Consolidated Financial Statements

(Stated in Canadian Dollars)

For the Years Ended March 31, 2016 and 2015

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITORS' 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, 2016 and 2015 and the consolidated statements of comprehensive 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.

Auditors' 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, 2016 and 2015 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 29, 2016

Consolidated Statements of Financial Position
Expressed in Canadian Dollars

As at March 31,	2016	2015
Assets		
Current:		
Cash and cash equivalents	$ 16,846,272	$ 27,055,116
Amounts receivable and prepaids	3,387,250	7,006,174
Advances receivable	224,738	-
Inventory	5,380,394	4,528,217
	25,838,654	38,589,507
Non-Current:		
Advances receivable	71,630	-
Restricted cash	205,066	269,503
Exploration and evaluation assets (Note 3)	7,291,078	26,079,280
Property, plant and equipment (Note 4)	62,509,594	131,900,762
Investments (Note 5)	51,140	46,582
	$ 95,967,162	$ 196,885,634
Liabilities and Shareholders' Equity		
Current:		
Accounts payable and accrued liabilities	$ 3,022,774	$ 9,712,280
Asset retirement obligations (Note 7)	705,902	1,082,202
Derivative financial instruments	-	1,838
	3,728,676	10,796,320
Non-Current:		
Asset retirement obligations (Note 7)	12,228,619	12,165,579
	15,957,295	22,961,899
Share capital (Note 8(a))	230,414,254	230,574,881
Share-based payment reserve (Note 8(b))	19,282,218	17,278,437
Foreign currency translation	14,310,466	25,467,240
Available for sale marketable securities	(582,274)	(586,832)
Deficit	(186,946,857)	(105,328,237)
Equity attributable to owners of the Company	76,477,807	167,405,489
Non-controlling interests	3,532,060	6,518,246
	80,009,867	173,923,735
	$ 95,967,162	$ 196,885,634

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

Approved by the Board of Directors:

"Toby Pierce" *"Ken Vidalin"*

Toby Pierce, Director **Ken Vidalin, Director**

Consolidated Statements of Comprehensive Loss
Expressed in Canadian Dollars

For the years ended March 31,	2016	2015 *(Restated – Note 14)*
Revenues and Costs		
Production revenue	$ 24,809,530	$ 49,376,797
Production costs	(8,237,910)	(8,220,924)
Transportation and storage costs	(3,705,981)	(5,788,211)
Royalties	(2,238,822)	(4,393,310)
	10,626,817	30,974,352
Expenses		
Depletion, depreciation and accretion	13,676,537	16,825,734
Foreign exchange	(777,034)	(1,306,717)
Insurance	112,037	154,178
Interest and other income	(303,323)	(496,707)
Share-based compensation	2,003,781	1,366,619
Consulting and directors fees	911,803	918,530
Filing, listing and transfer agent	230,263	364,942
Reports	78,408	332,252
Office and administration	621,308	774,249
Professional fees	589,712	686,768
Rent	334,445	332,702
Shareholder relations and communications	734,020	1,034,536
Travel	561,103	517,119
Wages and salaries	2,597,565	2,640,791
Overhead recoveries	(132,033)	(188,665)
	(21,238,592)	(23,956,331)
Other Items		
Exploration and evaluation impairment (Note 3)	(8,658,350)	(71,713,496)
Exploration expense	(577,424)	-
(Loss)/gain on sale of assets	(304,069)	1,123
Property, plant and equipment impairment (Note 4)	(59,287,290)	(9,181,989)
	(68,827,133)	(80,894,362)
Net loss before tax	(79,438,908)	(73,876,341)
Income tax recovery - deferred	-	5,491,907
Net loss from continuing operations	(79,438,908)	(68,384,434)
Net loss from discontinued operations (Note 14(a))	(5,165,898)	(1,378,083)
Net loss for the year	(84,604,806)	(69,762,517)
Other comprehensive (loss) income (Note 9)		
Cumulative translation adjustment	(11,156,774)	(3,499,115)
Change in available for sale assets	4,558	(85,584)
Comprehensive loss for the year	$ (95,757,022)	$ (73,347,216)
Loss per share – basic (Note 8(c))	$ (1.36)	$ (1.10)
Loss per share – diluted (Note 8(c))	$ (1.36)	$ (1.10)

See accompanying notes.

