MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) is dated August 14, 2012, for the three months ended June 30, 2012 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 for the year ended March 31, 2012.

The condensed consolidated interim financial statements for the three months ended June 30, 2012 have been prepared in accordance with International Reporting Standards, as issued by the International Accounting Standards Board, and its interpretations. Results for the period ended June 30, 2012, are not necessarily indicative of future results.

Project Overviews

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 30,816 (77,039 gross acres) offshore in the Taranaki Basin as at June 30, 2012. TAG is growing through operating cashflow, strategic acquisitions and exploration/development drilling. The Company is continuing to drill on an ongoing basis and is carrying out a significant infrastructure program to increase plant processing capacity at the Cheal and Sidewinder facilities to monetize the Company's drilling success. 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 nineteen wells producing or capable of producing at the Cheal oil and gas field ("Cheal") and four wells producing or capable of producing at the Sidewinder oil and gas field ("Sidewinder').

TAG believes that a properly executed development plan will allow for an increase in daily production rates, cash flow, reserves and reserve values through further drilling and expansion of infrastructure in the Taranaki basin on TAG's 100% owned and operated Cheal, Cardiff and Sidewinder oil and gas fields while the Company's 40% 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 pursue its goal of converting the undiscovered resource potential within the Company's three permit interests located in the East Coast Basin to proved reserves while the acquisition of three new exploration permits during the period ended June 30, 2012, located within New Zealand's East Coast and Canterbury basins provide additional exploration potential over many years. Consent has been received from the New Zealand Ministry of Petroleum at the date of this report and the acquisition of these properties is expected to close shortly.

Recent Developments

- At June 30, 2012, the Company had cash of $103 million, working capital of $106 million and no debt.
- Capital expenditures during the quarter ended June 30, 2012, were $11.1million with approximately $1.3 million spent at Sidewinder, approximately $9.0 million spent at Cheal and approximately $0.8 million spent on the East Coast onshore and Taranaki offshore permits.
- Drilled the following wells:
  - Cheal-C3 encountering 17.5 meters of pay.
  - Cheal-C4 encountering 17.5 meters of pay.
  - Cheal-A11 encountering 30 meters of pay.
- Oil and gas sales during the quarter ended June 30, 2012, were $11.8 million and cashflow from operations before working capital changes was $7.4 million. Net income was approximately $4.7 million for the quarter ended June 30, 2012.
- TAG closed a bought deal financing, issuing 4,435,000 common shares for net proceeds of $43,433,253.
- The Company entered into an agreement with Rawson Taranaki Limited and Zeanco (NZ) Ltd. to acquire three New Zealand exploration permits; Petroleum Exploration Permit 52589, Petroleum Exploration Permit 52676 and Petroleum Exploration Permit 53674.

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- The Company successfully drilled the Cheal-C3 and Cheal-C4 and Cheal-A11 wells. All three wells have encountered commercial hydrocarbon zones and are presently being completed and tested before permanent tie-in to the existing Cheal facilities. At the time of this report operations underway include the drilling of Cheal-A12,completion and testing of Cheal C3, and the installation of electric submersible pumps on Cheal-B5 and Cheal-B7. Following the current operations underway testing will be conducted on the Cheal-C4 and Cheal-A11 wells.

- TAG has increased proved and probable reserves 300% to 6.624 million barrels of oil equivalent as determined at March 31, 2012 by the Companys independent reserve evaluators, Sproule International.

Petroleum Property Activities and Capital Expenditures for the three months ended June 30, 2012

For the three months ended June 30, 2012, the Company invested $781,506 (2011: $7,503,125) in exploration and evaluation assets and $10,330,675 (2011: $2,845,416) in its proved oil and gas properties.

East Coast Basin:

During the quarter ended June 30, 2012, the joint venture invested a total of $1,573,668 (2011: $nil) purchasing long lead items and pre drilling expenses including drill site consenting and access. The costs were allocated equally to PEP 38348 and PEP 38349 and are not recorded directly in TAG's asset register according to the terms of the farm-out agreement.

The Company continues to progress operations in preparation to undertake the first phase of the drilling campaign. In consultation with local iwi, council and landowners the following operations have been undertaken during the quarter:

a. Extensive consultation with all stakeholders, including local iwi, councils and landowners has, and continues to be undertaken to secure and consent multiple drilling locations identified from newly acquired 2D seismic data. Land access agreements have been signed with a number of surface rights owners to date, with continued focus on engagement with all affected parties.

b. Initial construction and surface lease access consent applications have been submitted to the various regional and district councils for the initial 4-well program. A number of consents have been issued and once all construction consents have been approved, operations will commence to build access roads and leases for the East Coast wells.

c. Detailed geological and operational planning for four vertical wells has been undertaken and the VR-500 rig has been tested in Taranaki on a number of TAG Oil wells. The rig is available to mobilize to the East Coast for the planned four well drilling campaign once resource consent from the district councils is received.

d. Extensive consultation and engagement has taken place with government and ministry officials related to planned operations in this frontier basin.

The Company will provide guidance as to when drilling is anticipated to take place when a more definitive date is set for operations to begin. At the current time the Company and its partner Apache Corp. are focusing significant resources to consultation, engagement and education related to planned operations in the basin, the socio-economic benefits to the region and country, health safety and environment planning and dedication to using industry best practices for oil and gas exploration and development in this basin so that operations can be conducted over many years if warranted. The Company is highly confident that current efforts will insure not only initial phase drilling operations will be consented in this basin, but that a clear path to full field development consenting will also evident.

On April 19, 2012, the Company's appliction for an Extension of Duration to cover a second five year term on PEP 38348 and PEP 38349 was granted by the New Zealand Petroleum and Minerals Group. Part of this application included the Company surrendering 50% of the least-prospective acreage of each Permit leaving the Company with 900,348 net acres in the three Permits on the East Coast that is subject to the joint venture with Apache Corp.

The Company acquired two additional exploration permits in the East Coast basin that are not included in the joint venture with Apache Corp. The permits are PEP53674 and PEP52676 and are located in the Wararapa and Blenheim regions respectively.The Company is currently working with the existing operator to undertake work to meet all permit work commitments.

The Company filed a change of conditions application with the Ministry of Economic Development in January 2012 to extend the drilling of the stratigraphic well commitment for a period of 12 months. At the time of this report, the Company is awaiting the results of the application.

PEP 38348 (TAG 100%): $314,728 (2011: $348,792) of expenditures were incurred during the quarter related to consenting and access agreements along with purchase of pre-drilling long lead items.

PEP 38349 (TAG 100%): $119,302 (2011: $217,429) of expenditures were incurred during the quarter related to consenting and access agreements.

PEP 50940 (TAG 100%): $nil (2011: $nil) of expenditures were incurred during the quarter related to general operations in the permit.

PEP 52589 (TAG 100%): $84,896 (2011: $nil) of expenditures were incurred in the quarter related to initial acquisition costs.

PEP 53674 – TAG (100%): $84,895 (2011: $nil) of expenditures were incurred in the quarter related to initial acquisition costs.

Taranaki Basin:

The company is continuing an active drilling, work-over and infrastructure campaign within its Taranaki Basin assets. Drilling operations are expected to continue on an ongoing basis and infrastructure operations that are currently underway at Cheal and Sidewinder are anticipated to be completed by March 31, 2013. At that time all productive wells are to be placed on regular production on an unconstrained basis allowing for significant production increases at Cheal and Sidewinder.

It is important to note that the Company's current Taranaki Basin production reported for the quarter is not indicative of the long-term productive capability of the Cheal and Sidewinder Oil and Gas Fields as the majority of Cheal and Sidewinder wells are either shut-in, choked back or are producing on an intermittent basis in order to conduct testing operations, workovers and to accommodate drilling and infrastructure activity.The Company is committed to maximizing the ultimate recovery of hydrocarbons, reducing waste and conducting our operations safely and in accordance with good technical and sound economic principals.

