Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

June 30, 2015
(Unaudited)

TAG Oil Ltd.

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

	June 30, 2015	March 31, 2015
Assets		
Current:		
Cash and cash equivalents	$ 20,544,838	$ 27,055,116
Amounts receivable and prepaids	8,062,079	7,006,174
Inventory	4,006,683	4,528,217
	32,613,600	38,589,507
Non-Current:		
Restricted cash	276,931	269,503
Exploration and evaluation assets (Note 3)	14,968,848	26,079,280
Property, plant and equipment (Note 4)	124,722,267	131,900,762
Investments (Note 5(a))	80,690	46,582
	$ 172,662,336	$ 196,885,634
Liabilities and Shareholders' Equity		
Current:		
Accounts payable and accrued liabilities	$ 5,387,544	$ 9,712,280
Asset retirement obligations (Note 7)	963,642	1,082,202
Derivative financial instruments	197,556	1,838
	6,548,742	10,796,320
Non-Current:		
Asset retirement obligations (Note 7)	10,904,985	12,165,579
	17,453,727	22,961,899
Share capital (Note 8 (a))	230,512,403	230,574,881
Share-based payment reserve (Note 8 (b))	18,174,745	17,278,437
Foreign currency translation reserve	8,284,203	25,467,240
Available for sale marketable securities reserve	(552,724)	(586,832)
Deficit	(107,169,730)	(105,328,237)
Equity attributable to owners of the Company	149,248,897	167,405,489
Non-controlling interests	5,959,712	6,518,246
	155,208,609	173,923,735
	$ 172,662,336	$ 196,885,634

Nature of operations (Note 1)
Commitments (Note 12)
Subsequent event (Note 14)
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, 2015	2014
Revenues and Costs		
Production revenue	$ 10,384,887	$ 15,571,267
Production costs	(3,548,130)	(3,029,199)
Transportation and storage costs	(1,208,764)	(1,417,274)
Royalties	(804,632)	(1,275,374)
	4,823,361	9,849,420
Expenses		
Depletion, depreciation and accretion	3,928,497	3,635,718
Foreign exchange	(552,931)	311,546
Insurance	44,302	27,639
Interest income	(51,733)	(149,762)
Share-based compensation	896,308	43,658
Consulting and directors fees	198,179	224,936
Filing, listing and transfer agent	692	131,182
Office and administration	232,676	226,643
Professional fees	140,225	155,820
Rent	91,273	81,555
Shareholder relations and communications	131,135	326,361
Travel	147,306	144,346
Wages and salaries	1,107,467	731,744
Overhead recoveries	(55,458)	(65,143)
	(6,257,938)	(5,826,243)
Other Items		
Loss on derivative financial instrument	(199,363)	(333,616)
Loss on sale of assets	(51,342)	-
Exploration expense	(320,690)	-
Write-off of exploration and evaluation	(394,055)	-
	(965,450)	(333,616)
Net (loss) income for the period	(2,400,027)	3,689,561
Other comprehensive (loss) income (Note 9)		
Cumulative translation adjustment	(17,183,037)	(5,929,732)
Change in available for sale asset Investments	34,108	(74,002)
Comprehensive loss for the period	$ (19,548,956)	$ (2,314,173)
(Loss) earnings per share – basic (Note 8(c))	$ (0.04)	$ 0.06
(Loss) earnings per share – diluted (Note 8(c))	$ (0.04)	$ 0.06

See accompanying notes.

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

	Three months ended June 30,	
	2015	2014
Net income attributable to:		
Owners of the Company	$ (1,841,493)	$ 4,067,311
Non-controlling interests	(558,534)	(377,750)
Net (loss) income for the period	$ (2,400,027)	$ 3,689,561
Net comprehensive loss attributable to:		
Owners of the Company	$ (18,990,422)	$ (1,936,423)
Non-controlling interests	(558,534)	(377,750)
Total comprehensive loss for the period	$ (19,548,956)	$ (2,314,173)

See accompanying notes.

