Consolidated Interim Financial Statements

For the nine months ended December 31, 2008 and 2007

(Unaudited)

In accordance with National Instrument 51-102, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the quarter ended December 31, 2008.

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Consolidated Balance Sheets
Expressed in Canadian Dollars

	December 31, 2008 Unaudited	March 31, 2008 Audited
Assets		
Current		
Cash and cash equivalents	$ 6,529,350	$ 6,553,101
Amounts receivable and prepaids	1,023,204	1,537,078
Inventory	674,302	1,015,886
	8,226,856	9,106,065
Property and equipment (Note 2)	13,219,330	29,381,949
Investments (Note 4)	64,756	-
	$ 21,510,942	$ 38,488,014
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	$ 530,045	$ 1,595,026
Non-current		
Future income tax	-	4,144,883
Asset retirement obligations (Note 5)	541,116	513,907
	1,071,161	6,253,816
Share capital (Note 6)	69,714,776	69,979,631
Contributed surplus	916,944	897,925
Deficit	(48,820,566)	(38,643,358)
	21,811,154	32,234,198
Accumulated other comprehensive loss (Notes 1 and 4)	(1,371,373)	-
	$ 21,510,942	$ 38,488,014

See accompanying notes.

Approved by the Board of Directors:

"Garth Johnson"
Garth Johnson, Director

"Dan Brown"
Dan Brown, Director

Consolidated Statements of Operations and Deficit
Expressed in Canadian Dollars
Unaudited

	Three months ended December 31		Nine months ended December 31	
	2008	2007	2008	2007
Revenues				
Production revenue	$ 728,031	$ 1,238,819	$ 4,323,228	$ 2,921,973
Royalties		(54,766)	(185,582)	(141,422)
	696,828	1,184,053	4,137,646	2,780,551
Expenses				
General and administrative	429,179	421,921	1,148,754	1,585,634
Depletion, depreciation and accretion	359,096	513,051	1,132,400	1,096,159
Directors & officers insurance	10,875	12,000	34,125	38,533
Foreign exchange	(573,099)	188,290	(478,270)	1,373,180
General exploration	(140)	87,712	16,923	479,892
Interest income	(48,183)	(71,308)	(127,538)	(371,579)
Legal settlement (Note 2)	(76,433)	9,127	(99,164)	(468,700)
Production costs	328,912	462,056	1,269,522	1,026,191
Sale of oil and gas property	-	(207,613)	-	(207,613)
Stock option compensation	6,339	22,817	19,019	68,451
Write-off of oil and gas properties	11,365,938	6,342,933	11,399,083	6,342,933
	(11,802,484)	(7,780,986)	(14,314,854)	(10,963,081)
Net loss for the period	(11,105,656)	(6,596,933)	(10,177,208)	(8,182,530)
Deficit, beginning of period	(37,714,910)	(32,249,040)	(38,643,358)	(30,663,443)
Deficit, end of period	$ (48,820,566)	$ (38,845,973)	$ (48,820,566)	$ (38,845,973)
Loss per share -basic	$ (0.12)	$ (0.07)	$ (0.11)	$ (0.09)
-diluted	$ (0.12)	$ (0.07)	$ (0.11)	$ (0.09)
Weighted average number of shares outstanding	90,732,666	91,631,081	90,732,666	91,631,081

See accompanying notes.

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

	Three months ended December 31 2008	Three months ended December 31 2007	Nine months ended December 31 2008	Nine months ended December 31 2007
Net loss for the period	$ (11,105,656)	$ (6,596,933)	$ (10,177,208)	$ (8,182,530)
Other comprehensive loss in the period				
Fair value adjustment to financial instruments:				
Investment (Note 4)	(100,453)	-	(1,371,373)	-
Comprehensive loss for the period	$ (11,206,109)	$ (6,596,933)	$ (11,548,581)	$ (8,182,530)

See accompanying notes.

