Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

June 30, 2019
(Unaudited)

TAG Oil Ltd. 885 West Georgia Street, Suite 2040 Vancouver, British Columbia Canada V6C 3E8

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

	June 30, 2019	March 31, 2019
Assets		
Current:		
Cash and cash equivalents	$ 7,175,291	$ 1,892,459
Amounts receivable and prepaids	3,485,900	4,756,659
Inventory	36,615	98,230
	10,697,806	6,747,348
Non-Current:		
Exploration and evaluation assets (Note 3)	5,883,677	5,932,952
Investments (Note 5)	36,994	37,337
Property, plant and equipment (Note 4)	1,008,214	874,005
Restricted cash	260,183	265,364
Assets held for sale (Note 16(b))	62,953,379	68,308,795
	$ 80,840,253	$ 82,165,801
Liabilities and Shareholders' Equity		
Current:		
Accounts payable and accrued liabilities	$ 3,252,813	$ 5,504,314
Current portion of agreement for purchase (Note 3)	917,700	1,185,375
Current portion of lease liabilities	82,156	-
	4,252,669	6,689,689
Non-Current:		
Asset retirement obligations (Note 6)	136,468	140,056
Long term portion of lease liabilities	105,448	-
Liabilities held for sale (Note 16(b))	13,814,114	14,215,825
Non-refundable deposit (Note 16(d))	4,354,761	-
	22,663,460	21,045,570
Share capital (Note 8)	244,169,454	244,169,454
Share-based payment reserve (Note 8)	21,051,549	21,034,508
Foreign currency translation reserve	10,746,251	12,833,691
Available for sale marketable securities reserve	4,046	4,388
Deficit	(217,794,507)	(216,921,810)
	58,176,793	61,120,231
	$ 80,840,253	$ 82,165,801

Nature of Operations (Note 1)
Commitments (Note 13)
Subsequent Events (Note 17)

See accompanying notes.

Approved by the Board of Directors:

"Toby Pierce" "Ken Vidalin"

Toby Pierce, Director
Ken Vidalin, Director

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

	Three months ended June 30, 2019	2018
Revenues		
Production revenue	$ 9,774,487	$ 9,117,752
Production costs	(2,550,706)	(2,953,019)
Royalties	(1,015,496)	(937,804)
Transportation and storage costs	(1,087,904)	(763,197)
	5,120,381	4,463,732
Expenses		
Consulting and director fees	197,308	222,592
Depletion, depreciation and accretion	142,234	2,720,994
Filing, listing and transfer agent	23,429	25,151
Finance costs	14,508	418,248
Foreign exchange	86,557	(150,032)
Insurance	21,183	22,972
Interest and other income	(193,690)	(237,713)
Office and administration	174,884	218,245
Overhead recoveries	(46,137)	(33,798)
Professional fees	119,023	122,461
Rent	52,360	84,372
Reports	(4,668)	-
Share-based compensation	17,041	242,603
Shareholder relations and communications	62,975	91,948
Travel	56,640	165,420
Wages and salaries	1,740,657	489,536
	(2,464,304)	(4,402,999)
Other Items		
Exploration expense	(30,435)	(18,029)
Loss on sale of asset	(332)	-
Loss on derivative financial instrument (Note 10)	-	(750,974)
Write-down of assets held for sale (Note 16(a))	(3,498,007)	-
	(3,528,774)	(769,003)
Net loss before taxes	(872,697)	(708,270)
Income tax recovery	-	1,261,690
Net (loss) income for the period	$ (872,697)	$ 553,420
Other comprehensive loss (Note 9)		
Cumulative translation adjustment	(2,087,440)	(5,153,984)
Change in available for sale assets:		
Investments	(342)	(9,074)
Comprehensive loss for the period	$ (2,960,479)	$ (4,609,638)
(Loss) income per share – basic (Note 8(d))	$ (0.01)	$ 0.01
(Loss) income per share – diluted (Note 8(d))	$ (0.01)	$ 0.01

See accompanying notes.

