

Consolidated Interim Financial Statements

For the three months ended June 30, 2008 and 2007

(Unaudited)

In accordance with National Instrument 51-102, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the quarter ended June 30, 2008.

TAG Oil Ltd.

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Consolidated Balance Sheets
Expressed in Canadian Dollars

	June 30, 2008 Unaudited	March 31, 2008 Audited
Assets		
Current		
Cash and cash equivalents	\$ 6,602,040	\$ 6,553,101
Amounts receivable and prepaids	1,271,507	1,537,078
Inventory	831,795	1,015,886
	8,705,342	9,106,065
Property and equipment (Note 2)	28,593,438	29,381,949
Investment (Note 3)	1,022,850	-
	\$ 38,321,630	\$ 38,488,014
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 1,008,790	\$ 1,595,026
Non-current		
Future income tax	4,144,883	4,144,883
Asset retirement obligations (Note 4)	522,876	513,907
	5,676,549	6,253,816
Share capital (Notes 5 and 7)	69,979,631	69,979,631
Contributed surplus	904,264	897,925
Deficit	(37,852,404)	(38,643,358)
	33,031,491	32,234,198
Accumulated other comprehensive loss (Notes 1 and 3)	(386,410)	-
	\$ 38,321,630	\$ 38,488,014

See accompanying notes.

Approved by the Board of Directors:

"Garth Johnson"
Garth Johnson, Director

"Dan Brown"
Dan Brown, Director



Consolidated Statements of Operations and Deficit
Expressed in Canadian Dollars
Unaudited

	Three months ended June 30	
	2008	2007
Revenues		
Production revenue	\$ 2,060,824	\$ 893,499
Royalties	(89,883)	(40,738)
	<u>1,970,941</u>	<u>852,761</u>
Expenses		
General and administrative	\$ 322,725	\$ 383,961
General exploration	17,542	340,810
Production costs	347,983	261,588
Stock option compensation	6,339	22,817
Directors and officers insurance	12,000	13,900
Foreign exchange	60,021	551,244
Depletion, depreciation and accretion	425,351	313,955
	<u>(1,191,961)</u>	<u>(1,888,275)</u>
Other Items		
Interest income	44,940	123,751
Write-off of oil and gas properties	(32,966)	-
	<u>11,974</u>	<u>123,751</u>
Net income (loss) for the period	790,954	(911,763)
Deficit, beginning of period	(38,643,358)	(30,663,443)
Deficit, end of period	<u>\$ (37,852,404)</u>	<u>\$ (31,575,206)</u>
Income (loss) per share -basic	\$ 0.01	\$ (0.01)
-diluted	\$ 0.01	\$ (0.01)

See accompanying notes.



Consolidated Interim Statements of Comprehensive Income (Loss)
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
Net income (loss) for the period	\$ 790,954	\$ (911,763)
Other comprehensive loss in the period		
Fair value adjustment to financial instruments Investment (Note 3)	(386,410)	-
Comprehensive income (loss) for the period	\$ 404,544	\$ (911,763)

See accompanying notes.



Consolidated Statements of Cash Flows
Expressed in Canadian Dollars
Unaudited

	Three months ended June 30	
	2008	2007
Operating Activities		
Net income (loss) for the period	\$ 790,954	\$ (911,763)
Changes for non-cash operating items:		
Depletion, depreciation and accretion	425,351	313,955
Stock option compensation	6,339	22,817
Write-off of oil and gas properties	32,967	-
	1,255,611	(574,991)
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	243,674	4,346
Accounts payable and accrued liabilities	35,922	65,964
Inventory	184,091	370
Cash provided by (used in) operating activities	1,719,298	(504,311)
Financing Activities		
Issuance of common shares	-	-
Cash provided by financing activities	-	-
Investing Activities		
Property and equipment expenditures	(1,670,359)	(2,775,482)
Cash used in investing activities	(1,670,359)	(2,775,482)
Net increase (decrease) in cash during the period	48,939	(3,279,793)
Cash and cash equivalents – beginning of period	6,553,101	13,425,795
Cash and cash equivalents – end of period	\$ 6,602,040	\$ 10,146,002

See accompanying notes.