Consolidated Statements of Comprehensive Loss
Expressed in Canadian Dollars

For the years ended March 31,	2016	2015
Net loss attributable to:		
Owners of the Company	$ (81,618,620)	$ (68,907,267)
Non-controlling interests	(2,986,186)	(855,250)
Net loss for the year	$ (84,604,806)	$ (69,762,517)
Net comprehensive loss attributable to:		
Owners of the Company	$ (92,770,836)	$ (72,491,966)
Non-controlling interests	(2,986,186)	(855,250)
Total comprehensive loss for the year	$ (95,757,022)	$ (73,347,216)

See accompanying notes.

Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

For the years ended March 31,	2016	2015
Operating Activities		
Net loss for the year	$ (84,604,806)	$ (69,762,517)
Changes for non-cash operating items:		
Depletion, depreciation and accretion	13,676,537	17,023,099
Deferred income tax (recovery) expense	-	(5,560,725)
Interest on restricted cash	(1,818)	(6,484)
Share-based compensation	2,003,781	1,366,619
Loss (gain) on sale of assets	304,069	(1,123)
Exploration and evaluation impairment	8,658,350	71,713,496
Property, plant and equipment impairment	59,287,290	9,181,989
Loss on discontinued operations	5,165,898	-
Loss (gain) on derivative financial instrument	-	256,971
	4,489,301	24,211,325
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	2,539,483	4,773,053
Accounts payable and accrued liabilities	2,672,568	546,836
Inventory	(52,473)	(903,682)
Cash provided by operating activities	9,648,879	28,627,532
Financing Activities		
Shares purchased and returned to treasury	(160,627)	(3,273,967)
Options and warrants exercised	-	10,000
Cash used in financing activities	(160,627)	(3,263,967)
Investing Activities		
Advance receivable	(296,368)	-
Restricted cash	6,137	(20,587)
Cash of subsidiary sold	(445,027)	-
Proceeds on sale of asset	2,017,653	-
Exploration and evaluation assets	(4,771,355)	(30,467,704)
Property and equipment	(16,208,136)	(20,238,899)
Repayment of loan advances	-	414,278
Cash used in investing activities	(19,697,096)	(50,312,912)
Net decrease in cash and cash equivalents during the year	(10,208,844)	(24,949,347)
Cash and cash equivalents – beginning of the year	27,055,116	52,004,463
Cash and cash equivalents – end of the year	$ 16,846,272	$ 27,055,116
Supplementary disclosures:		
Interest received	$ 154,454	$ 523,674
Cash	$ 6,147,270	$ 11,890,417
Cash equivalents	10,699,002	15,164,699
	$ 16,846,272	$ 27,055,116

Non-cash investing activities:

The Company incurred $315,276 in exploration and evaluation expenditures which amounts were in accounts payable at March 31, 2016 (March 31, 2015: $3,278,722). The Company incurred $461,237 in property and equipment additions which amounts were in accounts payable at March 31, 2016 (March 31, 2015: $2,739,023).

See accompanying notes.

Consolidated Statements of Changes in Equity
Expressed in Canadian Dollars

	Number of Shares (Note 8)	Share Capital (Note 8)	Reserves: Share-Based Payments	Reserves: Foreign Currency Translation	Reserves: Available for Sale Marketable Securities	Deficit	Total	Non-Controlling Interest	Total Equity
Balance at March 31, 2014	64,166,052	$233,831,289	$ 15,919,377	$ 28,966,355	$ (501,248)	$ (36,420,970)	$241,794,803	$ 7,373,496	$249,168,299
Repurchase shares	(1,812,600)	(3,273,967)	-	-	-	-	(3,273,967)	-	(3,273,967)
Exercise of options	8,000	17,559	(7,559)	-	-	-	10,000	-	10,000
Share-based payments	-	-	1,366,619	-	-	-	1,366,619	-	1,366,619
Currency translation adjustment	-	-	-	(3,499,115)	-	-	(3,499,115)	-	(3,499,115)
Unrealized loss on available-for-sale investments	-	-	-	-	(85,584)	-	(85,584)	-	(85,584)
Net loss for the year	-	-	-	-	-	(68,907,267)	(68,907,267)	(855,250)	(69,762,517)
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

See accompanying notes.

Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2016 and 2015
Expressed in Canadian Dollars

Note 1 – Nature of Operations

TAG Oil Ltd. (the "Company" or "TAG") is incorporated under the Business Corporations Act (British Columbia) and its major activity is the development and exploration of international oil and gas properties.