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

	Three months ended June 30, 2019	2018
Operating Activities		
Net (loss) income for the period	$ (872,697)	$ 553,420
Changes for non-cash operating items:		
Depletion, depreciation and accretion	142,234	2,720,994
Interest and foreign exchange on restricted cash	349	346
Exploration expenses	30,435	18,029
Loss on derivative financial instruments	-	750,974
Share-based compensation	17,041	242,603
Write-down of assets held for sale	3,498,007	-
	2,815,369	4,286,366
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	1,270,759	(562,745)
Accounts payable and accrued liabilities	(1,529,902)	613,897
Inventory	61,615	810,084
Cash provided by operating activities	2,617,841	5,147,602
Financing Activity		
Loan advances	-	1,211,915
Cash provided by financing activity	-	1,211,915
Investing Activities		
Cash received from non-refundable deposits	4,029,961	-
Exploration and evaluation assets	(213,198)	(2,623,847)
Property and equipment	(1,151,772)	(689,487)
Cash provided by (used in) investing activities	2,664,991	(3,313,334)
Net increase in cash and cash equivalents during the period	5,282,832	3,046,183
Cash and cash equivalents – beginning of the period	1,892,459	1,777,672
Cash and cash equivalents – end of the period	$ 7,175,291	$ 4,823,855
Supplementary disclosures:		
Interest received	$ 6,412	$ 121,370
Cash	$ 7,055,182	$ 4,804,955
Cash equivalents	120,109	18,900
	$ 7,175,291	$ 4,823,855

Non-Cash Investing Activities:

The Company incurred $46,031 in exploration and evaluation expenditures which were in accounts payable at June 30, 2019 (2018: $1,257,379). The Company incurred $254,161 in property and equipment expenditures which were in accounts payable at June 30, 2019 (2018: $95,140).

See accompanying notes.

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

	Number of Shares (Note 8)	Share Capital (Note 8)	Reserves: Share-Based Payments	Reserves: Foreign Currency Translation	Reserves: Available for Sale Marketable Securities	Deficit	Total Equity
Balance at March 31, 2019	85,282,252	$ 244,169,454	$ 21,034,508	$ 12,833,691	$ 4,388	$ (216,921,810)	$ 61,120,231
Share-based compensation	-	-	17,041	-	-	-	17,041
Currency translation adjustment	-	-	-	(2,087,440)	-	-	(2,087,440)
Unrealized loss on available-for-sale investments	-	-	-	-	(342)	-	(342)
Net loss for the period	-	-	-	-	-	(872,697)	(872,697)
Balance at June 30, 2019	85,282,252	$ 244,169,454	$ 21,051,549	$ 10,746,251	$ 4,046	$ (217,794,507)	$ 58,176,793
Balance at March 31, 2018	85,282,252	$ 244,169,454	$ 20,581,296	$ 16,734,545	$ 51,700	$ (156,639,392)	$ 124,897,603
Share-based compensation	-	-	242,603	-	-	-	242,603
Currency translation adjustment	-	-	-	(5,153,984)	-	-	(5,153,984)
Unrealized loss on available-for-sale investments	-	-	-	-	(9,074)	-	(9,074)
Net income for the period	-	-	-	-	-	553,420	553,420
Balance at June 30, 2018	85,282,252	$ 244,169,454	$ 20,823,899	$ 11,580,561	$ 42,626	$ (156,085,972)	$ 120,530,568

See accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements
Three Months Ended June 30, 2019
Expressed in Canadian Dollars
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 focus on oil and gas exploration, development and production from its international properties that are situated in New Zealand and Australia.

The Company has an interest in oil and gas properties that contain economically recoverable reserves. Further exploration and development activities are required by the Company to establish additional proved reserves and to commercialize its oil and gas exploration properties. The Company is also influenced by significant financial risks as well as fluctuations in commodity prices. The Company will use cash and operating cash flow to further explore and develop its properties towards planned principal operations. The Company monitors its cash and cash equivalents and adjusts its expenditure plans to conform to available funding. The Company plans to fund exploration and development activities through existing cash, operating cash flow and any potential capital raising.

During the year ended March 31, 2018, the Company, and certain of its subsidiaries, entered into a definitive share and asset purchase agreement with Malaysian-based Tamarind Resources Pte. Ltd., and certain of its subsidiaries. This arm's length transaction is for the sale of substantially all of TAG's Taranaki Basin assets and operations in New Zealand (the "Transaction"). The sale will include 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 consist of the following:

- Cash payment to TAG of US$30 million at closing (net of US$3 million non-refundable deposit already received).
- TAG to receive a 2.5% gross overriding royalty on future production from all NZ Assets.
- Up to US$5 million in event specific payments payable on achieving various milestones (the first milestone, grant of PMP 60454 (Supplejack), has already been achieved triggering a payment of US$500,000 at closing).
- The Transaction will be funded from Tamarind's available financial resources.
- An effective date of October 1, 2018 with an anticipated closing date in August 2019.

