

Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

December 31, 2020
(Unaudited)

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

	December 31, 2020	March 31, 2020
Assets		
Current:		
Cash and cash equivalents	\$ 16,288,582	\$ 41,539,578
Amounts receivable and prepaids	227,432	407,884
Current portion of royalty and other interests (Note 9)	2,693,071	2,440,869
Inventory	-	50,918
Total current assets	19,209,085	44,439,249
Exploration and evaluation assets (Note 2)	-	5,772,445
Investments	23,014	26,178
Property, plant and equipment (Note 3)	147,946	569,943
Restricted cash	115,437	339,378
Royalty and other interests (Note 9)	4,238,680	6,107,877
Total Assets	\$ 23,734,162	\$ 57,255,070
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 365,609	\$ 604,123
Current portion of lease liabilities	90,781	85,928
Non-refundable deposits	-	86,760
Total current liabilities	456,390	776,811
Decommissioning obligations	-	131,662
Long term portion of lease liabilities	26,183	40,522
Total liabilities	482,573	948,995
Shareholders' equity:		
Share capital (Note 5)	219,587,667	244,218,293
Share-based payment reserve (Note 5)	21,292,240	21,082,147
Available for sale marketable securities reserve	(9,934)	(6,771)
Deficit	(217,618,384)	(208,987,594)
Total shareholders' equity	23,251,589	56,306,075
Total liabilities and shareholders' equity	\$ 23,734,162	\$ 57,255,070

Approved by the Board of Directors:

"Toby Pierce"

Toby Pierce, Director

"Abby Badwi"

Abdel (Abby) Badwi, Director

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

	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
Revenues				
Production revenue	\$ -	\$ 24,939	\$ -	\$ 16,525,317
Production costs	(11,326)	(53,530)	(98,278)	(4,956,512)
Royalties	-	-	-	(1,594,983)
Transportation and storage costs	-	(3,006)	-	(1,986,225)
Operating (loss) income	(11,326)	(31,597)	(98,278)	7,987,597
Expenses				
Depletion, depreciation and accretion	32,848	230,831	101,735	510,385
Finance costs	-	(939)	-	85,884
Foreign exchange	670,610	1,176,579	1,874,816	914,279
General and administrative	893,733	2,019,897	2,399,274	5,329,419
Interest and other income	(25,629)	(128,187)	(202,865)	(475,217)
Share-based compensation	64,853	4,242	210,093	13,935
	(1,636,415)	(3,302,423)	(4,383,053)	(6,378,685)
Other Items				
Exploration expense	(18,750)	33,719	(18,750)	(3,487)
Inventory Impairment	-	-	(50,107)	-
(Loss) gain on royalty	(64,992)	248,504	(193,321)	248,504
(Loss) gain on sale of property assets *	(3,885,378)	650,966	(3,885,378)	2,021,144
(Loss) gain on sale of property and equipment	(1,903)	(102,061)	(1,903)	216,443
Impairment of oil and gas property	-	-	-	(41,155)
	(3,971,023)	831,128	(4,149,459)	2,441,449
Net (loss) income before income taxes	(5,618,764)	(2,502,892)	(8,630,790)	4,050,361
Deferred income tax (expense) recovery	-	-	-	-
Net (loss) income	\$ (5,618,764)	\$ (2,502,892)	\$ (8,630,790)	\$ 4,050,361
Other comprehensive loss				
Cumulative translation adjustment **	-	304,847	-	(9,199,038)
Unrealized (loss) gain on available-for-sale investments	(5,707)	4,883	(3,163)	(3,404)
Comprehensive loss for the period	\$ (5,624,471)	\$ (2,193,162)	\$ (8,633,953)	\$ (5,152,081)
(Loss) income per share – basic (Note 6(d))	\$ (0.06)	\$ (0.03)	\$ (0.10)	\$ 0.05
(Loss) income per share – diluted (Note 6(d))	\$ (0.06)	\$ (0.03)	\$ (0.10)	\$ 0.05

* Comparative figures relate to the disposal of New Zealand property interests.

