TAG Oil

Management's Discussion and Analysis

For the Period Ending
March 31, 2024

TAGOIL.COM

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated May 30, 2024, for the three month period ended March 31, 2024 and should be read in conjunction with the condensed consolidated interim financial statements for the same period and audited consolidated financial statements for the nine month period ended December 31, 2023.

The condensed consolidated interim financial statements for the three-month period ended March 31, 2024, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and its interpretations. Results for the three-month period ended March 31, 2024, are not necessarily indicative of future results. All figures are expressed in thousands of Canadian dollars unless otherwise stated.

ABOUT TAG OIL LTD.

TAG Oil Ltd. (the "Company" or "TAG") is a Canadian international upstream oil and gas exploration and production company listed on the TSX Venture Exchange under the trading symbol "TAO". The Company is focused on oil and gas exploration and development opportunities in the Middle East and North Africa ("MENA"). TAG holds an interest in the Badr Oil Field ("BED-1"), a 26,000 acres concession located in the Western Desert, Egypt, through a petroleum services agreement (the "PSA") with Badr Petroleum Company ("BPCO"). The Company also is entitled to a 2.5% royalty on gross revenue produced from the New Zealand assets previously sold and 3.0% gross overriding royalty on potential future gas production from its former Australian assets.

The Company has changed its year end from March 31 to December 31 to align it with its subsidiary, which operates on a calendar fiscal year end in Egypt. Accordingly, the current condensed consolidated interim financial statements prepared for three months ended March 31, 2024 and the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes might not be comparable.

TAG's long-term plan is to deliver sustainable shareholder value through the evaluation of new acquisitions and joint venture opportunities primarily in Egypt and the broader MENA region, with the aim of expanding and identifying suitable additions to the Company's portfolio.

TAG will maintain its primary focus on the BED-1 field and continue to work on optimizing and unlocking shareholder value in other assets.

TAG CORPORATE

On November 17, 2023, the Company was approved for a reduction in the performance letter of guarantee (the "Letter of Guarantee") in the amount of US$2,562,595 based on expenditures reviewed by Egyptian General Petroleum Corporation ("EGPC") for fulfilling a portion of the commitments outlined in the PSA.

On September 1, 2023, the Company issued 1,450,000 shares for stock options exercised at a price of $0.25 per share.

On September 1, 2023, the Company issued 2,343,750 shares for warrants exercised at a price of $0.16 per share.

On August 24, 2023, and September 22, 2023, the Company issued 21,126,542 common shares for public offering and over-allotment option at a price of $0.58 per common share for aggregate gross proceeds of $12.3 million. The aggregate underwriters' fee paid to the underwriters in connection with the offering was $1.0 million and $0.1 million in other costs relating to the issuance.

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

On July 11, 2023, the Company granted 1,800,000 stock options that are exercisable for a period of five years from the date of grant at a price of $0.70 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. 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.

RESULTS FROM OPERATIONS

On September 22, 2022, the Company was awarded the PSA for the development of the unconventional Abu Roash "F" ("ARF") reservoir in BED-1, Western Desert, Egypt, by BPCO, subject to various conditions. The two financial conditions being a signature bonus of US$3.0 million ($4.0 million) paid to BPCO and 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.

On January 26, 2023, the Company commenced at BED-1 the re-completion and evaluation operations of the BED 1-7 vertical well. These initial operations are part of TAG's phase 1 development program of ARF reservoir in BED-1. On May 19, 2023, the BED 1-7 well started oil production from the ARF reservoir. The performance of the BED 1-7 well test has achieved the Company's objectives for the well, and data collected from the well along with geo-mechanical and 3D seismic review will be implemented for the first horizontal well.

On June 19, 2023, the Company announced that it was successful in securing a suitable drilling rig for the first horizontal well, BED4-T100 ("T100"), designed with a multi-stage fracture stimulation completion of the ARF reservoir. Mobilization of the rig was subsequently completed and the T100 well commenced drilling in August 2023. Commencing the T100 drilling program marks a significant milestone in the Company's operations and ongoing commitment to unlocking the ARF reservoir's potential in BED-1.

On August 22, 2023, the Company announced that the first horizontal well, BED4-T100 ("T100") in the Badr Oil Field ("BED-1") in the Western Desert of Egypt, has commenced drilling and is currently through a depth of 600 meters. The well targets oil in the ARF unconventional tight, carbonate reservoir at projected total vertical depth of 3,300 meters. The T100 well design included a vertical pilot assessment well for open-hole logging, formation imaging, pressure measurement and fluid sampling, followed by cement plug-back of lower vertical pilot hole and whip-stock drilling of build and lateral horizontal section in the ARF reservoir. Information obtained during the drilling of the T100 well, including mud logging and drill cuttings analysis along the lateral section, have been used in conjunction with the work completed on the geo-mechanical properties and 3D seismic review in the area to design the well completion and fracture stimulation program.

