Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

June 30, 2018
(Unaudited)

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

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

	June 30, 2018	March 31, 2018
Assets		
Current:		
Cash and cash equivalents	$ 4,823,855	$ 1,777,672
Amounts receivable and prepaids	3,176,925	2,614,180
Inventory	3,239,210	4,049,294
	11,239,990	8,441,146
Non-Current:		
Exploration and evaluation assets (Note 3)	23,160,334	23,376,077
Investments (Note 5(a))	75,575	84,648
Property, plant and equipment (Note 4)	105,135,231	112,134,229
Restricted cash	244,669	247,264
	$ 139,855,799	$ 144,283,364
Liabilities and Shareholders' Equity		
Current:		
Accounts payable and accrued liabilities	$ 3,028,211	$ 4,354,297
Asset retirement obligations (Note 6)	-	173,603
Agreement for purchase (Note 3)	486,650	495,100
Derivative financial instrument (Note 10)	730,080	-
Loan payable (Note 10)	1,211,915	-
	5,456,856	5,023,000
Non-Current:		
Asset retirement obligations (Note 6)	13,138,400	13,620,111
Agreement for purchase (Note 3)	729,975	742,650
	19,325,231	19,385,761
Share capital (Note 8)	244,169,454	244,169,454
Share-based payment reserve (Note 8)	20,823,899	20,581,296
Foreign currency translation reserve	11,580,561	16,734,545
Available for sale marketable securities reserve	42,626	51,700
Deficit	(156,085,972)	(156,639,392)
	120,530,568	124,897,603
	$ 139,855,799	$ 144,283,364

Nature of Operations (Note 1)
Commitments (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 Income (Loss)
Expressed in Canadian Dollars
Unaudited

	Three months ended June 30, 2018	2017
Revenues		
Production revenue	$ 9,117,752	$ 5,381,732
Production costs	(2,953,019)	(1,943,646)
Royalties	(937,804)	(538,248)
Transportation and storage costs	(763,197)	(680,178)
	4,463,732	2,219,660
Expenses		
Consulting and director fees	222,592	221,180
Depletion, depreciation and accretion	2,720,994	2,669,906
Filing, listing and transfer agent	25,151	40,489
Finance costs	418,248	-
Foreign exchange	(150,032)	(88,498)
Insurance	22,972	29,620
Interest and other income	(237,713)	(41,491)
Office and administration	218,245	167,709
Overhead recoveries	(33,798)	(105,705)
Professional fees	122,461	110,286
Rent	84,372	68,213
Reports	-	14,555
Share-based compensation	242,603	138,728
Shareholder relations and communications	91,948	118,346
Travel	165,420	174,497
Wages and salaries	489,536	519,795
	(4,402,999)	(4,037,630)
Other Items		
Exploration expense	(18,029)	(13,517)
Gain on distribution of subsidiary (Note 5(b))	-	210,765
Interest and penalties (Note 15)	-	(551,215)
Loss on derivative financial instrument (Note 10)	(750,974)	-
	(769,003)	(353,967)
Net loss before taxes	$ (708,270)	$ (2,171,937)
Income tax recovery	1,261,690	-
Net income (loss) for the period	$ 553,420	$ (2,171,937)
Other comprehensive (loss) income (Note 9)		
Cumulative translation adjustment	(5,153,984)	1,959,227
Change in available for sale assets:		
Investments	(9,074)	-
Comprehensive loss for the period	$ (4,609,638)	$ (212,710)
Income (loss) per share – basic (Note 8(d))	$ 0.01	$ (0.03)
Income (loss) per share – diluted (Note 8(d))	$ 0.01	$ (0.03)

See accompanying notes.