** Effective March 31, 2020, the Company reassessed the functional currency of each of its remaining foreign subsidiaries to the Canadian dollar.

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

	Nine months ended December 31,	
	2020	2019
Operating Activities		
Net (loss) income for the period	\$ (8,630,790)	\$ 4,050,361
Changes for non-cash operating items:		
Depletion, depreciation and accretion	101,735	510,385
Interest accrual	132	130
Exploration expenses	18,750	3,487
Inventory impairment	50,107	-
Non-cash foreign exchange loss	1,331,417	-
Loss (gain) on sale of property and equipment	1,903	(216,443)
Loss (gain) on sale of disposal	3,885,378	(2,021,144)
Loss on royalty valuation	193,321	-
Share-based compensation	210,093	13,935
Share expenses	-	65,700
Write-off of property and equipment	-	41,155
	(2,837,954)	2,447,566
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	52,285	3,832,911
Accounts payable and accrued liabilities	(174,511)	(4,407,892)
Inventory	-	45,313
Cash (used in) provided by operating activities	(2,960,180)	1,917,898
Financing Activities		
Cash distributed as a return of capital	(25,624,876)	-
Principle repayment of lease liability	(69,155)	-
Private placement	1,000,000	-
Share issue costs	(5,750)	-
Shares purchased and returned to treasury	-	(16,861)
Cash used in financing activities	(24,699,781)	(16,861)
Investing Activities		
Exploration and evaluation assets	(193,849)	(278,517)
Property and equipment	(8,093)	(3,122,065)
Proceeds on sale of Australian interests	2,308,240	-
Proceeds on sale of property and equipment	-	39,562,731
Proceeds received on royalty and other interests	960,386	-
Change in restricted cash	86,760	-
Cash provided by investing activities	3,153,444	36,162,149
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(744,479)	-
Net (decrease) increase in cash and cash equivalents during the period	(25,250,996)	38,063,186
Cash and cash equivalents – beginning of the period	41,539,578	1,892,459
Cash and cash equivalents – end of the period	\$ 16,288,582	\$ 39,955,645
Supplementary disclosures:		
Interest received	\$ 66,698	\$ 188,378
<i>Cash</i>	\$ 6,588,949	\$ 39,853,441
<i>Cash equivalents</i>	9,699,633	102,204
	\$ 16,288,582	\$ 39,955,645

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

	Number of Shares (Note 5)	Share Capital (Note 5)	Share-Based Payments	Reserves		Deficit	Total Equity
				Foreign Currency Translation	Available for Sale Marketable Securities		
Balance at March 31, 2020	85,416,252	\$ 244,218,293	\$ 21,082,147	\$ -	\$ (6,771)	\$ (208,987,594)	\$ 56,306,075
Private placement – net of share issue costs	6,250,000	994,250	-	-	-	-	994,250
Share-based compensation	-	-	210,093	-	-	-	210,093
Return of capital	-	(25,624,876)	-	-	-	-	(25,624,876)
Unrealized loss on available-for-sale investments	-	-	-	-	(3,163)	-	(3,163)
Net loss for the period	-	-	-	-	-	(8,630,790)	(8,630,790)
Balance at December 31, 2020	91,666,252	\$ 219,587,667	\$ 21,292,240	\$ -	\$ (9,934)	\$ (217,618,384)	\$ 23,251,589
Balance at March 31, 2019	85,282,252	\$ 244,169,454	\$ 21,034,508	\$ 12,833,691	\$ 4,388	\$ (216,921,810)	\$ 61,120,231
Repurchase of shares	(48,500)	(16,861)	-	-	-	-	(16,861)
Share and asset purchase agreement	182,500	65,700	-	-	-	-	65,700
Share-based compensation	-	-	13,935	-	-	-	13,935
Currency translation adjustment	-	-	-	(9,199,038)	-	-	(9,199,038)
Unrealized loss on available-for-sale investments	-	-	-	-	(3,404)	-	(3,404)
Net income for the period	-	-	-	-	-	4,050,361	4,050,361
Balance at December 31, 2019	85,416,252	\$ 244,218,293	\$ 21,048,443	\$ 3,634,653	\$ 984	\$ (212,871,449)	\$ 56,030,924

Notes to the Condensed Consolidated Interim Financial Statements
Nine Months Ended December 31, 2020
Expressed in Canadian Dollars
Unaudited

Note 1 – Basis of presentation

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, development and production.