On September 27, 2023, the Company announced that it has started drilling the horizontal portion of the T100 well in BED-1. The vertical pilot hole was successfully drilled to a depth of 3,290 meters and included open-hole logging, formation imaging, and pressure measurement, followed by cement plug-back of the lower vertical pilot hole. Immediately thereafter, the Company proceeded into whip-stock drilling of build and lateral horizontal section in the ARF reservoir. The open hole logs showed very similar results to those completed over nearby offset wellbores in BED-1. The ARF section was approximately 50 meters in thickness and was very close to the structural elevation anticipated.

On November 15, 2023, the Company announced the following update on drilling progress of the T100 horizontal well in BED-1. The horizontal build section of the T100 well and approximately 300 meters into the planned 1,000-meter lateral section in the ARF target reservoir encountered very good oil shows with high hydrocarbon gas readings and good indications of primary porosity. Initial drilling of the ARF unconventional, carbonate formation performed well at smooth build angles and steadily increasing drilling rates. However, drilling was encumbered by mechanical issues with the directional drilling tools and a minor throw fracture feature at which the Company elected to drill higher in the 50-meter ARF pay zone to go over the faulted section with the aim of increasing the final lateral length of the well. Drilling commenced on the next horizontal leg from the intermediate cased section at about 2,800 meters.

On January 3, 2024, the Company announced the following update on drilling progress of the T100 horizontal well in BED-1. As reported in the November 15 update, drilling continued from the intermediate cased section of the well and reached a measured depth of 3,312 meters in the ARF at hole angle of 90 degrees. However, geo-mechanical hole stability concerns in the upper section of the hole in the Abu-Roash "E" ("ARE"), an over-pressured formation with layered carbonate and shale lithology changes, was coupled with mechanical issues with the drilling rig mud system. This provided challenges to condition the build section of the hole past 3,200 meters to be able to run the casing liner, and multiple attempts to drill out past this point and continue into the ARF target reservoir were encumbered. The Company elected to plug back this hole section, initiate repairs of the drilling rig shale-shakers and tanks on the rig mud system, and review drilling procedures to isolate the ARE zone of the hole and land the casing liner in the ARF carbonate reservoir zone prior to proceeding with drilling the next lateral.

On Feb. 21, 2024, the Company announced the following update on drilling progress of the T100 horizontal well in BED-1. Following the Company's last update on January 3, 2024, the Company has since completed re-drilling from the intermediate cased section of the T100 well in BED-1, landing the casing liner in the ARF carbonate reservoir zone, and reaching a measured depth of 3,238 meters in the ARF. TAG Oil then commenced drilling the T100 horizontal pay zone section, which was expected to take up to approximately three weeks to complete the drilling of the planned 1,000-meter horizontal section and run the completion technology.

On March 18, 2024, the Company announced a significant milestone in its ongoing exploration and development efforts within BED-1 with the successful completion of the drilling phase for the T100 horizontal well in the ARF limestone formation. The well penetrated an over-pressured reservoir with regions of exceptional porosity and permeability. During drilling operations, there were signs of free oil flowing into the wellbore and to surface, accompanied by consistently elevated gas readings across the ARF formation. The high pressure and potentially high gas to oil ratio in the ARF zone are projected to enhance the T100 well's production capabilities. Given the notably higher reservoir pressure and gas readings observed during drilling, the Company has made the proactive decision to adjust the lateral length to 308 meters (1,000 feet) as a safety measure. The exceptional quality of the encountered reservoir section presents an exciting prospect, offering the potential for robust oil production performance following the hydraulic fracture stimulation of the ARF horizontal well. The 4-1/2" liner with the packers assembly required for the completion has been installed and the drilling rig was released.

On April 10, 2024, the Company announced that completion and multistage hydraulic fracture equipment, personnel, camp and natural frac sand had been mobilized to the T100 well location. Additionally, static reservoir pressure and temperature measurements were performed to optimize the simulation model and completion design of the T100 well. Large-scale completion equipment for the region with frac head, sand conveyor and connecting lines to treatment fluid were rigged up on the T100 location.

On April 25, 2024, the Company announced that it has successfully pumped all twelve planned stages of its multistage hydraulic frac on its T100 well location. Stages one through three, which are located across the heavily fractured and more permeable section of the well, received a concentrated acid stimulation while stages four through twelve were mechanically fracture stimulated with proppant. At least 50 tonnes of sand were used per stage in the mechanically propped fracture stages with over 1,000,000 pounds successfully pumped across the 308-metre lateral section. The fracture equipment was moved off location, and a coiled tubing unit rigged in to drill out the metal balls and ball seats between fracture stages.