Supplementary disclosures:

Interest received	\$ 44,940	\$ 123,751
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Non-cash investing activities:

The Company incurred \$950,850 (March 31, 2008: \$1,551,111) in exploration expenditures which amounts were in accounts payable at June 30, 2008.



Notes to the Consolidated Interim Financial Statements
Three Months Ended June 30, 2008
Expressed in Canadian Dollars
Unaudited

Note 1 – Accounting Policies and Basis of Presentation

The unaudited consolidated interim financial statements of TAG Oil Ltd. and its wholly owned subsidiaries have been prepared in accordance with generally accepted accounting principles in Canada, which were the same accounting policies and methods of computation as the audited consolidated financial statements as at March 31, 2008.

a) Capital Disclosures

Effective April 1, 2008 the Company adopted CICA Handbook Section 1535 that requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the Company for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The Company is currently evaluating the effects of adopting this standard.

b) Financial Instruments

Effective April 1, 2008 the Company adopted CICA Handbook Section 3862, Financial Instruments - Disclosures and Section 3863 -Financial Instruments-Presentation which have replaced CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation. Sections 3862 and 3863 increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. This standard is effective for the Company for interim and annual periods beginning on or after January 1, 2008. The Company is currently evaluating the effects of adopting this standard.

The disclosure which follows is incremental to the disclosure included in the annual consolidated financial statements. These interim financial statements to June 30, 2008 should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended March 31, 2008.

c) International Financial Reporting Standards ("IFRS")

In February 2008 the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Refer to Notes 6 and 7

Note 2 – Property and Equipment

New Zealand	Working Interest %	Net Book Value at March 31, 2008	Additions During the Period	Write-offs / Depletion and Depreciation During The Period	Net Book Value At June 30, 2008
Oil and Gas Properties					
Proved					
PMP 38156-S	30.50	\$ 21,769,272	\$ 651,006	\$ (405,672)	\$ 22,014,606
Unproved					
PMP 38153	15.00	32,911	4,706	-	37,617
PMP 38156-D	15.10	195,572	-	-	195,572
PEP 38738-S	30.50	-	-	-	-
PEP 38738-D	15.10	-	-	-	-
PEP 38741	-	-	14,119	(14,119)	-
PEP 38746	16.67	187,040	3,491	-	190,531
PEP 38748	33.33	24,839	10,461	-	35,300
PEP 38757	-	-	284	(284)	-
PEP 38758	100.00	-	6,536	(6,536)	-
PEP 38765	-	-	12,027	(12,027)	-
		22,209,634	702,630	(438,638)	22,473,626
Production equipment		7,144,016	598,749	(1,640,542)	6,102,223
Office equipment		28,299	-	(10,710)	17,589
Total		\$ 29,381,949	\$ 1,301,379	\$ (2,089,890)	\$ 28,593,438

The Company's oil and gas properties are located in New Zealand 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.

During the quarter ended June 30, 2008, the Company and Austral Pacific Energy Ltd. ("Austral") resolved a dispute related to the construction of the Cheal Production Station located on PMP 38156-S. The agreement to resolve the dispute required Austral to issue 2,273,000 common shares to the Company valued at NZ\$2,000,240 and to pay the Company NZ\$300,000. The issuance of Austral common shares also includes six-month anti-dilution protection for the Company whereby the Company will be issued additional Austral common shares should Austral issue any shares at a price less than NZ\$0.88 per share. Furthermore, in the event Cheal A7 is successfully completed for production, the Company will receive an additional US\$250,000 payable in equal installments over twelve months.

In May 2008, the Company signed a formal agreement with a subsidiary of New Zealand based Genesis Energy Limited to sell its 15.1% interest in PEP 38738-D and PMP 38156-D containing the Cardiff deep gas prospect for a combination of cash and a 1% royalty on any future production from both permits. The agreement is conditional to obtaining the consent of the Ministry of Economic Development in New Zealand.

