Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

June 30, 2022
(Unaudited)

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

TAG Oil Ltd. 1050 West Pender Street, Suite 1710, Vancouver, British Columbia, Canada, V6E 3S7

Condensed Consolidated Interim Statements of Financial Position

(Expressed in thousands of Canadian Dollars)

Unaudited

	Note		June 30, 2022		March 31, 2022
Assets					
Current:					
Cash and cash equivalents		$	13,069	$	13,316
Amounts receivable and prepaids			644		375
Current portion of royalty and other interests	7		2,274		2,208
			15,987		15,899
Non-Current:					
Property, plant and equipment	2		540		576
Restricted cash			115		115
Royalty and other interests	7		1,531		1,614
		$	18,173	$	18,204
Liabilities and Shareholders' Equity					
Current:					
Accounts payable and accrued liabilities		$	441	$	406
Current portion of lease liabilities			143		119
			584		525
Non-Current:					
Long term portion of lease liabilities			414		454
			998		979
Share capital	4		219,627		219,627
Stock-based payment reserve	4		21,673		21,620
Deficit			(224,125)		(224,022)
			17,175		17,225
		$	18,173	$	18,204

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

	Note	Three months ended June 30, 2022	2021
Expenses			
Depletion, depreciation and accretion		$ 40	$ 32
Foreign exchange (gain) loss		(166)	332
General and administration		664	608
Interest and other income		(24)	(61)
Stock-based compensation		53	72
		(567)	(983)
Other Items			
Exploration expense		(139)	(87)
Gain (loss) on royalty valuation		603	(23)
		464	(110)
Net comprehensive loss for the period		$ (103)	$ (1,093)
Loss per share – basic and diluted	4	$ (0.00)	$ (0.01)

See accompanying notes.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in thousands of Canadian Dollars)

Unaudited

	Three months ended June 30, 2022	2021
Operating Activities		
Net comprehensive loss for the period	$ (103)	$ (1,093)
Changes for non-cash operating items:		
Depletion, depreciation and accretion	40	32
Foreign exchange unrealized	(224)	16
(Gain) loss on royalty valuation	(603)	23
Stock-based compensation	53	72
	(837)	(950)
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	23	(2)
Accounts payable and accrued liabilities	35	(20)
Cash used in operating activities	(779)	(972)
Financing Activities		
Principle repayment of lease liability	(17)	(29)
Stock options exercised	-	26
Cash used in financing activities	(17)	(3)
Investing Activities		
Property and equipment	(3)	(1)
Royalty received	227	551
Cash provided by investing activities	224	550
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	325	130
Net decrease in cash and cash equivalents during the period	(247)	(295)
Cash and cash equivalents – beginning of the period	13,316	15,911
Cash and cash equivalents – end of the period	$ 13,069	$ 15,616
Supplementary disclosures:		
Interest received	$ 24	$ 13
Cash	$ 12,809	$ 15,480
Cash equivalents	260	136
	$ 13,069	$ 15,616

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 Stock-Based Payments	Deficit	Total Equity
Balance at April 1, 2022	91,766,252	$ 219,627	$ 21,620	$ (224,022)	$ 17,225
Stock-based compensation	-	-	53	-	53
Net comprehensive loss for the period	-	-	-	(103)	(103)
Balance at June 30, 2022	91,766,252	$ 219,627	$ 21,673	$ (224,125)	$ 17,175
Balance at April 1, 2021	91,666,252	$ 219,587	$ 21,353	$ (220,945)	$ 19,995
Stock-based compensation	-	-	72	-	72
Stock options exercised	100,000	40	(14)	-	26
Net comprehensive loss for the period	-	-	-	(1,093)	(1,093)
Balance at June 30, 2021	91,766,252	$ 219,627	$ 21,411	$ (222,038)	$ 19,000

See accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended June 30, 2022
(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 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, 2022. 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, 2022.

These condensed consolidated interim financial statements were authorized for issuance on August 29, 2022 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:

	Right of use Assets	Office Equipment and Leasehold Improvements	Total
Cost			
At March 31, 2021	$ 268	$ 266	$ 534
Additions	580	24	603
Disposal	(258)	-	(258)
At March 31, 2022	590	290	880
Additions	-	4	4
At June 30, 2022	$ 590	$ 294	$ 884
Accumulated depletion and depreciation			
At March 31, 2021	$ (183)	$ (238)	$ (421)
Depletion and depreciation	(109)	(13)	(122)
Disposal	239	-	239
At March 31, 2022	(53)	(251)	(304)
Depletion and depreciation	(37)	(3)	(40)
At June 30, 2022	$ (90)	$ (254)	$ (344)
Carry amounts			
March 31, 2022	$ 537	$ 39	$ 576
June 30, 2022	**$ 500**	**$ 40**	**$ 540**

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 June 30:

	2022	2021
Stock-based compensation	$ 26	$ 58
Management wages and director fees	237	237
Total management compensation	$ 263	$ 295

The breakdown for the related party transactions during the three months ended June 30, 2022:

Related Party	**Role**	**Salaries**	**Stock-based compensation**	**Total**
Abdel Badwi	Executive Chairman	$ 60	$ 10	$ 70
Toby Pierce	CEO	60	-	60
Suneel Gupta	VP and COO	45	7	52
Barry MacNeil	CFO	45	-	45
Gavin Wilson	Independent Director	9	-	9
Keith Hill	Independent Director	9	-	9
Tom Hickey	Independent Director	9	1	10
Shawn Reynolds	Independent Director	-	8	8
		$ 237	$ 26	$ 263

At June 30, 2022, $36 (2021 - $63) payable to a director was included in accounts payable and accrued liabilities.