On May 16, 2024, the Company announced initial production test results on its BED4-T100 horizontal well, which tested at 800 barrels of oil per day ("BOPD"). The T100 well demonstrated encouraging results following a multi-stage hydraulic fracture stimulation targeting the ARF tight carbonate reservoir in BED-1 in the Western Desert of Egypt. During flowback, the oil production rates ranged between 400 and 800 BOPD as the well unloaded and the water-cut decreased to below 30%. The well continued to be unloaded under natural flow for another two weeks until a work-over rig was available to move to location and surface facilities were installed. The well recovered approximately 25% of the frac load water and has produced over 4,500 barrels of oil to date.

On May 28, 2024, the Company announced that the initial flow-back operation at the T100 well has been completed. The workover rig has been mobilized to the T100 well location to swap the 4 ½" frac tubing with 3 ½" production tubing, install a jet pump for artificial lift, and immediately put the well on long term production. The Company anticipates announcing a 10-day initial production average in the second half of June, which will indicate actual productivity potential for the T100 well.

The Company completed the program laid out in the November offering as at March 31, 2024. The timing of the programs was pushed out due to the availability of suitable rigs, materials, service providers, and other activities in the executed portion of the program. Most of the variance in expenditures is slated for the multiple lateral legs required to complete the T100 horizontal well. The well was spudded in August of 2023, with drilling phase completed in March 2024 and fracture stimulation conducted in April 2024. Flow-back operations commenced in late April and continued until jet pump installation in May 2024.

The horizontal side-track well scheduled for later in 2024 will incorporate learnings information obtained in drilling the T100 well. Other potential acquisition opportunities are ongoing and will continue to be funded, but no definite prospect has been accepted.

The following table outlines the proposed use of the proceeds of the offering completed on August 24, 2023, and the over-allotment on September 22, 2023:

Activity or Nature of Expenditure	Proposed Use of Net Proceeds ('000)	Approximate Use of Proceeds to March 31, 2024 ('000)	Variance ('000)	Comments
Operational and Drilling Budget for year ended 2024 (comprised of exploration wells)				
Long lead items for the Drilling Program	$2,500	$2,500	$0	No current expenditures expected in the 2024 program.
Horizontal Drilling Program	$2,500	$0	$2,500	Work on a horizontal side-track well is tentatively scheduled for Q4 2024.
Potential Strategic Acquisition Opportunities	$2,500	$360	$2,140	The Company is continuing to look at other acquisition opportunities.
Unallocated Working Capital	$4,141	$2,806	$1,335	
Total	**$11,641**	**$5,666**	**$5,975**	

The Company is continuing to work through the program laid out in the August and September offering and is showing a variance with $6.0 million remaining as at March 31, 2024. As we move through 2024, we will use the results of the T100 to evaluate and inform the future design and development of our program. It is anticipated that the above funds of $6.0 million will be used as indicated in calendar 2024.

FIRST QUARTER FINANCIAL AND OPERATING HIGHLIGHTS

- At March 31, 2024, the Company had $12.7 million in cash and cash equivalents and $9.4 million in working capital.
- Oil sales in the amount of $nil for the three month period ended March 31, 2024 as the BED 1-7 well is currently undergoing a build-up assessment of the reservoir pressure to determine the depletion and potential of the well. It will then be evaluated for clean-out operations and resuming production.
- Capital expenditures totaled $5.7 million for the three month period ended March 31, 2024. The amount consists of exploration and evaluation.

BUSINESS ENVIRONMENT

As of May 2024, the oil and gas business environment in Egypt remains robust and promising for international companies, with significant government initiatives and investments aimed at enhancing the sector. Here are the key aspects shaping the current landscape:

1. Increased Investment: Egypt aims to attract $7.5 billion in foreign investments for the oil and gas sector in the fiscal year 2024/2025, up from $6 billion the previous year. This target is part of a broader strategy to ramp up total oil and natural gas investments to $9 billion in 2023/2024 (EgyptToday) (Ahram Online).

2. Exploration and Production: The country continues to be a hub for major international oil companies. Recent developments include Qatar Energy acquiring a 40% interest in two offshore blocks from ExxonMobil, and the awarding of new exploration bids to companies such as Eni, BP, Qatar Energy, and Zarubezhneft (The Energy Year) (The New Arab). Additionally, Egypt plans to drill 35 new exploratory gas wells in the Mediterranean and the Nile Delta by 2025, with an expected investment of $1.8 billion (Ahram Online).

3. Strategic Projects and Partnerships: Notable projects include BP and ADNOC's upstream joint venture and Dragon Oil's investment of $500 million to drill new wells to maintain a production rate of 61,000 barrels of oil per day (EgyptToday) (The Energy Year). The government has also signed nine new oil and gas agreements worth over $1 billion to further boost exploration and production (JPT).