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

During the year ended March 31, 2016, Coronado Resources Ltd. ("Coronado"), a subsidiary of the Company, sold the electrical generation and sales business (see Note 14). As such, these financial statements reflect the electrical generation and sales business as discontinued operations.

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, 2016 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
Cheal Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
CX Oil Limited (formerly Eastern Petroleum Limited)	New Zealand	100%	Oil and Gas Exploration
Orient Petroleum 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 Limited	Canada	100%	Oil and Gas Exploration
Coronado Resources Ltd.	Canada	49%	Mineral Property
Lynx Clean Power Corp.	Canada	49%	Holding Company
Lynx Gold Corp.	Canada	49%	Holding Company
Lynx Petroleum Ltd.	Canada	49%	Holding Company
Coronado Resources USA LLC	USA	49%	Mineral Property
Lynx Platinum Limited	New Zealand	49%	Inactive

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 90 days or less when acquired.

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. A discount rate of 10% has been used in determining the net present value of oil and gas properties.

Petroleum and natural gas properties, exploration and evaluation assets and other corporate assets are aggregated into cash-generating-units (CGUs) based on their ability to generate largely independent cash flows and are used for impairment testing unless the recoverable amount based on value in use can be estimated for an individual asset. The determination of the Company's CGUs is based on separate business units for electricity generation and retail (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 1.62% and a risk free discount rate ranging from 2.94% to 4.15% which prevailed at the date of these financial statements. The impact of differences between actual and estimated costs, timing and inflation on the consolidated financial statements of future periods may be material.

Income taxes

The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of 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 holds 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.

Exploration and Evaluation Assets – Mineral Property

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

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

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

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

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

Property, Plant and Equipment

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

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

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

Assets attributable to electricity generation (sold during the 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 1.62% and a risk free discount rate ranging from 2.94% to 4.15%. The associated asset retirement obligation is capitalized as part of the cost of the related long-lived asset. Changes in the estimated liability resulting from revisions to estimated timing, amount of cash flows, or changes in the discount rate are recognized as a change in the asset retirement obligation and the related decommissioning cost.

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

Share-Based Payments

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

Emission Credits

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

Contingencies

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

Income Tax

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are presented as non-current. Tax on income in periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Revenue

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

(Loss) Earnings Per Share

Basic (loss) earnings per share ("EPS") is calculated by dividing the net (loss) earnings 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 Oil’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.

New Accounting Standards and Recent Pronouncements

New and amended standards adopted by the Company

Effective April 1, 2015, the Company adopted the following new and revised IFRS that were issued by the IASB:

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

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

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

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

- IFRS 15 – Revenue from Contracts with Customers Issued

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

- IFRS 9, Financial Instruments, Classification and Measurement

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

Note 3 – Exploration and Evaluation Assets

Permit	PEP38748	PEP57063 / 57065	PEP55769	PEP52181	PEP54873	PEP54876	PEP54877	PEP54879
Ownership Interest	100%	100%	100%	40%	100%	50%	70%	50%
Cost								
At March 31, 2014	$ 7,006,849	$ -	$ -	$ 2,147,779	$ 3,047,335	$1,168,562	$11,865,289	$ 3,739,159
Capital expenditures	552,344	-	279,006	1,569,967	(1,709,243)	1,387,096	3,943,854	314,426
Transfer from/(to) PP&E	2,618,146	-	-	-	-	-	(5,722,196)	-
Write-off oil and gas properties	(7,707,606)	-	-	-	(1,263,688)	(2,462,363)	-	-
Change in ARO	-	-	-	-	-	-	176,299	-
Foreign exchange movement	(328,499)	-	-	(23,274)	(74,404)	(93,295)	(128,582)	(40,521)
At March 31, 2015	2,141,234	-	279,006	3,694,472	-	-	10,134,664	4,013,064
Capital expenditures	128,023	15,982	104,706	909,512	-	-	-	224,131
Transfer to PP&E	-	-	-	-	-	-	(9,865,127)	-
Transfer to inventory	-	-	-	(799,704)	-	-	-	-
Write-off oil and gas properties/other	(2,129,537)	-	-	(3,564,466)	-	-	-	-
Change in ARO	-	-	-	-	-	-	584,023	-
Foreign exchange movement	(139,720)	-	(15,018)	(239,814)	-	-	(853,560)	(216,019)
At March 31, 2016	$ -	$ 15,982	$ 368,694	$ -	$ -	$ -	$ -	$ 4,021,176
Net book value								
March 31, 2015	$ 2,141,234	$ -	$ 279,006	$ 3,694,472	$ -	$ -	$10,134,664	$ 4,013,064
March 31, 2016	**$ -**	**$ 15,982**	**$ 368,694**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 4,021,176**

