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## Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

September 30, 2021  
(Unaudited)

*(Expressed in thousands of Canadian Dollars, unless otherwise stated)*

**Condensed Consolidated Interim Statements of Financial Position**  
(Expressed in thousands of Canadian Dollars)  
Unaudited

	September 30, 2021	March 31, 2021
<b>Assets</b>		
Current:		
Cash and cash equivalents	\$ 15,206	\$ 15,911
Amounts receivable and prepaids	374	359
Current portion of royalty and other interests (Note 7)	648	1,234
	16,228	17,504
Non-Current:		
Property, plant and equipment (Note 2)	399	113
Restricted cash	115	116
Royalty and other interests (Note 7)	2,387	2,768
	\$ 19,129	\$ 20,501
<b>Liabilities and Shareholders' Equity</b>		
Current:		
Accounts payable and accrued liabilities	\$ 573	\$ 407
Current portion of lease liabilities	92	72
	665	479
Non-Current:		
Long term portion of lease liabilities	292	26
	957	505
Share capital (Note 4)	219,627	219,587
Stock-based payment reserve (Note 4)	21,495	21,354
Deficit	(222,950)	(220,945)
	18,172	19,996
	\$ 19,129	\$ 20,501
Nature of Operations (Note 1)		

See accompanying notes.

Approved by the Board of Directors:

*"Toby Pierce"*

Toby Pierce, Director

*"Abby Badwi"*

Abdel (Abby) Badwi, Director

**Condensed Consolidated Interim Statements of Comprehensive Loss**  
(Expressed in thousands of Canadian Dollars, except for share information)  
Unaudited

	Three months ended September 30,		Six months ended September 30,	
	2021	2020	2021	2020
<b>Revenues</b>				
Production revenue	\$ -	\$ -	\$ -	\$ -
Production costs	-	(55)	-	(87)
		-	-	(87)
<b>Expenses</b>				
Depletion and depreciation	30	35	62	69
Foreign exchange	(323)	235	9	1,204
General and administrative	832	910	1,440	1,506
Interest and other income	(37)	(158)	(98)	(177)
Share-based compensation	84	139	156	145
	(586)	(1,161)	(1,569)	(2,747)
<b>Other Items</b>				
Exploration expense	(380)	(50)	(467)	(50)
Gain (loss) on royalty valuation	54	(41)	31	(128)
	(326)	(91)	(436)	(178)
<b>Net loss for the period</b>	<b>\$ (912)</b>	<b>\$ (1,307)</b>	<b>\$ (2,005)</b>	<b>\$ (3,012)</b>
<b>Other comprehensive loss</b>				
Change in available for sale assets:				
Investments	-	(2)	-	3
<b>Comprehensive loss for the period</b>	<b>\$ (912)</b>	<b>\$ (1,309)</b>	<b>\$ (2,005)</b>	<b>\$ (3,009)</b>
<b>Loss per share – basic and diluted (Note 4(d))</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>

See accompanying notes.

**Condensed Consolidated Interim Statements of Cash Flows**  
(Expressed in thousands of Canadian Dollars)  
Unaudited

	Six months ended September 30,	
	2021	2020
<b>Operating Activities</b>		
Net loss for the period	\$ (2,005)	\$ (3,012)
Changes for non-cash operating items:		
Depletion and depreciation	62	69
Exploration expenses	-	50
Foreign exchange unrealized	(274)	374
Lease liabilities	-	(42)
(Gain) loss on royalty valuation	(31)	128
Stock-based compensation	156	145
	(2,092)	(2,288)
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	37	106
Accounts payable and accrued liabilities	166	(132)
Cash used in operating activities	(1,889)	(2,314)
<b>Financing Activities</b>		
Cash distributed as a return of capital	-	(25,625)
Private placement – net of share issue costs	-	994
Principle repayment of lease liability	(54)	-
Stock options exercised	25	-
Cash used in financing activities	(29)	(24,631)
<b>Investing Activities</b>		
Exploration and evaluation assets	-	(147)
Property and equipment	(7)	(3)
Restricted cash	-	87
Royalty and other interests proceeds received	839	564
Cash provided by investing activities	832	501
<b>Effect of exchange rate changes on cash and cash equivalents held in foreign currency</b>	381	-
<b>Net decrease in cash and cash equivalents during the period</b>	(705)	(26,444)
<b>Cash and cash equivalents – beginning of the period</b>	15,911	41,540
<b>Cash and cash equivalents – end of the period</b>	\$ 15,206	\$ 15,096
Supplementary disclosures:		
Interest received	\$ 18	\$ 43
<i>Cash</i>	\$ 15,070	\$ 4,959
<i>Cash equivalents</i>	136	10,137
	\$ 15,206	\$ 15,096

See accompanying notes.