4. Geopolitical and Market Conditions: While Egypt has seen a decline in natural gas production due to more mature fields, it is actively working to manage and mitigate these effects. The geopolitical landscape and local market needs, particularly in the summer months, have influenced the country's export strategies and operational focus (EgyptToday).

5. Downstream and Petrochemical Development: Egypt is expanding its downstream operations to enhance refining capacity and become a net exporter of petrochemicals, aiming to diversify its industrial ecosystem and maximize economic potential (The Energy Year).

Overall, the business environment in Egypt's oil and gas sector is marked by increased foreign investment, strategic international partnerships, and substantial government support, making it an attractive destination for international oil companies looking to expand their operations.

OUTLOOK

The British Columbia and Alberta work environments have returned to pre-pandemic conditions. Travel restriction and increased precautions have been removed and progress and timing of most activities are normal. TAG has commenced exploration and evaluation operations in BED-1, Western Desert, Egypt, pursuant to the PSA and has established an Egyptian branch office.

The Company completed re-completion and evaluation operations at BED-1 for the BED 1-7 vertical well. These initial operations are part of TAG's phase 1 development program for the ARF reservoir at BED-1. On May 19, 2023, the BED 1-7 well began producing oil from the ARF reservoir. The performance of the BED 1-7 well test met the Company's objectives, and the data collected, along with geo-mechanical and 3D seismic reviews informed the drilling of the T100 well. The well has produced approximately 10,000 barrels of oil and currently undergoing a build-up assessment of the reservoir pressure to determine the depletion and potential of the well and possible workover in combination with T100 artificial lift installation work-over rig operations.

The Company has made significant progress at the T100 horizontal well in BED-1, targeting the ARF formation. The drilling phase was successfully completed, encountering an over-pressured reservoir with high porosity and permeability, indicating substantial production potential. The lateral length of the well was adjusted to 308 meters for safety. Subsequently, preparations for multistage hydraulic fracture completion were made, with equipment and materials mobilized to the site. Static reservoir measurements optimized the simulation model and completion design. The hydraulic fracture stimulation was executed in twelve stages, with a mix of acid stimulation and mechanical proppant fracturing, using over 1,000,000 pounds of proppant. Flow back operations began, yielding initial production rates of up to 800 BOPD. During the clean-up phase, the well flowed at over 1,000 barrels of fluid per day with a decreasing water-cut, producing over 4,500 barrels of oil and recovering 23% of the frac load water. The T100 well's performance highlights the ARF formation's potential and the efficacy of the Company's stimulation techniques, with further updates expected as production stabilizes.

The Company is continuing to seek out and evaluate other new opportunities in the MENA region.

The Company has sufficient liquidity to operate over the next twelve months.

SUMMARY OF QUARTERLY INFORMATION

Canadian ('000), except per share or boe	**Mar 31, 2024**	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sept 30, 2022	Jun 30, 2022
Net production volumes (boe/d)	**0**	8	41	44	0	0	0	0
Total revenue	**0**	17	262	307	-	-	-	-
Operating costs	**(113)**	(461)	(877)	-	-	-	-	-
Depletion, depreciation and accretion	**(57)**	(65)	(61)	(44)	(43)	(41)	(40)	(40)
Foreign exchange gain (loss)	**338**	(60)	326	(400)	(46)	188	569	166
Interest and other income	**227**	295	268	255	275	210	62	24
Stock-based compensation	**(240)**	(341)	(630)	(262)	(683)	(175)	(33)	(53)
General and administative	**(1,426)**	(2,004)	(1,125)	(1,353)	(1,378)	(2,487)	(788)	(664)
Exploration expense and other income	**(17)**	(98)	-	(54)	(6)	-	(110)	(139)
Interest and penalties recovered	**361**	-	-	-	-	-	-	-
Gain (loss) on royalty valuation	**144**	(654)	566	43	990	(155)	791	603
Net (loss) income before tax	**(783)**	(3,371)	(1,271)	(1,508)	(891)	(2,460)	451	(103)
Income tax	**-**	-	-	-	-	-	-	-
Net (loss) income	**(783)**	(3,371)	(1,271)	(1,508)	(891)	(2,460)	451	(103)
(Loss) income per share – basic	**(0.00)**	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)	0.00	(0.00)
(Loss) income per share – diluted	**(0.00)**	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)	0.00	(0.00)
Adjusted net loss*(1)*	**(1,288)**	(2,717)	(1,837)	(1,551)	(1,881)	(2,305)	(340)	(706)
Capital expenditures	**5,714**	10,072	4,516	3,489	2,066	4,499	15	4
Cash flow provided by (used in) Operating activities*(1)*	**1,099**	906	(1,551)	(2,279)	(1,141)	(2,739)	(880)	(779)

(1) Adjusted net loss and cash flow used in operating activities are non-GAAP measure. Adjusted net loss represents earnings before impairment expense and write-offs. Cash flow used in operating activities represents cash flow from operating activities before changes in working capital. See non-GAAP measures for further explanation.