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

	Three months ended June 30, 2018	2017
Operating Activities		
Net income (loss) for the period	$ 553,420	$ (2,171,937)
Changes for non-cash operating items:		
Depletion, depreciation and accretion	2,720,994	2,669,906
Interest and foreign exchange on restricted cash	346	346
Exploration expenses	18,029	13,517
Gain on distribution of subsidiary	-	(210,765)
Loss on derivative financial instruments	750,974	-
Share-based compensation	242,603	138,728
	4,286,366	439,795
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	(562,745)	1,263,815
Accounts payable and accrued liabilities	613,897	(231,053)
Inventory	810,084	334,921
Cash provided by operating activities	5,147,602	1,807,478
Financing Activity		
Loan advances	1,211,915	-
Cash provided by financing activity	1,211,915	-
Investing Activities		
Cash of subsidiary on deconsolidation	-	(1,432,166)
Exploration and evaluation assets	(2,623,847)	(4,383,956)
Property and equipment	(689,487)	(5,437,887)
Repayment of loan advances	-	54,722
Cash used in investing activities	(3,313,334)	(11,199,287)
Net increase (decrease) in cash and cash equivalents during the period	3,046,183	(9,391,809)
Cash and cash equivalents – beginning of the period	1,777,672	21,564,654
Cash and cash equivalents – end of the period	$ 4,823,855	$ 12,172,845
Supplementary disclosures:		
Interest received	$ 121,370	$ 33,032
Cash	$ 1,583,224	$ 8,932,214
Cash equivalents	3,240,631	3,240,631
	$ 4,823,855	$ 12,172,845

Non-Cash Investing Activities:
The Company incurred $1,257,379 in exploration and evaluation expenditures which were in accounts payable at June 30, 2018 (2017: $2,100,269). The Company incurred $95,140 in property and equipment expenditures which were in accounts payable at June 30, 2018 (2017: $3,273,786).

See accompanying notes.

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

	Number of Shares (Note 8)	Share Capital (Note 8)	Reserves: Share-based Payments	Reserves: Foreign Currency Translation	Reserves: Available for Sale Marketable Securities	Deficit	Total	Non-Controlling Interest	Total Equity
Balance at March 31, 2018	85,282,252	$ 244,169,454	$ 20,581,296	$ 16,734,545	$ 51,700	$ (156,639,392)	$ 124,897,603	$ -	$ 124,897,603
Share-based payments	-	-	242,603	-	-	-	242,603	-	242,603
Currency translation adjustment	-	-	-	(5,153,984)	-	-	(5,153,984)	-	(5,153,984)
Unrealized loss on available-for-sale investments	-	-	-	-	(9,074)	-	(9,074)	-	(9,074)
Net income for the period	-	-	-	-	-	553,420	553,420	-	553,420
Balance at June 30, 2018	85,282,252	$ 244,169,454	$ 20,823,899	$ 11,580,561	$ 42,626	$ (156,085,972)	$ 120,530,568	$ -	$ 120,530,568
Balance at March 31, 2017	85,282,252	$ 244,169,454	$ 20,226,202	$ 17,117,040	$ 25,849	$ (160,471,809)	$ 121,066,736	$ 1,743,731	$ 122,810,467
Share-based payments	-	-	138,728	-	-	-	138,728	-	138,728
Currency translation adjustment	-	-	-	1,959,227	-	-	1,959,227	-	1,959,227
Net loss for the period	-	-	-	-	-	(2,171,937)	(2,171,937)	(1,743,731)	(3,915,668)
Balance at June 30, 2017	85,282,252	$ 244,169,454	$ 20,364,930	$ 19,076,267	$ 25,849	$ (162,643,746)	$ 120,992,754	$ -	$ 120,992,754

See accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements
Three Months Ended June 30, 2018
Expressed in Canadian Dollars
Unaudited

Note 1 – Nature of Operations

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

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

During the year ended March 31, 2018, TAG distributed its Coronado Resources Ltd. ("Coronado") common shares to its shareholders of record (see Note 5(b)).

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 (IASB), 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, 2018, 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, 2018.