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

	Three months ended June 30, 2015	2014
Operating Activities		
Net (loss) income for the period	$ (2,400,027)	$ 3,689,561
Changes for non-cash operating items:		
Depletion, depreciation and accretion	3,928,497	3,635,718
Interest and foreign exchange on restricted cash	1,683	12,602
Loss on derivative financial instrument	199,363	333,616
Loss on sale of assets	51,342	-
Share-based compensation	896,308	43,658
Write-off of exploration and evaluation assets	394,055	-
	3,071,221	7,715,155
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	(1,055,905)	280,121
Accounts payable and accrued liabilities	781,474	(1,369,967)
Inventory	521,534	540,754
Cash provided by operating activities	3,318,324	7,166,063
Financing Activity		
Shares purchased and returned to treasury	(62,478)	(428,304)
Cash used in financing activity	(62,478)	(428,304)
Investing Activities		
Restricted cash	(19,888)	(13,837)
Exploration and evaluation assets	(3,859,069)	(3,255,213)
Property and equipment	(5,887,167)	(9,430,821)
Repayment of loan advances	-	414,278
Cash used in investing activities	(9,766,124)	(12,285,593)
Net decrease in cash and cash equivalents during the period	(6,510,278)	(5,547,834)
Cash and cash equivalents - beginning of the period	27,055,116	52,004,463
Cash and cash equivalents – end of the period	$ 20,544,838	$ 46,456,629
Supplementary disclosures:		
Interest received	$ 51,733	$ 149,762
Cash	5,776,997	13,847,263
Cash equivalents	14,767,841	32,609,366
	$ 20,544,838	$ 46,456,629

Non-cash investing activities:
The Company incurred $561,164 in exploration and evaluation expenditures which amounts were in accounts payable at June 30, 2015 (2014: $622,245). The Company incurred $350,372 in property and equipment expenditures which amounts were in accounts payable at June 30, 2015 (2014: $3,958,144).

See accompanying notes.

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

	Number of Shares (Note 8)	Share Capital (Note 8)	Reserves			Deficit	Total	Non-Controlling Interest	Total Equity
			Share-based Payments	Foreign Currency Translation	Available for Sale Marketable Securities				
Balance at March 31, 2015	62,361,452	$ 230,574,881	$ 17,278,437	$ 25,467,240	$ (586,832)	$(105,328,237)	$ 167,405,489	$ 6,518,246	$ 173,923,735
Repurchase shares	(47,400)	(62,478)	-	-	-	-	(62,478)	-	(62,478)
Share-based payments	-	-	896,308	-	-	-	896,308	-	896,308
Currency translation adjustment	-	-	-	(17,183,037)	-	-	(17,183,037)	-	(17,183,037)
Unrealized gain/(loss) on available-for-sale investments	-	-	-	-	34,108	-	34,108	-	34,108
Net loss for the period	-	-	-	-	-	(1,841,493)	(1,841,493)	(558,534)	(2,400,027)
Balance at June 30, 2015	62,314,052	$ 230,512,403	$ 18,174,745	$ 8,284,203	$ (552,724)	$(107,169,730)	$ 149,248,897	$ 5,959,712	$ 155,208,609
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	(159,600)	(428,304)	-	-	-	-	(428,304)	-	(428,304)
Share-based payments	-	-	43,658	-	-	-	43,658	-	43,658
Currency translation adjustment	-	-	-	(5,929,732)	-	-	(5,929,732)	-	(5,929,732)
Unrealized gain/(loss) on available-for-sale investments	-	-	-	-	(74,002)	-	(74,002)	-	(74,002)
Net income for the period	-	-	-	-	-	4,067,311	4,067,311	(377,750)	3,689,561
Balance at June 30, 2014	64,006,452	$ 233,402,985	$ 15,963,035	$ 23,036,623	$ (575,250)	$ (32,353,659)	$ 239,473,734	$ 6,995,746	$ 246,469,480

See accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements
Three Months Ended June 30, 2015
Expressed in Canadian Dollars
Unaudited

Note 1 – Nature of Operations

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

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

Note 2 –Significant Accounting Policies

Statement of compliance and basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board, and its interpretations. Accordingly, these condensed consolidated interim financial statements do not include all of the information and foot notes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes. Results for the period ended June 30, 2015, 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, 2015.