TAG's drilling success has surpassed the existing 100%-owned facilities ability to handle maximum capacities. Major expansion now underway will allow all wells present and future to be connected and produced in a timely fashion.

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

During the three months ended June 30, 2012, the Company continued to its exploration and development program targeting shallow (~2000m) oil and gas prone zones.

During the quarter and to the date of this report, the Company has drilled and cased the Cheal-C3, Cheal-C4 and Cheal-A11 wells and is currently drilling the Cheal-A12 well. The Company is currently testing the Cheal-C3 well with encouraging results shown to date and is conducting the planned workovers to install artificial lift equipment in the Cheal-B5 and Cheal-B7 wells that is expected to increase and stabilize daily production from these wells. The Company will then move the work-over rig to complete and test the Cheal-C4 and Cheal-A11 wells.

The Cheal field produced an average of 1,115 barrels of oil and 1.2Mcf of natural gas per day (1,315 boe/day) during the quarter ended June 30, 2012. At the time of this report, the Cheal field has eight wells on full or part-time production out of a total of nineteen wells that are capable of producing. The remaining ten wells are awaiting construction of the facilities upgrade at the Cheal-A and Cheal-B sites.

The facilities upgrade to un-constrain and monetize all oil and gas production at Cheal is progressing to plan . At the time of this report, the status of these projects is as follows:

a. The compressor package, once completed, will be shipped to New Zealand. Long-lead items for surface equipment, including liquid recovery packages, pipe work and valves have been ordered and the site has been cleared in preparation for foundations to be installed.

b. Gas processing packages were awarded to contractors in the quarter and at the time of this report, have had long-lead items identified and ordered and construction windows secured.

c. Cheal facility artificial lift expansion design was completed, foundations installed and long lead items ordered. At the time of this report, key artificial lift components have arrived in-country and are presently being installed.

d. Piping and header systems for the permanent tie-in of the Cheal-B site wells is currently under construction with installation and commissioning anticipated to occur during the second quarter of fiscal 2013.

e. Pipe and header systems for the permanent tie-in of certain Cheal-A wells has begun will be completed after the Cheal-B site permanent piping is completed.

f. The planned pipelines are currently finalising landowner agreements and consent applications will be lodged with the council once agreements are concluded. The pipe for the pipelines is currently in-country and other long lead items have been ordered. Once planned pipelines are built, the Company will not require any third party processing as the Cheal facility will be completely capable of producing, processing and selling all oil and gas while also having capacity to potentially process gas for other parties.

The Company incurred $9,045,340 (2011: $2,845,416) worth of expenditures at Cheal during the quarter ended June 30, 2012, including:

a. drilling the Cheal-C3, Cheal-C4 and Cheal-A11 wells.

b. purchase of long lead items and equipment for the Cheal infrastructure upgrade.

PEP 38748 and PMP 53803 - Sidewinder Oil and Gas Field (TAG 100%)

The Sidewinder field produced an average of 401 boe's per day during the quarter ended June 30, 2012. Compression installation was completed and commissioned at the Sidewinder site in June 2012 resulting in lower production for the majority of the quarter, followed by a significant increase in production to approximately 1,136 boe's per day at the time of this report. Currently Sidewinder is producing from two of the four wells that are capable of production. As commissioning of the compressor continues, production rates are expected to increase to maximum capacity is reached of around 10 million cubic feet per day of natural gas plus liquids (1,667 boe's per day plus liquids). Presently sound attenuation measures are being installed to allow for 24-hour operation of the compressor at full capacity. At present capacity rates just two of the four wells capable of production are necessary. Additional optimization of the compressor planned for the second quarter will result in further production increases enhanced further by the implementation of a scheduled cycling of the four Sidewinder wells to maximize the ultimate recovery of hydrocarbon by utilizing good technical and sound economic principals.

During the quarter, TAG received consent from the New Plymouth District Council (NPDC) to drill four new wells within the Sidewinder Oil and Gas Field. The final decision granting consent in support of TAG's drilling operations was awarded after affected landowners requested a hearing. The consent granted was subsequently appealed and a hearing will be held to address the concerns raised. The Company feels strongly that the appeal is without substance and expects consents to be received to resume drilling operations at Sidewinder in due course.

The Company incurred $nil worth of expenditures on PEP38748 (2011: $6,810,955) and $1,259,133 on PMP 53803 (2011: $nil) during the quarter ended June 30, 2012 installing and commissioning compression at Sidewinder.

PEP 52181 - Kaheru Offshore (TAG 40%)

At the date of this report, the ownership of the Kaheru Permit has changed into a simple two-company joint venture. New Zealand Oil and Gas, a New Zealand and Australian listed company, is now the operator of the Permit and TAG has increased its working interest to 40%. The joint venture is currently evaluating and planning the drilling of a well in the 2013/14 fiscal year.

The Company incurred $92,520 (2011: $125,949) of expenditures during the quarter ended June 30, 2012, relating to reprocessing of seismic data and other G&G expenditures.

Canterbury Basin:

PEP 52589 – TAG (100%): $84,895 (2011: $nil) of expenditures were incurred in the quarter related to initial acquisition costs.

During the quarter the Company acquired permit PEP 52589 and is currently reviewing the permit work program including a magnetic survey and a 2-D seismic program in preparation to undertake these operations.

Summary of Quarterly Information

The Company's accompanying condensed consolidated interim financial statements ("financial statements") were prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). The Company previoulsy prepared its financial statements in accordance with Canadian generally accepted accounting principles.

	2013	**2012**				**2011**		
	Q1 $	**Q4 $**	**Q3 $**	**Q2 $**	**Q1 $**	**Q4 $**	**Q3 $**	**Q2 $**
Total revenue	**11,825,925**	16,701,663	12,976,714	7,377,177	**5,853,101**	5,009,739	3,851,621	2,413,333
Costs	**(3,680,324)**	(5,382,240)	(4,280,725)	(3,353,417)	**(2,597,215)**	(2,233,316)	(1,769,285)	(1,432,423)
Foreign Exchange	**280,575**	181,318	(129,433)	699,797	**210,049**	704,791	(369,067)	(115,820)
Stock option compensation	**(840,721)**	(1,137,058)	(1,590,387)	(1,905,267)	**(1,915,809)**	(1,458,775)	(474,101)	(171,799)
Other costs	**(2,866,212)**	(3,475,940)	(2,650,559)	(1,924,123)	**(1,281,627)**	(2,391,678)	(1,585,636)	(911,148)
Net income (loss)	**4,719,243**	6,887,743	4,325,610	894,167	**268,499**	(369,239)	(346,468)	(217,857)
Basic income (loss) per share	**0.09**	0.12	0.08	0.02	**0.01**	(0.01)	(0.01)	(0.00)
Diluted income (loss) per share	**0.08**	0.12	0.08	0.02	**0.00**	(0.01)	(0.01)	(0.00)
Production (boe/d)	**1,721**	2,157	2,032	824	**695**	574	544	459
Capital expenditures	**11,112,181**	12,924,484	12,164,822	6,302,996	**13,463,042**	8,382,029	7,026,048	3,279,353
Cash flow from operations *(1)*	**7,443,881**	10,853,666	7,169,637	3,532,581	**2,754,287**	1,528,778	461,815	572,513

(1) Cash flow from operations is a non-GAAP measure. It represents cash flow from operating activities before changes in working capital

Revenue, net income and cash flow from operations have increased by 102%, 1,658% and 170% respectively when compared with the same quarter last year. Daily production and revenue for the quarter was lower than last quarter due to various operations being undertaken by the Company to un-constrain production that have been discussed previosuly in this report.