Consolidated Statements of Cash Flows
Expressed in Canadian Dollars
Unaudited

	Three months ended December 31 2008	Three months ended December 31 2007	Nine months ended December 31 2008	Nine months ended December 31 2007
Operating Activities				
Net loss for the period	$ (11,105,656)	$ (6,596,933)	$ (10,177,208)	$ (8,182,530)
Changes for non-cash operating items:				
Depletion, depreciation and accretion	359,096	513,051	1,132,400	1,096,159
Stock option compensation	6,339	22,817	19,019	68,451
Write-off of oil and gas properties	11,365,938	6,342,933	11,399,083	6,342,933
	625,717	281,868	2,373,294	(674,987)
Changes for non-cash working capital accounts:				
Amounts receivable and prepaids	481,756	(354,023)	513,874	(577,264)
Due to/from related parties	-	(50,000)	(21,897)	-
Accounts payable and accrued liabilities	16,537	(2,918)	43,059	(217,074)
Inventory	30,801	89,362	342,951	(3,538)
Cash provided by (used) in operating activities	1,154,811	(35,711)	3,251,281	(1,472,863)
Financing Activities				
Issuance of common shares	(264,855)	-	(264,855)	-
Cash used in financing activities	(264,855)		(264,855)	
Investing Activities				
Purchase of property and equipment	(285,283)	(565,938)	(3,006,027)	(5,662,269)
Investment	(4,150)	-	(4,150)	-
Cash used in investing activities	(289,433)	(565,938)	(3,010,177)	(5,662,269)
Net increase (decrease) in cash during the	600,523	(601,649)	(23,751)	(7,135,132)
Cash and cash equivalents - beginning of the period	5,928,827	6,892,312	6,553,101	13,425,795
Cash and cash equivalents – end of the period	$ 6,529,350	$ 6,290,663	$ 6,529,350	$ 6,290,663

See accompanying notes.

Supplementary disclosures:

Interest received	$ 48,183	$ 71,308	$ 127,538	$ 371,579

Non-cash investing activities:

The Company incurred $464,968 in exploration expenditures which amounts were in accounts payable at December 31, 2008 (September 30, 2008: $584,900 and March 31, 2008: $1,551,111).

Notes to the Consolidated Interim Financial Statements
Nine Months Ended December 31, 2008
Expressed in Canadian Dollars
Unaudited

Note 1 – Accounting Policies and Basis of Presentation

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

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

a) Capital Disclosures

Effective April 1, 2008 the Company adopted CICA Handbook Section 1535 that requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

Refer to Note 7

b) Financial Instruments

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

Refer to Note 8

c) International Financial Reporting Standards ("IFRS")

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

Note 2 – Property and Equipment

New Zealand	Working Interest %	Net Book Value at March 31, 2008	Additions During the Period	Recoveries, Write-offs, Depletion and Depreciation During The Period	Net Book Value At December 31, 2008
Oil and Gas Properties					
Proved					
PMP 38156-S	30.50	$ 21,769,272	$ 1,121,304	$ (16,591,851)	$ 6,298,725
Unproved					
PMP 38153	15.00	32,911	4,452	-	37,363
PMP 38156-D	15.10	195,572	-	-	195,572
PEP 38738-S	30.50	-	-	-	-
PEP 38738-D	15.10	-	-	-	-
PEP 38741	-	-	13,356	(13,356)	-
PEP 38746	16.67	187,040	61,967	-	249,007
PEP 38748	33.33	24,839	52,568	-	77,407
PEP 38757	-	-	269	(269)	-
PEP 38758	100.00	-	23,566	(23,566)	-
PEP 38765	-	-	11,377	(11,377)	-
		22,209,634	1,288,859	(16,640,419)	6,858,074
Production equipment		7,144,016	809,355	(1,640,540)	6,312,831
Office equipment		28,299	37,348	(17,222)	48,425
Total		$ 29,381,949	$ 2,135,562	$ (18,298,181)	$ 13,219,330

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.

For the quarter ended December 31, 2008, the Company received the results from the interim independent reserves assessment on its 30.5% interest in the Cheal Oil Pool, onshore Taranaki Basin, New Zealand. The independent report conducted as of December 31, 2008 assigned a net present value of US$3.9 million, using a 10% discount rate to TAG's share of proved and probable reserves. In addition, gross proved and probable reserves estimates of the Cheal pool have been reduced from 2.783 million boe at March 31, 2008 to 510,000 boe. As a result the Company wrote-down the Cheal book value by $11,358,999. The Company also recovered $4,144,883 of estimated future income tax liabilities that were recorded for the Cheal field in a prior fiscal year.