Basis of consolidation

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

The Company's subsidiaries are:

Name of Subsidiary	Place of Incorporation	Ownership Interest	Principal Activity
TAG Oil (NZ) Limited	New Zealand	100%	Oil and Gas Exploration
Cheal Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
TAG Oil (Offshore) Limited	New Zealand	100%	Oil and Gas Exploration
Eastern Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
Orient Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
Trans Orient Petroleum Limited	Canada	100%	Oil and Gas Exploration
Coronado Resources Ltd	Canada	49%	Electricity Generation and Retailing and Mineral Property
Lynx Clean Power Corp.	Canada	49%	Electricity Generation and Retailing
Lynx Gold Corp	Canada	49%	Mineral Property
Lynx Petroleum Ltd.	Canada	49%	Inactive
Coronado Resources USA LLC	USA	49%	Mineral Property
Opunake Hydro Limited	New Zealand	49%	Electricity Generation and Retailing
Lynx Gold (NZ) Limited	New Zealand	49%	Inactive
Lynx Platinum Limited	New Zealand	49%	Mineral Property
Lynx Oil and Gas Limited	New Zealand	49%	Inactive

Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingencies. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these consolidated financial statements.

Areas of judgment that have the most significant effect on the amounts recognized in these consolidated financial statements are: recoverability, impairment and fair value of oil and gas properties, deferred tax assets and liabilities and functional currency.

Key sources of estimation uncertainty that have the most significant effect on the amounts recognized in these consolidated financial statements are: recoverability, impairment and fair value of oil and gas properties, deferred tax assets and liabilities, determination of the fair values of stock-based compensation and assessment of contingencies.

Recoverability, impairment and fair value of oil and gas properties

Fair values of oil and gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of crude oil and natural gas reserves, oil and gas prices and future costs required to develop those reserves. By nature, estimates of reserves and the related future cash flows are subject to measurement uncertainty and the impact of differences between actual and estimated amounts on the consolidated financial statements of future periods could be material. The fair value of properties is determined based on cost and supported by the discounted cash flow of reserves based on anticipated work program. The net present value uses a discount rate of 10% and costs are determined on the anticipated exploration program, forecast oil prices and contractual price of natural gas along with forecast operating and decommissioned costs. A discount rate of 10% has been used in determining the net present value of oil and gas properties.

Petroleum and natural gas properties, exploration and evaluation assets and other corporate assets are aggregated into cash-generating-units (CGUs) based on their ability to generate largely independent cash flows and are used for impairment testing unless the recoverable amount based on value in use can be estimated for an individual asset. The determination of the Company's CGUs is based on separate business units for electricity generation and retail and producing oil and gas fields with petroleum mining permits granted including associated infrastructure on the basis that field investment decisions are made based on expected field production and all wells are dependent on the field infrastructure.

Each CGU or asset is evaluated for impairment to ensure the carrying value is recoverable. Management looks at the discounted cash flows of capital development, income, production, reserves, field life and asset retirement obligations of the CGU or asset in assessing the recoverable amount of the asset or CGU. A discount rate of 10% is applied to the assessment of the recoverable amount.

The decision to transfer exploration and evaluation assets to property, plant and equipment is based on management's determination of an area's technical feasibility and commercial viability based on proved and probable reserves. The calculation of decommissioning liabilities includes estimates of the future costs to settle the liability, the timing of the cash flows to settle the liability, the risk-free rate and the future inflation rates. The rates used to calculate decommissioning liabilities are an inflation rate of 1.6% and a risk free discount rate of 2.75% which prevailed at the date of these financial statements. The impact of differences between actual and estimated costs, timing and inflation on the consolidated financial statements of future periods may be material.

Income taxes

The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of the reversals of temporary differences, and estimating the reliability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense (recovery).

Share-based compensation

The calculation of share-based compensation requires estimates of volatility, forfeiture rates and market prices surrounding the issuance of share options. These estimates impact share-based compensation expense and share-based payment reserve.

Functional currency

The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

Contingencies

Contingencies are resolved only when one or more events transpire. As a result, the assessment of contingencies inherently involves estimating the outcome of future events.

New Accounting Standards and Recent Pronouncements

The Company has evaluated the following new and revised IFRS standards and has determined there to be no material impact on the financial statements upon adoption:

- IAS 1 – Presentation of Financial Statements
- IFRIC 21 – Levies
- IAS 32 – Financial instruments - Presentation

Future Changes in Accounting Policies

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") but not yet effective as at June 30, 2015. 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.