Refer to Note 3

Note 3 - Investments

At June 30, 2008, the Company's ownership interests in investments accounted for under the cost method of accounting are as follows:

	Number of Common Shares Held	March 31, 2008 Carrying Value	Additions During the Period	Comprehensive loss	June 30, 2008 Market Value
Austral Pacific Energy Ltd.	2,273,000	\$ -	\$ 1,409,260	\$ (386,410)	\$ 1,022,850

At June 30, 2008, the Company has a 3.82% ownership in Austral Pacific Energy Ltd. and in accordance with CICA 3855 the Company's investments are recorded at market value at June 30, 2008.

During the period ended June 30, 2008, Austral Pacific issued additional common shares at a price less than NZ\$0.88, therefore under the Company's anti-dilution protection clause the Company was to have been issued approximately 750,000 additional Austral common shares. Austral has disputed the timing for issue as well as certain aspects of how the anti-dilutive protection applies to future Austral Pacific financings. The Company is considering its options to collect these shares from Austral.

Note 4 – Asset retirement obligations

The following is a continuity of asset retirement obligations for the three months ended June 30, 2008:

Balance at March 31, 2008	\$ 513,907
Accretion expense	8,969
Balance at June 30, 2008	<u>\$ 522,876</u>

The Company's asset retirement obligations result from net ownership interests in petroleum and natural gas development activity. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations to be approximately \$968,129 which will be incurred between 2015 and 2020.

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 5% and discounted to its present value using a credit adjusted risk free rate of 8% and 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.

Note 5 – Share Capital

a) Authorized and Issued Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Issued and fully paid:	Number of Shares	Stated Value
Balance at June 30, 2008 and March 31, 2008	<u>91,631,081</u>	<u>\$ 69,979,631</u>

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 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 TSX Venture Exchange. The options maximum term is five years and must vest over a minimum of eighteen months.

The following is a continuity of outstanding stock options:

	Number of Options	Weighted Average Exercise Price (1)
Balance at March 31, 2008	1,260,000	0.77
Expired during the period	(100,000)	(0.76)
Balance at June 30, 2008	1,160,000	0.77

The following summarizes information about stock options that are outstanding at June 30, 2008:

Number of Shares	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
400,000	US\$0.65	1.50	January 1, 2010	400,000
75,000	US\$0.65	1.83	May 10, 2010	75,000
150,000	\$1.30	2.33	November 22, 2010	150,000
325,000	\$0.70	2.5	August 2, 2011	325,000
60,000	\$0.52	2.75	November 22, 2011	40,000
150,000	\$0.57	2.83	February 1, 2012	50,000
1,160,000		2.15		1,160,000

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 using a volatility ratio of 42% and a risk free interest rate of 3.5% to calculate option benefits. The fair value of the option benefit is amortized over the vesting period of the options, generally being eighteen months.

c) Income per share

Basic weighted average shares outstanding for the three months ended June 30, 2008 was 91,631,081 (2007: 91,631,081) and diluted weighted average shares outstanding for the period was 92,791,081 (2007: 93,116,081)

Refer to Note 9

Note 6 – Capital Disclosures

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 petroleum and natural gas industry. In the event that 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 or declared any dividends since the date of incorporation, nor are any currently contemplated. There have been no changes to the Company's approach to capital management during the period.

Note 7 – Financial Instruments

The nature of the Company's operations expose the Company to credit risk, liquidity risk and market risk, and changes in commodity prices, foreign exchange rates and interest rates may have a material effect on cash flows, net income and comprehensive 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; the majority of all of the Company's production is sold directly to one company by the operator of the permit on behalf of the Cheal joint venture. The Company is paid its share of oil sales, by the operator, immediately upon receipt of sale proceeds. The Company has assessed the risk of non-collection from the operator as a significant risk due to the operator's financial condition.

Cash and cash equivalents consist of cash bank balances and short-term deposits maturing in less than 90 days. 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, 2008 and did not provide for any doubtful accounts nor was it required to write-off any receivables during the three months ended June 30, 2008. As at June 30, 2008 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 work 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 its 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. Expected future cash flow from the Cheal oil field currently exceeds operating costs and future capital expenditures. Considering these circumstances and the cash balance at June 30, 2008 of \$6.602 million, the Company's liquidity risk is assessed as low. As at June 30, 2008 the Company's only financial liabilities are accounts payable and accrued liabilities of \$1.01 million.