The Company recorded net income for the first quarter of $4,719,243 compared to net income of $268,499 for the same quarter last year with the increase resulting from a combination of higher oil and gas sales from the Cheal and Sidewinder fields and from a reduction of royalty rates at Cheal during the current quarter. TAG continues to have a strong capital expenditure program based around continued drilling success with three wells, Cheal-C3, Cheal-C4 and Cheal-A11 drilled at the time of this report and with Cheal-A12 currently drilling. The infrastructure program at Sidewinder, including the addition of compression, was completed late in the quarter and the facilities upgrade at Cheal is progressing to plan and within budget leading to unconstrained production from the Cheal sites once completed. The expansion of artificial lift at the Cheal-A and Cheal-B sites is underway and will begin commissioning shortly.

TAG Oil

Results of Operations

Oil and Natural Gas Production, Pricing and Revenue

	Three months ended		
	2013 Q1	2012 Q4	2012 Q1
Daily production volumes(1)			
Oil (bbls/d)	**1,125**	1,405	621
Natural gas (boe/d)	**596**	752	74
Combined (boe/d)	**1,721**	2,157	695
Daily sales volumes(1)			
Oil (bbls/d)	**1,120**	1,407	560
Natural gas (boe/d)	**353**	496	36
Combined (boe/d)	**1,473**	1,903	596
Natural Gas (mcf/d)	**2,118**	2,977	215
Product pricing			
Oil ($/bbl)	**107.36**	119.54	113.32
Natural gas ($/mcf)	**4.61**	4.48	4.06
Sales			
Oil and Gas revenue – gross	**$11,825,925**	$16,701,663	$5,853,101
Royalties(2)	**(1,329,541)**	(2,973,964)	(1,774,096)
Oil and natural gas revenue - net	**$10,496,384**	$13,727,699	$4,079,005

(1) Natural gas production converted at 6 mcf:1boe (for boe figures)
(2) Includes a 25% royalty related to the acquisition of a 69.5% interest in the Cheal field that was reduced to 7.5% during the fourth quarter of fiscal 2012.

Oil and natural gas revenue increased 102% in the first quarter 2013 to $11.8 million from $5.9 million for the same quarter last year. This increase in revenue is attributable to a 148% increase in production (on a boe basis), a 14% increase in natural gas prices and a 5% decrease in oil prices. The increase in Q1 2013 oil production is primarily a result of increased production from the Cheal-B5 and Cheal-B7 wells while the increase in natural gas volume is due to the Sidewinder field coming into production from September 2011.

As explained earlier in this report, production was 20% lower (on a boe basis) in Q1 2013 compared to Q4 2012 as a resault of the various projects underway that limit full-time production of the Company's wells for a short period of time. Natural gas production is 21% lower in the current quarter compared to Q4 of 2012 as the Sidewinder field was commissioning the compression addition which was completed in June 2012 to allow more gas to be flowed into the open access line.

Production by area (boe/d)	Three months ended		
	2013 Q1	2012 Q4	2012 Q1
Cheal	**1,320**	1,517	695
Sidewinder	**401**	640	-
	1,721	2,157	695

For the period ended June 30, 2012, daily production increased 148% to 1,721 boe per day from 695 boe per day for the same period in 2012. The increase in production is due to successfully drilling at Cheal and Sidewinder. Cheal production decreased 13% in Q1 2013 compared to Q4 2012 due to the Cheal-B5 and Cheal-B7 wells requiring planned workovers to install artificial lift as well as Cheal having behind-pipe production from ten wells awaiting the Company's infrastructure enhancements currently underway.

In addition Sidewinder production decreased 37% in Q1 2013 compared to Q4 2012. This was due to lack of compression at the site to meet pipeline expectations. Production was curtailed severely as compression was installed, once completed, the field is ramping up quickly to maximum capacities as discussed previously. Presently, just 2 of the 4 wells are necessary to maximize current capabilities.

During the period ended June 30, 2012, the Cheal and Sidewinder oil and gas fields produced 102,390 (2011: 56,509) gross barrels of oil and 325 Mcf (2011: 41 Mcf) of natural gas and sold 101,880 (2011: 50,952) gross barrels of oil and 193Mcf (2011: 20 Mcf) of natural gas.

Royalties

	2013 Q1	2012 Q4	2012 Q1
			Three months ended
Royalties	**1,329,541**	2,973,964	1,774,096
As a percentage of revenue	**11%**	18%	30%

Royalty costs decreased 25% from $1,774,096 for the period ended June 30, 2011 to $1,329,541 in the current quarter due to a royalty rate reduction from 30% of revenue to 11% of revenue due to the royalty on the Cheal field decreasing from 25% to 7.5% for the current quarter.

Royalty costs incurred relate to crown royalty payments of 5% on net oil and gas proceeds received during the quarter ending June 30, 2012 and a 7.5% royalty paid on net oil proceeds from Cheal as part of the Company's agreement to acquire a 69.5% interest in the Cheal oil and gas field. The Sidewinder overriding royalty agreement requires TAG to pay a 5% royalty on net sales revenue on the first 200,000 barrels of oil produced from the date of acquisition and then dropping to a 2.5% royalty on net oil sales revenue thereafter. At June 30, 2012, 4,372 barrels of oil (2011: nil) had been produced from the date of the PEP 38748 permit acquisition leaving 195,628 (2011: 200,000) barrels of production required before the royalty reduction to 2.5%. Sidewinder royalties also include a 3.33% royalty on net oil and gas proceeds payable to a previous partner.

Production, transportation and storage costs

	2013 Q1	2012 Q4	2012 Q1
			Three months ended
Production costs	**1,402,119**	1,378,898	426,944
Per boe ($)	**8.95**	6.95	6.75
Transportation and storage costs	**948,664**	1,106,931	396,175
Per boe ($)	**6.06**	5.58	6.26

Production costs increased from $426,944 for the period ended June 30, 2011, to $1,402,119 for the current quarter due to increased production rates achieved during the quarter. Costs of $6.75 per boe in last year's quarter increased to $8.95 per boe in the current quarter due to the cost of temporary rental equipment, the cost of operating the Cheal-C site until the site can be connected into the main Cheal-A production facilities, the increased cost of well servicing expenses while awaiting the infrastructure enhancements. Increased costs in the first quarter of the 2013 fiscal year compared to the fourth quarter of the 2012 fiscal year are due to a combination of temporary decreased production volumes and the increased costs of workover and well servicing.

Transportation and storage costs have increased from $396,175 for the period ended June 30, 2011, to $948,664 due to increased production but have decreased from $6.26 per boe to to $6.06 per boe in the current quarter. The decrease on a boe basis is due to the the addition of Sidewinder gas in the current quarter when compared with the same quarter last year as Sidewinder gas does not incur transportation or storage costs. Costs have increased slightly when comparing first quarter of 2013 fiscal year to the fourth quarter of the 2012 fiscal year are due to decreased production volume as discussed in the report.

Operating Netback

($/boe)	**2013 Q1**	2012 Q4	2012 Q1
			Three months ended
Revenue	**75.52**	84.17	92.5
Royalties	**(8.49)**	(14.99)	(28.04)
Transportation and storage costs	**(6.06)**	(5.58)	(6.26)
Production costs	**(8.95)**	(6.95)	(6.75)
Netback per boe	**52.02**	56.65	51.45

The netback of $52.02 for period ended June 30, 2012 is comparable to the netback of $51.45 recorded for the same period last year despite a lower revenue and production costs per boe the royalty costs have decreased from $28.08 per boe to $8.49 per boe due to the reduction of the Cheal royalty from 25% to 7.5% of net oil revenue. The lower netback in the curent quarter compared to Q4 2012 is due to lower oil pricing and higher production costs from operating temporary production equipment in the current quarter.