The following standards or amendments are effective for annual periods beginning on or after January 1, 2015:

- IFRS 9 – Financial Instruments (annual periods beginning January 1, 2018)

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) P,P&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	80,124	10,856	2,489	535,405	-	-	-	10,464
Transfer from/(to) P,P&E	-	-	-	-	-	-	(8,397,476)	-
Write-off properties	-	-	-	-	-	-	-	-
Foreign exchange movement	(234,582)	-	(30,566)	(404,747)	-	-	(1,737,188)	(439,648)
At June 30, 2015	$1,986,776	$ 10,856	$ 250,929	$ 3,825,130	$ -	$ -	$ -	$3,583,880
Net book value								
March 31, 2015	$2,141,234	$ -	$ 279,006	$ 3,694,472	$ -	$ -	$10,134,664	$4,013,064
June 30, 2015	**$1,986,776**	**$ 10,856**	**$ 250,929**	**$ 3,825,130**	**$ -**	**$ -**	**$ -**	**$3,583,880**

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) P,P&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	-	-	-	38,413	463,761	-	1,141,512
Transfer from/(to) P,P&E	-	-	-	-	-	-	(8,397,476)
Write-off properties	-	-	-	-	(394,055)	-	(394,055)
Foreign exchange movement	-	-	-	(316,139)	(297,543)	-	(3,460,413)
At June 30, 2015	$ -	$ -	$ -	$ 2,607,953	$ 2,703,324	$ -	$14,968,848
Net book value							
March 31, 2014	$ -	$ -	$ -	$ 2,885,679	$ 2,931,161	$ -	$26,079,280
June 30, 2015	**$ -**	**$ -**	**$ -**	**$ 2,607,953**	**$ 2,703,324**	**$ -**	**$14,968,848**

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.

At March 31, 2015, the Company assessed and concluded that the carrying value of PEP 53674, PEP 54873, PEP 54876, PEP 38348, PEP 38349 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 that the Company expects to obtain additional value from.

At June 30, 2015 the Company transferred the remaining exploration and evaluation asset balance from PEP 54877 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 out proven and probable reserves from PEP 54877.

On June 10, 2015, the Company relinquished PEP 55770 and has written off the costs associated with this permit as at March 31, 2015.

On July 27, 2015, Lynx Platinum Limited, a subsidiary of Coronado Resources Ltd, was given notice that the surrender of all permits on the Platinum property has been granted and therefore all costs associated with the property were written-off as at June 30, 2015.

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	1,483,667	-	319,496	-	(28,874)	1,774,289
Transfer from/(to) E&E	8,397,476	-	-	-	-	8,397,476
Foreign exchange movement	(16,553,929)	(2,564,544)	(856,700)	-	(143,190)	(20,118,363)
At June 30, 2015	$ 150,151,770	$ 20,844,307	$ 7,282,655	$ 663,480	$ 2,120,855	$ 181,063,067
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	(3,434,017)	(86,926)	(41,289)	(12,571)	(46,044)	(3,620,847)
Foreign exchange movement	4,760,432	1,485,024	63,409	-	80,085	6,388,950
At June 30, 2015	$ (42,126,260)	$ (12,157,018)	$ (556,669)	$ (106,116)	$ (1,394,737)	$ (56,340,800)
Net book value						
March 31, 2015	$ 113,371,881	$ 9,853,735	$ 7,241,070	$ 569,935	$ 864,141	$ 131,900,762
June 30, 2015	**$ 108,025,510**	**$ 8,687,289**	**$ 6,725,986**	**$ 557,364**	**$ 726,118**	**$ 124,722,267**

Note 5 – Investments

a) Marketable Securities

	June 30, 2015		March 31, 2015	
	Number of Shares Held	**Market Value**	Number of Shares Held	Market Value
Marketable securities available for sale	**1,089,095**	**$ 80,690**	1,089,095	$ 46,582

b) Investment in Associated Company

On September 28, 2013, the Company increased its interest in Coronado Resources Ltd. ("Coronado") from 25,975,000 common shares, or 40.08% to 38,990,410 common shares, or 49.18%. As of that date, the accounts of Coronado are now consolidated.

