MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) is dated September 27, 2011, for the three month period ended June 30, 2011 and should be read in conjunction with the Company's accompanying condensed consolidated interim financial statements for the same period and the audited consolidated financial statements and the MD&A for the year ended March 31, 2011.

As at April 1, 2011, the Company was mandated under National Instrument 52-107 to change its accounting and reporting principles to International Financial Reporting Standards ("IFRS"). The condensed consolidated interim financial statements for the three months ended June 30, 2011 have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board, and its interpretations. Accordingly, the accounting policies set out in Note 2 of the condensed consolidated interim financial statements have been applied consistently to all periods presented in preparing the opening balance sheet at April 1, 2010 (see note 15) for purposes of transition to IFRS. Results for the period ended June 30, 2011, are not necessarily indicative of future results.

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, 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: an increase in cash flow, reserves and reserve values through a properly executed development plan at Cheal and Sidewinder, including maximizing the value at Cheal through the implementation of further optimization operations and additional succesful drilling; anticipated revenue from the Cheal oil field; converting the undiscovered resource potential to proved reserves within the East Coast Basin; capital expenditure programs and estimates including those set out herein under "Use of Proceeds"; and the impact of the transition to International Financial Reporting Standards ("IFRS") on the Company's financial statements.

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; 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.

The forward-looking statements contained herein are as of September 27, 2011, 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.

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1bbl is based on an energy equivalency at the burner tip and does not represent a value equivalency at the wellhead.

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Undiscovered Hydrocarbon-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. There is no certainty that any portion of the undiscovered resources will be discovered or that, if discovered, it will be economically viable or technically feasible to produce.

Exploration for hydrocarbons is a speculative venture necessarily involving substantial risk. TAG's future success in exploiting and increasing its current reserve base will depend on its ability to develop its current properties and on its ability to discover and acquire properties or prospects that are capable of commercial production. However, there is no assurance that TAG's future exploration and development efforts will result in the discovery or development of additional commercial accumulations of oil and natural gas. In addition, even if further hydrocarbons are discovered, the costs of extracting and delivering the hydrocarbons to market and variations in the market price may render uneconomic any discovered deposit. Geological conditions are variable and unpredictable. Even if production is commenced from a well, the quantity of hydrocarbons produced inevitably will decline over time, and production may be adversely affected or may have to be terminated altogether if TAG encounters unforeseen geological conditions. TAG is subject to uncertainties related to the proximity of any reserves that it may discover to pipelines and processing facilities. It expects that its operational costs will increase proportionally to the remoteness of, and any restrictions on access to, the properties on which any such reserves may be found. Adverse climatic conditions at such properties may also hinder TAG's ability to carry on exploration or production activities continuously throughout any given year.

The significant positive factors that are relevant to the estimate contained in the independent resource assessment are:

- proven production in close proximity;
- proven commercial quality reservoirs in close proximity; and
- oil and gas shows while drilling wells nearby.

The significant negative factors that are relevant to the estimate contained in the independent resource assessment are:

- tectonically complex geology could compromise seal potential; and
- seismic attribute mapping in the permit areas can be indicative but not certain in identifying proven resource.

Business

TAG Oil Ltd. is a Canadian-based oil and gas producer and explorer with assets consisting of more than 1.7 million acres of land onshore in the Taranaki and East Coast Basin's of New Zealand and 15,408 net acres (77,039 gross acres) offshore in the Taranaki Basin of New Zealand. TAG is poised to grow through profitable operations, acquisitions and development and exploration drilling. TAG remains in a strong financial position, with sufficient working capital to fund operations and meet all commitments for the foreseeable future.

At the date of this report there are nine wells producing or capable of producing at the Cheal oil and gas field ("Cheal") and four capable producing wells at the Sidewinder oil and gas field ("Sidewinder') once production facilities are commissioned in September 2011.

TAG believes that a properly executed development plan will allow for an increase in cash flow, reserves and reserve values through further drilling in the Taranaki basin on TAG's 100% owned and operated Cheal, Cardiff and Sidewinder oil and gas fields while the Company's 20% interest in the Kaheru prospect offshore in PEP 52181 offers a significant amount of resource potential to pursue in Taranaki during the next few years.

The Company also intends to achieve its goal of converting the undiscovered resource potential within the Company's 100% interests in the East Coast Basin to proved reserves through an aggressive drilling campaign.

Petroleum Property Activities, Production and Capital Expenditures for the three months ended June 30, 2011

During the quarter ended June 30, 2011, the Company incurred $7,503,125 (2010: 179,238) worth of net expenditures on exploration and evaluation assets and $2,845,416 (2010: 1,631,891) on its proven oil and gas properties. The primary capital expenditures and activities during the quarter were as follows:

East Coast Basin:

The Company controls a 100% working interest in 3 exploration permits totaling 1.73 million acres on the East Coast of the North Island of New Zealand. To date, the Company has acquired proprietary 2-D data, completed extensive geological surface and sub-surface studies, and has drilled a number of shallow stratigraphic test holes within the three permits. The goal of the Company's work to date is to determine if there is a viable shallow conventional oil play and to delineate and plan upcoming operations.

Subsequent to June 30, 2011, the Company entered into a farmout agreement with Apache Corporation to explore, appraise and potentially develop the Company's East Coast Basin permits.

Under the terms of the agreement Apache Corporation has agreed to pay for a portion of past costs incurred to date in the East Coast Basin, as well as providing TAG a full carry on three phases of operations to a maximum agreed cost per phase. Please refer to Subsequent Events below for additional information related to the Company's farm-out agreement with Apache Corporation.

Initial exploration operations will begin after consultation with local Iwi, regional and district councils and landowners with initial planned operations consisting of:

- seismic acquisition to take place in the third quarter of fiscal 2012.
- four vertical wells to begin drilling in the fourth quarter of fiscal 2012

PEP 38348 (TAG 100%): $348,792 (2010: $79,292) of expenditures were incurred during the quarter related to the drilling of two shallow stratigraphic wells to approximately 250 meters that began during the 2011 fiscal year. During drilling of these shallow test holes, potential conventional reservoirs were encountered at shallow depths (<250m) with net pay in each well of approximately 7 meters. These tests at Waitangi Hill will be studied further and a follow-up shallow oil testing program will be considered in 2012.

PEP 38349 (TAG 100%): $217,429 (2010: $6,476) of expenditures were incurred in the quarter related to field mapping and drilling a shallow stratigraphic well late in the 2011 fiscal year located on the Kawakawa Anticline.

PEP 50940 (TAG 100%): $nil (2010: $1,914) of expenditures were incurred in the quarter.

Taranaki Basin:

PMP 38156 - Cheal Oil and Gas Field (TAG 100%)

During the first quarter of the 2012 fiscal year, the Company has continued to focus on opportunities to optimize existing wells, identifying new drilling prospects, planning upcoming drilling programs and drilling the Cheal-C1 well.

Optimization efforts during fiscal 2011 were successful in increasing daily production and resulted in an increase in the recovery factors being assigned to the Mt. Messenger Formation reserves as well as having reserves being assigned to the Urenui Formation for the year. TAG was also successful in establishing the first-ever commercial production from the previously bypassed Urenui Formation oil discovery, using new technology and completion techniques in two historical wells drilled at Cheal by the previous operator. The Company used this knowledge and technology to drill the successful Cheal-B4ST well that targeted Urenui and Mt. Messenger zones. Cheal-B4ST is now tied into the Cheal production facilities and contributing to daily production.

Cheal now produces from both the Urenui and Mt. Messenger Formations at approximate depths of 1400m (~4600 feet) and 1800m (~5900 feet), respectively.

During the first quarter of the 2012 fiscal year, the Company drilled, completed and has swab-tested the Cheal-C1 well in PMP 38156 confirming an oil discovery. The Cheal-C1 well was drilled approximately 3.5 km's from the Cheal production facilities and in order to adequately test the well the Company has acquired artificial lifting equipment prior to initiating plans to tie-in the Cheal C site to the Cheal production facilities. This lifting equipment is anticipated to be delivered to the Cheal C site during the third quarter of the fiscal year (October to December 2011) and testing will begin shortly thereafter.

The Cheal oil and gas field more than doubled the average daily production from 268 barrels gross for the first quarter of the 2011 fiscal year to 621 barrels gross per day in the three months to June 30, 2011. The increased production was a result of optimization efforts and production from the Cheal-BH-1 well and one month of production from Cheal-B4-ST that was tied in to the Cheal facilities in late May 2011. Currently Cheal is producing approximately 725 barrels of oil per day and 700 mscf of gas per day with approximately 400 barrels of oil per day, plus associated gas production, remaining behind pipe awaiting enhancements to the Cheal Production Facilities artificial lift capabilities. The Company estimates the enhancements to be completed during the third quarter of the 2012 fiscal year.

$2,845,416 (2010: $1,503,313) worth of net expenditures were incurred in the quarter on the Cheal oil and gas properties including:

a. completing and bringing on stream the Cheal B4-ST1 well; and
b. drilling and completing the Cheal-C1 well; and
c. planning TAG's upcoming five well drilling program at Cheal

The Company incurred nil expenditures (2010: $101,578) on the production station facilities.