Emmissions Trading Scheme

	Three months ended		
	2013 Q1	2012 Q4	2012 Q1
Emmissons trading scheme ($)	**51,778**	(54,647)	33,646

ETS costs increased 54% from $33,646 for the period ended June 30, 2011, to $51,778 in the current quarter due to increased natural gas produced from the Cheal and Sidewinder fields. ETS costs were negative in Q4, 2012 as accrued costs were reversed once actual costs were finalised for the year.

Insurance

	Three months ended		
	2013 Q1	2012 Q4	2012 Q1
Directors and officers insurance	**14,925**	14,925	13,892
Insurance	**105,672**	66,369	67,219
	120,597	81,294	81,111
Per boe ($)	**0.77**	0.41	1.28

Insurance increased 33% from $81,111 in fiscal 2012 to $120,597 in fiscal 2013 due to generally higher premiums for the Cheal facilities and the addition of the Sidewinder facilities and pipeline insurance costs.

General and Administrative Expenses("G&A")

	Three months ended		
	2013 Q1	2012 Q4	2012 Q1
Consulting fees	**21,016**	35,461	46,138
Directors fees	**64,500**	66,084	54,500
Filing, listing and transfer agent	**95,686**	58,969	25,458
Reports	**130,124**	-	51,004
Office and administration	**99,337**	129,885	65,065
Professional fees	**34,153**	153,677	45,699
Rent	**57,756**	58,938	27,319
Shareholder relations and communications	**129,505**	64,801	129,406
Travel	**115,340**	76,279	70,654
Wages and salaries	**329,586**	200,062	352,017
Overhead recoveries	**-**	-	(68,024)
	1,077,003	844,156	799,236
Per boe ($)	**6.88**	4.25	12.63

G&A costs have decreased dramatically on a boe basis when compared with the same quarter last year but have increased during the three months ended June 30, 2012 when compared with the fourth quarter of the 2012 fiscal year as a result of the Company hiring more staff and needing additional infrastructure to facilitate the operation of the expanded Cheal and Sidewinder oil and gas fields. On a cost per boe basis G&A cost have decreased 46% from $12.63 in the quarter ended June 30, 2011 per to $6.88 per boe this quarter.

Compared to the same three month period last year costs such as filing, listing and transfer agent as well as travel are higher as a result of work associated with financing, aquisitions and the Company listing on the Toronto Stock Exchange and the OTCQX. Reports costs are also higher for the current quarter compared to last year as additional work was required to evaluate the effect on reserves due to the amount of activity at Cheal, extensive sesimic reprocessing conducted by the Company during the year and a reserves assessment being conducted on the Sidewinder field which was not in production in last year. Rent and office and administration costs are higher in the first quarter of the 2013 year compared to the same period last year as the company secured additional office space in New Plymouth and Vancouver to support expanded activities related to drilling, operations, acquisitions and financing.

Stock-based Compensation

	Three months ended		
	2013 Q1	2012 Q4	2012 Q1
Stock-based compensation	**840,721**	1,137,058	1,915,809
Per boe ($)	**5.37**	5.73	30.28

Stock-based compensation costs are non-cash charges which reflect the estimated value of stock options granted and 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.

The Company recorded a decrease in stock–based compensation costs of $840,721 for period ended June 30, 2012, compared to $1,915,809 in the same period last year and the cost per boe decreased 83% for the comparable periods.The cost related to the amortization of the fair value of stock options previously granted and as a result of new stock options granted in the prior current fiscal year.

Depletion, Depreciation and Accretion

	Three months ended		
	2013 Q1	2012 Q4	2012 Q1
Depletion, depreciation and accretion	**1,885,796**	2,754,893	569,979
Per boe ($)	**12.04**	13.88	9.01

Depletion, depreciation and accretion amounted to $1,885,796 during the three months ended June 30, 2012, compared to $569,979 in the corresponding period last year. The increases during the current quarter when compared to Q1, 2012 reflect the commencement of depletion for the Sidewinder field combined with increased capital costs at Cheal requiring depletion.

Foreign Exchange (Gain) / Loss

	Three months ended		
	2013 Q1	2012 Q4	2012 Q1
Foreign exchange (gain) / loss ($)	**(280,575)**	(181,318)	(210,049)

The foreign exchange loss for the quarter was caused by fluctuations of both the U.S. dollar and New Zealand dollar in comparison to the Canadian dollar.

Interest Income

	Three months ended		
	2013 Q1	2012 Q4	2012 Q1
Interest income	**268,962**	188,539	202,345

The increased interest income reflects the higher cash balances held during the current quarter.

Results of Operations

	Three months ended		
	2013 Q1	2012 Q2	2012 Q1
Net income ($)	**4,719,243**	6,810,190	268,499
Per share, basic ($)	**0.09**	0.12	0.01
Per share, diluted ($)	**0.08**	0.12	0.01

For the period ended June 30, 2012, the Company generated net income of $4,719,243 compared to net income of $268,499 in the comparable period last year due to increased production from Cheal and the addition of Sidewinder production.

	Three months ended		
	2013 Q1	2012 Q4	2012 Q1
Cash-flow from operations after working capital movements($)	**9,171,528**	7,588,914	1,765,954
Per share, basic ($)	**0.15**	0.14	0.04
Per share, diluted ($)	**0.14**	0.13	0.03

Cash-flow from operations after working capital movements increased 419% in the current quarter to $9,171,528 or $0.15 per share, from $1,765,954 or $0.04 per share, in the comparable period last year. The higher cash flow recorded is due to increased production at Cheal and the initiation of production from the Sidewinder field. Cash-flow from operations after working capital movements was 19% higher in the current quarter compared the last quarter due to the timing of receivables related to oil shipmentsand a full quarter of reduced Cheal royalties.

The Company has the following commitments for Capital Expenditure at June 30, 2012:

Contractual Obligations	Total $	Less than One Year $	More than One Year $
Long term debt	-	-	-
Operating leases (1)	963,900	214,949	748,951
Other long-term obligations (2)	35,283,000	35,283,000	-
Total Contractual Obligations (3)	36,246,900	35,497,949	748,951

(1) The Company has commitments relating to office leases situated in New Plymouth, New Zealand and Vancouver.

(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 that relate to operations and infrastructure. 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 material commitments shown above are as follows:

Permit	Commitment	June 30, 2012
PMP 38156	Drilling Cheal–A11, Cheal-A12 and Cheal-B8 wells and the completion and testing of the Cheal-A8, Cheal-A9, Cheal-A10, Cheal-C3 and Cheal-C4 wells	$ 9,669,000
	Cheal plant upgrade including the purchase of long lead materials, equipment and engineering design	21,812,000
PMP 53803	Final costs associated with the upgrade of the Sidewinder facilities	745,000
PEP 38748	No capital commitments	-
PEP 38348	No capital commitments	-
PEP 38349	No capital commitments	-
PEP 50940	Drilling a stratographic well	248,000
PEP 52181	Ongoing permit maintenance	164,000
PEP 52589	Balance of the purchase price for the permit , a magnetic survey and the acquisition of 2-D seismic	1,209,000
PEP 52676	Payment of the balance of the purchase price for the permit and geochemical sampling	759,000
PEP 53674	Payment of the balance of the purchase price for the permit	677,000
TOTAL COMMITMENTS		$35,283,000

The Company may also have an obligation to pay its joint venture interest share of costs to plug and abandon the SuppleJack 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.

Liquidity and Capital Resources

At June 30, 2012, the Company had $103,343,992 (2011: $61,199,606) in cash and cash equivalents and $105,656,367 (2011: $60,508,963) in working capital. As of the date of this report the Company is adequately funded to meet its planned operations and ongoing requirements for the next twelve months based on the current exploration and development programs, the farm-out 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.