Note 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 three months ended June 30:

	2015	2014
Share-based compensation	**$ 731,943**	$ 26,573
Management wages and director fees	**230,929**	250,383
Total management compensation	**$ 962,872**	$ 276,956

Note 7 – Asset Retirement Obligations

The following is a continuity schedule of asset retirement obligations for the three months ended June 30, 2015:

Balance at March 31, 2015	$ 13,247,781
Revaluation of ARO	-
Accretion expense	76,795
Foreign exchange movement	(1,455,949)
Balance at June 30, 2015	$ 11,868,627

This is represented by:	
Current liability	$ 963,642
Non-current liability	10,904,985
Balance at June 30, 2015	$ 11,868,627

The following is a continuity of asset retirement obligations for the three months ended June 30, 2014:

Balance at March 31, 2014	$ 11,444,647
Revaluation of ARO	1,084,206
Accretion expense	66,872
Foreign exchange movement	(269,966)
Balance at June 30, 2014	$ 12,325,759

This is represented by:	
Current liability	$ -
Non-current liability	12,325,759
Balance at June 30, 2014	$ 12,325,759

The Company's asset retirement obligations result from net ownership interests in petroleum and natural gas development activity. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations to be approximately $13,983,694 which will be incurred between 2015 and 2032. The retirement obligation is calculated based on an assessment of the cost to plug and abandon each well, the removal and sale of facilities and the rehabilitation and reinstatement of land at the end of the life of the field.

The fair value of the liability for the Company's asset retirement obligation is recorded in the period in which it is incurred, using an inflation rate of 1.6% and discounted to its present value using a risk free rate of 2.75%.The corresponding amount is recognized by increasing the carrying amount of the oil and gas properties. The liability is accreted each period and the capitalized cost is depreciated over the useful life of the related asset using the unit-of-production method based on proved and probable reserves.

Note 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, 2015:

The Company purchased and cancelled 47,400 common shares under its normal course issuer bids at an average price of $1.32 per common share.

During the three months ended June 30, 2014:

The Company purchased and cancelled 159,600 common shares under its normal course issuer bids at an average price of $2.68 per common share.

b) Incentive Share Options

The Company has a share option plan for the granting of share options to directors, employees and service providers. Under the terms of the share option plan, the number of shares reserved for issuance as share incentive options will be equal to 10% of the Company's issued and outstanding shares at any time. The exercise price of each option equals the market price of the Company's shares the day prior to the date that the grant occurs less any applicable discount approved by the Board of Directors and per the guidelines of the TSX. The options maximum term is five years and must vest over a minimum of two years as of May 13, 2015 (prior to that it was eighteen months).

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.

The following is a continuity of outstanding share options:

	Average Number of Shares	Average Price per Share
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/Cancelled during the year	(775,000)	4.90
Balance at March 31, 2015	4,260,334	$ 5.33
Granted during the period	2,800,000	1.53
Expired/Cancelled during the period	(1,875,334)	5.45
Balance at June 30, 2015	5,185,000	$ 3.24

The following summarizes information about share options that are outstanding at June 30, 2015:

Number of Shares	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
50,000	$2.60	0.00	September 9, 2015	50,000
330,000	$7.15	0.04	February 8, 2016	330,000
300,000	$6.15	0.06	July 5, 2016	300,000
225,000	$7.00	0.06	December 20, 2016	225,000
495,000	$6.70	0.18	August 8, 2017	495,000
50,000	$6.47	0.02	September 12, 2017	50,000
75,000	$6.66	0.03	September 19, 2017	75,000
75,000	$5.00	0.05	November 30, 2018	75,000
585,000	$2.75	0.47	August 13, 2019	195,000
200,000	$2.39	0.16	August 31, 2019	66,667
2,000,000	$1.54	1.88	May 13, 2020	666,666
800,000	$1.50	0.76	June 9, 2020	266,667
5,185,000		3.72		2,795,000

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 60.61% to 61.62%, a risk free interest rate of 1.66% to 1.69% and expected life of 5 years to calculate option benefits. The fair value of the options maximum term is five years and must vest over a minimum of two years.