These condensed consolidated interim financial statements were authorized for issuance on August 14, 2018 by the directors of the Company.

Basis of consolidation

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

The Company's subsidiaries are:

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Cypress Petroleum Pty Ltd.	Australia	100%	Oil and Gas Exploration
Cheal Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
CX Oil Limited	New Zealand	100%	Oil and Gas Exploration
Orient Petroleum (NZ) Limited	New Zealand	100%	Oil and Gas Exploration
Stone Oil Limited	New Zealand	100%	Oil and Gas Exploration
TAG Oil (NZ) Limited	New Zealand	100%	Oil and Gas Exploration
TAG Oil (Offshore) Limited	New Zealand	100%	Oil and Gas Exploration
Trans-Orient Petroleum Ltd.	Canada	100%	Oil and Gas Exploration

Significant Accounting Estimates and Judgments

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

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

Key sources of estimation uncertainty that have the most significant effect on the amounts recognized in these condensed consolidated interim financial statements are: recoverability, impairment, depletion 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 gas reserves, oil and gas prices, and future costs required to develop those reserves. By nature, estimates of reserves and the related future cash flows are subject to measurement uncertainty and the impact of differences between actual and estimated amounts on the condensed consolidated interim financial statements of future periods could be material. The fair value of properties is determined based on cost and supported by the discounted cash flow of reserves based on anticipated work programs. The net present value uses a discount rate of 10% and costs are determined on the anticipated exploration program, forecasted oil prices and contractual price of natural gas along with forecasted operating and decommissioned costs.

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

Each CGU or asset is evaluated for impairment to ensure the carrying value is recoverable. Management reviews 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 CGU or asset. 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 1.77% and a risk-free discount rate ranging from 2.42% to 4.02% which prevailed at the date of these financial statements. The impact of differences between actual and estimated costs, timing and inflation on the condensed consolidated interim financial statements of future periods may be material.

Income taxes

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

Share-based compensation

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

Functional currency

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

Contingencies

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

Future changes in accounting policies

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee, but not yet effective as at June 30, 2018. The Company intends to adopt these standards and interpretations when they become effective. The Company does not expect these standards to have an impact on its financial statements. Pronouncements that are not applicable to the Company have been excluded from those described below.

Effective for annual reporting periods beginning on or after April 1, 2019:

- IFRS 16 Leases

  IFRS 16 will replace IAS 17 Leases. IFRS 16 eliminates the operating lease classification, requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

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 **Ownership Interest**	**PEP57065** **100%**	**PEP51153** **70%**	**PEP54877** *(1)* **70%**	**Cardiff** **100%**
Cost				
At March 31, 2017	$ 3,566,142	$ 1,787,657	$ -	$ 274,495
Capital expenditures	676,015	6,173,543	3,631,941	1,096,551
Addition in ARO	-	3,365	-	220,946
Write-off oil and gas properties	-	-	-	-
Foreign exchange movement	(8,412)	(4,216)	-	(646)
At March 31, 2018	4,233,745	7,960,349	3,631,941	1,591,346
Capital expenditures	734,963	(202,400)	45,289	2,971
Foreign exchange movement	(179,724)	(337,919)	(154,177)	(67,553)
At June 30, 2018	$ 4,788,984	$ 7,420,030	$ 3,523,053	$ 1,526,764
Net book value				
March 31, 2018	$ 4,233,745	$ 7,960,349	$ 3,631,941	$ 1,591,346
June 30, 2018	**$ 4,788,984**	**$ 7,420,030**	**$ 3,523,053**	**$ 1,526,764**