Please refer to subsequent events for additional information.

Use of Proceeds

On May 5, 2010, the Company closed an equity offering with net proceeds of $18,711,150. The Company completed the intended use of the net proceeds in the short form prospectus by December 31, 2011 and have allocated all the proceeds

The Company completed an equity offering on November 26, 2010 for net proceeds of $56,353,740. The Company has allocated all these proceeds as 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	Drill three vertical wells	$ 7,500,000	7,500,000	Completed
	Complete and test three wells	-	1,800,000	Completed
	Drill two vertical wells	-	5,000,000	Completed
	Complete and test two wells	-	1,200,000	Completed
	Drill five horizontal wells	16,250,000	-	Changed Program
	Drill four vertical wells	-	10,000,000	Completed
	Complete and test four wells	-	2,400,000	Completed
	Optimization and water flood	2,000,000	-	Changed program
	Install Cheal infrastructure expansion		8,953,740	Funds expended
PEP 38748	Drill two vertical wells	5,000,000	5,000,000	Completed
	Drill one vertical well	-	2,500,000	Completed
	Drill five horizontal wells	16,250,000	-	Changed Program
	Construct production facilities, purchase land, tie-in additional wells and add compression	-	12,000,000	Completed
East Coast Basin(1):				
PEP 50940:	Drill one stratigraphic well	200,000	-	Changed program
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	-	
Total		**$50,066,400**	**$56,353,740**	

(1) On September 2, 2011, the Company entered into a farm-out agreement with Apache Corporation.
(2) The Company's use of proceeds at Cheal, Permit PMP 38156, includes the drilling and completion of the Cheal-C2, Cheal-A8, Cheal-B5, Cheal-B6, Cheal-B7, Cheal-C3 and Cheal-C4 wells and the upgrade of infrastructure to enable unconstrained production.
(3) The Company's use of proceeds at Sidewinder, Permit PEP 38748, includes the drilling and completion of the Sidewinder-2, 3, 4 wells.

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

On May 15, 2012, the Company closed a bought deal offering of common shares at a price of $10.45 per common share for gross proceeds of $46,345,750 and net proceeds of $43,433,253. The Company filed a final short form prospectus in each of the provinces of Canada except Québec on May 7, 2012.

Property	Operation	Anticipated use of proceeds in Short Form Prospectus, including over-allotment	Current anticipated use of actual proceeds received	Status of operation
Taranaki Basin: PMP 38156	Drill one exploration well	$ 2,000,000	$2,000,000	2012
	Drill two exploration wells	-	4,000,000	2012
PEP 38748	Drill one exploration well	2,000,000	2,000,000	2013
PEP 52181	Drill one exploration well	8,000,000	8,000,000	2012
New business opportunities:	Identify and pursue new business opportunities including future land acquisitions in the Taranaki Basin	28,000,000	27,000,000	2012/13
Working capital		3,433,253	433,253	
Total		**$43,433,253**	**$43,433,253**	

Please refer to the Company's final short-form prospectus filed on May 7, 2012.

Off-Balance Sheet Arrangements and Proposed Transactions

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

Related Party Transactions

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

Key management personnel compensation:

	2013 Q1	2012 Q1
Share-based compensation	$ 586,335	$ 404,961
Management wages and director fees	246,863	208,046
Total management compensation	$ 833,198	$ 613,007

Share Capital:

As at June 30, 2012, there were 59,758,257 common shares outstanding.

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

Refer to Note 9 of the accompanying condensed consolidated interim financial statements.

Subsequent Events:

Share Capital:

a. Subsequent to June 30, 2012, 37,500 options were exercised for proceeds of $63,750.

b. At August 14, 2012, there were 59,795,757 common shares outstanding and there are 2,372,263 stock options outstanding, of which 1,650,595 have vested.

c. On August 9, 2012, the Company granted 1,270,000 stock options to certain directors, officers, employees and consultants pursuant to its incentive stock option plan. These new options are exercisable at $6.70 per share until August 8, 2017 and will vest over a period of eighteen months.

Significant Accounting Estimates and Judgments

The preparation of the condensed consolidated interim financial statements requires management to make estmates 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. Further information on the Company's critical accounting estimates can be found in the notes to the consolidated annual financial statements and the annual MD&A for the year ended March 31, 2012. There have been no changes to the Company's critical accounting estimates as of June 30, 2012.

Business Risks and Uncertainties

The Company, like all companies in the international oil and gas sector, is exposed to a variety of risks which include title to oil and gas interests, the uncertainty of finding and acquiring reserves, funding and developing those reserves and finding storage and markets for them. In addition there are commodity price fluctuations, interest and exchange rate changes and changes in government regulations. The oil and gas industry is intensely competitive and the Company must compete against companies that have larger technical and financial resources. The Company works to mitigate these risks by evaluating opportunities for acceptable funding, considering farm-out opportunities that are available to the Company, operating in politically stable countries, aligning itself with joint venture partners with significant international experience and by employing highly skilled personnel. The Company also maintains a corporate insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts and other operating accidents and disruptions. The oil and gas industry is subject to extensive and varying environmental regulations imposed by governments relating to the protection of the environment and the Company is committed to operate safely and in an environmentally sensitive manner in all operations. There have been no significant changes in these risks and uncertainties in the first three months of 2013. Please also refer to Forward Looking Statements.

Changes in Accounting Policies

There were no changes in accounting policies during this quarter.

New Accounting Pronouncements

Please refer to Note 2 of the March 31, 2012 audited consolidated financial statements.

Managements report on Internal Control over Financial Reporting

Disclosure controls and procedures and internal controls over financial reporting

Management reported on its disclosure controls and procedures and the design of its internal controls over financial reporting in the year end 2012 MD&A. There has been no material change to the Company's disclosure controls or procedures or to the design of internal controls over financial reporting since that time.

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

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: oil and natural gas production estimates and targets, including those at Cheal and Sidewinder, including, without limitation, statements regarding BOE/d production capabilities, 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, successful completion of infrastructure enhancements at Cheal and Sidewinder and additional successful drilling; anticipated revenue from the Cheal and Sidewinder oil and gas fields; converting the undiscovered resource potential to proved reserves within the East Coast Basin, completing announced exploration acquisitions; 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; infrastructure costs, the recoverability of reserves; reserves estimates and valuations; the Company's ability to add reserves through development and exploration activities; accessibility of services and equipment, fluctuations in currency exchange rates; and changes in government legislation and regulations.

The forward-looking statements contained herein are as of August 14, 2012, 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.

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.

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

Readers are further cautioned that disclosure provided herein in respect of well flow test results may be misleading, as the test results are not necessarily indicative of long-term performance or of ultimate recovery.

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

Ken Vidalin, Director
Vancouver, British Columbia

Ronald Bertuzzi, Director
Vancouver, British Columbia

Blair Johnson, CFO
Auckland, New Zealand

Drew Cadenhead, COO
New Plymouth, New Zealand

Giuseppe (Pino) Perone, Corporate Secretary
Vancouver, British Columbia

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Telephone: 1-604-682-6496
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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.

WEBSITE
www.tagoil.com

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, 9th Floor
Toronto, Ontario
Canada M5J 2Y1
Telephone: 1-800-564-6253
Facsimile: 1-866-249-7775

ANNUAL GENERAL MEETING
The Annual General Meeting will be held on December 6, 2012 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

OTCQX Trading Symbol: TAOIF

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

SHARE CAPITAL
At August 14, 2012, there were 59,795,757shares issued and outstanding.
Fully diluted: 63,438,020 shares.