During the quarter the Company has also initiated an aggressive program at Cheal that begins in late September 2011 that includes additional drilling and optimization efforts as follows:

a. Drill five new wells; and
b. Workover two existing Cheal wells; and
c. Initiate a waterflood oil recovery program at Cheal A site to increase daily production and long-term recovery factors.

PEP 38748 - Sidewinder Oil and Gas Field (TAG 100%)

During fiscal 2011 and to date the Company drilled, completed and tested four initial wells within the Sidewinder field. The Company has also fast-tracked the commercialization of the Sidewinder field with production facilities and pipelines nearing the final commissioning phase as of the date of this report with first production expected in late September 2011. Further design and construction is in process to accommodate all future wells at Sidewinder including the permanent tie-in of Sidewinder 2, 3 and 4. The Sidewinder permit remains lightly explored and is prospective for further oil and gas discoveries, with numerous drill-ready prospects already identified on extensive 3D seismic across the permit.

During the quarter the Company has also completed plans to acquire additional 2D seismic to be undertaken in the third quarter of fiscal 2012 to identify additional prospects within the Sidewinder permit and followed by additional drilling in fiscal 2012.

$4,475,243 (2010: $91,556) of expenditures were incurred during the quarter ended June 30, 2011 to complete and test the Sidewinder 2, 3 and 4 wells.The Company also recorded $2,335,712 in costs (2010: nil) related to the construction of the Sidewinder production station facilities and pipeline.

PEP 52181 - Kaheru Offshore (TAG 20%)

The Company's interest in the shallow offshore exploration permit PEP 52181 ("Kaheru") covers a 77,039 -acre area in the main Taranaki oil and gas discovery fairway. Kaheru is operated by a subsidiary of Australian-based Roc Oil Pty Ltd, is located in shallow water just 8 km from shore and in close proximity to existing infrastructure. PEP 52181 contains the large Kaheru Prospect and numerous other leads identified on, extensive 2-D and 3-D seismic coverage.

$125,949 (2010: nil) of expenditures were incurred during the June 30, 2011 quarter relating to reprocessing of seismic data.

The Company has the following commitments for Capital Expenditure at June 30, 2011:

Contractual Obligations	Total $	Less than One Year $	More than One Year $
Long term debt	-	-	-
Operating leases	-	-	-
Purchase obligations (1)	612,500	612,500	-
Other long-term obligations (2)	7,135,000	7,135,000	-
Total Contractual Obligations (3)	7,747,500	7,747,500	-

(1) The Company has commitments for a drilling rig based on a default rate if the contracted number of wells are not drilled.

(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.

The details of the Company's commitments shown above are as follows:

PEP 38748:

a. $5,110,000 relates to the remaining costs to build the Sidewinder Production Facilities and pipeline as well as acquiring lands.
b. $980,000 relates to the completion and testing costs of Sidwinder 2, 3 and 4 wells.

PMP 38156: $1,015,000 relates to drilling and completion of Cheal C1 well and reprocessing of existing 3D seismic data.

PEP 38348: no capital comitments

PEP 38349: no capital comitments

PEP 50940: no capital comitments .

PEP 52181: $30,000 relates to reprocessing seismic data

The Company may also have an obligation to pay its joint venture interest share of costs to plug and abandon the unsuccessful SuppleJack and Kahili wells previoulsy drilled. The Company expects to use working capital on hand as well as cash flow from oil and gas sales to meet these commitments.

Commitments and work programs are subject to change.

Results of Operations – First Quarter Ended June 30, 2011

The Company's accompanying condensed consolidated interim financial statements ("financial statements") were prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). These are the Company's first International Financial Reporting Standards ("IFRS") financial statements as the Company previoulsy prepared its financial statements in accordance with Canadian generally accepted accounting principles. Please refer to Notes 2, 8 and 15 of the accompanying condensed consolidated interim financial statements for further information.

The Company recorded a net profit for the first quarter of $268,499 ($0.01 profit per share - basic and $0.00 profit per share fully diluted) compared to a loss of $156,578 ($0.00 profit per share – basic and fully diluted) for the same period last year.

The Company's revenue from oil and gas sales increased to $5,853,101 (2010: $1,813,730) for the quarter and consisted of 50,952 (2010: 24,363) barrels of oil being sold at an average price of $113 per barrel (2010: $75 per barrel) with associated gas produced being used to generate electricity on-site with a small amount of excess gas and electricity being sold to independent third parties.

The Company produced 56,509 (2010: 26,809) barrels of oil during the quarter at an average production of 621 barrels per day compared to 295 barrels per day for the first quarter last year. Production costs for the first quarter of the 2012 fiscal year were $426,944 compared to $408,713 last year resulting in production cost per barrel decreasing from $15 per barrel in the first quarter of the 2011 fiscal year to $8 per barrel in the first quarter of the 2012 fiscal year. In addition, transport and storage costs amounted to $396,175 for the current quarter (2010: $165,232), or $7 per barrel, compared to $6 per barrel in the first quarter of last year. The increased transportation and storage cost per barrel in the current quarter compared to the 2011 first quarter was due to higher haulage and shipping costs to get oil to and from the port.

The Company recorded $1,774,096 (2010: $546,393) in royalty costs for the quarter ending June 30, 2011. Royalty costs incurred relate to crown royalty payments of 5% on net oil and gas proceeds received during the period ending June 30, 2011. Royalties also relate to a 25% royalty paid on net oil and gas proceeds from Cheal as part of the Company's agreement to acquire Austral's 69.5% interest in the Cheal oil and gas field. The Cheal overriding royalty agreement requires TAG to pay a 25% royalty on net sales revenue on the first 500,000 barrels of oil produced from the date of acquisition and then dropping to a 7.5% royalty on net sales revenue thereafter. At June 30, 2011, 302,703 (2010: 122,198) barrels of oil had been produced from the date of the Cheal acquisition leaving 197,297 (2010: 377,802) barrels of production required before the royalty reduction to 7.5%.

Since the Company acquired its interest in PMP 38156 in June 2006, the Cheal oil field has produced 702,596 barrels of oil to June 30, 2011. From November 2004 to June 30, 2011, however, the Cheal oil field has produced 795,470 barrels of oil.

In addtion to the costs above:

a. The Company recorded a foreign exchange gain of $210,049 for the first quarter ended June 30, 2011, compared to a foreign exchange gain of $248,425 in the first quarter ended June 30, 2010. The foreign exchange gain 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 $1,915,809 for the first quarter ended June 30, 2011 (2010: $280,029) relating to the amortization of the fair value compensation cost of stock options previously granted and as a result of new stock options granted in the current fiscal year.
c. The Company incurred $67,219 of insurance costs for the first quarter ended June 30, 2011 (2010: $39,564).
d. On July 1, 2010, the Company entered the transition period for the New Zealand Emmissions Trading Scheme (ETS). The transition period which operates through December 31, 2012, caps on the price of New Zealand Emissions Units (NZUs) at NZ$25 and one unit will only need to be surrendered for every two tonnes of carbon dioxide equivalent emissions, effectively reducing the carbon price to NZ$12.50 per tonne. The Company incurred $33,646 (2010: nil) in ETS costs from the Cheal oil field for the quarter ended June 30, 2011 and the costs were not applicable in the first quarter ended June 30, 2010.
e. Interest income of $202,345 (2010: $24,317) was recorded in the quarter reflecting the higher cash balances held in the quarter ended June 30, 2011.
f. Depletion, depreciation and accretion amounted to $569,979 (2010: $217,336).

Other expenses detailed below increased to $799,236 compared to $572,616 for the comparable quarter last year. The increase is a result of increasing staff numbers and infrastructure to facilitate the ongoing operations and exploration programs being undertaken by the Company.

	3 months ended June 30	
	2011	**2010**
Consulting fees	$ 46,138	$ 56,255
Directors fees	54,500	26,000
Filing, listing and transfer agent	25,458	17,841
Reports	51,004	8,394
Office and administration	65,065	43,225
Professional fees	45,699	42,668
Rent	27,319	25,208
Shareholder relations and communications	129,406	81,373
Travel	70,654	77,742
Wages and salaries	352,017	229,557
Overhead recoveries	(68,024)	(35,647)
	$ 799,236	$ 572,616

Director fees have increased as a result of expanding activites related to operations, acquisitions and financing while reports have increased as further work on reserves has been undertaken as a result of the Company's work programs.

Shareholder relations and communications have increased due to an increase in corporate activity as the Company has expanded.

Wages and salaries have increased with the appointment of a production and facilities manager to manage the Cheal and Sidewinder production facilities as well as administration staff.