TAG's shareholders approved the proposed special resolution regarding the Transaction. A total of 46.74% of TAG's 85,282,252 outstanding shares were voted by TAG's shareholders, of which 38,853,531 shares (97.47%) were voted "for" the Transaction.

Note 2 – Significant Accounting Policies

Statement of compliance and basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board (IASB), and its interpretations. Accordingly, these condensed consolidated interim financial statements do not include all of the information and foot notes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes. Results for the period ended June 30, 2019, are not necessarily indicative of future results.

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale, which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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, 2019.

These condensed consolidated interim financial statements were authorized for issuance on August 14, 2019 by the directors of the Company.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries.

The Company's subsidiaries are:

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Cypress Petroleum Pty Ltd.	Australia	100%	Oil and Gas Exploration
Cheal Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
CX Oil Limited	New Zealand	100%	Oil and Gas Exploration
Orient Petroleum (NZ) Limited	New Zealand	100%	Oil and Gas Exploration
Stone Oil Limited	New Zealand	100%	Oil and Gas Exploration
TAG Oil (NZ) Limited	New Zealand	100%	Oil and Gas Exploration
TAG Oil (Offshore) Limited	New Zealand	100%	Oil and Gas Exploration
Trans-Orient Petroleum Ltd.	Canada	100%	Oil and Gas Exploration

Significant Accounting Estimates and Judgments

The preparation of the condensed consolidated interim 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 condensed consolidated interim financial statements. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these condensed consolidated interim financial statements.

Areas of judgment that have the most significant effect on the amounts recognized in these condensed consolidated interim financial statements are: recoverability, impairment, fair value and depletion 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 condensed consolidated interim financial statements are: recoverability, impairment, depletion 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.

Recoverability, impairment and fair value of oil and gas properties

Fair values of oil and gas properties, depletion and depreciation, and amounts used in impairment calculations are based on estimates of crude oil and gas reserves, oil and gas prices, and future costs required to develop those reserves. By nature, estimates of reserves and the related future cash flows are subject to measurement uncertainty and the impact of differences between actual and estimated amounts on the condensed consolidated interim financial statements of future periods could be material. The fair value of properties is determined based on cost and supported by the discounted cash flow of reserves based on anticipated work programs. The net present value uses a discount rate of 10% and costs are determined on the anticipated exploration program, forecasted oil prices and contractual price of natural gas along with forecasted operating and decommissioned costs.

Oil and gas properties, exploration and evaluation assets and other corporate assets are aggregated into cash-generating-units (CGUs) based on their ability to generate largely independent cash flows and are used for impairment testing unless the recoverable amount based on value in use can be estimated for an individual asset. The determination of the Company's CGUs is based on producing oil and gas fields with petroleum mining permits granted including associated infrastructure on the basis that field investment decisions are made based on expected field production and all wells are dependent on the field infrastructure.

Each CGU or asset is evaluated for impairment to ensure the carrying value is recoverable. Management reviews the discounted cash flows of capital development, income, production, reserves, field life and asset retirement obligations of the CGU or asset in assessing the recoverable amount of the CGU or asset. A discount rate of 10% is applied to the assessment of the recoverable amount.

The decision to transfer exploration and evaluation assets to property, plant and equipment is based on management's determination of an area's technical feasibility and commercial viability based on proved and probable reserves. The calculation of decommissioning liabilities includes estimates of the future costs to settle the liability, the timing of the cash flows to settle the liability, the risk-free rate and the future inflation rates. The rates used to calculate decommissioning liabilities are an inflation rate of 1.52% and a risk-free discount rate ranging from 1.70% to 3.05% which prevailed at the date of these financial statements. The impact of differences between actual and estimated costs, timing and inflation on the condensed consolidated interim financial statements of future periods may be material.

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).