Permit **Ownership Interest**	**PL17 Cypress** **100%**	**PEP55769** **100%**	**PEP54879** **50%**	**TOTAL**
Cost				
At March 31, 2017	$ 2,598,620	$ 396,900	$ 4,831,116	$ 13,454,930
Capital expenditures	3,429,553	77,075	34,997	15,119,675
Addition in ARO	-	-	-	224,311
Write-off oil and gas properties	-	(466,379)	(4,786,372)	(5,252,751)
Foreign exchange movement	(69,477)	(7,596)	(79,741)	(170,088)
At March 31, 2018	5,958,696	-	-	23,376,077
Capital expenditures	44,505	-	-	625,328
Foreign exchange movement	(101,698)	-	-	(841,071)
At June 30, 2018	$ 5,901,503	$ -	$ -	$ 23,160,334
Net book value				
March 31, 2018	$ 5,958,696	$ -	$ -	$ 23,376,077
June 30, 2018	**$ 5,901,503**	**$ -**	**$ -**	**$ 23,160,334**

(1) On September 7, 2017, a petroleum mining permit (PMP 60291) was granted over a portion of a petroleum exploration permit (PEP 54877) that included acreage surrounding the production assets. The remaining acreage will continue as a petroleum exploration permit (PEP 54877).

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

On January 31, 2017, the Company and its wholly owned subsidiary, Cypress Petroleum Pty Ltd. ("Cypress"), completed the purchase of 100% interest in PL17 and all related assets, which are located in Australia's Surat Basin and subject to underlying royalties, from Southern Cross Petroleum & Exploration Pty Ltd. ("Southern Cross") in exchange for AUD$2,500,000, payable to Southern Cross as follows:

1) AUD$750,000 (less the AUD$40,000 non-refundable deposit already paid) payable in cash on the closing date (paid);
2) AUD$500,000 payable in cash on July 20, 2017 (paid);
3) AUD$500,000 payable, at the sole discretion of Cypress, in cash or shares of the Company, on January 31, 2019; and
4) AUD$750,000 payable, at the sole discretion of Cypress, in cash or shares of the Company, on January 31, 2020.

Note 4 – Property, Plant and Equipment

	Proven Oil and Gas Property PMP 38156/ PMP 60291*(1)*	Proven Oil and Gas Property PMP 53803	Proven Oil and Gas Property PL17	Office Equipment and Leasehold Improvements	Total
Cost					
At March 31, 2017	$ 150,553,457	$ 25,373,179	$ 524,057	$ 1,871,173	$178,321,866
Capital expenditures	8,950,360	59,192	-	116,407	9,125,959
(Reduction) addition in ARO	(1,180,134)	(525,888)	5,259	-	(1,700,763)
Sale of assets	-	-	-	(64,624)	(64,624)
Impairment reversal	11,958,147	3,226,283	-	-	15,184,430
Foreign exchange movement	(184,360)	(13,780)	(14,011)	(3,247)	(215,398)
At March 31, 2018	170,097,470	28,118,986	515,305	1,919,709	200,651,470
Capital expenditures	387,393	21,712	-	24,238	433,343
Sale of assets	-	-	-	(36,992)	(36,992)
Foreign exchange movement	(7,220,688)	(1,193,659)	(8,795)	(57,867)	(8,481,009)
At June 30, 2018	$ 163,264,175	$ 26,947,039	$ 506,510	$ 1,849,088	$192,566,812
Accumulated depletion and depreciation					
At March 31, 2017	$ (63,712,089)	$ (14,072,551)	$ -	$ (1,353,425)	$ (79,138,065)
Depletion and depreciation	(7,553,959)	(1,908,787)	(32,476)	(134,431)	(9,629,653)
Sale of assets	-	-	-	64,624	64,624
Foreign exchange movement	150,280	33,194	-	2,379	185,853
At March 31, 2018	(71,115,768)	(15,948,144)	(32,476)	(1,420,853)	(88,517,241)
Depletion and depreciation	(1,894,803)	(763,026)	(8,804)	(26,995)	(2,693,628)
Sale of assets	-	-	-	36,992	36,992
Foreign exchange movement	3,018,885	677,003	1,379	45,029	3,742,296
At June 30, 2018	$ (69,991,686)	$ (16,034,167)	$ (39,901)	$ (1,365,827)	$ (87,431,581)
Net book value					
March 31, 2018	$ 98,981,702	$ 12,170,842	$ 482,829	$ 498,856	$112,134,229
June 30, 2018	**$ 93,272,489**	**$ 10,912,872**	**$ 466,609**	**$ 483,261**	**$105,135,231**