For the quarter ended March 31, 2024, the Company reported no revenue, $0.0 million in the quarter ended December 31, 2023 and no revenue in the quarter ended March 31, 2023. During this period, the Company was engaged in exploration and preliminary evaluation work on properties in Egypt. The BED 1-7 well is currently undergoing a build-up assessment of the reservoir pressure to determine the depletion and potential of the well and possible workover in combination with T100 completion works and is not currently producing. Operating costs for the latest quarter were $0.1 million, down from $0.5 million in the quarter ended December 31, 2023, and no costs in March 2023. The Company has produced oil from the BED 1-7 well and to date has produced approximately 10,000 bbls.

The net loss before tax for the quarter ended March 31, 2024, was $0.8 million, a decrease from $3.4 million in the quarter ended December 31, 2023, and a slight decrease from a net loss of $0.9 million in the quarter ended March 31, 2023. The adjusted net loss for the quarter ended March 31, 2024 was $1.3 million, lower than the $2.7 million in the quarter ended December 31, 2023 and $1.9 million in the quarter ended March 31, 2023. The decrease in net loss is attributed primarily to a decrease in general and administrative expenses to $1.4 million, down from $2.0 million in the quarter ended December 31, 2023, and changes in other financial metrics. Specifically, there was a decrease in stock-based compensation to $0.2 million from $0.3 million in the quarter ended December 31, 2023, and an increase in foreign exchange gain to $0.3 million from a loss of $0.1 million. Additionally, compared to the quarter ended March 31, 2023, stock-based compensation decreased $0.5 million, with an increase in foreign exchange gain of $0.4 million, up from a loss.

General and Administrative Expenses ("G&A")

	Three months ended		
Canadian ('000)	**Mar 31, 2024**	Dec 31, 2023	Mar 31, 2023
Consulting fees	**140**	156	71
Director fees	**29**	29	29
Filing, listing and transfer agent	**24**	66	52
Insurance	**14**	38	45
Office and administration	**156**	324	219
Professional fees	**202**	227	184
Rent	**61**	35	14
Shareholder relations and communications	**135**	327	147
Travel	**172**	223	213
Wages and salaries	**493**	579	404
G&A expenses	**1,426**	2,004	1,378

General and administrative costs decreased to $1.4 million for the quarter ended March 31, 2024, from $2.0 million for the quarter ended December 31, 2023. The decrease is due to a decrease of office and administration of $0.2 million, which is partly from the decreased activity in the operations in Egypt, additional shareholder relations and communications of $0.2 million which includes business development on a new project in Egypt in the period ended December 31, 2023 and a decrease in wages and salaries of $0.1 million.

General and administrative costs remained consistent at $1.4 million for the quarter ended March 31, 2024, and the same quarter in 2023 at $1.4. The change of $0.05 resulted from minor changes up and down across the accounts.

Stock-based Compensation

	Three months ended		
Canadian ('000)	**Mar 31, 2024**	Dec 31, 2023	Mar 31, 2023
Stock-based compensation	**240**	341	683

Stock-based compensation costs are non-cash charges, which reflect the theoretical estimated value of stock options granted. 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 using a volatility ratio and a risk-free interest rate. The theoretical fair value of the option benefit is amortized on a diminishing basis over the vesting period of the options, generally being a minimum of two years.

In the quarter ended March 31, 2024, the Company did not grant or exercise any stock options.

Stock-based compensation decreased to $0.24 million in the quarter ended March 31, 2024, compared $0.34 million for the quarter ended December 31, 2023. The decrease in total stock-based compensation costs is due to no options granted in the current period.

Stock-based compensation decreased to $0.24 million in the quarter ended March 31, 2024, compared $0.68 million for the quarter ended March 31, 2023. The decrease in total stock-based compensation costs is due to no options granted in the period.

Depletion, Depreciation and Accretion ("DD&A")

	Three months ended		
Canadian ('000)	**Mar 31, 2024**	Dec 31, 2023	Mar 31, 2023
Depletion, depreciation and accretion	**57**	65	43

DD&A expenses slightly decreased for the quarter ended March 31, 2024 to $0.57 million compared with $0.65 million for the quarter ended December 31, 2023.

DD&A expenses slightly increased for the quarter ended March 31, 2024 to $0.57 million compared with $0.43 million for the quarter ended March 31, 2023.