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 income and comprehensive 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 income and comprehensive 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 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 are expected to be carried out in New Zealand and to a lesser extent, 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 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. All of the Company's oil production is sold at spot rates exposing the Company to the risk of price movements.

The Company did not have any commodity price contracts in place as at or during the three months ended June 30, 2008.

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 as the Company's interest revenue is approximately 2% of total revenue.

The Company did not have any interest rate swaps or financial contracts in place as at or during the three months ended June 30, 2008 and any variations in interest rates would not have materially affected net income.

g) Fair Value of Financial Instruments

The Company's financial instruments as at June 30, 2008 included cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities. The fair value of the financial instruments with exception of the Company's investments, approximate their carrying amounts due to their short terms to maturity. The fair value of the Company's investments approximate their carrying value as they are recorded at market value at June 30, 2008.

The Company will assess at each reporting period whether financial assets, other than those classified as held-for-trading, are impaired. Any impairment loss will be included in net income for the period.

Note 8 – Comparative Figures

Certain of the prior period's figures may have been reclassified in conformity with the current period's financial statement presentation.

Note 9 – Subsequent Events

On August 1, 2008, the Company granted two employees, options to purchase 225,000 common shares exercisable at a price of \$0.25 per share, vesting over eighteen months with an expiry date of August 1, 2013.

Note 10 – Segmented Information

The Company operates in one industry: petroleum exploration and production. It operates in two geographical regions, therefore information on country segments is provided as follows:

For three months to June 30, 2008	Canada	New Zealand	Total Company
Production revenue	\$ -	\$ 2,060,824	\$ 2,060,824
Royalty expenses	-	(89,883)	(89,883)
		1,970,941	1,970,941
Expenses:			
General and administrative	244,285	78,440	322,725
General exploration	-	17,542	17,542
Production costs	-	347,983	347,983
Stock option compensation	6,339	-	6,339
Directors and officers insurance	12,000	-	12,000
Foreign exchange	35,000	25,021	60,021
Depletion, depreciation and accretion	822	424,529	425,351
	(298,446)	(893,515)	(1,191,961)
Other items			
Interest income	39,466	5,474	44,940
Write-off of oil and gas properties	-	(32,966)	(32,966)
	39,466	(27,492)	11,974
Net income (loss) for the period	\$ (258,980)	\$ 1,049,934	\$ 790,954
Total assets	7,450,658	30,870,972	38,321,630
Capital expenditures for the period	-	1,301,379	1,301,379

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) is dated August 27, 2008 for the three month period ended June 30, 2008 and should be read in conjunction with the Company's accompanying unaudited consolidated interim financial statements, the audited consolidated financial statements and the MD&A for the year ended March 31, 2008.

Forward Looking Statements

Certain disclosure in this MD&A contains forward-looking statements that involve risk and uncertainties. Such information, although considered reasonable by the Company at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated in the statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Such risks and uncertainties include, but are not limited to, risks associated with operations, production estimates and costs, loss of market, regulatory matters, commodity price risk, environmental risks, industry competition, uncertainties as to the availability and cost of financing, risks in conducting foreign operations, potential delays or changes in plans with respect to exploration, development or capital expenditures.

Business

TAG Oil Ltd. is an independent Canadian oil and gas production and exploration company with international operations being conducted primarily through its interest in six petroleum permits located in the Taranaki Basin of New Zealand. The Company also has two permit interests (PEP 38738-D and PMP 38156-D) in the Taranaki Basin that will be formally assigned to an arms-length purchaser upon receipt of consent from the Ministry of Economic Development ("MED") in New Zealand. The Taranaki Basin is a lightly explored area with established commercial production and all of our interests in Taranaki cover 15,827 net acres.