(1) On September 7, 2017, a petroleum mining permit (PMP 60291) was granted over a portion of a petroleum exploration permit (PEP 54877) that included acreage surrounding the production assets. The remaining acreage will continue as a petroleum exploration permit (PEP 54877).

During the year ended March 31, 2018:

An impairment reversal of $15.2 million (2017: $35.0 million) had been recognized during the year as the value of proved and probable reserves was higher than the carrying value of certain production assets.

The Company's oil and gas production assets were assessed for impairment against the proved and probable reserves within the Company's producing fields. The valuation determined that the net present value of oil and gas reserves at a discount rate of 10% are $96.8 million (2017: $82.1 million); together with production facilities and restoration assets the oil and gas production assets net book value is $112.1 million (2017: $99.2 million).

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

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

Note 5 – Investments

a) Marketable Securities

	June 30, 2018		March 31, 2018	
	Number of Shares Held	**Market Value**	Number of Shares Held	Market Value
Marketable securities available for sale	**525,191**	**$ 75,575**	572,095	$ 84,648

On April 26, 2018, Adira Energy Ltd. changed its name to Empower Clinics Inc. and consolidated common shares on a 6.726254 to 1 basis.

b) Coronado Resources Ltd.

On May 25, 2017, the Company completed the distribution of its approximately 2,785,029 common shares of Coronado to its shareholders of record. The Company's shareholders received approximately 0.0326 of a Coronado common share for each common share of the Company held as of May 9, 2017. The gain on the distribution of the common shares of Coronado recognized in the consolidated statements of operations for the year ended March 31, 2018, is as follows:

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

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

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

Note 6 – Asset Retirement Obligations

The following is a continuity of asset retirement obligations for the three months ended June 30, 2018:

Balance at March 31, 2018	$ 13,793,714
Release of ARO	(25,832)
Accretion expense	(47,318)
Foreign exchange movement	(582,164)
Balance at June 30, 2018	$ 13,138,400

This is represented by:	
Current liability	$ -
Non-current liability	13,138,400
Balance at June 30, 2018	$ 13,138,400

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

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

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

The Company's asset retirement obligations result from net ownership interests in petroleum and natural gas development activity. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations to be approximately $15.4 million which will be incurred between 2018 and 2028. 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 1.77% and discounted to its present value using a risk-free rate ranging from 2.42% to 4.02%. The corresponding amount is recognized by increasing the carrying amount of the oil and gas properties. The liability is accreted each period and the capitalized cost is depreciated over the useful life of the related asset using the unit-of-production method based on proved and probable reserves.

Note 7 – Related Party Transactions

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

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

	2018	2017
Share-based compensation	**$ 109,357**	$ 93,322
Management wages and director fees	**199,172**	246,955
Total management compensation	**$ 308,529**	$ 340,277

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, 2018:

No common shares were issued or purchased and cancelled.

During the three months ended June 30, 2017:

No common shares were issued or purchased and cancelled.

b) Incentive Share Options

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

On April 18, 2018, the Company granted 2,400,000 incentive share options to various directors, executive officers, employees and consultants. These options are exercisable until April 18, 2023, at a price of $0.50 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:

	Number of Shares	**Average Price per Share**
Balance at March 31, 2017	6,220,000	$ 1.45
Expired/Cancelled during the year	(100,000)	1.54
Balance at March 31, 2018	6,120,000	$ 1.27
Granted during the period	2,400,000	0.50
Expired/Cancelled during the period	(100,000)	1.75
Balance at June 30, 2018	8,420,000	$ 1.04