Share-based compensation

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

Adoption of new and revised accounting standards

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

- The Company has the right to direct the use of the asset. The Company has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either: (a) the Company has the right to operate the asset; or (b) the Company designed the asset in a way that predetermines how and for what purpose it will be used.

If the contract contains a lease, a right-of-use asset and a corresponding lease liability are set-up at the date at which the leased asset is available for use by the Company. The lease payments are discounted using either the interest rate implicit in the lease, if available, or the Company's incremental borrowing rate. Each lease payment is allocated between the liability and the finance cost so as to produce a constant rate of interest on the remaining lease liability balance. The Company accounts for the lease and non-lease components separately. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis

The Company uses the following practical expedients permitted by the standard: a) low value leases and leases with a term of less than 12 months remaining at January 1, 2019 have been accounted for as short-term leases; and b) initial direct costs for the measurement of the right-of-use asset at the date of initial application have been excluded.

Note 3 – Exploration and Evaluation Assets

Permit	PL17 Cypress	PEP 51153 *(2)*	PEP 57065	Cardiff
Ownership Interest	**100%**	**100%**	**100%**	**100%**
Cost				
At March 31, 2018	$ 5,958,696	$ 7,960,349	$ 4,233,745	$ 1,591,346
Capital expenditures	101,959	(33,176)	954,872	116,968
Transfer to property, plant and equipment	-	-	(4,049,571)	-
Addition in ARO	-	208,741	-	34,696
Reclassification to assets held for sale *(1)*	-	(7,959,682)	(1,045,317)	(1,707,780)
Foreign exchange movement	(127,703)	(176,232)	(93,729)	(35,230)
At March 31, 2019	5,932,952	-	-	-
Capital expenditures	142,170	129,770	5,413	-
Reclassification to assets held for sale *(1)*	-	(129,770)	(5,413)	-
Foreign exchange movement	(191,445)	-	-	-
At June 30, 2019	$ 5,883,677	$ -	$ -	$ -
Net book value				
March 31, 2019	$ 5,932,952	$ -	$ -	$ -
June 30, 2019	**$ 5,883,677**	**$ -**	**$ -**	**$ -**

Permit	PEP 54877	TOTAL
Ownership Interest	**70%**	
Cost		
At March 31, 2018	$ 3,631,941	$ 23,376,077
Capital expenditures	126,587	1,267,210
Transfer to property, plant and equipment	-	(4,049,571)
Addition in ARO	-	243,437
Reclassification to assets held for sale *(1)*	(3,678,124)	(14,390,903)
Foreign exchange movement	(80,404)	(513,298)
At March 31, 2019	-	5,932,952
Capital expenditures	2,613	279,966
Reclassification to assets held for sale *(1)*	(2,613)	(137,796)
Foreign exchange movement	-	(191,445)
At June 30, 2019	$ -	$ 5,883,677
Net book value		
March 31, 2018	$ -	$ 5,932,952
June 30, 2019	**$ -**	**$ 5,883,677**

(1) Refer to Notes 1 and 16.
(2) On October 18, 2018, TAG, through its subsidiary CX Oil Limited ("CX"), completed the agreement whereby MEO New Zealand Pty Limited ("MEO") transferred its 30% interest in PEP 51153 (Puka) to CX.

The Company's oil and gas properties are located in New Zealand and Australia, and its interests in these properties are maintained pursuant to the terms of exploration and mining permits granted by the national government. The Company is satisfied that evidence supporting the current validity of these permits is adequate and acceptable by prevailing industry standards in respect to the current stage of exploration on these properties. Although the Company has taken steps to verify title, these procedures do not guarantee the Company's title.

On January 31, 2017, the Company and its wholly owned subsidiary, Cypress Petroleum Pty Ltd. ("Cypress"), completed the purchase of 100% interest in PL17 and all related assets, which are located in Australia's Surat Basin and subject to underlying royalties, from Southern Cross Petroleum & Exploration Pty Ltd. in exchange for AUD$2,500,000. The remaining AUD$750,000 will be fully payable in cash immediately subsequent to the closing of the Transaction. If the Transaction does not close, then AUD$750,000 will be payable in cash or shares of the Company, at the sole discretion of Cypress, on January 31, 2020.