Summary of Quarterly Information

	2012	**2011**				**2010**		
Standard of Preparation	IFRS	GAAP	GAAP	GAAP	GAAP	GAAP	GAAP	GAAP
	Q1 $	Q4 $	Q3 $	Q2 $	Q1 $	Q4 $	Q3 $	Q2 $
Total revenue	5,853,101	5,009,739	3,851,621	2,413,333	1,813,730	1,815,053	3,452,359	671,355
Other Costs	(799,236)	(932,714)	(1,194,580)	(545,603)	(572,616)	(777,131)	(607,320)	(370,297)
Foreign Exchange	(210,049)	704,791	(369,067)	(115,820)	248,425	(245,230)	(158,153)	(240,715)
Stock option compensation	(1,915,809)	(892,913)	(387,873)	(462,765)	(4,012)	(201,049)	(100,883)	-
Other	(2,659,508)	(3,692,280)	(2,160,341)	(1,797,968)	(1,366,088)	(1,447,490)	(2,249,764)	(1,971,222)
Net income (loss)	268,499	196,623	(260,240)	(508,823)	119,439	(855,847)	336,239	(1,910,879)
Basic income (loss) per share	0.01	0.00	(0.01)	(0.01)	0.00	(0.03)	0.02	(0.11)
Diluted income (loss) per share	0.00	0.00	(0.01)	(0.01)	0.00	(0.03)	0.02	(0.11)

Liquidity and Capital Resources

At June 30, 2011, the Company had $61,199,606 (2010: $25,917,885) in cash and cash equivalents and $60,508,963 (2010: $25,721,051) in working capital. 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, the farmout agreement entered into with Apache Corporation and anticipated revenue from the Cheal and Sidewinder oil and gas fields. 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, sold or relinquished.

Use of Proceeds

On May 5, 2010, the Company closed an equity offering with net proceeds of $18,711,150. The Company's intended use of the net proceeds in the short form prospectus is outlined below:

Property	Operation	Anticipated use of proceeds in Short Form Prospectus, including over-allotment	Current anticipated use of proceeds	Status of operation
Taranaki Basin:				
PMP 38156	Optimization; Phase 2	$500,000	$1,500,000	Completed
	Drill five Cheal wells	9,500,000	7,000,000	Completed 3 wells
	Complete and test three wells	-	2,500,000	Changed Program
PEP 38748	Drill one exploration well	2,500,000	2,500,000	Completed
	Complete and test well	-	800,000	Completed - Changed Program
East Coast Basin:				
PEP 50940	Seismic	350,000	-	Changed Program
	Drill up to eight orientated core wells	-	72,000	Completed
PEP 38348	Drill two stratigraphic wells	250,000	513,000	Completed
	Drill one stratigraphic well	250,000	329,000	Completed
PEP 38349	Drill one exploration well	2,500,000	-	Changed Program
Working capital		2,861,150	3,497,150	
Total		**$18,711,150**	**$18,711,150**	

(1) The Company's phase 2 optimization program at Cheal included the workover of the Cheal B3 well and an additional workover on Cheal-1 to re-enter the well and finalize the downhole configuration for permanent Urenui Formation production.

(2) The intial use of proceeds estimated for PMP 38156 and PEP 38748 drilling was an estimate of dryhole cost only due to the exploratory nature of the wells at that time. The actual use of proceeds for three wells included dryhole, completion and testing of the three wells drilled.

(3) The Company drilled eight orientated core wells in permit PEP 50940 rather than undertaking the seismic survey originally planned.

(4) On September 2, 2011, the Company entered into a farmout agreement with Apache Corporation. Related to PEP 38348, 38349 and 50940. Please refer to the subsequent events for further details.

The Company completed an equity offering on November 26, 2010 for net proceeds of $56,353,740. The Company's intended use of the net proceeds in the short form prospectus is outlined below:

Property	Operation	Anticipated use of proceeds in Short Form Prospectus, including over-allotment	Current anticipated use of proceeds	Status of operation
Taranaki Basin:				
PMP 38156-S	Drill three vertical wells	$ 7,500,000	7,500,000	2011
	Drill two vertical wells	-	5,000,000	2012
	Drill five horizontal wells	16,250,000	-	Changed Program
	Optimization and water flood	2,000,000	2,000,000	2012
PEP 38748	Drill two vertical wells	5,000,000	5,000,000	Completed
	Drill one vertical well	-	2,500,000	Completed
	Drill five vertical wells	-	12,500,000	2012
	Drill five horizontal wells	16,250,000	-	Changed Program
	Complete and test three wells	-	1,500,000	Completed
	Construct production facilities, purchase land and tie-in additional wells	-	8,500,000	2011/2012
East Coast Basin[(1)]:				
PEP 50940:	Drill one stratigraphic well	200,000	200,000	2012
PEP 38348:	Drill three stratigraphic wells	600,000	-	Changed Program
	Drill one exploration well	-	-	Changed Program
PEP 38349:	Drill one stratigraphic well	200,000	-	Changed Program
Working capital		2,066,400	11,653,740	
Total		**$50,066,400**	**$56,353,740**	

(1) On September 2, 2011, the Company entered into a farmout agreement with Apache Corporation. Please refer to the subsequent events for further details.

Please refer to the Company's final short-form prospectus filed on November 10, 2010.

Off-Balance Sheet Arrangements and Proposed Transactions

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

Related Party Transactions

The Company was not involved in any other related party transaction during the period ended June 30, 2011, outside of paying wages, director fees and consulting fees. Consulting fees were paid to an insider for advisory services related primarily to financing, budgeting and capital expenditure programs relating to the Company's plan of operations.

Please refer to Note 5 of the accompanying condensed consolidated interim financial statements.

Subsequent Events

Board of Directors:
On July 5, 2011, the Company graduated to the Toronto Stock Exchange (TSX) from Tier-1 of the TSX-Venture Exchange and Mr. Keith Hill joined the Board of Directors replacing Mr. John Vaccaro.

Share Capital:
On July 5, 2011 the Company granted a total of 500,000 incentive stock options to certain directors and officers. These options are exercisable until July 5, 2016, at a price of $6.15 per share, subject to one-third of the total options vesting every six months from the date of grant over a period of eighteen months.

Subsequent to June 30, 2011 and to the date of this report 543,672 options and 585,200 warrants were exercised for proceeds of $1,004,315 and $2,106,720, respectively.

Exploration and Evaluation Assets:
On September 2, 2011 the Company entered into a farmout agreement ("Agreement") with Apache Corporation ("Apache") to explore and potentially develop oil and natural gas resources in the East Coast Basin of New Zealand.

Apache has agreed to conduct a multi-phased exploration, appraisal and potential development program within TAG's East Coast Basin exploration permits PEP 38348, PEP 38349 and PEP 50940 ("the Permits"). The Permits comprise in excess of one million prospective acres of onshore oil and gas opportunities located on the southeast portion of the North Island. TAG currently holds a 100% working interest in the properties.

Apache has agreed to pay for a portion of TAG's direct costs incurred to date, as well as providing TAG a full carry on three phases of operations to a maximum agreed cost in each phase. If the agreed cost is exceeded in any phase, or if additional operations are conducted, Apache will pay a majority share of any drilling or seismic costs in the specified percentages set out in the Agreement.

Each phase of operations will include an aggressive program of both 2D / 3D seismic and drilling with Apache earning an increasing interest in the Permits as follows:

> Phase 1: Apache will earn a 50% interest in 5,120 acres of the Permits after operations are conducted and by committing to Phase 2.
>
> Phase 2: Apache will earn a 25% interest in the Permits after operations are conducted and by committing to Phase 3.
>
> Phase 3: Apache will earn a 50% interest in the Permits after operations are conducted and by committing to Phase 4 operations.

Subject to certain conditions, the planned exploration work program will be conducted over the next four years. Seismic operations will start in 2011 with drilling to commence in 2012.

Apache will be the Operator for all activities undertaken pursuant to the Agreement, excluding the initial four vertical wells of the work program that TAG will operate with Apache's assistance. Apache will spend up to $100 million upon completion of Phase 3 to earn a 50% interest in the Permits. At the end of Phase 3 operations TAG will remain as operator of the Permits. If Apache commits to Phase 4 operations, all costs will then be shared equally between Apache and TAG going forward.

Refer to Note 13 of the accompanying condensed consolidated interim financial statements.

Share Capital

The Company has one class of common shares. As at June 30, 2011, there were 50,001,062 common shares outstanding and at September 26, 2011, there were 51,130,024 common shares outstanding.

No class A or class B preference shares have been issued.

The Company has a stock option plan. As at September 26, 2011, there were 3,259,286 stock options outstanding, of which 1,398,049 have vested.

The Company has 3,276,750 warrants outstanding at September 26, 2011.

Please refer to Notes 8 and 13 of the accompanying condensed consolidated interim financial statements.

Critical Accounting Estimates

The preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions 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 resuts could differ from and affect the results reported in these condensed consolidated interim financial statements.

Fair values of oil and gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of crude oil and natural gas reserves and the related 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.

Petroleum and natural 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. The determination of the Company's CGUs is subject to managements judgement.

The decision to transfer exploration and evaluation assets to property plant and equipment is based on managements determination of that area's technical feasibility and commercial viability.

The calculation of asset retirement obligations includes estimates of the future costs to settle the asset retirement obligation, the timing of cash flows to settle the obligation, the risk free rate and future inflation rates. 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.

The estimated fair value of the Company's financial assets and liabilities, are by their nature, subject to measurement uncertainty.

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

The calculation of stock-based compensation requires estimates of volitility, forfeiture rates and market prices surrounding the issuance of stock options. These estimates impact stock-based compensation expense and contributed surplus.

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

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. Please also refer to Forward Looking Statements.

