Condensed Consolidated Interim Financial Statements

Three months ended June 30, 2023 and 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, 2023	March 31, 2023
Assets			
Current:			
Cash and cash equivalents		$ 15,485	$ 19,458
Trade receivable and other		689	1,025
Prepaid expenses	2	1,971	1,612
Current portion of royalty and other interests	10	1,110	1,197
		19,255	23,292
Non-Current:			
Exploration and evaluation	3	9,930	6,647
Property, plant and equipment	4	446	477
Restricted cash	5	8,211	8,336
Royalty and other interests	10	2,033	2,305
		$ 39,875	$ 41,057
Liabilities and Shareholders' Equity			
Current:			
Accounts payable and accrued liabilities		$ 1,182	$ 1,586
Current portion of lease liabilities		158	155
		1,340	1,741
Non-Current:			
Long term portion of lease liabilities		262	304
		1,602	2,045
Share capital	7	244,295	243,410
Stock-based payment reserve	7	22,579	22,467
Accumulated other comprehensive (loss) income		(68)	160
Deficit		(228,533)	(227,025)
		38,273	39,012
		$ 39,875	$ 41,057

Nature of Operations (Note 1)

Subsequent Events (Note 12)

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

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, 2023	2022
Income			
Production revenue	11	$ 307	$ -
Expenses			
Depletion, depreciation and accretion		(44)	(40)
Foreign exchange (loss) gain		(400)	166
General and administration		(1,353)	(664)
Interest and other income		255	24
Stock-based compensation		(262)	(53)
		(1,804)	(567)
Other Items			
Exploration expense		(54)	(139)
Gain on royalty valuation	10	43	603
		(11)	464
Net loss for the period		$ (1,508)	$ (103)
Other comprehensive income			
Loss on translation of foreign operations		(228)	-
Net comprehensive loss for the period		$ (1,736)	$ (103)
Loss per share – basic and diluted	7	$ (0.01)	$ (0.00)

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in thousands of Canadian Dollars)
Unaudited

	Note		Three months ended June 30, 2023		2022
Operating Activities					
Net loss for the period		$	(1,508)	$	(103)
Changes for non-cash operating items:					
Depletion, depreciation and accretion	4		44		40
Foreign exchange loss (gain)			464		(224)
Gain on royalty valuation			(43)		(603)
Interest on restricted cash			54		-
Stock-based compensation	7		262		53
			(727)		(837)
Changes for non-cash working capital accounts:					
(Increase)/decrease in trade receivable and other			(309)		53
(Increase)/decrease in prepaid expenses			(358)		(30)
(Decrease)/increase in accounts payable and accrued liabilities			(884)		35
Cash used in operating activities			(2,278)		(779)
Financing Activities					
Principle repayment of lease liability			(40)		(17)
Stock options exercised	7		385		-
Warrants exercised	7		350		-
Cash provided by (used in) financing activities			695		(17)
Investing Activities					
Exploration and evaluation additions	3		(3,030)		-
Property and equipment additions	4		(13)		(3)
Proceeds received on royalty and other interests	10		815		227
Cash (used in) provided by investing activities			(2,228)		224
Effect of exchange rate changes on cash and cash equivalents held in foreign currency			(162)		325
Net decrease in cash and cash equivalents during the period			(3,973)		(247)
Cash and cash equivalents – beginning of the period			19,458		13,316
Cash and cash equivalents – end of the period		$	15,485	$	13,069
Supplementary disclosures:					
Interest received		$	201	$	24
Cash		$	15,349	$	12,809
Cash equivalents			136		260
		$	15,485	$	13,069

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statements of Changes in Equity

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

Unaudited

	Number of Shares (Note 7)	Share Capital (Note 7)	Stock-Based Payments	Accumulated Other Comprehensive (Loss) Income	Deficit	Total Equity
Balance as at April 1, 2023	155,677,501	$ 243,410	$ 22,467	$ 160	$ (227,025)	$ 39,012
Stock options exercised	770,000	535	(150)	-	-	385
Warrants exercised	2,187,500	350	-	-	-	350
Stock-based compensation	-	-	262	-	-	262
Other comprehensive loss	-	-	-	(228)	-	(228)
Net loss	-	-	-	-	(1,508)	(1,508)
Balance as at June 30, 2023	158,635,001	$ 244,295	$ 22,579	$ (68)	$ (228,533)	$ 38,273
Balance as at April 1, 2022	91,766,252	$ 219,627	$ 21,620	$ -	$ (224,022)	$ 17,225
Stock-based compensation	-	-	53	-	-	53
Net loss	-	-	-	-	(103)	(103)
Balance as at June 30, 2022	91,766,252	$ 219,627	$ 21,673	$ -	$ (224,125)	$ 17,175

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended June 30, 2023 and 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, 2023. 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, 2023, issued on July 31, 2023.

These condensed consolidated interim financial statements were authorized for issuance on August 29, 2023, by the directors of the Company.