Note 4 – Property, Plant and Equipment

	Proven Oil and Gas Property PMP 38156/ PMP 60291	Proven Oil and Gas Property PMP 53803	Proven Oil and Gas Property PMP 60454	Proven Oil and Gas Property PL17	Right of use Assets	Office Equipment and Leasehold Improvements	Total
Cost							
At March 31, 2018	$170,097,470	$28,118,986	$ -	$ 515,305	$ -	$ 1,919,709	$200,651,470
Capital expenditures	7,703,622	168,371	58,513	-	-	50,582	7,981,088
Transfer from exploration and evaluation assets	-	-	4,049,571	-	-	-	4,049,571
Addition (reduction) in ARO	355,408	(66,702)	-	8,606	-	-	297,312
Sale of assets	-	-	-	-	-	(40,483)	(40,483)
Reclassification to assets held for sale *(1)*	(174,390,773)	(26,082,690)	(4,108,084)	-	-	-	(204,581,547)
Foreign exchange movement	(3,765,727)	(2,137,965)	-	(21,805)	-	(30,178)	(5,955,675)
At March 31, 2019	-	-	-	502,106	-	1,899,630	2,401,736
Capital expenditures	303,995	27,578	170,994	-	208,423	1,278	712,268
Sale of assets	-	-	-	-	-	(8,901)	(8,901)
Reclassification to assets held for sale *(1)*	(303,995)	(27,578)	(170,994)	-	-	-	(502,567)
Foreign exchange movement	-	-	-	(16,202)	-	(45,579)	(61,781)
At June 30, 2019	$ -	$ -	$ -	$ 485,904	$ 208,423	$ 1,846,428	$ 2,540,755
Accumulated depletion and depreciation							
At March 31, 2018	$ (71,115,768)	$(15,948,144)	$ -	$ (32,476)	$ -	$ (1,420,853)	$ (88,517,241)
Depletion and depreciation	(4,262,711)	(1,214,522)	-	(30,446)	-	(108,641)	(5,616,320)
Sale of assets	-	-	-	-	-	40,483	40,483
Reclassification to assets held for sale *(1)*	73,804,073	16,809,596	-	-	-	-	90,613,669
Foreign exchange movement	1,574,406	353,070	-	719	-	23,483	1,951,678
At March 31, 2019	-	-	-	(62,203)	-	(1,465,528)	(1,527,731)
Depletion and depreciation	-	-	-	(7,657)	(21,254)	(23,799)	(52,710)
Sale of assets	-	-	-	-	-	8,335	8,335
Foreign exchange movement	-	-	-	2,140	-	37,425	39,565
At June 30, 2019	$ -	$ -	$ -	$ (67,720)	$ (21,254)	$ (1,443,567)	$ (1,532,541)
Net book value							
March 31, 2019	$ -	$ -	$ -	$ 439,903	$ -	$ 434,102	$ 874,005
June 30, 2019	**$ -**	**$ -**	**$ -**	**$ 418,184**	**$ 187,169**	**$ 402,861**	**$ 1,008,214**

(1) Refer to Notes 1 and 16.

Note 5 – Investments

Marketable Securities

	June 30, 2019		March 31, 2019	
	Number of Shares Held	**Market Value**	Number of Shares Held	Market Value
Marketable securities available for sale	**525,191**	**$ 36,994**	525,191	$ 37,337

Note 6 – Asset Retirement Obligations

The following is a continuity of asset retirement obligations for the three months ended June 30, 2019:

Balance at March 31, 2019	$	140,056
Accretion expense		931
Foreign exchange movement		(4,519)
Balance at June 30, 2019	$	136,468

This is represented by:		
Current liability	$	-
Non-current liability		136,468
Balance at June 30, 2019	$	136,468

The following is a continuity of asset retirement obligations for the three months ended June 30, 2018:

Balance at March 31, 2018	$	13,793,714
Release of ARO		(25,832)
Accretion expense		(47,318)
Foreign exchange movement		(582,164)
Balance at June 30, 2018	$	13,138,400

This is represented by:		
Current liability	$	-
Non-current liability		13,138,400
Balance at June 30, 2018	$	13,138,400

The Company's asset retirement obligations result from net ownership interests in oil and gas development activity. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations to be approximately $136,000 which will be incurred between 2019 and 2028. The retirement obligation is calculated based on an assessment of the cost to plug and abandon each well, the removal and sale of facilities and the rehabilitation and reinstatement of land at the end of the life of the field.