Foreign Exchange Gain (Loss)

	Three months ended		
Canadian ('000)	**Mar 31, 2024**	Dec 31, 2023	Mar 31, 2023
Foreign exchange gain (loss)	**338**	(60)	(46)

The foreign exchange gain (loss) for the quarter ended March 31, 2024, was a result of movement of the USD against the NZD and CDN.

Net Loss Before Income Tax and Net Loss After Tax

	Three months ended		
Canadian ('000)	**Mar 31, 2024**	Dec 31, 2023	Mar 31, 2023
Net loss before tax	**(783)**	(3,371)	(891)
Income tax	**-**	-	-
Net loss after tax	**(783)**	(3,371)	(891)
Loss per share – basic and diluted ($)	**(0.00)**	(0.02)	(0.01)

Cash Flow

	Three months ended		
Canadian ('000)	**Mar 31, 2024**	Dec 31, 2023	Mar 31, 2023
Operating cash flow *(1)*	**(872)**	(1,979)	(1,179)
Cash used in operating activities	**1,099**	906	(1,141)
Operating cash flow per share – basic and diluted ($)	**(0.00)**	(0.01)	(0.01)

(1) Operating cash flow is a non-GAAP measure. It represents cash flow from operating activities before changes in working capital. See non-GAAP measures for further explanation.

Operating cash outflow decreased to $0.9 million for the quarter ended March 31, 2024, compared to $1.2 million for the quarter ended March 31, 2023.

CAPITAL EXPENDITURES

Capital expenditures consisted of exploration and evaluation assets of $5.7 million and capital leases, computer and office equipment and leasehold improvements of $nil for the quarter ended March 31, 2024. Capital expenditures consisted of exploration and evaluation assets of $17.9 million and capital leases, office equipment and leasehold improvements of $0.2 million for the quarter ended December 31, 2023.

FUTURE CAPITAL EXPENDITURES

The Company had the following commitments for capital expenditure at March 31, 2024:

Contractual Obligations *Canadian ('000)*	Total	Less than One Year	Two to Five Years	More than Five Years
Operating leases *(1)*	464	226	238	-
Other long-term obligations *(2)*	7,991	-	7,991	-
Total contractual obligations	8,455	226	8,229	-

(1) The Company has commitments related to corporate office leases signed in Vancouver and Calgary, Canada and a lease for apartments in Egypt .

(2) The Company has commitements under it's PSA related to exploration and evaluation in the BED-1 fiield in the Western Desert of Egypt.

The Company expects to manage its working capital on hand to meet its commitments in the PSA and any future selective development and exploration opportunities. Commitments and work programs are subject to change as dictated by cashflow. 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.

LIQUIDITY AND CAPITAL RESOURCES

Canadian ('000)	**Three months ended Mar 31, 2024**	Nine months ended Dec 31, 2023
Cash and cash equivalents	**12,734**	16,436
Working capital	**9,431**	12,237
Contractual obligations, next twelve months	**226**	233
Revenue	**-**	586
Cashflow provided by (used in) operating activities	**1,099**	(2,924)

As of the date of this report, the Company is monitoring its funding requirements and may adjust its current operations to ensure anticipated cash flow from the recent financings, New Zealand royalty, and oil sales allows the Company to meet its commitments for the next twelve months. The Company has cash available, and it continues to monitor cash on hand and cash flow. TAG will focus on the recently signed PSA and continue to pursue opportunities with the goal of acquiring concessions leading to exploration, productions, and reserves.

The Company may require additional financing in the event of adding any additional material commitments or any additional agreements or acquisitions.

NON-GAAP MEASURES

The Company uses certain terms for measurement within this MD&A that do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP"), including IFRS, and these measurements may differ from other companies and accordingly may not be comparable to measures used by other companies.

Adjusted net loss

The term "adjusted net loss" is not a recognized measure under the applicable IFRS. Management of the Company believes that this term is useful to provide shareholders and potential investors with additional information, in addition to net income activities as defined by IFRS, for evaluating the Company's recurring operating performance, excluding the impact of non-cash impairment charges.

	Three months ended		
Canadian ('000)	**Mar 31, 2024**	Dec 31, 2023	Mar 31, 2023
Adjusted net loss	**(1,288)**	(2,717)	(1,881)
Gain (loss) on royalty valuation and other interests	**144**	(654)	990
Interest and penalties recovered	**361**	-	-
Net loss before tax	**(783)**	(3,371)	(891)

Reconciliation of Operating Cash Flow

Operating cash flow is a non-GAAP measure. Operating cash flow is a measure that represents cash generated from operating activities before changes in non-cash working capital. Management considers this a key measure as it demonstrates the Company's ability to generate the cash flows necessary to fund future growth through capital investment. Funds flow from operations does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures used by other companies.