Changes in Accounting Policies including Initial Adoption

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

New Accounting Pronouncements

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

International Financial Reporting Standards

Effective January 1, 2011, International Financial Reporting Standards ("IFRS") have replaced Canadian GAAP for publically accountable enterprises. TAG has adopted IFRS for the interim and annual periods beginning April 1, 2011 including comparative information pertaining to 2010. The three months ended June 30, 2011 is the Company's first reporting period under IFRS.
As a result, the Company has prepared its first condensed consolidated interim financial statements for the first quarter of the Company's first IFRS annual consolidated financial statements. IFRS represents standards and interpretations approved by the International Accounting Standards Board ("IASB") and are comprised of IFRS's, International Accounting Standards ("IAS"), and interpretations issued by the IFRS Interpretations Committee ("IFRICS") or the former Standing Interpretations Committee ("SICS"). The Company's condensed consolidated interim financial statements as at and for the three months ended June 30, 2011 have been prepared in accordance with IAS 34 – Interim Financial Reporting and on the basis of IFRS standards and interpretations expected to be effective as at the Company's first IFRS annual reporting date March 31, 2012, with significant accounting policies as described in Note 2 of the Company's condensed consolidated interim financial statements as at and for the three months ended June 30, 2011.

The Company has now substantially completed its IFRS changeover plan, with just the post-implementation phase remaining.

Information regarding the Company's accounting policies and transition to IFRS can be found in Notes 2 and 15 to the Condensed Consolidated Interim Financial Statements.

Transitional Financial Impact

Equity Impact

As a result of accounting policy choices selected and changes that were required under IFRS, the Company has recorded a reduction in shareholders' equity of $579,373 as at June 30, 2010. The table below outlines adjustments to shareholders' equity on adoption of IFRS on April 1, 2010, March 31, 2011 and June 30, 2010.

	June 30, 2010	March 31, 2011	April 1, 2010
Total shareholder's equity reported under Canadian GAAP	$ 36,040,921	$ 95,147,320	$ 17,364,374
Foreign exchange translation	(579,373)	(567,533)	-
Total shareholder's equity reported under IFRS	$ 35,461,548	$ 94,579,787	$ 17,364,374

Comprehensive Income Impact

As a result of accounting policy choices selected and changes that were required to be made under IFRS, the Company has recorded an increase in total comprehensive loss of $276,017 and $637,141 for the three months ended June 30, 2010 and year ended March 31, 2011, respectively. The following is a summary of the adjustments to comprehensive income for the three months ended June 30, 2010 and the year ended March 31, 2011 under IFRS.

	Three months ended June 30, 2010	Year ended March 31, 2011
Total comprehensive income (loss) as reported under Canadian GAAP	$ 119,439	$ (453,001)
Stock based compensation	(276,017)	(637,141)
Total comprehensive loss as reported under IFRS	$ (156,578)	$ (1,090,142)

Cash Flow Impact

The transition from Canadian GAAP to IFRS resulted in reclassifications of various amounts, within operating activities, on the statements of cash flows; however, as there have been no adjustments to net cash flows, no reconciliation of the statement of cash flows has been presented.

Internal Control Activities

For all changes to policies and procedures that have been identified, the effectiveness of internal controls over financial reporting and disclosure controls and procedures have been assessed and any changes have been implemented. In addition, controls over the IFRS changeover process have been implemented, as necessary. The Company has identified and implemented the required accounting process changes that resulted from the application of IFRS accounting policies and these changes were not significant. The Company has completed the design and implementation of the changes to internal controls over financial reporting resulting from the application of IFRS accounting policies. The existing control framework has been applied to the IFRS changeover process. All accounting policy changes, transitional exemption elections and transitional financial position impacts were subject to review by the Company's expert advisors, senior management and the Audit Committee of the Board of Directors.

Information Technology and Systems

The IFRS transition project did not have a significant impact on information systems for the transition periods, nor is it expected that significant changes are required in the post-transition periods.

Post Implementation

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods.

The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's first IFRS annual consolidated financial statements for the year ended March 31, 2012 may differ from the significant accounting policies used in the preparation of the Company's condensed consolidated interim financial statements as at the three months ended June 30, 2011. However, as at the date of this document, the Company does not expect any of the IFRS standard developments to have a significant impact on its 2012 year end consolidated financial statements.

Managements report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can only provide assurance with respect to financial statement preparation and presentation.

The changeover from Canadian GAAP to International Financial Reporting Standards has had a pervasive effect on the financial statements of the Company. Management considers the controls implemented since the announcement of the changeover to IFRS to likely have a material effect on internal control over financial reporting for the periods reported under IFRS at changeover. These key controls included changeover planning, staff training, consultation with experts and systematic analysis if standard differences. However, as these controls were implemented before the changeover date, it is managements conclusion that there have been no changes in the Company's internal control over financial reporting during the three months ended June 30, 2011, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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

CORPORATE INFORMATION

DIRECTORS AND OFFICERS
Garth Johnson
President, CEO, and Director
Vancouver, British Columbia

Alex Guidi
Director
Vancouver, British Columbia

Keith Hill
Director
Vancouver, British Columbia

Ronald Bertuzzi
Director
Vancouver, British Columbia

Blair Johnson
CFO
Auckland, New Zealand

Drew Cadenhead
COO
New Plymouth, New Zealand

Guiseppe (Pino) Perone
Secretary / Treasurer
Vancouver, British Columbia

CORPORATE OFFICE
Suite 2901, 1050 Burrard Street
Vancouver, British Columbia
Canada V6Z 2S3
Telephone: 1-604-682-6496
Facsimile: 1-604-682-1174

REGIONAL OFFICE
New Plymouth, New Zealand

SUBSIDIARIES
TAG Oil (NZ) Limited
TAG Oil (Offshore) Limited
Cheal Petroleum Limited
Trans-Orient Petroleum Limited
Orient Petroleum (NZ) Limited
Eastern Petroleum (NZ) Limited
DLJ Management Corp.

BANKER
Bank of Montreal
Vancouver, British Columbia

LEGAL COUNSEL
Blake, Cassels & Graydon
Vancouver, British Columbia

Bell Gully
Wellington, New Zealand

AUDITORS
De Visser Gray LLP
Chartered Accountants
Vancouver, British Columbia

REGISTRAR AND TRANSFER AGENT
Computershare Investor Services Inc.
100 University Avenue, 9^{th} 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 9, 2011 at 10:00am at the offices of Blake, Cassels & Graydon located at Suite 2600, 595 Burrard Street
Vancouver, B.C. V7X 1L3

SHARE LISTING
Toronto Stock Exchange (TSX)
Trading Symbol: TAO
Warrant Symbol: TAO.WT

OTCQX: TAOIF

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

WEBSITE
www.tagoil.com

SHARE CAPITAL
At September 27, 2011, there were 51,130,024 shares issued and outstanding.
Fully diluted: 57,666,060 shares.

Condensed Consolidated Interim Financial Statements

June 30, 2011

(Unaudited)

TAG Oil Ltd.
www.tagoil.com

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2901-1050 Burrard Street
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V6Z 2S3 Canada
ph 604-682-6496
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Technical Office
P.O. Box 402
New Plymouth, 4340
New Zealand
ph 64-6-759-4019
fx 64-6-759-4065

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

	June 30, 2011	March 31, 2011 (Note 15)	April 1, 2010 (Note 15)
Assets			
Current:			
Cash and cash equivalents	$ 61,199,606	$ 69,379,865	$ 9,846,019
Amounts receivable and prepaids	4,229,666	4,084,391	357,027
Inventory	1,746,872	1,067,912	712,877
	67,176,144	74,532,168	10,915,923
Restricted cash	77,124	121,399	121,399
Exploration and evaluation assets (Note 3)	20,654,801	11,964,090	1,620,097
Property and equipment (Note 4)	21,122,967	17,269,069	7,869,909
Investments (Note 6)	723,418	914,554	601,158
	$ 109,754,454	$ 104,801,280	$ 21,128,486
Liabilities and Shareholders' Equity			
Current:			
Accounts payable and accrued liabilities	$ 6,667,181	$ 6,308,015	$ 1,466,941
Asset retirement obligations (Note 7)	-	-	347,800
	6,667,181	6,308,015	1,814,741
Asset retirement obligations (Note 7)	4,263,801	3,913,478	1,949,371
	10,930,982	10,221,493	3,764,112
Share capital (Note 8 (a))	152,962,952	152,908,074	76,228,207
Share-based payment reserve (Note 8 (a))	5,439,206	3,547,025	1,599,057
Reserves – foreign currency translation	1,651,730	(567,533)	-
Accumulated other comprehensive income (Note 9)	90,003	281,139	35,886
Deficit	(61,320,419)	(61,588,918)	(60,498,776)
	98,823,472	94,579,787	17,364,374
	$ 109,754,454	$ 104,801,280	$ 21,128,486

See accompanying notes.