Permit	PEP38348 / 55770	PEP38349	PEP53674	PEP52589	Madison / Other	Cardiff	TOTAL
Ownership Interest	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	
Cost							
At March 31, 2014	$ 2,075,155	$ 7,888,862	$ 1,186,310	$2,853,316	$ 2,291,347	$ 29,904,014	$75,173,977
Capital expenditures	19,753,024	700,148	160,495	63,283	639,814	603,501	28,257,715
Transfer from/(to) PP&E	-	-	-	-	-	-	(3,104,050)
Write-off oil and gas properties	(21,527,926)	(8,233,895)	(1,291,607)	-	-	(29,226,411)	(71,713,496)
Change in ARO	427,185	-	-	-	-	-	603,484
Foreign exchange movement	(727,438)	(355,115)	(55,198)	(30,920)	-	(1,281,104)	(3,138,350)
At March 31, 2015	-	-	-	2,885,679	2,931,161	-	26,079,280
Capital expenditures	-	-	-	8,690	476,713	-	1,867,757
Transfer to PP&E	-	-	-	-	-	-	(9,865,127)
Transfer to inventory	-	-	-	-	-	-	(799,704)
Write-off oil and gas properties/other	204,240	103,363	-	(2,707,929)	(388,444)	(175,577)	(8,658,350)
Change in ARO	(206,586)	(104,550)	-	-	-	177,594	450,481
Foreign exchange movement	2,346	1,187	-	(186,440)	(134,204)	(2,017)	(1,783,259)
At March 31, 2016	$ -	$ -	$ -	$ -	$ 2,885,226	$ -	$ 7,291,078
Net book value							
March 31, 2015	$ -	$ -	$ -	$2,885,679	$ 2,931,161	$ -	$26,079,280
March 31, 2016	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2,885,226**	**$ -**	**$ 7,291,078**

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

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. Canterbury, Kaheru and Sidewinder B 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.

During the year ended March 31, 2015, the Company assessed and concluded that the carrying value of PEP 53674 (Wairarapa), PEP 54873 (Heatseeker), PEP 54876 (Southern Cross), PEP 38348 (Waitangi Hill), PEP 38349 (Boar Hill), PEP 55770 (Totangi) and Cardiff 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. In PEP 38748 (Sidewinder) the partial write-off reduced the carrying amount to $2,141,234 reflecting seismic data from which the Company expects to obtain additional value. Wairarapa, Heatseeker, Southern Cross, Waitangi Hill, Boar Hill, Totangi and Cardiff permits have been relinquished.

Note 4 – Property, Plant and Equipment

	Proven Oil and Gas Property PMP 38156/ PEP54877	Proven Oil & Gas Property PMP 53803	Opunake Hydro Limited	Madison Mine	Office Equipment and Leasehold Improvements	Total
Cost						
At March 31, 2014	$ 134,699,976	$ 36,347,232	$ 5,241,070	$ 663,480	$ 2,021,651	$ 178,973,409
Capital expenditures	18,595,134	(671,073)	3,053,909	-	379,937	21,357,907
Transfer from/(to) E&E	5,722,196	(2,618,146)	-	-	-	3,104,050
Change in ARO	743,125	232,144	-	-	-	975,269
Impairment	-	(9,181,989)	-	-	-	(9,181,989)
Foreign exchange movement	(2,935,875)	(699,317)	(475,120)	-	(108,669)	(4,218,981)
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
Change in ARO	(365,299)	21,214	-	-	-	(344,085)
Sale of assets	-	(1,149,697)	(8,059,738)	-	-	(9,209,435)
Impairment	(59,287,290)	-	-	-	1	(59,287,289)
Foreign exchange movement	(8,814,711)	(1,260,078)	(420,936)	-	(70,356)	(10,566,081)
At March 31, 2016	$ 107,470,219	$ 21,020,290	$ -	$ 663,480	$ 2,242,375	$ 131,396,364
Accumulated depletion and depreciation						
At March 31, 2014	$ (29,281,390)	$ (12,862,250)	$ (540,002)	$ (31,365)	$ (1,226,750)	$ (43,941,757)
Depletion and depreciation	(14,488,599)	(832,251)	(44,639)	(62,180)	(208,484)	(15,636,153)
Foreign exchange movement	317,314	139,385	5,852	-	6,456	469,007
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)
Net book value						
March 31, 2015	$ 113,371,881	$ 9,853,735	$ 7,241,070	$ 569,935	$ 864,141	$ 131,900,762
March 31, 2016	**$ 53,457,895**	**$ 7,809,681**	**$ -**	**$ 530,704**	**$ 711,314**	**$ 62,509,594**