	Three months ended		
Canadian ('000)	**Mar 31, 2024**	Dec 31, 2023	Mar 31, 2023
Cash provided by (used in) operating activities	**1,099**	906	(1,141)
Changes in non-cash working capital	**(1,971)**	(2,885)	(38)
Operating cash flow	**(872)**	(1,979)	(1,179)

OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS

The Company has no off-balance sheet arrangements or proposed transactions other than the transactions disclosed in this MD&A.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial instruments on the Company's balance sheet include cash, trade receivable and other , restricted cash and accounts payable. The carrying value of these instruments approximates their fair value due to the short term nature of the instruments. Royalties are classified as fair value through profit or loss. The Company manages its risk through its policies and procedures, but other than as described above has not generally used derivative financial instruments to manage risks.

RELATED PARTY TRANSACTIONS

As required under IAS 24, related party transactions include compensation paid to the Company's CEO, COO, Executive Chairman, and CFO as well as to the remaining board members as part of the ordinary course of the Company's business. The Company reports that no related party transactions have occurred during the reporting period other than ongoing compensation as disclosed in the table below.

The Company is of the view that the amounts incurred for services provided by related parties approximate what the Company would incur to arms-length parties for the same services. Compensation paid to key management is as follows:

	Three months ended		
Canadian ('000)	**Mar 31, 2024**	Dec 31, 2023	Mar 31, 2023
Stock-based compensation	**136**	199	563
Management wages and director fees	**277**	277	264
Total management compensation	**413**	476	827

SHARE CAPITAL

a. At March 31, 2024, there were 185,117,793 common shares, 11,525,001 stock options outstanding and no warrants outstanding.
b. At May 30, 2024, there were 185,117,793 common shares, 11,525,001 stock options outstanding and no warrants outstanding.

The Company has one class of common shares. No class A or class B preference shares have been issued.

SUBSEQUENT EVENTS

None noted.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingencies. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these consolidated financial statements.

Areas of judgment that have the most significant effect on the amounts recognized in these consolidated financial statements are recoverability, impairment and fair value of oil and gas properties, deferred tax assets and liabilities and functional currency.

Key sources of estimation uncertainty that have the most significant effect on the amounts recognized in these consolidated financial statements are recoverability, impairment and fair value of oil and gas properties, deferred tax assets and liabilities, determination of the fair values of stock-based compensation and assessment of contingencies.

Property and equipment, and exploration and evaluation

The recoverable amount for property and equipment and exploration and evaluation is the higher of fair value less costs to sell and value in use. In assessing fair value less costs to sell, the Company must estimate the price that would be received to sell the asset or cash-generating unit ("CGU") less any incremental costs directly attributable to the disposal. In assessing value in use, the estimated cash flows are discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Arriving at the estimated future cash flows involves significant judgments, estimates and assumptions, including those associated with the future cash flows of the CGU, determination of the CGU and discount rates.

Royalties

The calculation of royalties requires estimates of future production, oil and gas prices, and quality discounts. These estimates impact royalties and gain on royalty valuation.

Income taxes

The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of the reversals of temporary differences, and estimating the reliability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense (recovery).

Stock-based compensation

The calculation of stock-based compensation requires estimates of volatility, forfeiture rates and market prices surrounding the issuance of stock options. These estimates impact stock-based compensation expense and stock-based payment reserve.

Functional currency

The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

Contingencies

Contingencies are resolved only when one or more events transpire. As a result, the assessment of contingencies inherently involves estimating the outcome of future events.

CHANGES IN ACCOUNTING POLICIES

None noted.

BUSINESS RISKS AND UNCERTAINTIES

The Company, like all companies in the international oil and gas sector, is exposed to a variety of risks which include title to oil and gas interests, the uncertainty of finding and acquiring reserves, funding and developing those reserves and finding storage and markets for them. In addition there are commodity price fluctuations, interest and exchange rate changes and changes in government regulations. The oil and gas industry is intensely competitive and the Company must compete against companies that have larger technical and financial resources. The Company works to mitigate these risks by evaluating opportunities for acceptable funding, considering farm-out opportunities that are available to the Company, operating in politically stable countries, aligning itself with joint venture partners with significant international experience and by employing highly skilled personnel. The Company also maintains a corporate insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts and other operating accidents and disruptions. The oil and gas industry is subject to extensive and varying environmental regulations imposed by governments relating to the protection of the environment and the Company is committed to operate safely and in an environmentally sensitive manner in all operations.

There have been no significant changes in these risks and uncertainties during the period ended March 31, 2024.

Please also refer to "Forward Looking Statements".

Additional information relating to the Company is available on Sedar+ at www.sedarplus.ca.