At the date of this report there are five wells producing at the Cheal oil field (TAG: 30.5%). Tie-in of Cheal A7 which was successfully drilled in July 2008, is now complete and production testing is anticipated to begin on August 29, 2008. The Cheal A3X well is currently shut-in pending remedial repair of a casing leak in the well. Having completed and fully commissioned the Cheal production facility during the 2008 fiscal year, the Company is focusing on reducing operating costs, increasing production at Cheal and high-grading our exploration prospects while continuing to mitigate the risk of our prospects through technical evaluation and strict cost control. Our long-term plan continues to focus on maximizing value at Cheal so that oil revenues can fund our development and exploration programs going forward. We also intend to leverage our assets into new opportunities that we feel will meet our risk profile.

Petroleum Property Activities, Production and Capital Expenditures for the quarter ended June 30, 2008

During the quarter ended June 30, 2008 the Company incurred \$1,301,379 (2007: \$2,906,699) worth of net expenditures on its oil and gas properties. The primary capital expenditures and activities during the first quarter essentially relate to PMP 38156-S as follows:

PMP 38156-S: \$598,749 (June 30, 2007: \$2,329,239) in costs were incurred by the Company during the quarter relating to the Cheal oil field production facilities and \$651,006 (June 30, 2007: \$116,858) of costs were incurred on other aspects of field development.

During the first quarter of the 2009 fiscal year to the date of this report the Cheal joint venture drilled the Cheal A6, Cheal A6ST and Cheal A7 wells. Cheal A6 reached a total depth of 1930 meters and the well intercepted an oil bearing MM3 Formation as planned at approximately 1818 meters measured depth, but the net sand interval was interpreted as thinner than prognosed and was deemed uneconomic to complete. The Cheal Joint Venture agreed to plug and abandon the MM3 zone in this well bore, set a whipstock plug at 1359 meters and kick off a side track well to a targeted location approximately 150 meters to the south of the original A6 penetration. This location was interpreted from the Brecon 3-D seismic data set to have thicker net sands, although potentially closer to the regional oil/water contact. Cheal A6ST was drilled to a total depth of 1936 meters on July 2nd, 2008 and intercepted the targeted MM3 sands as prognosed, well above the regional oil/water contact. After evaluation of all subsurface data the Joint Venture has agreed to plug and abandon the A6ST well as a sub-commercial hydrocarbon discovery. A new whipstock plug was then set in the wellbore and the Cheal A7 well was drilled successfully from the same surface location. Cheal A7 was drilled to a total measured depth of 1848 meters and intercepted a thicker section of oil bearing sands within the Mt. Messenger formation. The well is being temporarily tied back into the Cheal Production Facility to production test the well on August 29, 2008.

The Company has the following commitments for Capital Expenditure at June 30, 2008:

Contractual Obligations	Total \$	Less than One Year \$	More than One Year \$
Long term debt	-	-	-
Operating leases	-	-	-
Purchase obligations	-	-	-
Other long-term obligations (1)	1,450,000	1,450,000	-
Total Contractual Obligations (2)	1,450,000	1,450,000	-

- (1) 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, reject development costs, relinquish certain permits or farm-out its interest in permits where practical.
- (2) 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.

The Company's commitments shown above totalling \$1,450,000 include exploration and development activities. Certain exploration commitments may exceed the exploration work required under the permit terms to maintain the permits in good standing and are subject to change as work is completed, results are received and whether the required services are available to the Company.

The commitment amounts for capital expenditure relate primarily to PMP 38156-S and relate to the remaining costs of the Cheal A6, A6 ST and A7 wells along with costs associated with operations to tie-in the A7 well to the Cheal production facility.

Results of Operations

The Company recorded net income for the first quarter of the 2009 fiscal year of \$790,954 (\$0.01 per share) compared to a loss of \$911,763 (\$0.01 per share) for the same period last year. Net income for the period essentially resulted from the Company's net production revenue.

The Company's revenue for the first quarter consisted of oil and gas sales from the Cheal Oil Field, totalling \$2,060,824 (June 30, 2007: \$893,499). The Company also received interest income of \$44,941 compared to \$123,751 being recorded for the same period last year. Interest income decreased for the year when compared to the same period last year as a result of the Company's lower working capital balances.