The following summarizes information about share options that are outstanding at June 30, 2018:

Number of Options	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
285,000	$2.75	0.04	August 13, 2019	285,000
200,000	$2.39	0.03	August 31, 2019	200,000
1,400,000	$1.54	0.31	May 13, 2020	1,400,000
800,000	$1.50	0.19	June 9, 2020	800,000
800,000	$0.75	0.25	March 2, 2021	800,000
(1) 450,000	$0.75	0.14	March 2, 2021	300,000
500,000	$0.75	0.16	March 9, 2021	500,000
1,475,000	$1.05	0.60	November 23, 2021	983,333
60,000	$1.05	0.02	November 23, 2021	20,000
50,000	$0.90	0.02	November 23, 2021	33,334
2,400,000	$0.50	1.37	April 18, 2023	800,000
8,420,000		3.13		6,121,667

(1) On August 2, 2018 50,000 share options were cancelled.

The Company applies the Black-Scholes option pricing model using the closing market prices on the grant dates and to date the Company has calculated option benefits using a volatility ratio of 63.58%, a risk-free interest rate of 1.27% and expected life of five years to calculate option benefits.

c) Warrants

The following table summarizes information about warrants that are outstanding at June 30, 2018:

Number of Warrants	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date
11,535,000	$0.90	0.72	March 20, 2019
11,535,000			

d) Earnings (Loss) Per Share

Basic weighted average shares outstanding for the three month period ended June 30, 2018 was 85,282,352 (2017: 85,282,352) and diluted weighted average shares outstanding for the three month period ended June 30, 2018 was 85,282,352 (2017: 85,282,352). 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, 2018	$	16,786,245
Unrealized loss on available for sale investments		(9,074)
Cumulative translation adjustment		(5,153,984)
Balance at June 30, 2018	$	11,623,187
Balance at March 31, 2017	$	17,142,889
Realized loss on available for sale investments		-
Cumulative translation adjustment		1,959,227
Balance at June 30, 2017	$	19,102,116

Note 10 – Loan Payable

On April 19, 2018, the Company secured a revolving credit facility of up to US$10,000,000 with a large New Zealand-based lender. The revolving credit facility, which is secured against TAG's producing Taranaki Basin assets, has been put into place for an initial period of 12 months. The facility can be drawn by TAG upon request, with balances charged at an interest rate of LIBOR + 3.0% per annum. As part of the credit facility, TAG agreed to hedge approximately 400 bbl/d of oil production for the 12-month period using a collar with a US$60/bbl floor and a US$75/bbl cap.

The initial fee associated with this arrangement was $194,289, which the Company has expensed as a financing cost. In addition, actual costs incurred for the quarter, in respect to oil revenues realized in excess of the USD $75 cap, were $223,959; these were similarly expensed as financing costs.

The Company has also recorded a derivative financial liability at June 30, 2018 in connection with the estimated future cost of maintaining this arrangement to cover its remaining contractual life.

Note 11 – 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 oil and gas industry. In the event that adjustments to the capital structure are necessary, the Company may consider issuing additional equity, raising debt or revising its capital investment programs.

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

Note 12 – Financial Instruments

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

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

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

a) Credit Risk

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

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

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at June 30, 2018 and did not provide for any doubtful accounts. During the period ended June 30, 2018, there were no write-offs. As at June 30, 2018, 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 (loss) and comprehensive (loss) income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

d) Foreign Currency Exchange Rate Risk

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

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

e) Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operations. Such prices may also affect the value of exploration and development properties and the level of spending for future activities. Petroleum prices are impacted by world economic events that dictate the levels of supply and demand. This exposes the Company to the risk of price movements.