Condensed Consolidated Interim Financial Statements
(Stated in Canadian Dollars)

June 30, 2012
(Unaudited)

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www.tagoil.com

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Technical Office
P.O. Box 402
New Plymouth, 4340
New Zealand
ph 64-6-759-4019
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Condensed Consolidated Interim Statements of Financial Position
Expressed in Canadian Dollars
Unaudited

	June 30, 2012	March 31, 2012
Assets		
Current:		
Cash and cash equivalents	$ 103,343,992	$ 63,006,461
Amounts receivable and prepaids	7,103,794	8,618,600
Advance receivable (Note 3)	1,787,660	1,954,511
Loan receivable (Note 3)	201,879	-
Inventory	2,937,212	2,931,346
	115,374,537	76,510,918
Restricted cash	64,975	64,975
Advance receivable (Note 3)	1,032,554	1,032,554
Exploration and evaluation assets (Note 4)	3,054,032	2,257,874
Property and equipment (Note 5)	77,097,209	68,525,998
Investments (Note 6)	433,109	490,959
	$ 197,056,416	$ 148,883,278
Liabilities and Shareholders' Equity		
Current:		
Accounts payable and accrued liabilities	$ 9,718,170	$ 11,139,377
	9,718,170	11,139,377
Asset retirement obligations (Note 8)	4,399,109	4,375,718
	14,117,279	15,515,095
Share capital (Note 9 (a))	215,441,321	171,169,355
Share-based payment reserve (Note 9 (b))	9,219,574	8,699,571
Foreign currency translation	2,972,204	2,854,612
Available for sale marketable securities	(200,306)	(142,456)
Deficit	(44,493,656)	(49,212,899)
	182,939,137	133,368,183
	$ 197,056,416	$ 148,883,278

Nature of operations (Note 1)
Commitments and contingencies (Note 13)
Subsequent events (Note 15)

See accompanying notes.

Approved by the Board of Directors:

("Garth Johnson")	*("Ron Bertuzzi")*
Garth Johnson, Director	**Ron Bertuzzi, Director**

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

	Three months ended June 30 2012	2011
Revenues		
Production revenue	$ 11,825,925	$ 5,853,101
Production costs	(1,402,119)	(426,944)
Transportation and storage costs	(948,664)	(396,175)
Royalties	(1,329,541)	(1,774,096)
	8,145,601	3,255,886
Expenses		
Depletion, depreciation and accretion	1,885,796	569,979
Directors & officers insurance	14,925	13,892
Foreign exchange	(280,575)	(210,049)
Insurance	105,672	67,219
Interest income	(268,962)	(202,345)
Emissions trading scheme	51,778	33,646
Share-based compensation	840,721	1,915,809
Consulting fees	21,016	46,138
Directors fees	64,500	54,500
Filing, listing and transfer agent	95,686	25,458
Reports	130,124	51,004
Office and administration	99,337	65,065
Professional fees	34,153	45,699
Rent	57,756	27,319
Shareholder relations and communications	129,505	129,406
Travel	115,340	70,654
Wages and salaries	329,586	352,017
Overhead recoveries	-	(68,024)
	(3,426,358)	(2,987,387)
Net income for the period	4,719,243	268,499
Other comprehensive income		
Cumulative translation adjustment	3,539,737	2,219,263
Change in fair value adjustment on available for sale financial instruments:		
Investments	(57,850)	(191,136)
Comprehensive income for the period	$ 8,201,130	$2,296,626
Earnings per share - basic (Note 9(c))	$ 0.09	$ 0.01
Earnings per share - diluted (Note 9(c))	$ 0.08	$ 0.01

See accompanying notes.

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

	Three months ended June 30 2012	2011
Operating Activities		
Net income for the period	$ 4,719,243	$ 268,499
Changes for non-cash operating items:		
Accrued interest on loan receivable	(1,879)	-
Depletion, depreciation and accretion	1,885,796	569,979
Share-based compensation	840,721	1,915,809
	7,443,881	2,754,287
Changes for non-cash working capital accounts:		
Amounts receivable and prepaids	1,681,657	(145,275)
Accounts payable and accrued liabilities	51,856	(164,098)
Inventory	(5,866)	(678,960)
Cash provided by operating activities	9,171,528	1,765,954
Financing Activities		
Shares issued – net of share issue costs	43,433,253	-
Options and warrants exercised	517,995	31,250
Cash provided by financing activities	43,951,248	31,250
Investing Activities		
Restricted cash	-	44,275
Exploration and evaluation assets	(708,577)	(8,129,224)
Property and equipment	(11,876,668)	(1,892,514)
Loan receivable	(200,000)	-
Cash used in investing activities	(12,785,245)	(9,977,463)
Net increase (decrease) in cash during the period	40,337,531	(8,180,259)
Cash and cash equivalents - beginning of the period	63,006,461	69,379,865
Cash and cash equivalents – end of the period	$ 103,343,992	$ 61,199,606
Supplementary disclosures:		
Interest received	$ 67,831	$ 37,713

Non-cash investing activities:

The Company incurred $100,489 in exploration and evaluation expenditures which amounts were in accounts payable at June 30, 2012 (March 31, 2012: $27,560). The Company incurred $9,441,883 in property and equipment which amounts were in accounts payable at June 30, 2012 (March 31, 2012: $8,695,749).

See accompanying notes.

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

Issued and outstanding	Number of Shares (Note 9)	Share Capital (Note 9)	Reserves: Available for Sale Marketable Securities	Reserves: Share-based Payments Reserve	Reserves: Foreign Currency Translation Reserve	Deficit	Total Equity
Balance at March 31, 2012	55,206,591	$171,169,355	$ (142,456)	$8,699,571	$2,854,612	$(49,212,899)	$133,368,183
Issued for cash:							
Exercise of options	116,666	517,995	-	-	-	-	517,995
Transfer to share capital on exercise of options	-	320,718	-	(320,718)	-	-	-
Short form prospectus	4,435,000	43,433,253	-	-	-	-	43,433,253
Share-based payments	-	-	-	840,721	-	-	840,721
Currency translation adjustment	-	-	-	-	117,592	-	117,592
Unrealized loss on available-for-sale investments	-	-	(57,850)	-	-	-	(57,850)
Net income for the period	-	-	-	-	-	4,719,243	4,719,243
Balance at June 30, 2012	59,758,257	$ 215,441,321	$ (200,306)	$ 9,219,574	$2,972,204	$(44,493,656)	$182,939,137

Issued and outstanding	Number of Shares	Share Capital	Reserves: Available for Sale Marketable Securities	Reserves: Share-based Payments Reserve	Reserves: Foreign Currency Translation Reserve	Deficit	Total Equity
Balance at March 31, 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 loss 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

See accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements
Three Months Ended June 30, 2012
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 and statement of compliance with International Financial Reporting Standards

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 foot notes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year end reporting purposes. Results for the period ended June 30, 2012, are not necessarily indicative of future results.

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

The Company has used the same accounting policies and methods of computation as in the annual consolidated statements for the year ended March 31, 2012. The accounting policies have been applied consistently by the Company and its subsidiaries.

The condensed consolidated interim financial statements were authorized for issuance on August 14, 2012 by the directors of the Company.

Foreign Currency translation

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

The functional currency of the Company's New Zealand subsidiaries has been determined as the New Zealand dollar as:

1. Natural gas sales are denominated in New Zealand dollars although oil is denominated in United States dollars.
2. New Zealand is the country whose competitive forces and regulations mainly determine the sales prices of natural gas and oil.
3. The New Zealand dollar is the currency that mainly influences labor, materials and other costs of providing oil and natural gas.

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 condensed consolidated interim 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 translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Cash and Cash Equivalent

At June 30, 2012, cash and cash equivalents include cash balances of $13,015,879 (2011: $3,859,496) and term investments together with accrued interest thereon, which are readily convertible to known amounts of cash, of $90,328,113 (2011: $57,340,110).