Approved by the Board of Directors and authorized for issue on September 27, 2011:

"Garth Johnson"
Garth Johnson, Director

"Ron Bertuzzi"
Ron Bertuzzi, Director

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

	Three months ended June 30 2011	Three months ended June 30 2010
Revenues		
Production revenue	$ 5,853,101	$ 1,813,730
Production costs	(426,944)	(408,713)
Transportation and storage costs	(396,175)	(165,232)
Royalties	(1,774,096)	(546,393)
	3,255,886	693,392
Expenses		
Depletion, depreciation and accretion	569,979	217,336
Directors & officers insurance	13,892	13,167
Foreign exchange	(210,049)	(248,425)
Insurance	67,219	39,564
Interest income	(202,345)	(24,317)
Emissions trading scheme	33,646	-
Stock based compensation	1,915,809	280,029
Consulting fees	46,138	56,255
Directors fees	54,500	26,000
Filing, listing and transfer agent	25,458	18,256
Reports	51,004	8,394
Office and administration	65,065	42,810
Professional fees	45,699	42,668
Rent	27,319	25,208
Shareholder relations and communications	129,406	81,373
Travel	70,654	77,742
Wages and salaries	352,017	229,557
Overhead recoveries	(68,024)	(35,647)
	(2,987,387)	(849,970)
Net income (loss) for the period	268,499	(156,578)
Other comprehensive loss		
Change in fair value adjustment on available for sale financial instruments: investments (Note 9)	(191,136)	(22,745)
Comprehensive income (loss) for the period	$ 77,363	$ (179,323)
Earnings (loss) per share - basic (Note 8(d))	$ 0.01	$ (0.00)
Earnings (loss) per share - diluted (Note 8(d))	$	$ (0.00)

See accompanying notes.

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

	Three months ended June 30 2011	Three months ended June 30 2010
Operating Activities		
Net income (loss) for the period	$ 268,499	$ (156,578)
Changes for non-cash operating items:		
Depletion, depreciation and accretion	569,979	217,336
Stock based compensation	1,915,809	280,029
	2,754,287	340,787
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	(145,275)	(135,848)
Accounts payable and accrued liabilities	(164,098)	(144,547)
Inventory	(678,960)	(236,296)
Cash provided by (used in) operating activities	1,765,954	(175,904)
Financing Activity		
Shares issued – net of share issue costs	31,250	18,575,841
Cash provided by financing activity	31,250	18,575,841
Investing Activities		
Restricted cash	44,275	-
Exploration and evaluation expenditures	(8,129,224)	(127,975)
Property and equipment expenditures	(1,892,514)	(2,081,726)
Purchase of shares	-	(118,370)
Cash used in investing activities	(9,977,463)	(2,328,071)
Net (decrease) increase in cash during the period	(8,180,259)	16,071,866
Cash and cash equivalents - beginning of the period	69,379,865	9,846,019
Cash and cash equivalents – end of the period	$ 61,199,606	$ 25,917,885

Supplementary disclosures:

Interest received	$ 120,029	$ 24,317

Non-cash investing activities:
The Company incurred $2,676,252 in exploration and evaluation expenditures which amounts were in accounts payable at June 30, 2011 (March 31, 2011: $3,302,351). The Company incurred $3,919,852 in property and equipment which amounts were in accounts payable at June 30, 2011 (March 31, 2011: $2,770,488).

See accompanying notes.

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

Issued and outstanding	Number of Shares (Note 8)	Share Capital (Note 8)	Reserves: Accumulated Other Comprehensive Income/(Loss)	Reserves: Share-based Payments Reserve (Note 8)	Reserves: Foreign Currency Translation Reserve	Deficit	Total Equity
Balance at April 1, 2011	49,976,062	$152,908,074	$ 281,139	$ 3,547,025	$ (567,533)	$ (61,588,918)	$94,579,787
Issued for cash:							
Exercise of options	25,000	31,250	-	-	-	-	31,250
Transfer to share capital on exercise of options	-	23,628	-	(23,628)	-	-	-
Share-based payments	-	-	-	1,915,809	-	-	1,915,809
Currency translation adjustment	-	-	-	-	2,219,263	-	2,219,263
Unrealized gain on available-for-sale investments	-	-	(191,136)	-	-	-	(191,136)
Net income for the period	-	-	-	-	-	268,499	268,499
Balance at June 30, 2011	50,001,062	$152,962,952	$ 90,003	$ 5,439,206	$1,651,730	$(61,320,419)	$98,823,472

Issued and outstanding	Number of Shares	Share Capital	Reserves: Accumulated Other Comprehensive Income/(Loss)	Reserves: Share-based Payments Reserve	Reserves: Foreign Currency Translation Reserve	Deficit	Total Equity
Balance at April 1, 2010	29,913,275	$ 76,228,207	$ 35,886	$ 1,599,057	$ -	$(60,498,776)	$17,364,374
Issued for cash:							
Short form prospectus	7,700,000	18,534,174	-	-	-	-	18,534,174
Exercise of options	33,333	41,667	-	-	-	-	41,667
Transfer to share capital on exercise of options	-	9,007	-	(9,007)	-	-	-
Transfer to share capital on exercise of warrants	-	(164,632)	-	164,632	-	-	-
Share-based payments	-	-	-	280,029	-	-	280,029
Currency translation adjustment	-	-	-	-	(579,373)	-	(579,373)
Unrealized gain on available-for-sale investments	-	-	(22,745)	-	-	-	(22,745)
Net loss for the period	-	-	-	-	-	(156,578)	(156,578)
Balance at June 30, 2010	37,646,608	$ 94,648,423	$ 13,141	$ 2,034,711	$(579,373)	$(60,655,354)	$35,461,548

Notes to the Condensed Consolidated Interim Financial Statements
Three Months Ended June 30, 2011
Expressed in Canadian Dollars
Unaudited

Note 1 – Nature of Operations

The Company is incorporated under the Business Corporations Act (British Columbia) and its major activity is the development and exploration of international oil and gas properties.

The Company is in the process of exploring, developing and producing from its oil and gas properties and has two oil and gas properties that contain reserves that are economically recoverable. The success of the Company's exploration and development of its oil and gas properties requires significant additional exploration and development activities 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 commodity prices. In addition, 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 resources.

Note 2 – Accounting Policies and Basis of Presentation

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, and its interpretations. Accordingly, these condensed consolidated interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year end reporting purposes. Results for the period ended June 30, 2011, are not necessarily indicative of future results.

These are the Company's first IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the year ending March 31, 2012. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

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 set out below have been applied consistently to all periods presented in preparing the opening balance sheet at April 1, 2010 (Note 15) for purposes of transition to IFRS. The accounting policies have been applied consistently by the Company and its subsidiaries

Foreign Currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's entities' functional currencies are the Canadian Dollar and the New Zealand Dollar. The condensed consolidated financial statements are presented in Canadian Dollars which is the Group's presentation currency.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency translation differences are recognized in profit or loss, except for differences on the retranslation of available-for-sale instruments which are recognized in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are expressed in Canadian dollars using closing rates at the date of financial position. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized directly into equity and transferred to the foreign currency translations reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Cash and Cash Equivalents

Cash and cash equivalents include term investments with maturities of twelve months or less, together with accrued interest thereon, which are readily convertible to known amounts of cash.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances are eliminated on consolidation.

The Company's subsidiaries are:

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
TAG Oil (NZ) Limited	New Zealand	100%	Oil and Gas Exploration
Cheal Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
TAG Oil (Offshore) Limited	New Zealand	100%	Oil and Gas Exploration
Eastern Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
Orient Petroleum Limited	New Zealand	100%	Oil and Gas Exploration
Trans Orient Petroleum Limited	Canada	100%	Oil and Gas Exploration
DLJ Management Services Limited	Canada	100%	Oil and Gas Exploration

Significant Accounting Estimates

The preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions 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.

Fair values of oil and gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of crude oil and natural 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 consolidated financial statements of future periods could be material.

Petroleum and natural 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. The determination of the Company's CGUs is subject to management's judgment.

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 impact of differences between actual and estimated costs, timing and inflation on the condensed consolidated interim financial statements of future periods may be material.

The estimated fair value of the Company's financial assets and liabilities, are by their nature, subject to measurement uncertainty.

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 realizability of future tax assets. These estimates impact current and future income tax assets and liabilities, and current and future income tax expense (recovery).

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 share-based payment reserve.

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.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the consolidated statement of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. These instruments will be classified into one of the following five categories: fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale or financial liabilities at amortized cost.

i) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are measured at fair value with changes in fair value recognized in net income (loss). Cash and cash equivalents are designated at fair value through profit or loss.

ii) Held-to-maturity

Held-to-maturity investments are measured at amortized cost at the settlement date using the effective interest method of amortization.

iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are measured at amortized cost at the settlement date using the effective interest method of amortization. Accounts receivable and income tax receivable are classified as loans and receivables.

iv) Available-for-sale

Available-for-sale financial assets are instruments that are classified in this category or not classified in any other category. They are measured at fair value at the settlement date, with changes in the fair value recognized in other comprehensive income. The Company's investment in equity securities are classified as available-for-sale.

v) Financial liabilities at amortized cost

These financial liabilities are measured at amortized cost at the settlement date using the effective interest method of amortization. Accounts payable and accrued liabilities are classified as financial liabilities at amortized cost.