During the quarter ended June 30, 2008, the Cheal oil field produced 43,707 (June 30, 2007: 35,886) gross barrels of oil and 51,340 (June 30, 2007: 35,930) gross barrels of oil were sold with associated gas produced being used to generate electricity on-site with excess gas being sold to an independent third party. The Company's 30.5% share of oil produced and sold for the quarter was 13,330 (June 30, 2007: 10,945) and 15,659 (June 30, 2007: 10,959), respectively. The Company's share of production costs for the first quarter of the 2009 fiscal year amounted to \$347,983 while depletion and royalties amounted to \$405,672 and \$89,883 respectively.

Production for the quarter averaged 480 barrels gross per day (TAG: 146 barrels per day). The tie-in of the Cheal A7 well plus additional drilling is required to increase daily production and the joint venture is also considering the implementation of a formal cycling plan to manage gas to oil ratio's, while studies are also being conducted to identify the potential benefits of a waterflood program and a fracture stimulation operation in order to further develop the Cheal field to capture the maximum amount of reserves. Gas export from the field commenced on December 21, 2007 with a total of 30.03 million standard cubic feet being exported to the Waihapa Production Station to March 31, 2008 and 30.351 million standard cubic feet being exported during the current quarter.

In July 2008, the Waihapa Production Station was temporarily shut down due to inadequate supplies of gas to the facility from other sources. The Cheal field oil production produces very small volumes of gas; most of which is used to operate the plant and generate electricity into the grid. The minor amounts of residual gas is processed at the Waihapa Production Facility and sold. As a result of the shut down, processing of raw gas from Cheal into the Waihapa Production Station has been suspended, however processing is expected to begin again in the second quarter of the 2009 fiscal year.

Since the Company acquired its interest in PMP 38156-S in June 2006, the Cheal oil field has produced 258,538 barrels of oil to June 30, 2008. From November 2004 to June 30, 2008, however, the Cheal oil field has produced 352,232 barrels of oil.



General and administrative (“G&A”) costs for the first quarter of the 2009 fiscal year decreased to \$322,725 from \$383,961 for the same period as last year primarily due to less exploration activity taking place during the current quarter when compared to the same period last year.

A comparative summary of the Company’s G&A costs over the three months ending June 30, 2008 is as follows:

	3 months ended June 30	
	2008	2007
Consulting fees	\$ 30,060	\$ 2,272
Directors fees	16,000	33,934
Filing, listing and transfer agent Reports	8,273	6,363
Office and administration	-	-
Professional fees	32,074	22,136
Rent	16,184	41,908
Shareholder relations and communications	7,433	12,736
Travel	31,263	21,312
Wages	30,141	57,026
Overhead recoveries	177,395	227,370
	(26,098)	(41,096)
	<u>\$ 322,725</u>	<u>\$ 383,961</u>

In addition to the G&A costs above:

a. The Company recorded a foreign exchange loss for the first quarter amounting to \$60,021 compared to a foreign exchange loss of \$551,244 last year. The foreign exchange loss for the quarter was caused by fluctuations of both the U.S. and New Zealand dollar in comparison to the Canadian dollar.

b. The Company recorded stock option compensation costs of \$6,339 for the quarter ending June 30, 2008 (June 30, 2007: \$22,817) relating to the amortization of the fair value compensation cost of stock options previously granted.

c. The Company incurred costs during the first quarter of \$17,542 (June 30, 2007: \$340,810) for general exploration costs on permits written-off during the 2008 fiscal year as these permits were deemed to be unlikely to provide the Company with an opportunity to recover the costs.

Please also refer to Note 2 of the accompanying unaudited consolidated interim financial statements.

Summary of Quarterly Information

	2009		2008		2007			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	1,970,941	1,181,981	1,238,819	789,655	852,761	366,611	337,311	234,916
General and administrative	(322,725)	(735,459)	(421,921)	(779,753)	(383,961)	(741,455)	(430,745)	(432,661)
Foreign Exchange	(60,021)	(509,337)	(188,290)	(633,645)	(551,244)	47,086	634,690	(130,172)
Stock option compensation	(6,339)	(11,382)	(22,817)	(22,817)	(22,817)	(23,838)	(39,219)	(38,207)
Other	(790,902)	(276,812)	(7,202,724)	(27,274)	(806,502)	(15,992,555)	(1,273,535)	(356,198)
Net income (loss)	790,954	202,615	(6,596,933)	(673,834)	(911,763)	(16,344,151)	(771,498)	(722,322)
Basic income (loss) per share	0.01	0.00	(0.07)	(0.01)	(0.01)	(0.19)	(0.01)	(0.01)