The fair value of the liability for the Company's asset retirement obligation is recorded in the period in which it is incurred, using an inflation rate of 1.52% and discounted to its present value using a risk-free rate ranging from 1.70% to 3.05%. The corresponding amount is recognized by increasing the carrying amount of the oil and gas properties. The liability is accreted each period and the capitalized cost is depreciated over the useful life of the related asset using the unit-of-production method based on proved and probable reserves.

Note 7 – Related Party Transactions

The Company is of the view that the amounts incurred for services provided by related parties approximates what the Company would incur to arms-length parties for the same services.

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

		2019		2018
Share-based compensation	**$**	**8,079**	$	109,357
Management wages and director fees		**456,949**		199,172
Total management compensation	**$**	**465,028**	$	308,529

Note 8 – 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, 2019:

No common shares were issued or purchased and cancelled.

During the three months ended June 30, 2018:

No common shares were issued or purchased and cancelled.

b) Incentive Share Options

The Company has a share option plan for the granting of share options to directors, employees and service providers. Under the terms of the share option plan, the number of shares reserved for issuance as share incentive options will be equal to 10% of the Company's issued and outstanding shares at any time. The exercise price of each option equals the market price of the Company's shares the day prior to the date that the grant occurs less any applicable discount approved by the Board of Directors and per the guidelines of the Toronto Stock Exchange. The options maximum term is five years and must vest over a minimum of two years.

On April 18, 2018, the Company granted 2,400,000 incentive share options to various directors, executive officers, employees and consultants. These options are exercisable until April 18, 2023, at a price of $0.50 per share subject to one-third of the total options vested on grant date, one-third of the total options one year from the date of the grant and one-third of the total options two years from the date of the grant.

The following is a continuity of outstanding share options:

	Number of Shares	Average Price per Share
Balance at March 31, 2018	6,120,000	$ 1.27
Granted during the period	2,400,000	0.50
Expired/Cancelled during the year	(3,935,000)	1.41
Balance at March 31, 2019	4,585,000	$ 0.74
Granted during the period	-	-
Balance at June 30, 2019	4,585,000	$ 0.74

The following summarizes information about share options that are outstanding at June 30, 2019:

Number of Options	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
75,000	$2.75	0.00	August 13, 2019	75,000
200,000	$2.39	0.01	August 31, 2019	200,000
75,000	$1.54	0.01	May 13, 2020	75,000
800,000	$0.75	0.29	March 2, 2021	800,000
400,000	$0.75	0.15	March 2, 2021	400,000
500,000	$0.75	0.18	March 9, 2021	500,000
25,000	$1.05	0.01	November 23, 2021	25,000
60,000	$1.05	0.03	November 23, 2021	60,000
50,000	$0.90	0.03	November 23, 2021	50,000
2,400,000	$0.50	2.00	April 18, 2023	1,600,000
4,585,000		2.71		3,785,000

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) (Loss) Earnings Per Share

Basic weighted average shares outstanding for the three month period ended June 30, 2019 was 85,282,352 (2018: 85,282,352) and diluted weighted average shares outstanding for the three month period ended June 30, 2019 was 85,282,352 (2018: 85,282,352). 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 9 – Accumulated Other Comprehensive (loss) income

		Accumulated Other Comprehensive (loss) income
Balance at March 31, 2019	$	12,838,079
Unrealized loss on available for sale investments		(342)
Cumulative translation adjustment		(2,087,440)
Balance at June 30, 2019	$	10,750,297
Balance at March 31, 2018	$	16,786,245
Unrealized loss on available for sale investments		(9,074)
Cumulative translation adjustment		(5,153,984)
Balance at June 30, 2018	$	11,623,187

Note 10 – Loan Payable

During the year ended March 31, 2019, the Company secured a revolving credit facility of up to US$10,000,000 with a large New Zealand-based lender. The revolving credit facility, which is secured against TAG's producing Taranaki Basin assets, has been put into place for an initial period of 12 months and has been extended to August 2019. The facility can be drawn by TAG upon request, with balances charged at an interest rate of LIBOR + 3.0% per annum. As part of the credit facility, TAG agreed to hedge approximately 400 bbl/d of oil production for the 12-month period using a collar with a US$60/bbl floor and a US$75/bbl cap. The Hedge has not been renewed.