The Company has financial instruments in the form of equity securities that give rise to other comprehensive income. Instruments are classified as current if they are assumed to be settled within one year, otherwise they are classified as non-current. The Company will assess at each reporting period whether there is any objective evidence that a financial asset, other than those measured at fair value, is impaired. When assessing impairment, the carrying value of financial assets carried at amortized cost is compared to the present value of estimated future cash flows, discounted using the instrument's original effective interest rate.

Exploration and evaluation costs

All costs directly associated with petroleum and natural gas reserves are initially capitalized. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include costs to acquire acreage and exploration rights, geological and geophysical costs, asset retirement costs, exploration and evaluation drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to net earnings as exploration and evaluation expense.

When an area is determined to be technically feasible and commercially viable through the granting of a mining permit, the accumulated costs are transferred to property, plant and equipment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to net earnings as exploration and evaluation expense.

Property, plant and equipment

All costs directly associated with the development of petroleum and natural gas reserves are capitalized on an area by area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined through the granting of a mining permit. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure, decommissioning costs and transfers of exploration and evaluation assets.

Costs accumulated within each area are depleted using the unit-of-production method based on proved and probable reserves using estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved and probable reserves.

For property dispositions, a gain or loss is recognized in net earnings. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in net earnings.

Corporate assets consist primarily of office equipment and leasehold improvements and are stated at cost less accumulated depreciation. Depreciation of these corporate assets is calculated using the declining-balance method.

Impairment of non-financial assets

The carrying value of the Company's non-financial assets is reviewed at each reporting date for indicators that the carrying value of an asset or CGU may not be recoverable. These indicators include, but are not limited to, extended decreases in prices or margins for oil and gas commodities or products, a significant downward revision in estimated reserves or an upward revision in future development costs. If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount, the asset or CGU is written down with an impairment recognized in net earnings.

Exploration and evaluation costs and property, plant and equipment costs are aggregated into CGUs based on their ability to generate largely independent cash flows. The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and its value in use. Fair value less cost to sell is determined to be the amount for which the asset could be sold in an arm's length transaction, less the costs of disposal. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or CGU is increased to its revised recoverable amount with an impairment reversal recognized in net earnings. The recoverable amount is limited to the original carrying amount less depletion and depreciation as if no impairment had been recognized for the asset or CGU for prior periods.

Asset retirement obligations

Asset retirement obligations include present obligations where the Company will be required to retire tangible long-lived assets such as producing well sites and facilities. The asset retirement obligations are measured at the present value of the expenditure expected to be incurred using a risk-free discount rate. The associated asset retirement obligation is capitalized as part of the cost of the related long-lived asset. Changes in the estimated liability resulting from revisions to estimated timing, amount of cash flows, or changes in the discount rate are recognized as a change in the asset retirement obligation and the related decommissioning cost.

Increases in asset retirement obligations resulting from the passage of time are recorded as accretion of asset retirement obligations in the consolidated statement of income. Actual expenditures incurred are charged against the asset retirement obligation liability as incurred.

Share-based payments

Obligations for issuance of common shares under the Company's stock-based compensation plan are accrued over the vesting period using fair values. Fair values are determined at issuance using the Black-Scholes option-pricing model, taking into account a nominal forfeiture rate, and are recognized as stock-based compensation with a corresponding credit to contributed surplus.

Contingencies

When a contingency is substantiated by confirming events, can be reliably measured and will likely result in an economic outflow, a liability is recognized in the consolidated financial statements as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

Income tax

Income tax expense is comprised of current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current. Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Revenue

Revenue is recognized when it is probable that the economic benefits will flow to the Company and delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. These criteria are generally met at the time the product is shipped and delivered to the customer and, depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained. Revenue is measured based on the price specified in the sales contract.

Earnings / loss per share

Basic earnings per share ("EPS") is calculated by dividing the net earnings (loss) for the period attributable to equity owners of TAG Oil by the weighted average number of common shares outstanding during the period.

Diluted EPS is not presented when it is anti-dilutive.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. TAG Oil's potentially dilutive common shares comprise stock options granted to employees and directors, and warrants.

Future Changes in Accounting Policies

International Financial Reporting Standard 9, *Financial Instruments* ("IFRS 9"), was issued in November 2009. It addresses classification and measurement of financial assets and financial liabilities and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit an loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through the profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt early.

IFRS 7 *Financial instruments - Disclosures* ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 *Consolidated and Separate Financial Statements*. This standard is effective for annual period beginning on January 1, 2013. Earlier application is permitted. The Company has not yet determined the impact of the amendments to IFRS 10 on its financial statements.

IFRS 11 *Joint Arrangements* ("IFRS 11") replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 *Investments in Associates* and IAS 36 *Impairment of Assets*. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its financial statements.

IFRS 13 *Fair Value Measurement* ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its financial statements.

Note 3 – Exploration and Evaluation Assets

New Zealand	Working Interest %	Net Book Value at April 1, 2010	Additions During the Year	Recoveries During the Year	Net Book Value At March 31, 2011	Additions During the Period	Net Book Value At June 30, 2011
Oil and Gas							
PEP 38748	100.0	$ 229,617	$ 9,634,499	$ -	$ 9,864,116	$ 6,810,955	$ 16,675,071
PEP 38348	100.0	550,808	437,839	-	988,647	348,792	1,337,439
PEP 50940	100.0	49,122	91,956	-	141,078	-	141,078
PEP 38349	100.0	790,550	128,344	(2,014)	916,880	217,429	1,134,309
PEP 52181	20.0	-	127,879	-	127,879	125,949	253,828
Total		1,620,097	10,420,517	(2,014)	12,038,600	7,503,125	19,541,725
Foreign exchange movement		-	(74,504)	(6)	(74,510)	1,187,586	1,113,076
		$1,620,097	$ 10,346,013	$ (2,020)	$ 11,964,090	$8,690,711	$ 20,654,801

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.

Note 4 – Property, Plant and Equipment

	Proven Oil and Gas Properties	**Office equipment and leasehold improvements**	**Total**
Cost			
At April 1, 2010	$ 12,896,805	$ 719,316	$ 13,616,121
Capital Expenditures	11,398,976	234,590	11,633,566
Foreign exchange movement	(696,408)	(3,044)	(699,452)
At March 31, 2011	23,599,373	950,862	24,550,235
Capital Expenditures	2,845,416	197,109	3,042,525
Disposals	-	(647)	(647)
Foreign exchange movement	2,290,567	27,864	2,318,431
At June 30, 2011	$ 28,735,356	$ 1,175,188	$ 29,910,544
Accumulated depletion and depreciation			
At April 1, 2010	$ (5,238,972)	$ (507,240)	$ (5,746,212)
Depletion and depreciation	(1,682,391)	(101,503)	(1,783,894)
Foreign exchange movement	248,046	894	248,940
At March 31, 2011	(6,673,317)	(607,849)	(7,281,166)
Depletion and depreciation	(497,595)	(21,579)	(519,174)
Foreign exchange movement	(929,158)	(58,079)	(987,237)
At June 30, 2011	$ (8,100,070)	$ (687,507)	$ (8,787,577)
Net book value			
April 1, 2010	$ 7,657,833	$ 212,076	$ 7,869,909
March 31, 2011	$ 16,926,056	$ 343,013	$ 17,269,069
June 30, 2011	$ 20,635,286	$ 487,681	$ 21,122,967

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.

Note 5 – 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.

The Company paid all directors, on a consolidated basis, compensation of $54,500 (2010 - $26,000).

The Company paid $21,000 (2010 - $nil) in rent to a private company owned by a Director of the Company.

Note 6 – Investments

At June 30, 2011, the Company's ownership interests in investments accounted for under the cost method of accounting are as follows:

	Number of Common Shares Held	June 30, 2011 Market Value	Number of Common Shares Held	March 31, 2011 Market Value	Number of Common Shares Held	April 1, 2010 Market Value
Equity securities available for sale	4,373,734	$ 723,418	4,373,734	$ 914,554	4,973,734	$601,158

Note 7 – Asset retirement obligations

The following is a continuity of asset retirement obligations for the three months ended June 30, 2011 and the year ended March 31, 2011:

Balance at April 1, 2010	$ 2,297,171
Revision in estimated obligations	1,487,813
Accretion expense	85,983
Foreign exchange movement	42,511
Balance at March 31, 2011	3,913,478
Accretion expense	50,805
Foreign exchange movement	299,518
Balance at June 30, 2011	$ 4,263,801

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 $4,332,425 which will be incurred between 2013 and 2024.

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 3% and discounted to its present value using a credit adjusted risk free rate of 3.5% 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 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.