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%	Inactive

Significant Accounting Estimates and Judgments

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

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

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

Recoverability, impairment and fair value of oil and gas properties

Fair values of oil and gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of crude oil and 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 condensed consolidated interim financial statements of future periods could be material. The fair value of properties is determined based on cost and supported by the discounted cash flow of reserves based on anticipated work program. The net present value uses a discount rate of 5% and costs are determined on the anticipated exploration program, forecast oil prices and contractual price of natural gas along with forecast operating and decommissioned costs. A discount rate of 5% has been used in determining the net present value of oil and gas properties.

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 based on producing oil and gas fields with petroleum mining permits granted including associated infrastructure on the basis that field investment decisions are made based on expected field production and all wells are dependent on the field infrastructure.

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

The decision to transfer exploration and evaluation assets to property, plant and equipment is based on management's determination of an area's technical feasibility and commercial viability based on proved and probable reserves. The calculation of decommissioning liabilities includes estimates of the future costs to settle the liability, the timing of the cash flows to settle the liability, the risk-free rate and the future inflation rates. The rates used to calculate decommissioning liabilities are an inflation rate of 1.6% and a risk free discount rate of 2.5% which prevailed at the date of these financial statements. The impact of differences between actual and estimated costs, timing and inflation on the consolidated financial statements of future periods may be material.

Income taxes

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

Share based compensation

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

Functional currency

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

Contingencies

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

Reserves

Share-based payment reserve

The share-based payment reserve records items recognized as share-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount remains in the reserve.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of subsidiaries that have a functional currency other than the Canadian dollar.

Available for sale marketable securities reserve

The available for sale marketable securities reserve records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses.

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 as 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, advance and loan 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 classifieds 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 and a mining permit is granted, 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. Management has calculated the cost to plug and abandon current wells, dispose of facilities and rehabilitate land based on local regulations. The asset retirement obligations are measured at the present value of the expenditure expected to be incurred using an inflation rate of 1.6% and a risk-free discount rate of 2.5%. 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 comprehensive 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 share-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 share-based compensation with a corresponding credit to share based payments reserve.

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 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 per share

Basic earnings per share ("EPS") is calculated by dividing the net earnings 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 share options granted to employees and directors, and warrants.

Note 3 – Advances and loans receivable

a.) Advances receivable

TAG Oil entered into an agreement with Petra Drilling, a 100%-owned subsidiary of New Zealand-based Webster Drilling and Exploration. The Company provided secured financing of US$2,912,174 for Petra to acquire and deliver to New Zealand the fully automated VR500 rack and pinion, top-drive drill rig. The advance is converted and repaid in New Zealand dollars at a fixed amount based on daily use of the rig and the Company has secured a fixed price for future drilling, as well as the first right of refusal on use of the rig until all financing has been repaid. It is anticipated the advance will be repaid over a period of two years.

The fair value of the advance is calculated using an inflation rate of 1.6% discounted to its present value using a risk free rate of 2.5%. The corresponding deemed interest of $35,189 is deducted from the loan and included in the statement of comprehensive income.

Balance at March 31, 2012	$ 2,987,065
Less repayments	(166,851)
Balance at June 30, 2012	$ 2,820,214
Consisting of:	
Current	$ 1,787,660
Non-current	$1,032,554

b.) Loans receivable

TAG Oil entered into an arrangement with Coronado Resources Limited 'Coronado' to advance a loan. The loan is repayable one year from the effective date of the agreement and interest is calculated using the prime rate for Canadian dollar commercial loans quoted by Bank of Montreal. Under the agreement, Coronado grants a first priority security interest in certain assets of the Company as security for repayment of the loan.

Balance at March 31, 2012	$ -
Advance	200,000
Accrued interest	1,879
Balance at June 30, 2012	$ 201,879

Note 4 – Exploration and Evaluation Assets

	PEP38748	PEP52181	PEP38348	PEP50940	PEP38349	PEP52676 (1)	PEP53674 (1)	PEP52589 (1)	Total
Cost									
At March 31, 2011	$ 9,837,760	$ 127,505	$ 873,708	$ 142,987	$ 982,130	$ -	$ -	$ -	$ 11,964,090
Capital expenditures	18,085,243	200,612	1,105,805	2,053	382,011	-	-	-	19,775,724
Change in ARO	(1,139,605)	-	-	-	-	-	-	-	(1,139,605)
Disposals/Recoveries	-	-	(898,506)	(84,800)	(854,621)	-	-	-	(1,837,927)
Transfer to PP&E	(28,738,204)	-	-	-	-	-	-	-	(28,738,204)
Foreign exchange movement	1,954,806	17,734	121,448	14,244	125,564	-	-	-	2,233,796
At March 31, 2012	$ -	$ 345,851	$1,202,455	$ 74,484	$ 635,084	$ -	$ -	$ -	$ 2,257,874
Capital expenditures	-	92,520	314,728	-	119,302	84,985	84,985	84,986	781,506
Foreign exchange movement	-	1,723	5,408	(137)	1,397	2,087	2,087	2,087	14,652
At June 30, 2012	$ -	$ 440,094	$1,522,591	$ 74,347	$ 755,783	$ 87,072	$ 87,072	$ 87,073	$ 3,054,032
Net book value									
March 31, 2012	$ -	$ 345,851	$1,202,455	$ 74,484	$ 635,084	$ -	$ -	$ -	$ 2,257,874
June 30, 2012	$ -	$ 440,094	$ 1,522,591	$ 74,347	$ 755,783	$ 87,072	$ 87,072	$ 87,073	$ 3,054,032

(1) On June 4, 2012, the Company entered into an agreement with Rawson Taranaki Limited and Zeanco (NZ) Ltd. to acquire three New Zealand exploration permits; Petroleum Exploration Permit 52589, Petroleum Exploration Permit 52676 and Petroleum Exploration Permit 53674. Under the terms of the agreement, TAG will undertake all future exploration work program commitments and pay $2,300,000 for 100 % interest in the permits. A non-refundable down payment of $254,955 has been made. Consent has been granted by the New Zealand Ministry of Petroleum in regards to this transaction.

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 – Property, Plant and Equipment

	Proven Oil and Gas Property PMP 38156	Proven Oil & Gas Property PMP 53803	Office Equipment and Leasehold Improvements	Total
Cost				
At March31, 2011	$ 23,599,373	$ -	$ 950,862	$ 24,550,235
Capital expenditures	22,998,200	1,698,789	382,631	25,079,620
Transfer from E&E	-	28,738,204	-	28,738,204
Disposals	-	-	(647)	(647)
Change in ARO	1,074,928	73,634	-	1,148,562
Foreign exchange movement	3,316,621	(596,851)	37,412	2,757,182
At March 31, 2012	$ 50,989,122	$ 29,913,776	$ 1,370,258	$ 82,273,156
Capital expenditures	9,045,340	1,259,133	26,202	10,330,675
Transfer from E&E	-	-	-	-
Disposals	-	-	-	-
Change in ARO	-	-	-	-
Foreign exchange movement	134,885	(10,100)	(927)	123,858
At June 30, 2012	$ 60,169,347	$ 31,162,809	$ 1,395,533	$ 92,727,689
Accumulated depletion and depreciation				
At March31, 2011	$ (6,673,317)	$ -	$ (607,849)	$ (7,281,166)
Depletion and depreciation	(4,499,002)	(561,384)	(162,693)	(5,223,079)
Foreign exchange movement	(1,166,421)	(12,612)	(63,880)	(1,242,913)
At March 31, 2012	$ (12,338,740)	$ (573,996)	$ (834,422)	$ (13,747,158)
Depletion and depreciation	(770,137)	(1,054,177)	(31,874)	(1,856,188)
Foreign exchange movement	(1,998)	(24,971)	(165)	(27,134)
At June 30, 2012	$ (13,110,875)	$ (1,653,144)	$ (866,461)	$ (15,630,480)
Net book value				
March 31, 2012	$ 38,650,382	$ 29,339,780	$ 535,836	$ 68,525,998
June 30, 2012	$ 47,058,472	$ 29,509,665	$ 529,072	$ 77,097,209

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 6 – Investments

	Number of Common Shares Held	June 30, 2012 Market Value	Number of Common Shares Held	March 31, 2012 Market Value
Marketable securities available for sale	4,373,734	$ 433,109	4,373,734	$ 490,959

On June 5, 2012, the Company's Board of Directors approved the Company's participation in a private placement with Coronado Resources Ltd. ("Coronado"). Pursuant to the private placement, the Company will be a controlling shareholder in Coronado.