**Condensed Consolidated Interim Statements of Changes in Equity**  
(Expressed in thousands of Canadian Dollars, except for share information)  
Unaudited

	Number of Shares (Note 4)	Share Capital (Note 4)	Reserves		Deficit	Total Equity
			Stock- Based Payments	Available for Sale Marketable Securities		
<b>Balance at April 1, 2021</b>	91,666,252	\$ 219,587	\$ 21,354	\$ -	\$ (220,945)	\$ 19,996
Stock-based compensation	-	-	156	-	-	156
Stock options exercised	100,000	40	(15)	-	-	25
Net loss for the period	-	-	-	-	(2,005)	(2,005)
<b>Balance at September 30, 2021</b>	91,766,252	\$ 219,627	\$ 21,495	\$ -	\$ (222,950)	\$ 18,172
<b>Balance at April 1, 2020</b>	85,416,252	\$ 244,218	\$ 21,082	\$ (7)	\$ (208,987)	\$ 56,306
Private placement – net of share issue costs	6,250,000	994	-	-	-	994
Stock-based compensation	-	-	145	-	-	145
Return of capital	-	(25,625)	-	-	-	(25,625)
Unrealized gain on available-for- sale investments	-	-	-	3	-	3
Net loss for the period	-	-	-	-	(3,012)	(3,012)
<b>Balance at September 30, 2020</b>	91,666,252	\$ 219,587	\$ 21,227	\$ (4)	\$ (211,999)	\$ 28,811

See accompanying notes.

**Notes to the Condensed Consolidated Interim Financial Statements**

**Six Months Ended September 30, 2021**

(Expressed in thousands of Canadian Dollars, unless otherwise stated, except per share, options or warrants)  
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 current focus on oil and gas exploration and development opportunities in the Middle East and North Africa. TAG’s head office is in Vancouver, British Columbia, Canada.

These condensed consolidated interim financial statements have been prepared in accordance and comply with International Financial Reporting Standards (“IFRS”) specifically IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”).

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, 2021. However, as they are prepared on a condensed basis, they may lack certain disclosures required in annual financial statements. Accordingly, they should be read in conjunction with the Company’s last annual audited financial statements as at and for the year ended March 31, 2021.

These condensed consolidated interim financial statements were authorized for issuance on November 26, 2021 by the directors of the Company.

**Note 2 – Property, Plant and Equipment**

The following table reconciles the change in the Company’s property, plant and equipment:

	<b>2021</b>
Balance at April 1	\$ 113
Capital expenditures	348
Depletion and depreciation	(62)
Balance at September 30	\$ 399

Capital expenditures consists mainly of capital lease in the amount of \$0.341 million and \$0.007 in miscellaneous equipment purchased.

**Note 3 – 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 September 30:

	<b>2021</b>	2020
Stock-based compensation	\$ 107	\$ 97
Management wages and director fees	474	331
Total management compensation	\$ 581	\$ 428

**Note 4 – 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 six months ended September 30, 2021:*

On June 1, 2021, the Company issued 100,000 shares for stock options exercised at \$0.25 per share.

## b) Incentive Stock Options

The Company has a stock option plan for the granting of stock options to directors, employees, and service providers. Under the terms of the stock option plan (the "Plan"), the number of shares reserved for issuance as stock incentive options will be equal to 10% of the Company's issued and outstanding shares at any time. The exercise price and vesting of each option is set by the Company's board of directors (the "Board") and per the guidelines of the Plan. The Board may set the expiry of the options to a maximum term of five years.

During the six month period ended September 30, 2021, 100,000 stock options were exercised at \$0.25, 700,000 stock options granted at \$0.45 and 350,000 stock options expired at \$0.50.

On June 28, 2021, the Company granted 700,000 stock options to various consultants. These stock options are exercisable until June 28, 2026, at a price of \$0.45 per share and are subject to deferred vesting over two years.