Issued and fully paid:	Number of Shares	Amount	Share-based Payment Reserve
Balance at March 31, 2011	49,976,062	$ 152,908,074	$ 3,547,025
Exercise of stock options	25,000	31,250	-
Fair value of stock options exercised	-	23,628	(23,628)
Stock based compensation	-	-	1,915,809
Balance at June 30, 2011	50,001,062	$ 152,962,952	$ 5,439,206

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
Balance at March 31, 2011	3,228,048	$ 4.03
Granted	100,000	5.82
Exercised	(25,000)	1.25
Balance at June 30, 2011	3,303,048	$ 4.11

The following summarizes information about stock options that are outstanding at June 30, 2011:

Number of Shares	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
65,000	$3.50	0.01	August 2, 2011	65,000
333,928	$1.38	0.17	March 14, 2013	333,928
71,429	$2.27	0.04	June 26, 2013	71,429
17,857	$1.51	0.01	July 21, 2013	17,857
136,500	$1.26	0.14	October 28, 2014	136,500
398,334	$1.25	0.40	October 28, 2014	398,334
175,000	$2.90	0.19	February 9, 2015	116,667
25,000	$2.41	0.03	April 1, 2015	16,667
75,000	$2.65	0.09	August 16, 2015	25,000
650,000	$2.60	0.83	September 9, 2015	216,667
1,255,000	$7.15	1.75	February 8, 2016	-
100,000	$5.82	0.15	May 2, 2016	-
3,303,048		3.81		1,398,049

On May 2, 2011, the Company granted 100,000 stock options to an employee pursuant to its incentive stock option plan. These new options are exercisable at $5.82 per share until May 2, 2016 and will vest over a period of eighteen months.

During the period ended June 30, 2011, 25,000 stock options were exercised for $31,250.

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 75% and a risk free interest rate of 2.5% 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) Share Purchase Warrants

The following is a continuity of outstanding TAG share purchase warrants:

	Number of Share Purchase Warrants	Weighted Average Exercise Price	Expiry Date
Balance at March 31, 2011 and June 30, 2011	3,861,950	$3.60	November 5, 2011

The Company applied the Black-Scholes on the broker warrants using the closing market price on the grant date, a volatility ratio of 75% and a risk free interest rate of 2.5% to calculate the benefit.

d) Loss per share

Basic weighted average shares outstanding for the three months ended June 30, 2011 was 49,977,586 (2010: 34,756,773) and diluted weighted average shares outstanding for the period was 55,907,419 (2010: 36,324,950). Stock options and share purchase warrants outstanding are not included in the computation of the diluted loss per share when the inclusion of such securities would be anti-dilutive.

NOTE 9 – Accumulated Other Comprehensive Income (Loss)

		Accumulated Other Comprehensive income (loss)
Balance at March 31, 2011	$	281,139
Unrealized loss on investments		(191,136)
Balance at June 30, 2011	$	90,003

NOTE 10 – 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 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 11 – 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. All of the Company's production is sold directly to an oil super major. 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 buyers 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, 2011 and did not provide for any doubtful accounts. During the period ended June 30, 2011 the Company was required to write-off $Nil (2010 – Nil). As at June 30, 2011 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 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 cash balance at June 30, 2011 of $61.2 million (March 31, 2011: $69.4 million), the Company's liquidity risk is assessed as low. As at June 30, 2011 the Company's financial liabilities included accounts payable and accrued liabilities of $6,667,181 (March 31, 2011: $6,308,015) and asset retirement obligations of $4,263,801 (March 31, 2011: $3,913,478).

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 period ended June 30, 2011.

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, 2011 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, 2011 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 Company's investments are at fair value as they are recorded at market value at June 30, 2011.

Note 12 – Comparative Figures

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

Note 13 – Subsequent Events

The following subsequent events occurred after the quarter ended June 30, 2011:

On July 5, 2011, the Company granted 500,000 incentive stock options to certain directors and officers. These options are exercisable until July 5, 2016, at a price of $6.15 per share, subject to 1/3 of the total options vesting every six months from the date of grant over a period of eighteen months.

Subsequent to the period ended June 30, 2011, 543,762 options and 585,200 warrants were exercised for proceeds of $1,004,315 and $2,106,720 respectively.

Note 14 – 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 the Three Months Ended June 30, 2011	Canada	New Zealand	Total Company
Production revenue	$ -	$ 5,853,101	$ 5,853,101
Production costs	-	(426,944)	(426,944)
Transportation and storage costs	-	(396,175)	(396,175)
Royalties	-	(1,774,096)	(1,774,096)
	-	3,255,886	3,255,886
Expenses:			
Depletion, depreciation and accretion	(10,797)	(559,182)	(569,979)
Directors and officers insurance	(13,892)	-	(13,892)
Foreign exchange	(15,845)	225,894	210,049
Insurance	-	(67,219)	(67,219)
Interest income	185,235	17,110	202,345
Emissions Trading Scheme	-	(33,646)	(33,646)
Stock based compensation	(1,915,809)	-	(1,915,809)
Consulting fees	(46,138)	-	(46,138)
Directors fees	(54,500)	-	(54,500)
Filing, listing and transfer agent	(25,979)	-	(25,979)
Reports	(51,004)	-	(51,004)
Office and administration	(31,980)	(32,564)	(64,544)
Professional fees	(31,044)	(14,655)	(45,699)
Rent	(21,535)	(5,784)	(27,319)
Shareholder relations and communications	(73,700)	(55,706)	(129,406)
Travel	(41,917)	(28,737)	(70,654)
Wages and salaries	(101,669)	(250,348)	(352,017)
Overhead recoveries	-	68,024	68,024
Net income (loss) income for the period	$ (2,250,574)	$ 2,519,073	$ 268,499
Total assets	$ 59,668,929	$ 50,085,525	$109,754,454

Note 15 – Transition to IFRS

The accounting policies set out in these condensed consolidated interim financial statements have been applied for the three months ended June 30, 2011 and 2010, for the years ended March 31, 2011, and in the preparation of an opening IFRS balance sheet at April 1, 2010.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in accordance with its previous basis of accounting (Canadian GAAP). An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's statement of financial position and income statement is set out in the following tables and accompanying notes.

Transition elections

In preparing the opening IFRS statement of financial position, comparative information for the three months ended June 30, 2011 and the financial statements for the year ended March 31, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

IFRS 1 - Business combinations
Upon transition to IFRS, a company must adjust its accounting for business combinations carried out prior to transition to comply with IFRS. IFRS 1 provides an exemption which allows companies to carry forward their Canadian GAAP accounting for business combinations prior to transition date. The Company has utilized this exemption.

IFRS 1 - Cumulative translation differences
The Company has elected to take the IFRS 1 exemption to deem cumulative translation adjustments to be zero at the date of transition to IFRS. Hence, all existing CTA balances as of April 1, 2010 were recorded against the brought forward deficit.

IFRS 1 - Reclassification within Equity section
IFRS requires an entity to present each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Corporation examined its "contributed surplus" account and concluded that as at the Transition Date, the entire amount of $1,218,746 relates to "Equity settled employee benefit reserve". As a result the Corporation believes that a reclassification would be necessary in the equity section between "Contributed surplus" and the "Equity settled employee benefit reserve" accounts.

IFRS 1 – Exploration and evaluation assets
Under Canadian GAAP, the Company followed the full cost method of accounting for its oil and gas properties, whereby all costs relating to the acquisition, exploration and development of oil and gas properties are capitalized in one New Zealand cost centre.

Under IFRS, pre-exploration, exploration and evaluation and development and production expenditures are accounted for separately. The Company utilized the IFRS 1 deemed cost exemption that allowed the Company to measure its exploration and evaluation and development and production assets at the amount determined under Canadian GAAP.

IFRS 2 – Share-based payments
Upon transition to IFRS, a company must adjust its accounting for grants of shares, options or other equity instruments, made prior to the transition, in order to comply with the standards under IFRS. IFRS 1 provides an exemption that allows first-time adopters to not apply standards for share-based payments under IFRS for equity instruments that were granted prior to November 7, 2002 and equity instruments that were granted after November 7, 2002 that have vested prior to transition to IFRS. The Company has elected to utilize this exemption.

Explanation of key differences between Canadian GAAP and IFRS giving rise to adjustments in the reconciliations

a. *Functional currency and cumulative translation adjustment account*

   Under Canadian GAAP, the Company determines whether a subsidiary is an integrated operation or a self-sustaining entity which determines the method of translation into the presentation currency of the consolidated entity. IFRS requires that an entity determine the functional currency of each subsidiary individually, prior to consolidation.

   The Company has determined that its subsidiaries had a functional currency other than the Canadian dollar, which under Canadian GAAP had been classified as being integrated operation. Under IFRS, entities with non Canadian dollar functional currencies are translated into Canadian dollars using the current rate method (whereby all assets and liabilities are translated using the reporting date exchange rates with any gains or losses being recorded in equity).

   The Company has elected to take the IFRS 1 exemption to deem cumulative translation adjustments to be zero at the date of transition to IFRS. Hence, all existing cumulative translation adjustment balances as of April 1, 2010 were recorded against the brought forward deficit.

b. *Exploration and evaluation assets*

   Under Canadian GAAP, the Company included all exploration and evaluation assets under plant, property and equipment but under IFRS, exploration and evaluation assets are separately disclosed.

c. *Share based payments*

Under Canadian GAAP and IFRS, the Company is required to measure share-based compensation related to share purchase options granted at the fair value of the options on the date of grant and to recognize such expenses over the vesting period of the options. However, under IFRS, the recognition of such expense must be done with a “graded vesting” methodology as opposed to the straight-line vesting method allowed under Canadian GAAP. In addition, under IFRS, forfeitures estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods; while under Canadian GAAP, forfeitures of awards are recognized as they occur.