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 three months ended June 30, 2022, no shares were issued.

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 ("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 three month period ended June 30, 2022, no stock options were exercised, granted or expired.

The following is a continuity of outstanding stock options:

	Weighted Average of Options	Weighted Average of Exercise Price	
Balance at March 31, 2021	7,275,000	$	0.31
Granted during the year	700,000		0.45
Exercised during the year	(100,000)		0.25
Expired during the year	(25,000)		1.05
Cancelled during the year	(350,000)		0.50
Balance at March 31, 2022	7,500,000	$	0.31
Granted during the period	-		-
Balance at June 30, 2022	7,500,000	$	0.31

The following table summarizes information about stock options that are outstanding at June 30, 2022:

Number of Options	Price per Share	Expiry Date	Options Exercisable
250,000	$0.50	February 18, 2023	250,000
1,025,000	$0.50	April 18, 2023	1,025,000
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	350,000
7,500,000			3,916,667

As at June 30, 2022, the weighted average contractual remaining life is 2.91 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 June 30, 2022:

Number of Warrants	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date
6,250,000	$0.16	1.17	September 1, 2023

d) Loss Per Share

Basic and diluted weighted average shares outstanding for the three month period ended June 30, 2022 were 91,766,252 (2021: 91,698,120).

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 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 to financial instruments do not fulfill their contractual obligations. The Company's exposure to this risk is relative to the following:

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 represent a credit exposure. The Company does not have an allowance for doubtful accounts as at June 30, 2022 and did not provide for any doubtful accounts. During the period ended June 30, 2022, there were no write-offs. As at June 30, 2022, there were no significant amounts past due or impaired.

The carrying amount of Royalty and ESP payments relate to the New Zealand Taranaki Basin operations of Tamarind NZ Onshore Limited. The company is due an overriding Royalty of 2.5% on all production and certain Event Specific Payments based on Tamarind's production and sales from its petroleum and natural gas operations under standard industry sale and payment terms. The bulk of Tamarind's sales are contracted to the multinational OMV, Austrian Petrochemical Company and the Company monitors for any change to the arrangement.

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 economic outlook, foreign exchange rates, commodity prices and interest rates will affect the Company's cash flows, net loss and comprehensive loss. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The company is exposed to risks associated with finding and developing new sources of production in Egypt, North Africa and the Middle East to replace its previous production. Once acquired there is the risk of maintaining and increasing production at economically profitable levels. This will be further complicated by geopolitical turmoil generated by the Russia\Ukraine conflict and changing supply\demand dynamics.

d) Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that future cash flows, net loss and comprehensive loss will fluctuate as a result of changes in foreign exchange rates. All of the Company's royalties and other interests are denominated in United States dollars and operational and capital activities related to the transactions 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.

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.

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, 2022 and any variations in interest rates would not have materially affected net income.

g) Fair Value of Financial Instruments

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

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

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

	Fair Value Level	June 30, 2022 Fair Value through Profit or Loss	Amortized Cost
		$	$
Financial assets:			
Cash and cash equivalents		-	13,069
Restricted cash		-	115
Royalty	3	2,511	-
Accounts receivable		-	513
		2,511	13,697
Financial liabilities:			
Accounts payable and accrued liabilities		-	441
		-	441

During the period ended June 30, 2022, there were no transfers between level 1, level 2 and level 3.

Fair Value measurement, valuation techniques and inputs

The Company adopted internal valuation for the Royalty interest and ESP payments is determined using the NPV of future expected cash-flow on the 2.5% gross overriding royalty and ESP payments from the New Zealand Taranaki Basin operations of Tamarind NZ Onshore Limited. Tamarind provides TAG with their expected production profile based on their upcoming development and work over program. Tag uses a price deck published by Factset Research Systems Inc. for the forward price on brent oil and a price for New Zealand Natural Gas based on the information available in the ERCE Reserve Report prepared for Tamarind, dated September 3, 2021. The Natural Gas price is based on a combination of a contracted price for approximately two thirds of the production and market price on the balance which accounts for approximately 7% of the future oil and gas royalty. Tamarind sells its oil on a contract basis to a multinational oil corporation and has a set discount to Brent negotiated on a periodic basis. The following are the inputs used in the valuation calculation:

Twelve month period ended June 30,		2023	2024	2025	2026	2027	2028	Total
Oil Production	bbl	351,402	300,535	223,827	168,345	105,434	7,386	1,156,928
Oil Price	USD	97.80	87.25	81.23	77.25	74.38	72.33	
Discount	USD	8.42	8.42	8.42	8.42	8.42	8.42	
Royalty Rate		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	
Annual Oil Payment	USD	785,264	592,302	407,438	289,704	173,873	11,802	2,260,384

Twelve month period ended June 30,		2023	2024	2025	2026	2027	2028	Total
Gas Production	msfc	292,252	237,342	170,113	122,812	67,661	4,069	894,249
Gas Price	USD	6.64	6.64	6.64	6.64	6.64	6.64	
Royalty Rate		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	
Annual Gas Payment	USD	48,499	39,387	28,230	20,380	11,228	675	148,399

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.

	Royalty	ESP	Total
Balance at April 1, 2022	$ 2,560	$ 1,262	$ 3,822
Payments received	(227)	-	(227)
Gain on royalty and other interests	603	-	603
Foreign exchange	(425)	32	(393)
Balance at June 30, 2022	$ 2,511	$ 1,294	$ 3,805

	Royalty	ESP	Total
This is represented by:			
Current asset	$ 980	$ 1,294	$ 2,274
Non-current asset	1,531	-	1,531
	$ 2,511	$ 1,294	$ 3,805

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.