At March 31, 2016, the Company assessed and concluded that the carrying value of PMP 38156 and PMP 54877 exceeded recoverable amounts resulting in an impairment of $59.3 million. The impairment relates to a revision of total proven and probable ('2P') reserves whereby some existing wells were reclassified into the no reserves assigned (NRA) category due to the Company's field development and waterflood plan. The remaining NRA reclassification is attributed to shut in wells, wells becoming uneconomic or contingencies preventing production (Cheal-E2, E5, E6, B7, and G1).

At March 31, 2015, the Company assessed and concluded that the carrying value of PMP 53803 exceeded recoverable amounts resulting in an impairment of $9.2 million. The impairment relates to the revaluation of the Sidewinder Production Station surface and land assets due to the Sidewinder mining licence having no proven or probable reserves

Assumptions for fair value calculation	
Discount Rate	10%
Brent Crude Prices (2016-2026)	$45 - $89 USD bbl
Exchange rate (USD/NZD) (2016-2026)	$0.6737 - $0.7635
Exchange rate (CND/NZ) (2016-2026)	$0.8982 - $0.8982
Exchange rate (USD/CND) (2016-2026)	$0.7500 - $0.8500

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Sensitivity Analysis

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

Assumption	Rate	Movement $000's
Discount Rate	5%	10,527
	15%	(7,000)
Forward Brent Crude Prices	+5% per year	7,837
	-5% per year	(7,839)
	+10% per year	15,581
	-10% per year	(15,946)

Note 5 – Investments

	Number of Shares Held	March 31, 2016 Market Value	Number of Shares Held	March 31, 2015 Market Value
Marketable securities available for sale	572,095	$ 51,140	1,089,095	$ 46,582

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	$ 1,354,242	$ 675,041
Management wages and director fees	912,950	1,571,222
Total management compensation	$ 2,267,192	$ 2,246,263

Note 7 – Asset Retirement Obligations

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 following is a continuity of asset retirement obligations for the year ended March 31, 2015:

Balance at March 31, 2014	$ 11,444,647
Revaluation of ARO	1,578,753
Accretion expense	315,652
Foreign exchange movement	(91,271)
Balance at March 31, 2015	$ 13,247,781

This is represented by:	
Current liability	$ 1,082,202
Non-current liability	12,165,579
Balance at March 31, 2015	$ 13,247,781

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 1.62% and discounted to its present value using a risk free rate ranging from 2.94% to 4.15%. The corresponding amount is recognized by increasing the carrying amount of the oil and gas properties. The liability is accreted each period and the capitalized cost is depreciated over the useful life of the related asset using the unit-of-production method based on proved and probable reserves.

Note 8 – Share Capital

a) Authorized and Issued Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value at March 31, 2016.

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.

During the year ended March 31, 2015:

The Company purchased and cancelled 1,812,600 common shares under its normal course issuer bids at an average price of $1.81 per common share.

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

b) Incentive Share Options

The Company has a share option plan for the granting of share options to directors, employees and service providers. Under the terms of the share option plan, the number of shares reserved for issuance as share incentive options will be equal to 10% of the Company's issued and outstanding shares at any time. The exercise price of each option equals the market price of the Company's shares the day prior to the date that the grant occurs less any applicable discount approved by the Board of Directors and per the guidelines of the TSX. The options maximum term is five years and must vest over a minimum of eighteen months. Options issued after March 31, 2015, vest over a minimum of two years.

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 vested on grant date, one-third of the total options one year from the date of the grant and one-third of the total options two years from the date of the grant.

On 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 vested on grant date, one-third of the total options one year from the date of the grant and one-third of the total options two years from the date of the grant.