Liquidity and Capital Resources

The Company ended the first quarter with \$6,602,040 (June 30, 2007: \$10,146,002) in cash and cash equivalents and \$7,696,552 (June 30, 2007: \$10,166,050) in working capital. This compares to \$6,553,101 in cash and cash equivalents and \$7,511,039 in working capital for the year ended March 31, 2008. As of the date of this report the Company is adequately funded to meet its capital and ongoing requirements for the next twelve months based on the current exploration and development programs and anticipated revenue from the Cheal oil field. Additional material commitments, changes to production estimates or any acquisitions by the Company may require a source of additional financing. Alternatively certain permits may be farmed-out or relinquished.

Off-Balance Sheet Arrangements and Proposed Transactions

The Company has no off-balance sheet arrangements or proposed transactions.

Related Party Transaction

The Company was not involved in any related party transaction during the period ended June 30, 2008 outside of paying wages, consulting fees and directors fees as disclosed in this report and in the accompanying unaudited consolidated financial statements.

Director Movements

On June 11, 2008, John Vaccaro was appointed as a Director of the Company. On June 23, 2008, David Bennett resigned as a Director of the Company.

Subsequent Events

For more information please also refer to Note 9 of the accompanying unaudited consolidated financial statements.

Share Capital

Please refer to Notes 5 and 9 of the accompanying unaudited consolidated financial statements for share capital information to the date of this report.

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.

Internal Controls Over Financial Reporting and Disclosure Controls and Procedures

An analysis of the Company's internal control over financial reporting and disclosure controls and procedures is included in the 2008 annual Management's Discussion and Analysis ("MD&A"). There have been no significant changes to the Company's internal systems and procedures that occurred during the most recent period that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting and or its disclosure controls and procedures. The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") has concluded as at the date of this MD&A, that the Company's internal controls over financial reporting are effective to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes. In addition the CEO and CFO has concluded as at the date of this MD&A that the Company's disclosure controls and procedures continue to be effective to provide reasonable assurance that material information related to the Company is made, recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to Management.

It should be noted that management does not expect that internal controls over financial reporting and disclosure controls and procedures would prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Additional information relating to the Company is available on www.sedar.com.



CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Garth Johnson
President, CEO, CFO and Director
Vancouver, British Columbia

John Vaccaro
Director
Vancouver, British Columbia

Dan Brown
Director
Vancouver, British Columbia

Guiseppe (Pino) Perone
Director
Vancouver, British Columbia

CORPORATE OFFICE

Suite 1407, 1050 Burrard Street
Vancouver, British Columbia
Canada V6Z 2S3
Telephone: 1-604-609-3350
Facsimile: 1-604-682-1174

REGIONAL EXPLORATION OFFICE

New Plymouth, New Zealand

SUBSIDIARIES

TAG Oil (NZ) Limited
TAG Oil (Canterbury) Limited
Cheal Petroleum Limited

SHAREHOLDER RELATIONS

Telephone: 604-609-3350
Email: ir@tagoil.com

SHARE CAPITAL

At August 27, 2008, there were
91,631,081 shares issued and outstanding.
Fully diluted: 92,791,081 shares

BANKER

Bank of Montreal
Vancouver, British Columbia

LEGAL COUNSEL

Blake, Cassels & Graydon
Vancouver, British Columbia

Bell Gully
Wellington, New Zealand

AUDITORS

De Visser Gray
Chartered Accountants
Vancouver, British Columbia

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held
on December 19, 2008 at 4:00pm at the
offices of Blake, Cassels & Graydon located at
Suite 2600, 595 Burrard Street
Vancouver, B.C. V7X 1L3

SHARE LISTING

TSX Venture Exchange
Trading Symbol: TAO
OTC Bulletin Board
Trading Symbol: TAGOF

WEBSITE

www.tagoil.com