c) Income per share

Basic weighted average shares outstanding for the period ended June 30, 2015 was 62,320,739 (2014: 64,114,430) and diluted weighted average shares outstanding for the period was 62,320,739 (2014: 64,487,764). 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 loss on available for sale investments		34,108
Cumulative translation adjustment		(17,183,037)
Balance at June 30, 2015	$	7,731,479

Balance at March 31, 2014	$	28,465,107
Unrealized loss on available for sale investments		(74,002)
Cumulative translation adjustment		(5,929,732)
Balance at June 30, 2014	$	22,461,373

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 expose the Company to credit risk, liquidity risk and market risk, and changes in commodity prices, foreign exchange rates and interest rates may have a material effect on cash flows, net income and comprehensive income.

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

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

a) Credit Risk

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

Cash and cash equivalents consist of cash bank balances and short-term deposits. The Company's short-term investments are held with a Canadian chartered bank and are monitored to ensure a stable return. The Company's short-term investments currently consist of term deposits as it is not the Company's policy to utilize complex, higher-risk investment vehicles.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at June 30, 2015 and did not provide for any doubtful accounts. During the period ended June 30, 2015, the Company was required to write-off $Nil (2014: $Nil). As at June 30, 2015, there were no significant amounts past due or impaired.

b) Liquidity Risk

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

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

c) Market Risk

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

d) Foreign Currency Exchange Rate Risk

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

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

e) Commodity Price Risk

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

f) Interest Rate Risk

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

The Company did not have any interest rate swaps or financial contracts in place during the period ended June 30, 2015 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:

		June 30, 2015		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	20,544,838	-	27,055,116	-
Restricted cash	1	276,931	-	269,503	-
Investments	1	80,690	-	46,582	-
		20,902,459	-	27,371,201	-
Financial liabilities:					
Derivative financial instrument	2	197,556	-	1,838	-
Accounts payable and accrued liabilities		-	5,387,544	-	9,712,280
		197,556	5,387,544	1,838	9,712,280

The Company's cash and cash equivalents are classified as level 1. During the period ended June 30, 2015 and the year ended March 31, 2015, there were no transfers between level 1, level 2 and level 3.

Note 12 – Commitments

The Company has the following commitments for Capital Expenditure at June 30, 2015:

Contractual Obligations	Total $	Less than One Year $	More than One Year $
Operating leases (1)	377,000	283,000	94,000
Other long-term obligations (2)	54,876,000	52,864,000	2,012,000
Total Contractual Obligations (3)	55,253,000	53,147,000	2,106,000

(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.

The Company has provided a guarantee of NZ$900,000 on a credit facility that provides security to the New Zealand electrical clearing manager.

Note 13 – Segmented Information

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

For the period ended June 30, 2015	Canada	New Zealand	United States	Total Company
Production revenue	$ -	$ 10,384,887	$ -	$ 10,384,887
Total non-current assets	$ 163,848	$ 136,294,830	$ 3,590,058	$ 140,048,736

For the year ended March 31, 2015	Canada	New Zealand	United States	Total Company
Production revenue	$ -	$ 53,737,165	$ -	$ 53,737,165
Total non-current assets	$ 332,440	$ 154,685,445	$ 3,278,242	$ 158,296,127

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

For the period ended June 30, 2015	Petroleum Exploration and Production	Electricity Generation and Retailing	Mining	Total Company
Production revenue	$ 9,005,966	$ 1,378,921	$ -	$ 10,384,887
Loss	$ (1,304,862)	$ (614,746)	$ (480,418)	$ (2,400,026)
Total Assets	$ 158,755,246	$ 8,779,577	$ 5,127,513	$ 172,662,336
Total Liabilities	$ 15,152,168	$ 2,233,456	$ 68,102	$ 17,453,726

For the year ended March 31, 2015	Petroleum Exploration and Production	Electricity Generation and Retailing	Mining	Total Company
Production revenue	$ 49,376,797	$ 4,360,368	$ -	$ 53,737,165
Loss	$ (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 14 – Subsequent Event

Share capital

Subsequent to June 30, 2015, the Company purchased and cancelled 12,800 common shares under its normal course issuer bids at an average price of $1.31 per common share.