FORWARD LOOKING STATEMENTS

The MD&A contains forward-looking statements within the meaning of securities laws, including the “safe harbour” provisions of Canadian securities legislation. Forward-looking statements and information concerning anticipated financial performance are based on management’s assumptions using information currently available. Material factors or assumptions used to develop forward-looking information include drilling programs and results, facility and pipeline construction operations and enhancements, potential business prospects, growth strategies, the ability to add production and reserves through development and exploration activities, the ability to reduce costs and extend commitments, projected capital costs, government legislation, well performance, the ability to market production, the commodity price environment and quality differentials and exchange rates. Management also assumes that the Company will continue to be able to maintain permit tenures in good standing, that the Company will be able to access equity capital when required and that the Company will maintain access to necessary oil and gas industry services and equipment to conduct its operations. Although management considers its assumptions to be reasonable based on these factors, they may prove to be incorrect.

Forward-looking information is often, but not always, identified by the use of words such as “anticipate”, “assume”, “believe”, “estimate”, “expect”, “forecast”, “guidance”, “may”, “plan”, “predict”, “project”, “should”, “will”, or similar words suggesting future outcomes. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to oil and natural gas operations and acquisitions; statements regarding boe/d production capabilities; and other statements set out herein. Also included in this MD&A are forward-looking statements regarding the achievement of any of the event specific payments and the benefits to TAG of the gross overriding royalties. In making the forward-looking statements in this release, TAG has applied certain factors and assumptions that are based on information currently available to TAG as well as TAG’s current beliefs and assumptions made by TAG, including the current operations in Egypt and that TAG’s New Zealand business that it sold will continue to be operated in a way that is beneficial to TAG and results in the payment pursuant to the gross overriding royalty.

Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking information. These risks and uncertainties include, but are not limited to: access to capital, commodity price volatility; well performance and marketability of production; transportation and refining availability and costs; exploration and development costs; infrastructure costs; the recoverability of reserves; reserves estimates and valuations; the Company’s ability to add reserves through development and exploration activities; accessibility of services and equipment; fluctuations in currency exchange rates; and changes in government legislation and regulations. Risks with respect to the operations in Egypt and TAG’s New Zealand business that it sold will not be operated in a way that is beneficial to TAG or results in the achievement of the gross overriding royalty.

The forward-looking statements contained herein are as of March 31, 2024, and are subject to change after this date. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive and as such undue reliance should not be placed on forward-looking statements. Except as required by applicable securities laws, with the exception of events or circumstances that occurred during the period to which the MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information for a period that is not yet complete that was previously disclosed to the public, the Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Disclosure provided herein in respect of boe (barrels of oil equivalent) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

References to “oil” herein include crude oil and field condensate.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Abdel (Abby) Badwi,
Executive Chairman and Director
Alberta, Canada

Toby Pierce, CEO and Director
British Columbia, Canada

Keith Hill, Director
Florida, USA

Thomas Hickey, Director
Maisons-Laffitte, France

Shawn Reynolds, Director
New Jersey, USA

Gavin Wilson, Director
Zurich, Switzerland

Suneel Gupta, VP and COO
Alberta, Canada

Barry MacNeil, CFO
British Columbia, Canada

Giuseppe (Pino) Perone,
General Counsel and Corporate Secretary
British Columbia, Canada

CORPORATE OFFICE

1050 W. Pender Street
Suite 1710
Vancouver, British Columbia
Canada V6E 3S7
Telephone: 1-604-682-6496
Facsimile: 1-604-682-1174

BANKER

Bank of Montreal
Vancouver, British Columbia

LEGAL COUNSEL

Blake, Cassels & Graydon LLP
Vancouver, British Columbia

AUDITORS

Deloitte
Chartered Professional Accountants
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario
Canada M5J 2Y1

Telephone: 1-800-564-6253
Facsimile: 1-866-249-7775

The Annual General Meeting was held on December 6, 2023 at 10:00 am in Vancouver, British Columbia, Canada.

SHARE LISTING

TSX Venture Exchange *(TSX-V)*
Trading Symbol: TAO
OTCQX Trading Symbol: TAOIF

SHAREHOLDER RELATIONS

Telephone: 604-682-6496
Email: ir@tagoil.com

SHARE CAPITAL

At May 30, 2024, there were 185,117,793 shares issued and outstanding.
Fully diluted: 196,642,794 shares.

WEBSITE

www.tagoil.com

SUBSIDIARIES (at March 31, 2024)

TAG Energy International Ltd.
TAG Petroleum Egypt Ltd. (Cyprus)
TAG Petroleum Egypt Ltd. (Egypt Branch)
TAG Oil (NZ) Limited
TAG Oil (Offshore) Limited
Trans-Orient Petroleum Ltd.
Orient Petroleum (NZ) Limited
CX Oil Limited