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, 2020. 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, 2020.

These condensed consolidated interim financial statements were authorized for issuance on February 16, 2021 by the directors of the Company.

Note 2 – Exploration and Evaluation Assets

The following table reconciles the change in the Company’s exploration and evaluation assets:

	2020
Balance at April 1	\$ 5,772,445
Capital expenditures	156,203
Sale of Australian interests (See Note 8)	(5,928,648)
Balance at December 31	\$ -

Note 3 – Property, Plant and Equipment

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

	2020
Balance at April 1	\$ 569,943
Capital expenditures	67,762
Depletion and depreciation	(99,448)
Sale of assets	(1,903)
Sale of Australian interests (See Note 8)	(388,408)
Balance at December 31	\$ 147,946

At December 31, 2020, the Company did not identify any indicators of impairment or impairment reversal for any of its CGUs.

Note 4 – 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. Refer also to Note 6 (a).

Key management personnel compensation for the nine months ended December 31:

	2020	2019
Share-based compensation	\$ 159,156	\$ 24,238
Management wages and director fees	553,000	958,634
Total management compensation	\$ 712,156	\$ 982,872

Note 5 – 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 nine months ended December 31, 2020:

The Company completed a return of capital to shareholders of \$0.30 per outstanding common share, for aggregate cash-only consideration of approximately \$25.6 million.

On September 1, 2020, the Company completed a non-brokered private placement of 6,250,000 units at a price of \$0.16 per unit. Each unit consists of one common share and one warrant, entitling the holder thereof to acquire one common share at a price of \$0.16 for a period of three years. Directors and key management personnel of the Company participated in this financing in the aggregate amount of 6,093,750 units.

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.

During the nine month period ended December 31, 2020, 725,000 options expired at a weighted average exercise price of \$0.68 and no share options were exercised.

On September 1, 2020, the Company granted 4,850,000 incentive share options to various directors, executive officers, employees and consultants. These options are exercisable until September 1, 2025, at a price of \$0.25 per share subject to one-third of the total options vested one year from the date of the grant date, one-third of the total options two years from the date of the grant and one-third of the total options three years from the date of the grant.

On September 11, 2020, the Company granted 775,000 incentive share options to various directors, executive officers, employees and consultants. These options vested immediately and are exercisable until September 11, 2025, at a price of \$0.25 per share.

The following is a continuity of outstanding share options:

	Weighted Average of Options	Weighted Average of Exercise Price
Balance at March 31, 2019	4,585,000	\$ 0.74
Granted during the year	250,000	0.50
Expired/Cancelled during the year	(1,235,000)	1.07
Balance at March 31, 2020	3,600,000	0.62
Granted during the period	5,625,000	0.25
Expired/Cancelled during the period	(725,000)	0.68
Balance at December 31, 2020	8,500,000	\$ 0.37

The following table summarizes information about share options that are outstanding at December 31, 2020:

Number of Options	Price per Share	Expiry Date	Options Exercisable
600,000	\$0.75	March 2, 2021	600,000
500,000	\$0.75	March 9, 2021	500,000
25,000	\$1.05	November 23, 2021	25,000
1,500,000	\$0.50	April 18, 2023	1,500,000
250,000	\$0.50	February 18, 2025	83,333
4,850,000	\$0.25	September 1, 2025	-
775,000	\$0.25	September 11, 2025	775,000
8,500,000			3,483,333

At December 31, 2020, 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 December 31, 2020:

Number of Warrants	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date
6,250,000	\$0.16	2.67	September 1, 2023
6,250,000			

d) Loss Per Share

Basic and diluted weighted average shares outstanding for the nine month period ended December 31, 2020 was 88,166,252 (2019: 85,306,077). Basic and diluted weighted average shares outstanding for the three month period ended December 31, 2020 was 91,666,252 (2019: 85,381,980).