Note 2 – Prepaid Expenses

	June 30, 2023	March 31, 2023
Prepaid exploration work commitments (1)	1,591	1,396
Prepaid expenses	380	216
	1,971	1,612

(1) The Company has advanced funds to Badr Petroleum Company ("BPCO") to cover the amounts for services and materials to be provided to the Company by vendors currently under contract to BPCO.

Note 3 – Exploration and Evaluation

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

	Abu Roash "F"
As at March 31, 2022	$ -
Additions	6,519
Foreign exchange movement	128
As at March 31, 2023	6,647
Additions	3,476
Foreign exchange movement	(193)
As at June 30, 2023	$ 9,930
Carry amounts	
As at March 31, 2023	$ 6,647
As at June 30, 2023	**$ 9,930**

On October 13, 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 (the "Project Area"), Western Desert, Egypt, by BPCO, subject to various conditions. During the year ended March 31, 2023, the Company met the two financial conditions, being a signature bonus of US$3.0 million ($4.0 million) paid to BPCO and a performance letter of guarantee (the "Letter of Guarantee") of US$6.0 million ($8.2 million) in favor of BPCO for work commitments to be completed. The Letter of Guarantee must be renewed annually and may be reduced by up to US$3.0 million by the amount spent by TAG and approved by Egyptian General Petroleum Corporation. The Company is also obligated under the PSA to provide equal to US$50,000 at the beginning of each financial year towards training technology transfer. During the three month quarter ended June 30, 2023, $3.5 million in additions in exploration and evaluation consisted primarily of exploration work.

Note 4 – Property and Equipment

The following table reconciles the change in the Company's property and equipment:

	Right of use Assets	Office Equipment and Leasehold Improvements	Total
Cost			
As at March 31, 2022	$ 590	$ 290	$ 880
Additions	-	65	65
As at March 31, 2023	590	355	945
Additions	-	13	13
As at June 30, 2023	$ 590	$ 368	$ 958
Accumulated depletion and depreciation			
As at March 31, 2022	$ (53)	$ (251)	$ (304)
Depletion and depreciation	(144)	(20)	(164)
As at March 31, 2023	(197)	(271)	(468)
Depletion and depreciation	(36)	(8)	(44)
As at June 30, 2023	$ (233)	$ (279)	$ (512)
Carry amounts			
As at March 31, 2023	$ 393	$ 84	$ 477
As at June 30, 2023	**$ 357**	**$ 89**	**$ 446**

Note 5 – Restricted Cash

	June 30, 2023	March 31, 2023
GIC in support of Guarantee (1)	8,094	8,221
Mastercard securities	117	115
	8,211	8,336

(1) The Company issued a US$6.0 million Letter of Guarantee to BPCO secured by a US$6.0 million ($8.2 million) GICs for work commitments. The work commitments consist of assessing and modeling the Project Area and reprocessing existing seismic data; drilling one deviated well and hydraulic fracture and production testing the well; recompletion of wells including re-perforation and conduction all necessary tests to collect the necessary information and put the well on production; and conduct study of the effectiveness of improved production techniques, including water-flood, polymer-flood, and thermal recovery techniques.

Note 6 – Related Party Transactions

The amounts incurred for services provided by related parties approximate what the Company would incur to arms-length parties for the same services.

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

	2023	2022
Stock-based compensation	$ 183	$ 26
Management wages and director fees	277	237
Total management compensation	$ 460	$ 263

The breakdown for the related party transactions during the three months ended June 30, 2023:

Related Party	Role	Salaries	Stock-based compensation	Total
Abdel Badwi	Executive Chairman and Director	$ 60	$ 54	$ 114
Toby Pierce	CEO and Director	75	51	126
Suneel Gupta	VP and COO	60	13	73
Barry MacNeil	CFO	55	10	65
Gavin Wilson	Independent Director	9	20	29
Keith Hill	Independent Lead Director	9	10	19
Thomas Hickey	Independent Director	9	11	20
Shawn Reynolds	Independent Director	-	14	14
		$ 277	$ 183	$ 460

Note 7 – 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, 2023:

Between May 10, 2023, to May 24, 2023, the Company issued 770,000 common shares for stock options exercised at a price of $0.50 per share.

On June 26, 2023, the Company issued 2,187,500 common shares for warrants exercised at a price of $0.16 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 ("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, 2023, 770,000 stock options were exercised and no stock options were 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, 2022	7,500,000	$ 0.31
Granted during the year	4,950,000	0.70
Exercised during the year	(504,999)	0.46
Balance as at March 31, 2023	11,945,001	$ 0.46
Exercised during the period	(770,000)	0.50
Balance as at June 30, 2023	11,175,001	$ 0.46

The following table summarizes information about stock options that are outstanding at June 30, 2023:

Number of Options	Price per Share	Expiry Date	Options Exercisable
250,000	$0.50	February 7, 2025	250,000
4,716,667	$0.25	September 1, 2025	3,144,445
675,000	$0.25	September 11, 2025	675,000
650,000	$0.45	June 28, 2026	650,000
1,083,334	$0.70	December 15, 2027	722,223
3,600,000	$0.70	February 9, 2028	1,200,000
200,000	$0.70	February 27, 2028	66,667
11,175,001			6,708,335

As at June 30, 2023, the weighted average contractual remaining life is 3.26 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.