On 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 vested on grant date, one-third of the total options one year from the date of the grant and one-third of the total options two years from the date of the grant.

On 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 vested on grant date, one-third of the total options one year from the date of the grant and one-third of the total options two years from the date of the grant.

Share Options 2015

During the year ended March 31, 2015, 8,000 share options were exercised for $10,000. The weighted average share price for the period of exercised options was $1.25. During the year ended March 31, 2015, 775,000 options expired or were cancelled at a weighted average exercise price of $4.90.

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

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

The following is a continuity of outstanding share options:

	Weighted Average of Options	Weighted Average of Exercise Price
Balance at March 31, 2014	3,683,334	$ 6.21
Granted during the year	1,360,000	2.70
Exercised during the year	(8,000)	1.25
Expired during the year	(775,000)	4.90
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

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

Number of Options	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
40,000	$6.70	0.01	August 8, 2017	40,000
585,000	$2.75	0.39	August 13, 2019	585,000
200,000	$2.39	0.14	August 31, 2019	200,000
1,500,000	$1.54	1.23	May 13, 2020	500,000
800,000	$1.50	0.67	June 9, 2020	266,667
1,400,000	$0.75	1.37	March 2, 2021	466,666
500,000	$0.75	0.49	March 9, 2021	166,667
5,025,000		4.30		2,225,000

The Company applies the Black-Scholes option pricing model using the closing market prices on the grant dates and to date the Company has calculated option benefits using a volatility ratio of 61% to 64% and a risk free interest rate of 1.42% to 1.69% to calculate option benefits. The fair value of the options maximum term are five years and must vest over a minimum of two years.

c) Loss Per Share

Basic weighted average shares outstanding for the year ended March 31, 2016 was 62,259,415 (2015: 63,333,025) and diluted weighted average shares outstanding for the year ended March 31, 2016 was 62,259,415 (2015: 63,333,025). 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, 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
Balance at March 31, 2014	$	28,465,107
Unrealized loss on available for sale investments		(85,584)
Cumulative translation adjustment		(3,499,115)
Balance at March 31, 2015	$	24,880,408

Note 10 – Capital Management

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

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

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any currently contemplated. There have been no changes to the Company's approach to capital management during the period.

Note 11 – Financial Instruments

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

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

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

a) Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is relative to the sale of oil production. All of the Company's production is sold directly to an oil super major. The Company is paid for its oil sales within 30 days of shipment. The Company has assessed the risk of non-collection from the buyer as low due to the buyer's financial condition.

Cash and cash equivalents consist of cash bank balances and short-term deposits. The Company's short-term investments are held with 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, 2016 and did not provide for any doubtful accounts. During the year ended March 31, 2016, the Company was required to write-off $Nil (2015 – $Nil). As at March 31, 2016, there were no significant amounts past due or impaired.

b) Liquidity Risk

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

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

c) Market Risk

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

d) Foreign Currency Exchange Rate Risk

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

The Company currently does not have significant exposure to other currencies and this is not expected to change in the foreseeable future as the work commitments in New Zealand are expected to be carried out in New Zealand 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, 2016 and any variations in interest rates would not have materially affected net income.

g) Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy 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:

		March 31, 2016		March 31, 2015	
	Fair Value Level	Fair Value through Profit or Loss	Loans and Receivables and Other Financial Liabilities at Amortized Cost	Fair Value through Profit or Loss	Loans and Receivables and Other Financial Liabilities at Amortized Cost
		$	$	$	$
Financial assets:					
Cash and cash equivalents	1	16,846,272	-	27,055,116	-
Restricted cash	1	205,066	-	269,503	-
Investments	1	51,140	-	46,582	-
		17,102,478	-	27,371,201	-
Financial liabilities:					
Derivative financial instrument	2	-	-	1,838	-
Accounts payable and accrued liabilities		-	3,022,751	-	9,712,280
		-	3,022,751	1,838	9,712,280

During the years ended March 31, 2016 and 2015, 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, 2016	Canada	New Zealand	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	63,509,594
Investments	51,140	-	-	51,140
Total non-current assets	$ 353,181	$ 66,250,796	$ 3,524,531	$ 70,128,508