In the past, TAG has entered into various commodity price contracts to mitigate its exposure to commodity price risk. The use of such instruments is subject to limits established and approved by the Board of Directors. TAG's policy excludes the use of financial instrument contracts for speculative purposes. As at June 30, 2018, TAG has entered into a financial derivative contract and the fair value estimate has been partially determined through the difference in the referenced benchmark forward price as compared to each contract's strike price multiplied by the estimated volumes for the remaining contractual term.

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, 2018 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, 2018		March 31, 2018	
	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	4,823,855	-	1,777,672	-
Restricted cash	1	244,669	-	247,264	-
Investments	1	75,575	-	84,648	-
Accounts receivable		-	2,914,368	-	2,343,423
		5,144,099	2,914,368	2,109,584	2,343,423
Financial liabilities:					
Accounts payable and accrued liabilities		-	3,028,211	-	4,354,297
Derivative financial instrument	2	-	730,080	-	-
Loan payable		-	1,211,915	-	-
Agreement for purchase		-	1,216,625	-	1,237,750
		-	6,186,831	-	5,592,047

During the period ended June 30, 2018 and the year ended March 31, 2018, there were no transfers between level 1, level 2 and level 3.

Note 13 – Segmented Information

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

For the three month period ended June 30, 2018				
	Canada	**New Zealand**	**Australia**	**Total Company**
Production revenue	$ -	$ 9,028,483	$ 89,269	$ 9,117,752
Restricted cash	$ 115,220	$ -	$ 129,449	$ 244,669
Exploration and evaluation assets	-	17,258,831	5,901,503	23,160,334
Property, plant and equipment	139,679	104,477,205	518,347	105,135,231
Investments	75,575	-	-	75,575
Total non-current assets	$ 330,474	$ 121,736,036	$ 6,549,299	$ 128,615,809

For the year ended March 31, 2018				
	Canada	**New Zealand**	**Australia**	**Total Company**
Production revenue	$ -	$ 23,399,534	$ 270,316	$ 23,669,850
Restricted cash	$ 115,567	$ -	$ 131,697	$ 247,264
Exploration and evaluation assets	-	17,417,381	5,958,696	23,376,077
Property, plant and equipment	142,032	111,454,916	537,281	112,134,229
Investments	84,648	-	-	84,648
Total non-current assets	$ 342,247	$ 128,872,297	$ 6,627,674	$ 135,842,218

In the current period, the Company operates in the petroleum exploration and production industry:

For the three month period ended June 30, 2018	
Income for the period	$ 553,420
Total assets	$ 139,855,799
Total liabilities	$ 19,325,231

In the comparative year, the Company operated in two industries: petroleum exploration and production and mining:

For the year ended March 31, 2018	Petroleum Exploration and Production	Mining	Total Company
Income for the year	$ 3,621,652	$ 210,765	$ 3,832,417
Impairment reversal included in income	$ 15,184,430	$ -	$ 15,184,430
Total assets	$ 144,283,364	$ -	$ 144,283,364
Total liabilities	$ 19,385,761	$ -	$ 19,385,761

Note 14 – Commitments

The Company has the following commitments for capital expenditure at June 30, 2018:

Contractual Obligations	Total $	Less than One Year $	More than One Year $
Operating leases (1)	688,000	251,000	437,000
Other long-term obligations (2)	7,096,000	3,365,000	3,731,000
Total Contractual Obligations (3)	7,784,000	3,616,000	4,168,000

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

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

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

Note 15 – Interest and Penalties

The Company has been assessed penalties and interest by Canada Revenue Agency ("CRA") under subsection 247(3) of the Income Tax Act (*Canada*), in connection with transfer pricing for the years ended March 31, 2012 and 2013, in the amounts of $224,742 and $326,473 respectively. TAG's management has filed a Notice of Objection to initiate the dispute process. As required by CRA, TAG has paid 50% of the accessed amount and accrued the remaining balance. Upon resolution of the dispute, TAG will be required to either pay the remaining 50% or will be refunded the amount paid if the Notice of Objection is resolved in TAG's favor.