The total finance costs incurred during the year ended March 31, 2019 was $675,988, which includes the initial fee associated with this arrangement of $180,835. Actual costs incurred for the period, in respect to oil revenues realized in excess of the US$75 cap, was $495,153 in which these were similarly expensed as financing costs.

Note 11 – 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 12 – 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) income and comprehensive (loss) income.

This note provides information about the Company's exposure to each of the above risks as well as the Company's objectives, policies and processes for measuring and managing these risks.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is relative to the sale of oil production. All the Company's production is sold directly to a significant oil company. The Company is paid for its oil sales within 30 days of shipment. The Company has assessed the risk of non-collection from the buyer as low due to the buyer's financial condition.

Cash and cash equivalents consist of cash bank balances and short-term deposits. The Company's short-term investments are held with a Canadian chartered bank and are monitored to ensure a stable return. The Company's short-term investments currently consist of term deposits as it is not the Company's policy to utilize complex, higher-risk investment vehicles.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at June 30, 2019 and did not provide for any doubtful accounts. During the period ended June 30, 2019, there were no write-offs. As at June 30, 2019, there were no significant amounts past due or impaired.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its purchase and capital commitments, and other financial obligations as they are due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation.

The Company's liquidity is dependent upon maintaining its current working capital balances, operating cash flows and ability to raise funds. To forecast and monitor liquidity the Company prepares operating and capital expenditure budgets which are monitored and updated as considered necessary. Considering these circumstances and the Company's cash balance liquidity risk is assessed as low.

c) Market Risk

Market risk is the risk that changes in foreign exchange rates, commodity prices and interest rates will affect the Company's cash flows, net (loss) income and comprehensive (loss) income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

d) Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that future cash flows, net (loss) income and comprehensive (loss) income will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum sales are denominated in United States dollars and operational and capital activities related to our properties are transacted primarily in New Zealand dollars, Australian 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 and this is not expected to change in the foreseeable future as the work commitments in New Zealand and Australia are expected to be carried out in their respected currencies or in United States dollars.

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 operations. Such prices may also affect the value of exploration and development properties and the level of spending for future activities. Petroleum prices are impacted by world economic events that dictate the levels of supply and demand. This exposes the Company to the risk of price movements.

f) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its cash and cash equivalents which bear a floating rate of interest. The risk is not considered significant.

The Company did not have any interest rate swaps or financial contracts in place during the period ended June 30, 2019 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, 2019		March 31, 2019	
	Fair Value Level	Fair Value through Profit or Loss	Amortized Cost	Fair Value through Profit or Loss	Amortized Cost
		$	$	$	$
Financial assets:					
Cash and cash equivalents	1	7,175,291	-	1,892,459	-
Restricted cash	1	260,183	-	265,364	-
Investments	1	36,994	-	37,337	-
Accounts receivable		-	2,914,368	-	4,388,488
		7,472,468	2,914,368	2,195,160	4,388,488
Financial liabilities:					
Accounts payable and accrued liabilities		-	3,252,813	-	5,504,314
Agreement for purchase		-	917,000	-	1,185,375
Lease liabilities		-	187,604	-	-
		-	4,357,417	-	6,689,689

During the period ended June 30, 2019 and the year ended March 31, 2019, there were no transfers between level 1, level 2 and level 3.

Note 13 – Commitments

The Company has the following commitments for capital expenditure at June 30, 2019:

Contractual Obligations	Total $	Less than One Year $	More than One Year $
Operating leases (1)	549,000	313,000	236,000
Other long-term obligations (2)	17,949,000	6,926,000	11,023,000
Total Contractual Obligations (3)	18,498,000	7,239,000	11,259,000

(1) The Company has commitments related to office leases signed in New Plymouth, New Zealand and Vancouver, Canada.

(2) The other long term obligations that the Company has are in respect to the Company's share of expected exploration and development permit obligations and/or commitments at the date of this report. The Company may choose to alter the program, request extensions, reject development costs, relinquish certain permits or farm-out its interest in permits where practical.

(3) The Company's total commitments include those that are required to be incurred to maintain its permits in good standing during the current permit term, prior to the Company committing to the next stage of the permit term where additional expenditures would be required. In addition, costs are also included that relate to commitments the Company has made that are in addition to what is required to maintain the permit in good standing.

