Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

September 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	September 30, 2022	March 31, 2022
Assets			
Current:			
Cash and cash equivalents		$ 9,205	$ 13,316
Accounts receivable and prepaids		463	375
Current portion of royalty and other interests	7	2,296	2,208
		11,964	15,899
Non-Current:			
Deposits	8	3,970	-
Property, plant and equipment	2	515	576
Restricted cash		115	115
Royalty and other interests	7	1,990	1,614
		$ 18,554	$ 18,204
Liabilities and Shareholders' Equity			
Current:			
Accounts payable and accrued liabilities		$ 365	$ 406
Current portion of lease liabilities		151	119
		516	525
Non-Current:			
Long term portion of lease liabilities		379	454
		895	979
Share capital	4	219,627	219,627
Stock-based payment reserve	4	21,706	21,620
Deficit		(223,674)	(224,022)
		17,659	17,225
		$ 18,554	$ 18,204

Nature of Operations (Note 1)

Subsequent Events (Note 8)

See accompanying notes.

Approved by the Board of Directors:

/s/ Toby Pierce
Toby Pierce, Director

/s/ Abby Badwi
Abdel (Abby) Badwi, Director

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(Expressed in thousands of Canadian Dollars, except for share information)

Unaudited

	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
Expenses					
Depletion, depreciation and accretion		$ 40	$ 30	$ 80	$ 62
Foreign exchange (gain) loss		(569)	(323)	(735)	9
General and administration		788	832	1,452	1,440
Interest and other income		(62)	(37)	(86)	(98)
Stock-based compensation		33	84	86	156
		(230)	(586)	(797)	(1,569)
Other Items					
Exploration expense		(110)	(380)	(249)	(467)
Gain on royalty valuation		791	54	1,394	31
		681	(326)	1,145	(436)
Net comprehensive income (loss) for the period		$ 451	$ (912)	$ 348	$ (2,005)
Earnings (loss) per share – basic	4	$ 0.00	$ (0.01)	$ 0.00	$ (0.02)
Earnings (loss) per share – diluted	4	$ 0.00	$ (0.01)	$ 0.00	$ (0.02)

See accompanying notes.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in thousands of Canadian Dollars)

Unaudited

	Six months ended September 30, 2022	2021
Operating Activities		
Net comprehensive income (loss) for the period	$ 348	$ (2,005)
Changes for non-cash operating items:		
Depletion, depreciation and accretion	80	62
Foreign exchange unrealized	(760)	(274)
Gain on royalty valuation	(1,394)	(31)
Stock-based compensation	86	156
	(1,640)	(2,092)
Changes for non-cash working capital accounts:		
Accounts receivable and prepaids	22	37
Accounts payable and accrued liabilities	(41)	166
Cash used in operating activities	(1,659)	(1,889)
Financing Activities		
Principle repayment of lease liability	(43)	(54)
Stock options exercised	-	25
Cash used in financing activities	(43)	(29)
Investing Activities		
Deposit paid	(3,970)	-
Property and equipment additions	(19)	(7)
Royalty received	734	839
Cash (used) provided by investing activities	(3,255)	832
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	846	381
Net decrease in cash and cash equivalents during the period	(4,111)	(705)
Cash and cash equivalents – beginning of the period	13,316	15,911
Cash and cash equivalents – end of the period	$ 9,205	$ 15,206
Supplementary disclosures:		
Interest received	$ 85	$ 18
Cash	$ 8,932	$ 15,070
Cash equivalents	273	136
	$ 9,205	$ 15,206

See accompanying notes.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in thousands of Canadian Dollars)

Unaudited

	Number of Shares (Note 4)	Share Capital (Note 4)	Reserves Stock-Based Payments	Deficit	Total Equity
Balance as at April 1, 2022	91,766,252	$ 219,627	$ 21,620	$ (224,022)	$ 17,225
Stock-based compensation	-	-	86	-	86
Net comprehensive income for the period	-	-	-	348	348
Balance as at September 30, 2022	91,766,252	$ 219,627	$ 21,706	$ (223,674)	$ 17,659
Balance as at April 1, 2021	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 comprehensive loss for the period	-	-	-	(2,005)	(2,005)
Balance as at September 30, 2021	91,766,252	$ 219,627	$ 21,495	$ (222,950)	$ 18,172

See accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements

Three and Six Months Ended September 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 November 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			
As at March 31, 2021	$ 268	$ 266	$ 534
Additions	580	24	603
Disposal	(258)	-	(258)
As at March 31, 2022	590	290	880
Additions	-	19	19
As at September 30, 2022	$ 590	$ 309	$ 899
Accumulated depletion and depreciation			
As at March 31, 2021	$ (183)	$ (238)	$ (421)
Depletion and depreciation	(109)	(13)	(122)
Disposal	239	-	239
As at March 31, 2022	(53)	(251)	(304)
Depletion and depreciation	(73)	(7)	(80)
As at September 30, 2022	$ (126)	$ (258)	$ (384)
Carry amounts			
As at March 31, 2022	$ 537	$ 39	$ 576
As at September 30, 2022	**$ 464**	**$ 51**	**$ 515**

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:

	Three months ended		Six months ended	
	Sept 30, 2022	Sept 30, 2021	**Sept 30, 2022**	Sept 30, 2021
Stock-based compensation	**20**	49	**46**	107
Management wages and director fees	**237**	237	**474**	474
Total management compensation	**257**	286	**520**	581

The breakdown for the related party transactions during the six months ended September 30, 2022:

Related Party	**Role**	**Salaries**	**Stock-based compensation**	**Total**
Abdel Badwi	Executive Chairman and Director	$ 120	$ 17	$ 137
Toby Pierce	CEO and Director	120	-	120
Suneel Gupta	VP and COO	90	13	103
Barry MacNeil	CFO	90	-	90
Gavin Wilson	Independent Director	18	-	18
Keith Hill	Independent Director	18	-	18
Tom Hickey	Independent Director	18	2	20
Shawn Reynolds	Independent Director	-	14	14
		$ 474	$ 46	$ 520

As at September 30, 2022, $nil (September 30, 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 six months ended September 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 six month period ended September 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 as 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 as at March 31, 2022	7,500,000	$	0.31
Granted during the period	-		-
Balance as at September 30, 2022	7,500,000	$	0.31

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

Number of Options	Price per Share	Expiry Date	Options Exercisable
1,025,000	$0.50	April 18, 2023	1,025,000
250,000	$0.50	February 7, 2025	250,000
4,850,000	$0.25	September 1, 2025	3,233,333
675,000	$0.25	September 11, 2025	675,000
700,000	$0.45	June 28, 2026	350,000
7,500,000			5,533,333

As at September 30, 2022, the weighted average contractual remaining life is 2.66 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 as at September 30, 2022:

Number of Warrants	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date
6,250,000	$0.16	0.92	September 1, 2023

d) Earnings (Loss) Per Share

Basic weighted average shares outstanding for the six month period ended September 30, 2022 was 91,766,252 (September 30, 2021: 91,732,372) and diluted weighted average shares outstanding for the six month period ended September 30, 2022 was 103,541,252 (September 30, 2021: 103,507,372). Basic weighted average shares outstanding for the three month period ended September 30, 2022 was 91,766,252 (September 30, 2021: 91,766,252) and diluted weighted average shares outstanding for the three month period ended September 30, 2022 was 103,541,252 (September 30, 2021: 103,541,252). 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 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 in the past. 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 income (loss) and comprehensive income (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 September 30, 2022. During the period ended September 30, 2022, there were no write-offs. As at September 30, 2022, there were no significant amounts past due or impaired.

The carrying amount of Royalty payments and event specific payments ("ESP") 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 income (loss) and comprehensive income (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 income (loss) and comprehensive income (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 September 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:

		September 30, 2022	
	Fair Value Level	Fair Value through Profit or Loss	Amortized Cost
		$	$
Financial assets:			
Cash and cash equivalents		-	9,205
Restricted cash		-	115
Royalty	3	2,924	-
Accounts receivable		-	332
		2,924	9,652
Financial liabilities:			
Accounts payable and accrued liabilities		-	365
		-	365

During the six month period ended September 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 payments using the NPV of future expected cash-flow on the 2.5% gross overriding royalty 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 Molynuex Advisors Reserve Report prepared for Tamarind, dated August 30, 2022. 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 8% 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 September 30,		2023	2024	2025	2026	2027	2028 – 2031 (1)	Total
Oil Production	bbl	344,953	295,937	264,652	223,762	194,792	295,061	1,619,157
Oil Price	USD	89.90	75.13	70.95	68.45	66.65	65.02	
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	702,696	493,603	413,743	335,838	283,588	414,105	2,643,573

(1) – Oil price for 2029 to 2031 is 63.93 and oil production and annual oil payments for 2028 – 2031 are the cumulative total.

Twelve month period ended September 30,		2023	2024	2025	2026	2027	2028 – 2031 (2)	Total
Gas Production	msfc	291,459	228,542	195,782	161,905	138,626	218,646	1,234,960
Gas Price	USD	11.00	11.00	11.00	11.00	11.00	11.00	
Royalty Rate		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	
Annual Gas Payment	USD	52,098	40,852	34,996	28,941	24,779	39,083	220,749

(2) – gas price for 2028 to 2031 remain at 11.00 and gas production and annual gas payments for 2028 – 2031 are the cumulative total.

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 ESP on achieving various milestones.

	Royalty	ESP	Total
Balance as at April 1, 2022	$ 2,560	$ 1,262	$ 3,822
Payments received	(734)	-	(734)
Gain on royalty and other interests	1,394	-	1,394
Foreign exchange	(296)	100	(196)
Balance as at September 30, 2022	$ 2,924	$ 1,362	$ 4,286

	Royalty	ESP	Total
This is represented by:			
Current asset	$ 934	$ 1,362	$ 2,296
Non-current asset	1,990	-	1,990
	$ 2,924	$ 1,362	$ 4,286

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.

Note 8 – Subsequent Events

On September 22, 2022, the Company was awarded a petroleum services agreement (the "PSA") for the development of the unconventional Abu Roash "F" reservoir in the Badr Oil Field, Western Desert, Egypt, by Badr Petroleum Company ("BPCO"), subject to various conditions. The two financial conditions being a signature bonus of US$3.0 million ($4.0 million) payable to BPCO and a performance letter of guarantee (the "Letter of Guarantee") of US$6.0 million ($8.3 million) in favor of BPCO for work commitments to be completed. The PSA was formally signed on October 13, 2022. During the quarter ended September 30, 2022, the signature bonus that the Company paid prior to signing the PSA is classified as deposits on the balance sheet. The Letter of Guarantee was put in place subsequent to September 30, 2022 and has met that commitment.

On November 4, 2022, the Company announced the closing of a public offering of 63,250,000 common shares of the Company, at a price of $0.40 per common share for aggregate gross proceeds of $25.3 million. The aggregate underwriters' fee paid to the underwriters in connection with the offering was $1.4 million.