Note 6 – 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 7 – 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 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 at December 31, 2020 and did not provide for any doubtful accounts. During the period ended December 31, 2020, there were no write-offs. At December 31, 2020, 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 December 31, 2020 and any variations in interest rates would not have materially affected net income.

f) 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	December 31, 2020		
		Fair Value through Profit or Loss	Fair Value through Other Comprehensive Income	Amortized Cost
		\$	\$	\$
<i>Financial assets:</i>				
Cash and cash equivalents		-	-	16,288,582
Restricted cash		-	-	115,437
Royalty	1	4,024,174	-	-
Investments	1	-	23,014	-
Accounts receivable		-	-	194,809
Other interests		-	-	2,907,576
		4,024,174	23,014	19,506,404
<i>Financial liabilities:</i>				
Accounts payable and accrued liabilities		-	-	351,598
		-	-	351,598

During the period ended December 31, 2020, there were no transfers between level 1, level 2 and level 3.

Note 8 –Sale of Australian Interests

On October 30, 2020, the Company has completed a share and asset purchase agreement with Luco Energy Pty. Ltd. ("Luco"), a company owned by Ilwella Pty. Ltd. and AJ Lucas Services, to divest its Australian assets and operations as part of a strategic realignment of the Company's oil and gas exploration and development activities. This is an arm's length transaction that involves the sale of the shares of its Australian subsidiary, Cypress Petroleum Pty Ltd., which holds the Company's 100% working interests in PL 17, ATP 2037, and ATP 2038 (collectively, the "Permits") located in the Surat Basin of Queensland, Australia to Luco for a cash payment of AUD\$2,500,000 (CDN\$2,308,240) at closing and to receive a 3.0% gross overriding royalty on future production from all liquids produced from the Permits.

Sale of disposal group

During the period, the Company recognized a loss on sale of disposal group based on their October 30, 2020 carrying amounts relative to the sales proceeds received and receivable, and calculated as follows:

Proceeds on sale of assets	\$	2,308,240
Exploration and evaluation assets	\$	5,928,648
Property, plant and equipment		388,408
Restricted cash		137,049
Asset retirement obligations		(133,949)
Working capital adjustments		(126,538)
		(6,193,618)
Loss on sale of disposal group	\$	(3,885,378)

Note 9 –Sale of New Zealand Interests

On September 25, 2019, the Company and certain of its subsidiaries completed a share and asset purchase agreement with Malaysian-based Tamarind and certain of its subsidiaries. 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 to receive a 2.5% gross overriding royalty (the "Royalty") on future production from all NZ Assets.
- Up to US\$5 million in event specific payments payable on achieving various milestones (US\$800,000 received to December 31, 2020).

	Royalty	ESP	Total
Balance at April 1, 2020	\$ 5,020,587	\$ 3,528,159	\$ 8,548,746
Payments received	(347,144)	(398,388)	(745,532)
(Loss) gain on royalty	(193,321)	-	(193,321)
Foreign exchange	(455,947)	(222,195)	(678,142)
Balance at December 31, 2020	\$ 4,024,175	\$ 2,907,576	\$ 6,931,751

	Royalty	ESP	Total
This is represented by:			
Current asset	\$ 995,495	\$ 1,697,576	\$ 2,683,071
Non-current asset	3,028,680	1,210,000	4,238,680
	\$ 4,024,175	\$ 2,907,576	\$ 6,931,751

The Royalty has been recorded as a financial asset at its fair value, reduced by the actual payments received (\$804,526 received to date) and subject to revaluation for 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.