	Risk-free interest rate	Expected stock price volatility	Expected option life in years	Dividend rate
February 7, 2020	1.34%	62.09%	5 Years	Nil
September 1, 2020	1.30%	81.64%	5 Years	Nil
September 11, 2020	1.30%	82.12%	5 Years	Nil
June 28, 2021	0.97%	81.33%	5 Years	Nil
December 15, 2022	1.59%	88.0%	5 Years	Nil
February 9, 2023	1.62%	88.05%	5 Years	Nil
February 27, 2023	1.63%	86.46%	5 Years	Nil

c) Warrants

The following is a continuity of outstanding warrants:

	Weighted Average of Options	Weighted Average of Exercise Price
Balance as at March 31, 2022	6,250,000	$ 0.16
Exercised during the year	(156,250)	0.16
Balance as at March 31, 2023	6,093,750	$ 0.16
Exercised during the year	(2,187,500)	0.16
Balance as at June 30, 2023	3,906,250	$ 0.16

The following table summarizes information about warrants that are outstanding at June 30, 2023:

Number of Warrants	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date
3,906,250	$0.16	0.17	September 1, 2023

d) Loss Per Share

Basic and diluted weighted average shares outstanding for the three month period ended June 30, 2023 were 155,966,457 (2022: 91,766,252).

Note 8 – 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 9 – 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 trade receivable and other, restricted cash and cash and cash equivalents represent a credit exposure. The Company does not have an allowance for doubtful accounts as at June 30, 2023 and did not provide for any doubtful accounts. During the period ended June 30, 2023, there were no write-offs. As at June 30, 2023, there were no significant amounts past due or impaired.

The carrying amount of royalty 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.

i) 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. The Company's Letter of Guarantee and supporting GIC of US$6 million and all of 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.

ii) 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.

iii) 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:

		June 30, 2023	
	Fair Value Level	Fair Value through Profit or Loss	Amortized Cost
		$	$
Financial assets:			
Cash and cash equivalents		-	15,485
Restricted cash		-	8,211
Royalty and other interests	3	3,143	-
Trade receivable and other		-	689
		3,143	24,385
Financial liabilities:			
Accounts payable and accrued liabilities		-	1,182
		-	1,182

During the period ended June 30, 2023, 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. 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 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,		2024	2025	2026	2027	2028	2029 – 2033 (1)	Total
Oil Production	bbl	516,843	378,911	299,215	228,524	172,922	404,098	2,000,513
Oil Price	USD	74.75	72.82	70.45	68.58	66.83	65.54	
Discount	USD	6.89	6.89	6.89	6.89	6.89	6.89	
Royalty Rate		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	
Annual Oil Payment	USD	876,846	624,531	475,415	352,412	259,116	592,498	3,180,818

(1) – Oil price for 2029 to 2033 is 65.54 and oil production and annual oil payments for 2029 – 2033 are the cumulative total.

Twelve month period ended June 30,		2024	2025	2026	2027	2028	2029 – 2033 (2)	Total
Gas Production	msfc	502,710	333,831	251,227	202,165	167,344	459,429	1,916,706
Gas Price	USD	4.94	4.94	4.94	4.94	4.94	4.94	
Royalty Rate		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	
Annual Gas Payment	USD	62,127	41,256	31,047	24,984	20,681	56,778	236,873

(2) – Gas price for 2028 to 2033 remain at 4.94 and gas production and annual gas payments for 2029 – 2033 are the cumulative total.

Note 10 – 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 on future production from all NZ Assets.
- The Company received US$4.5 million in event specific payments on achieving various milestones.

		Royalty
Balance at April 1, 2023	$	3,502
Payments received		(265)
Gain on royalty and other interests		43
Foreign exchange		(137)
Balance at June 30, 2023	$	3,143

		Royalty
This is represented by:		
Current asset	$	1,110
Non-current asset		2,033
	$	3,143

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 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 and no value has been assigned to the remaining event specific payments.

Note 11 – Revenue

As at June 30, 2023, the production revenue balance consists of oil sales on the initial drilling on the Abu Roash "F" property.

	June 30, 2023	June 30, 2022
Oil sales	307	-

Note 12 – Subsequent Events

On July 11, 2023, the Company granted 1,800,000 stock options at a price of $0.70 per share, exercisable for five years and subject to vesting over two years.

On July 19, 2023, the Company issued 1,562,500 shares for warrants exercised at a price of $0.16 per share.

On August 24, 2023, the Company announced the closing of a bought-deal public offering of 20,240,542 common shares of the Company at a price of $0.58 per common share for aggregate gross proceeds of $11.74 million, including the partial exercise of the over-allotment option. The aggregate underwriters' fee paid to the underwriters in connection with the offering was $0.68 million.