313,043

This is represented by:	
Current liability	$ 705,902
Non-current liability	13,607,141
Balance at June 30, 2016	$ 14,313,043

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 $15.4 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 7 – Related Party Transactions

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

Key management personnel compensation for the three months ended June 30:

	2017	2016
Share-based compensation	**$ 93,322**	$ 150,354
Management wages and director fees	**246,955**	222,328
Total management compensation	**$ 340,277**	$ 372,682

Note 8 – Share Capital

a) Authorized and Issued Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

During the three months ended June 30, 2017:

No common shares were issued or purchased and cancelled.

During the three months ended June 30, 2016:

No common shares were issued or purchased and cancelled.

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 two years.

During the three months ended June 30, 2017 there were no options granted.

The following is a continuity of outstanding share options:

	Number of Shares	Average Price per Share
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
Granted during the period	-	-
Balance at June 30, 2017	6,220,000	$ 1.27

The following summarizes information about share options that are outstanding at June 30, 2017:

Number of Options	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
335,000	$2.75	0.11	August 13, 2019	335,000
200,000	$2.39	0.07	August 31, 2019	200,000
1,500,000	$1.54	0.69	May 13, 2020	1,500,000
800,000	$1.50	0.38	June 9, 2020	800,000
800,000	$0.75	0.47	March 2, 2021	533,333
500,000	$0.75	0.30	March 2, 2021	166,667
500,000	$0.75	0.30	March 9, 2021	333,333
1,475,000	$1.05	1.04	November 23, 2021	491,667
60,000	$1.05	0.04	November 23, 2021	-
50,000	$0.90	0.04	November 23, 2021	16,667
6,220,000		3.44		4,376,667

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.

c) Warrants

The following table summarizes information about warrants that are outstanding at June 30, 2017:

Number of Warrants	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date
11,535,000	$0.90	1.72	March 20, 2019
11,535,000			

d) Loss per Share

Basic and diluted weighted average shares outstanding for the three month period ended June 30, 2017, was 85,282,252 (2016: 62,212,252). Share options and share purchase warrants outstanding are not included in the computation of diluted loss per share when the inclusion of such securities would be anti-dilutive.

Note 9 – Accumulated Other Comprehensive Income (Loss)

		Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2017	$	17,142,889
Unrealized loss on available for sale investments		-
Cumulative translation adjustment		1,959,227
Balance at June 30, 2017	$	19,102,116
Balance at March 31, 2016	$	13,728,192
Realized loss on available for sale investments		582,274
Cumulative translation adjustment		2,024,223
Balance at June 30, 2016	$	16,334,689

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 declared a distribution on May 9, 2017 (see Note 5(b)). There have been no changes to the Company's approach to capital management during the period.

Note 11 – Financial Instruments

The nature of the Company's operations exposes the Company to credit risk, liquidity risk and market risk, and changes in commodity prices, foreign exchange rates and interest rates may have a material effect on cash flows, net (loss) income and comprehensive (loss) 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 New Zealand 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 June 30, 2017 and did not provide for any doubtful accounts. During the period ended June 30, 2017, the Company was required to write-off $Nil (2016: $Nil). As at June 30, 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 (loss) income and comprehensive (loss) 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 (loss) income and comprehensive (loss) 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 and Australian are expected to be carried out in their respected currencies or in United States dollars.

e) Commodity Price Risk

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

f) Interest Rate Risk

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

The Company did not have any interest rate swaps or financial contracts in place during the period ended June 30, 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	June 30, 2017 Fair Value through Profit or Loss	June 30, 2017 Loans and Receivables and Other Financial Liabilities at Amortized Cost	March 31, 2017 Fair Value through Profit or Loss	March 31, 2017 Loans and Receivables and Other Financial Liabilities at Amortized Cost
		$	$	$	$
Financial assets:					
Cash and cash equivalents	1	12,172,845	-	21,564,654	-
Restricted cash	1	247,798	-	262,491	-
Investments	1	58,796	-	58,796	-
Accounts receivable		-	4,009,414	-	5,325,158
Shares receivable		-	-	-	106,235
		12,479,439	4,009,414	21,885,941	5,431,393
Financial liabilities:					
Accounts payable and accrued liabilities		-	5,936,921	-	6,309,993
Agreement for purchase		-	1,744,400	-	1,780,450
		-	7,681,321	-	8,090,443

During the period ended June 30, 2017 and the year ended March 31, 2017, there were no transfers between level 1, level 2 and level 3.

Note 12 – Segmented Information

The Company currently operates in three geographical regions. Information on country segments is provided as follows:

For the three month period ended June 30, 2017	Canada	New Zealand	Australia	Total Company
Production revenue	$ -	$ 5,381,732	$ -	$ 5,381,732
Restricted cash	$ 115,223	$ -	$ 132,575	$ 247,798
Exploration and evaluation assets	-	12,425,823	2,770,644	15,196,467
Property, plant and equipment	150,701	106,120,085	505,273	106,776,059
Investments	58,796	-	-	58,796
Total non-current assets	$ 324,720	$ 118,545,908	$ 3,408,492	$ 122,279,120

The Company operated in four geographical regions during the year ended March 31, 2017. 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

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

For the period ended June 30, 2017	Petroleum Exploration and Production	Mining	Total Company
(Loss) income for the period	$ (2,382,702)	$ 210,765	$ (2,171,937)
Total assets	$ 144,026,839	$ -	$ 144,026,839
Total liabilities	$ 23,034,085	$ -	$ 23,034,085

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

Note 13 – Commitments

The Company has the following commitments for capital expenditure at June 30, 2017:

Contractual Obligations	Total $	Less than One Year $	More than One Year $
Operating leases (1)	911,000	302,000	609,000
Other long-term obligations (2)	25,237,000	23,894,000	1,343,000
Total Contractual Obligations (3)	26,148,000	24,196,000	1,952,000

(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 14 – Interest and Penalties

The Company has been assessed by Canada Revenue Agency penalties under subsection 247(3) of the Income Tax Act (*Canada)*, in connection with transfer pricing for the years ended March 31, 2012 and 2013, in the amounts of $224,742 and $326,473 respectively. Management does not believe these amounts are legitimate and is in the process of disputing them.