Note 14 – Segmented Information

The Company operates in three geographical regions. Information on country segments is provided as follows:

For the three month period ended June 30, 2019	Canada	New Zealand	Australia	Total Company
Production revenue	$ -	$ 9,718,278	$ 56,209	$ 9,774,487
Restricted cash	$ 115,220	$ -	$ 144,963	$ 260,183
Exploration and evaluation assets	-	-	5,883,677	5,883,677
Property, plant and equipment	333,841	209,575	464,798	1,008,214
Investments	36,994	-	-	36,994
Assets held for sale	-	62,953,379	-	62,953,379
Total non-current assets	$ 486,055	$ 63,162,954	$ 6,493,438	$ 70,142,447

For the year ended March 31, 2019	Canada	New Zealand	Australia	Total Company
Production revenue	$ -	$ 32,999,332	$ 237,335	$ 32,236,667
Restricted cash	$ 115,567	$ -	$ 149,797	$ 265,364
Exploration and evaluation assets	-	-	5,932,952	5,932,952
Property, plant and equipment	150,186	236,984	486,835	874,005
Investments	37,337	-	-	37,337
Assets held for sale	-	68,308,795	-	68,308,795
Total non-current assets	$ 303,090	$ 68,545,779	$ 6,569,584	$ 75,418,453

The Company operates in the petroleum exploration and production industry:

For the three month period ended June 30, 2019	
Loss for the period	$ (872,697)
Total assets	$ 80,840,253
Total liabilities	$ 22,663,460

For the year ended March 31, 2019	
Loss for the year	$ (60,282,418)
Total assets	$ 82,165,801
Total liabilities	$ 21,045,570

Note 15 – Interest and Penalties

The Company has been assessed penalties and interest by Canada Revenue Agency ("CRA") under subsection 247(3) of the Income Tax Act (*Canada*), in connection with transfer pricing for the years ended March 31, 2012 and 2013, in the amounts of $224,742 and $326,473 respectively. TAG's management has filed a Notice of Objection to initiate the dispute process. As required by CRA, TAG has paid 50% of the accessed amount and accrued the remaining balance. Upon resolution of the dispute, TAG will be required to either pay the remaining 50% or will be refunded the amount paid if the Notice of Objection is resolved in TAG's favor.

Note 16 – Disposal Group Held for Sale

The Company is committed to selling its New Zealand oil and gas operations segment in Q2 2020 (see Note 1).

a. *Impairment losses relating to the remeasurement of disposal group*

Impairment losses of $3,498,007 (March 31, 2019 - $63,131,970) for losses relating to the remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in net loss for the three month ended June 30, 2019. The impairment losses have reflected a reduction in the carrying amount of property and equipment within the disposal group.

b. *Assets and liabilities of disposal group held for sale*

The disposal group was stated at fair value less costs to sell and comprised of the following assets and liabilities:

	June 30, 2019	March 31, 2019
Exploration and evaluation assets	$ 14,528,699	$ 14,390,903
Inventory	2,432,344	2,703,730
Property, plant and equipment	45,992,336	51,214,162
Assets held for sale	$ 62,953,379	$ 68,308,795
Asset retirement obligations	$ 13,814,114	$ 14,215,825
Liabilities held for sale	$ 13,814,114	$ 14,215,825

c. *Cumulative income or expenses included in OCI*

There are no cumulative income or expenses included in OCI relating to the disposal.

d. Measurement of fair value

The non-recurring fair value measurement for the disposal of approximately US$37,500,000 (CDN$51,157,500) has been categorized as a level 2 fair value based on the inputs to the valuation technique used.

As at June 30, 2019, the Company has received a total of $4,354,761 in non-refundable deposits as part of the agreement for the sale of its New Zealand oil and gas operations. This amount will be recognized in operations upon closing.

Note 17 – Subsequent Events

As at August 14, 2019, the Company has acquired a total of 43,000 of its common shares at an average price of $0.34 per share under a normal course issuer bid to purchase and cancel up to 6,441,258 of its common shares through the facilities of the TSX. In accordance with TSX policy, these purchases were approved to commence on or after February 1, 2019 for a one year period ending on January 31, 2020.