The following is a continuity of outstanding stock options:

	Weighted Average of Options	Weighted Average of Exercise Price
Balance at March 31, 2020	3,600,000	\$ 0.62
Granted during the year	5,625,000	0.25
Expired/Cancelled during the year	(1,950,000)	0.71
Balance at March 31, 2021	7,275,000	\$ 0.31
Granted during the period	700,000	0.45
Exercised during the period	(100,000)	0.25
Expired/Cancelled during the period	(350,000)	0.50
Balance at September 30, 2021	7,525,000	\$ 0.31

The following table summarizes information about stock options that are outstanding at September 30, 2021:

Number of Options	Price per Share	Expiry Date	Options Exercisable
25,000	\$1.05	November 23, 2021	25,000
1,025,000	\$0.50	April 18, 2023	1,025,000
250,000	\$0.50	February 18, 2023	166,667
4,850,000	\$0.25	September 1, 2025	1,616,667
675,000	\$0.25	September 11, 2025	675,000
700,000	\$0.45	June 28, 2026	-
7,525,000			3,508,334

As at September 30, 2021, the weighted average contractual remaining life is 3.65 years.

The Company applies the Black-Scholes option pricing model using the closing market prices on the grant dates and to date the Company has calculated option benefits.

## c) Warrants

The following table summarizes information about warrants that are outstanding at September 30, 2021:

Number of Warrants	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date
6,250,000	\$0.16	1.92	September 1, 2023
6,250,000			

## d) Loss Per Share

Basic and diluted weighted average shares outstanding for the six month period ended September 30, 2021 was 91,732,372 (2020: 86,406,689).

## **Note 5 – 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. If 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 any cash dividends but has declared a dividend in kind 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 6 – 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 and comprehensive loss.

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**

Cash and cash equivalents consist of cash bank balances. The Company's cash bank balances are held with a Canadian chartered bank and are monitored to ensure a stable return.

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 at September 30, 2021 and did not provide for any doubtful accounts. During the period ended September 30, 2021, there were no write-offs. At September 30, 2021, there were no significant amounts past due or impaired.

### **b) Liquidity Risk**

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

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

### **c) Market Risk**

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

### **d) 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 September 30, 2021 and any variations in interest rates would not have materially affected net income.

## e) Fair Value of Financial Instruments

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

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

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

	Fair Value Level	September 30, 2021	
		Fair Value through Profit or Loss	Amortized Cost
		\$	\$
<i>Financial assets:</i>			
Cash and cash equivalents		-	15,206
Restricted cash		-	115
Royalty	1	1,883	-
Accounts receivable		-	256
		1,883	15,577
<i>Financial liabilities:</i>			
Accounts payable and accrued liabilities		-	573
		-	573

During the period ended September 30, 2021, there were no transfers between level 1, level 2 and level 3.

## Note 7 –Sale of New Zealand Interests

On September 25, 2019, the Company and certain of its subsidiaries completed a share and asset purchase agreement with Tamarind Resources Pte. Ltd. This arm's length transaction resulted in the sale of substantially all of TAG's Taranaki Basin assets and operations in New Zealand (the "Transaction"). The sale included TAG's 100% working interests in: PMP 38156 (Cheal and Cardiff), PMP 53803 (Sidewinder), PMP 60454 (Supplejack), PEP 51153 (Puka), PEP 57065 (Waitoriki) and TAG's 70% interest in PMP 60291 (Cheal East) and PEP 54877 (Cheal East) (collectively, the "NZ Assets"). The terms of the Transaction consisted of the following:

- Cash payment to TAG of US\$30 million at closing (received).
- TAG receiving a 2.5% gross overriding royalty (the "Royalty") on future production from all NZ Assets.
- Up to US\$4.5 million in Event Specific Payments ("ESP") payable on achieving various milestones. The next estimated milestone to be met is US\$1.0 million by December 2022.

	Royalty	ESP	Total
Balance at April 1, 2021	\$ 2,227	\$ 1,775	\$ 4,002
Payments received/receivable	(429)	(495)	(924)
Gain on royalty and other interests	31	-	31
Foreign exchange	54	(128)	(74)
Balance at September 30, 2021	\$ 1,883	\$ 1,152	\$ 3,035
	Royalty	ESP	Total
This is represented by:			
Current asset	\$ 648	\$ -	\$ 648
Non-current asset	1,235	1,152	2,387
	\$ 1,883	\$ 1,152	\$ 3,035

The Royalty has been recorded as a financial asset at its fair value, reduced by the actual payments received and subject to revaluation on an ongoing basis. The Royalty and the event specific payments which remain outstanding are classified as current in respect to the values applicable to the period ending one year from the balance sheet date; the residual balances are classified as non-current.