As stated above, IFRS2 share-based Payment has not been applied to equity instruments that were granted prior to November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested prior to transition to IFRS.

d. *Classification of expenses by function*

Under Canadian GAAP expenses could be presented by function and nature but under IFRS 1 costs must be presented by nature or function. The Company has presented expenses by nature as a result of the transition to IFRS.

Adjustments to Statement of Cash Flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company except that , under IFRS, cash flows relating to interest are classified as either operating, investing or financing in a consistent manner each period. Given that the Company currently has no long-term debt and all interest earned is on cash and cash equivalents, all interest is classified as operating. Under Canadian GAAP, cash flows relating to interest payments were also classified as operating.

Reconciliation to previously reported financial statements

A reconciliation of the above noted changes is included in the following balance sheets and statements of comprehensive profit and loss of the dates noted below. The changes to the financial statements as noted below have resulted in reclassifications of various amounts, within operating activities, on the statements of cash flows; however, as there have been no adjustments to net cash flows, no reconciliation of the statement of cash flows has been presented.

Reconciliation of Assets, Liabilities and Equity at April 1, 2010:

	Canadian GAAP	Effect of transition to IFRS		IFRS
Assets				
Current:				
Cash and cash equivalents	$ 9,846,019	$ -		$ 9,846,019
Amounts receivable and prepaids	357,027	-		357,027
Inventory	712,877	-		712,877
	10,915,923	-		10,915,923
Restricted cash	121,399	-		121,399
Exploration and evaluation assets	-	1,620,097	(b)	1,620,097
Property and equipment	9,490,006	(1,620,097)	(b)	7,869,909
Investments	601,158	-		601,158
	$ 21,128,486	$ -		$ 21,128,486
Liabilities				
Current:				
Accounts payable and accrued liabilities	$ 1,466,941	$ -		$ 1,466,941
Asset retirement obligations	347,800	-		347,800
	1,814,741	-		1,814,741
Asset retirement obligations	1,949,371	-		1,949,371
	3,764,112	-		3,764,112
Share capital	76,228,207	-		76,228,207
Contributed surplus / share-based payment reserve	1,218,746	380,311	(c)	1,599,057
Accumulated other comprehensive income	35,886	-		35,886
Deficit	(60,118,465)	(380,311)	(c)	(60,498,776)
	17,364,374	-		17,364,374
	$ 21,128,486	$ -		$ 21,128,486

Reconciliation of Assets, Liabilities and Equity at June 30, 2010:

	Canadian GAAP	Effect of transition to IFRS		IFRS
Assets				
Current:				
Cash and cash equivalents	$ 25,917,885	$ -		$ 25,917,885
Amounts receivable and prepaids	492,875	-		492,875
Inventory	949,173	-		949,173
	27,359,933	-		27,359,933
Restricted cash	121,399	-		121,399
Exploration and evaluation assets	-	1,687,093	(b)	1,687,093
Property and equipment	11,372,568	(2,253,842)	(a)(b)	9,118,726
Investments	696,783	-		696,783
	$ 39,550,683	$ (566,749)		$ 38,983,934
Liabilities				
Current:				
Accounts payable and accrued liabilities	$ 1,293,818	$ -		$ 1,293,818
Asset retirement obligations	345,064	(472)	(a)	344,592
	1,638,882	(472)		1,638,410
Asset retirement obligations	1,870,880	13,096	(a)	1,883,976
	3,509,762	12,624		3,522,386
Share capital	94,648,423	-		94,648,423
Contributed surplus / share-based payment reserve	1,378,383	656,328	(c)	2,034,711
Reserves – foreign currency translation	-	(579,373)	(a)	(579,373)
Accumulated other comprehensive income	13,141	-		13,141
Deficit	(59,999,026)	(656,328)	(c)	(60,655,354)
	36,040,921	(579,373)		35,461,548
	$ 39,550,683	$ (566,749)		$ 38,983,934

Reconciliation of Comprehensive Income (Loss) for the Three Months Ended June 30, 2010:

	Canadian GAAP	Effect of transition to IFRS		IFRS
Revenues				
Production revenue	$ 1,813,730	$ -		$ 1,813,730
Production costs	(573,945)	165,232	(d)	(408,713)
Transportation and storage	-	(165,232)	(d)	(165,232)
Royalties	(546,393)	-		(546,393)
	693,392	-		693,392
Expenses				
General and administrative	572,616	(572,616)	(d)	-
Depletion, depreciation and accretion	217,336	-		217,336
Directors & officers insurance	13,167	-		13,167
Foreign exchange	(248,425)	-		(248,425)
General exploration	39,564	(39,564)	(d)	-
Insurance	-	39,564	(d)	39,564
Interest income	(24,317)	-		(24,317)
Stock based compensation	4,012	276,017	(c)	280,029
Consulting fees	-	56,255	(d)	56,255
Directors fees	-	26,000	(d)	26,000
Filing, listing and transfer agent	-	18,256	(d)	18,256
Reports	-	8,394	(d)	8,394
Office and administration	-	42,810	(d)	42,810
Professional fees	-	42,668	(d)	42,668
Rent	-	25,208	(d)	25,208
Shareholder relations and communic	-	81,373	(d)	81,373
Travel	-	77,742	(d)	77,742
Wages and salaries	-	229,557	(d)	229,557
Overhead recoveries	-	(35,647)	(d)	(35,647)
	(573,953)	(276,017)		(849,970)
Net income (loss) for the period	119,439	(276,017)		(156,578)
Other comprehensive loss				
Change in fair value adjustment on available for sale financial instruments:				
Investments (Note 9)	(22,745)	-		(22,745)
Comprehensive income (loss) for the period	$ 96,694	$ (276,017)		$ (179,323)

Reconciliation of Assets, Liabilities and Equity at March 31, 2011:

	Canadian GAAP	Effect of transition to IFRS		IFRS
Assets				
Current:				
Cash and cash equivalents	$ 69,379,865	$ -		$ 69,379,865
Amounts receivable and prepaids	4,084,391	-		4,084,391
Inventory	1,067,912	-		1,067,912
	74,532,168	-		74,532,168
Restricted cash	121,399	-		121,399
Exploration and evaluation assets	-	11,964,090	(b)	11,964,090
Property and equipment	29,758,181	(12,489,112)	(a)(b)	17,269,069
Investments	914,554	-		914,554
	$ 105,326,302	$ (525,022)		$ 104,801,280
Liabilities				
Current:				
Accounts payable and accrued liabilities	$ 6,308,015	$ -		$ 6,308,015
Asset retirement obligations	3,870,967	42,511	(a)	3,913,478
	10,178,982	42,511		10,221,493
Share capital	152,908,074	-		152,908,074
Contributed surplus / share-based payment reserve	2,529,573	1,017,452	(c)	3,547,025
Reserves – foreign currency translation	-	(567,533)	(a)	(567,533)
Accumulated other comprehensive income	281,139	-		281,139
Deficit	(60,571,466)	(1,017,452)	(c)	(61,588,918)
	95,147,320	(567,533)		94,579,787
	$ 105,326,302	$ (525,022)		$ 104,801,280

Reconciliation of Comprehensive Loss for the Year Ended March 31, 2011:

	Canadian GAAP	Effect of transition to IFRS		IFRS
Revenues				
Production revenue	$ 13,088,423	$ -		$ 13,088,423
Production costs	(2,977,996)	1,059,760	(d)	(1,918,236)
Transportation and storage	-	(1,059,760)	(d)	(1,059,760)
Royalties	(3,577,366)	-		(3,577,366)
	6,533,061	-		6,533,061
Expenses				
General and administrative	3,245,513	(3,245,513)		-
Depletion, depreciation and accretion	1,686,954	-		1,686,954
Directors & officers insurance	43,356	-		43,356
Foreign exchange	468,329	-		468,329
General exploration	174,934	(174,934)	(d)	-
Insurance	-	174,934	(d)	174,934
Interest income	(386,892)	-		(386,892)
Emissions trading scheme	83,928	-		83,928
Realized (gain) loss on investment	(77,623)	-		(77,623)
Stock based compensation	1,747,563	637,141	(c)	2,384,704
Consulting fees	-	196,998	(d)	196,998
Directors fees	-	231,833	(d)	231,833
Filing, listing and transfer agent	-	157,747	(d)	157,747
Reports	-	85,214	(d)	85,214
Office and administration	-	268,943	(d)	268,943
Professional fees	-	208,765	(d)	208,765
Rent	-	99,481	(d)	99,481
Shareholder relations and communic	-	393,103	(d)	393,103
Travel	-	266,862	(d)	266,862
Wages and salaries	-	1,591,120	(d)	1,591,120
Overhead recoveries	-	(254,553)	(d)	(254,553)
	(6,986,062)	(637,141)		(7,623,203)
Net loss for the period	(453,001)	(637,141)		(1,090,142)
Other comprehensive income loss in the year				
Change in fair value adjustment on available for sale financial instruments:	322,876	-		322,876
Less realized (gain) / loss on Investment reclassified to net income	(77,623)	-		(77,623)
Other comprehensive income in the year	245,253	-		245,253
Comprehensive loss for the year	$ (207,748)	$ (637,141)		$ (844,889)