For the year ended March 31, 2015	Canada	New Zealand	United States	Total Company
Production revenue	$ -	$ 49,376,797	$ -	$ 49,376,797
Discontinued operations sales revenue	-	4,360,368	-	4,360,368
	$ -	$ 53,737,165	$ -	$ 53,737,165
Restricted cash	$ 87,778	$ 105,987	$ 75,738	$ 269,503
Exploration and evaluation assets	-	23,497,978	2,581,302	26,079,280
Property, plant and equipment	198,078	131,081,482	621,202	131,900,762
Investments	46,582	-	-	46,582
Total non-current assets	$ 332,438	$ 154,685,447	$ 3,278,242	$ 158,296,127

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

For the year ended March 31, 2016	Petroleum Exploration and Production	Electricity Generation and Retailing *(discontinued)*	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

For the year ended March 31, 2015	Petroleum Exploration and Production	Electricity Generation and Retailing *(discontinued)*	Mining	Total Company
Loss for the period	$ (68,088,075)	$ (1,379,982)	$ (294,460)	$ (69,762,517)
Total assets	$ 182,183,875	$ 10,739,984	$ 3,961,775	$ 196,885,634
Total liabilities	$ 21,933,615	$ 962,175	$ 66,109	$ 22,961,899

Note 13 – Commitments

The Company has the following commitments for capital expenditure at March 31, 2016:

Contractual Obligations	Total $	Less than One Year $	More than One Year $
Operating leases (1)	1,034,000	258,000	776,000
Other long-term obligations (2)	16,921,000	8,972,000	7,949,000
Total Contractual Obligations (3)	17,955,000	9,230,000	8,725,000

(1) The Company has commitments related to office leases signed in New Plymouth and Napier, New Zealand and Vancouver, Canada.

(2) The other long term obligations that the Company has are in respect to the Company's share of expected exploration and development permit obligations and/or commitments at the date of this report. The Company may choose to alter the program, request extensions, reject development costs, relinquish certain permits or farm-out its interest in permits where practical.

(3) The Company's total commitments include those that are required to be incurred to maintain its permits in good standing during the current permit term, prior to the Company committing to the next stage of the permit term where additional expenditures would be required. In addition, costs are also included that relate to commitments the Company has made that are in addition to what is required to maintain the permit in good standing.

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 between 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 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

	2016	2015
Electricity sales	$ 6,187,175	$ 4,360,368
Cost of sales	(6,406,164)	(4,509,194)
	(218,989)	(148,826)
General and administrative expenses	(1,350,997)	(987,119)
Other items	123,447	(242,138)
Impairment on remeasurement of disposal	(3,719,359)	-
Net loss for the year	$ (5,165,898)	$ (1,378,083)
Loss per share, basic and diluted	$ (0.08)	$ (0.02)

b. Cash flows used in discontinued operation

		2016		2015
Net cash used in operating activities	$	4,708,387	$	(303,541)
Net cash from investing activities		(5,161,125)		33,287
Net cash flow for the year	$	(452,738)	$	(270,254)

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:

	2016	2015
Net loss for the year	$ (84,604,806)	$ (75,323,242)
Expected income tax expense	(20,970,747)	(20,168,490)
Net adjustment for amortization, deductible and non-deductible amounts	15,899,833	4,371,864
Recognition of previously unrecognized income tax assets	5,070,914	10,235,901
Total income tax (recovery) expense	$ -	$ (5,560,725)

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

	2016	2015
Deferred tax asset: non-capital losses net of unrecognized amounts	1,862,578	20,625,148
Deferred tax liabilities: Exploration and evaluation assets	(1,862,578)	(20,625,148)
Net deferred tax	$ -	$ -

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

	2016	2015
Deferred income tax assets (liabilities):		
Net property and equipment carrying amounts in excess of tax pools	$ 36,715,886	$ (10,971,186)
Exploration and evaluation assets	86,247	(18,154,814)
Capital and non-capital loss carry forwards and share issue costs	133,609,050	107,511,833
Unrecognized deductible temporary differences	$ 170,411,183	$ 78,385,833

The Company has Canadian non-capital losses of approximately $28.3 million (2015; $24.6 million), which are available to reduce future taxable income. These expire between 2026 and 2036. Subject to certain restrictions the Company also has mineral property expenditures of approximately $7.99 million (2015: $7.99 million) available to reduce taxable income in future years.

At March 31, 2016, the Company also has losses and deductions of approximately NZ$100.80 million (March 31, 2015: NZ$71.3 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.