Note 7 – Related Party Transactions

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

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

	2012	2011
Share-based compensation	$ 586,335	$ 404,961
Management wages and director fees	246,863	208,046
Total management compensation	$ 833,198	$ 613,007

Note 8 – Asset retirement obligations

The following is a continuity of asset retirement obligations for the three months ended June 30, 2012:

Balance at March 31, 2012	$ 4,375,718
Revaluation of ARO	-
Accretion expense	29,608
Foreign exchange movement	(6,217)
Balance at June 30, 2012	$ 4,399,109

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

Balance at March 31, 2011	$ 3,913,478
Revaluation of ARO	-
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 $5,200,000 which will be incurred between 2014 and 2033.The retirement obligation is calculated based on an assessment of the cost to plug and abandon each well, the removal and sale of facilities and the rehabilitation and reinstatement of land at the end of the life of the field.

During the period the Company reduced the asset retirement obligations for the Sidewinder permit as the salvage value of facilities exceeds the retirement obligation for the field abandonment costs. The fair value of the liability for the Company's asset retirement obligation is recorded in the period in which it is incurred, using an inflation rate of 1.6% and discounted to its present value using a risk free rate of 2.5%.The corresponding amount is recognized by increasing the carrying amount of the oil and gas properties. The liability is accreted each period and the capitalized cost is depreciated over the useful life of the related asset using the unit-of-production method based on proved and probable reserves.

Note 9 – 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 at June 30, 2012.

On May 15, 2012, the Company closed a bought deal offering of 4,435,000 common shares at a price of $10.45 per common share for gross proceeds of $46,345,750.

b) Incentive Share Options

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

The following is a continuity of outstanding share options:

	Number of Options	Weighted Average Exercise Price
Balance at March 31, 2012	2,526,429	$ 5.76
Exercised during the period	(116,666)	4.44
Balance at June 30, 2012	2,409,763	$ 5.82

(1) Certain outstanding options are denominated in US dollars and have been converted to Canadian dollars using the year-end closing exchange rate of the year of grant.

The following summarizes information about share options that are outstanding at June 30, 2012:

Number of Shares	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
71,429	$2.27	0.03	June 26, 2013	71,429
108,000	$1.25	0.10	October 28, 2014	108,000
357,000	$2.60	0.47	September 9, 2015	357,000
1,115,000	$7.15	1.67	February 8, 2016	743,333
33,334	$5.82	0.05	May 2, 2016	-
500,000	$6.15	0.83	July 5, 2016	333,333
225,000	$7.00	0.42	December 20, 2016	75,000
2,409,763		3.57		1,688,095

During the three months ended June 30, 2012, 116,666 share options were exercised for $517,996. The weighted average share price for the period of exercised options was $9.09.

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) Income per share

Basic weighted average shares outstanding for the three months ended June 30, 2012 was 55,389,246 (2011: 49,977,586) and diluted weighted average shares outstanding for the period was 57,799,009 (2011: 55,907,419). Share options and share purchase warrants outstanding are not included in the computation of diluted loss per share when the inclusion of such securities would be anti-dilutive.

NOTE 10 – Accumulated Other Comprehensive Income (Loss)

	Accumulated Other Comprehensive income (loss)
Balance at March 31, 2012	$ 2,712,156
Unrealized loss on available for sale investments	(57,850)
Cumulative translation adjustment	117,592
Balance at June 30, 2012	$ 2,771,898

	Accumulated Other Comprehensive income (loss)
Balance at March 31, 2011	$ (286,394)
Unrealized loss on available for sale investments	(191,136)
Cumulative translation adjustment	2,219,263
Balance at June 30, 2011	$ 1,741,733

NOTE 11 – Capital Management

The Company's primary objective for managing its capital structure is to maintain financial capacity for the purpose of sustaining the future development of the business and maintaining investor, creditor and market confidence.

The Company considers its capital structure to include shareholders' equity and working capital. Management is continually monitoring changes in economic conditions and the risk characteristics of the underlying 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 12 – 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 buyer's financial condition.

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

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at June 30, 2012 and did not provide for any doubtful accounts. During the period ended June 30, 2012, the Company was required to write-off $Nil (2011 – $Nil). As at June 30, 2012, 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, 2012 of $103 million (March 31, 2012: $63.0 million), the Company's liquidity risk is assessed as low. As at June 30, 2012 the Company's financial liabilities included accounts payable and accrued liabilities of $9,718,170 (March 31, 2012: $11,139,377).

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, 2012.

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, 2012 and any variations in interest rates would not have materially affected net income.

g) Fair Value of Financial Instruments

The Company's financial instruments 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, 2012.

Note 13 – Commitments

The Company has the following commitments for Capital Expenditure at June 30, 2012:

Contractual Obligations	Total $	Less than One Year $	More than One Year $
Long term debt	-	-	-
Operating leases (1)	963,900	214,949	748,951
Purchase obligations (2)	-	-	-
Other long-term obligations (3)	35,283,000	35,283,000	-
Total Contractual Obligations (4)	36,246,900	35,497,949	748,951

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

(2) The Company has no commitments for purchase obligations.

(3) 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.

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

Note 14 – Segmented Information

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

For the period Ended June 30, 2012	**Canada**	**New Zealand**	**Total Company**
Production revenue	$ -	$ 11,825,925	$ 11,825,925
Production costs	-	(1,402,119)	(1,402,119)
Transportation and storage costs	-	(948,664)	(948,664)
Royalties	-	(1,329,541)	(1,329,541)
	-	8,145,601	8,145,601
Expenses:			
Depletion, depreciation and accretion	(8,691)	(1,877,105)	(1,885,796)
Directors and officers insurance	(14,925)	-	(14,925)
Foreign exchange	51,442	229,133	280,575
Insurance	-	(105,672)	(105,672)
Interest income	245,802	23,160	268,962
Emissions Trading Scheme	-	(51,778)	(51,778)
Share based compensation	(840,721)	-	(840,721)
Consulting fees	(21,016)	-	(21,016)
Directors fees	(64,500)	-	(64,500)
Filing, listing and transfer agent	(95,686)	-	(95,686)
Reports	-	(130,124)	(130,124)
Office and administration	(29,324)	(70,013)	(99,337)
Professional fees	(7,113)	(27,040)	(34,153)
Rent	(32,447)	(25,309)	(57,756)
Shareholder relations and communications	(67,342)	(62,163)	(129,505)
Travel	(52,171)	(63,169)	(115,340)
Wages and salaries	(134,652)	(194,934)	(329,586)
Net income (loss) for the year	$(1,071,344)	$ 5,790,587	$4,719,243
Total assets	$97,388,127	$99,668,289	$197,056,416

Note 15 – Subsequent Events

Subsequent to the period ended June 30, 2012, 37,500 options were exercised for proceeds of $63,750.

On August 9, 2012, the Company granted 1,270,000 stock options to certain directors, officers, employees and consultants pursuant to its incentive stock option plan. These new options are exercisable at $6.70 per share until August 8, 2017 and will vest over a period of eighteen months.