During the quarter ended June 30, 2008, the Company and Austral Pacific Energy Ltd. ("Austral") resolved a dispute related to the construction of the Cheal Production Station located on PMP 38156-S. The agreement to resolve the dispute required Austral to issue 2,273,000 common shares to the Company valued at NZ$2,000,240 and to pay the Company NZ$300,000 which was recorded as a recovery of capital expenditures on production equipment. The issuance of Austral common shares also includes six-month anti-dilution protection for the Company whereby the Company will be issued additional Austral common shares should Austral issue any shares at a price less than NZ$0.88 per share. On June 23, 2008, Austral completed a private placement at a price lower than NZ$0.88 and as a result, Austral issued the Company 757,303 additional shares. In addition, because the Cheal A7 well was completed successfully for production, Austral is required to pay the Company an additional US$250,000 equally over the next twelve months. During the period ended December 31, 2008, the Company received US$83,332 from Austral for the first four payments against the US$250,000 owing to the Company.

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

During the quarter ended December 31, 2008 the Company assigned its interest in PMP 38153 to the operator of the permit. The assignment is conditional to obtaining the consent of the Ministry of Economic Development.

Refer to Notes 4 and 10

Note 3 – Related Party Transactions

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

The Company incurred $244,628 of its general and administrative expenses through DLJ Management Corp. ("DLJ"), a subsidiary of Trans-Orient Petroleum Ltd. ("Trans-Orient"). DLJ incurs certain general and administrative costs on behalf of the Company, Trans-Orient and AMG Oil Ltd. ("AMG"). Included in these general and administrative costs DLJ pays rent to a private company owned by an insider of TAG. Two directors of the Company are also employees of DLJ.

Trans-Orient and AMG are related to the Company through common directors and officers.

Pursuant to an agreement dated October 1, 2007, and as revised on July 1, 2008, the Company paid an insider of the Company $57,500 in consulting fees.

Pursuant to an agreement dated June 11, 2008, the Company paid a director compensation of $7,000.

Pursuant to an agreement dated October 1, 2007, the Company paid a consultant, that was previously a Director, $45,000 in fees.

Pursuant to an agreement with Trans-Orient dated January 1, 2008, the Company agreed to utilize Trans-Orient's Chief Operating Officer as the Company's technical consultant on an ongoing basis, by paying one-half of the $20,000 monthly compensation paid to Trans-Orients Chief Operating Officer.

Note 4 – Investments

At December 31, 2008, the Company's ownership interests in investments accounted for under the cost method of accounting are as follows:

	Number of Common Shares	March 31, 2008 Carrying Value	Additions During the Period	Comprehensive loss	December 31, 2008 Market Value
Austral Pacific Energy Ltd.	3,030,303	$ -	$ 1,431,979	$ (1,371,373)	$ 60,606
Trans-Orient Petroleum Ltd.	45,000	-	4,150	-	4,150
		$ -	$ 1,436,129	$ (1,371,373)	$ 64,756

At December 3, 2008, the Company has a 5.03% ownership in Austral Pacific Energy Ltd.

In accordance with CICA 3855 the Company's investments are recorded at market value at December 31, 2008.

Refer to Notes 2 and 3

Note 5 – Asset retirement obligations

The following is a continuity of asset retirement obligations for the nine months ended December 31, 2008:

Balance at March 31, 2008	$ 513,907
Accretion expense	27,209
Balance at December 31, 2008	$ 541,116

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 $984,501 which will be incurred between 2015 and 2020.

The fair value of the liability for the Company's asset retirement obligation is recorded in the period in which it is incurred, using an inflation rate of 5% and discounted to its present value using a credit adjusted risk free rate of 8% and the corresponding amount is recognized by increasing the carrying amount of the oil and gas properties. The liability is accreted each period and the capitalized cost is depreciated over the useful life of the related asset using the unit-of-production method.

Note 6 – Share Capital

a) Authorized and Issued Share Capital

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

Issued and fully paid:	Number of Shares	Stated Value
Balance at March 31, 2008	91,631,081	$ 69,979,631
Normal course issuer bid	(5,077,000)	(264,855)
Balance at December 31,2008	86,554,081	$ 69,714,776

During the period ended December 31, 2008, the Company launched a normal course issuer bid to purchase up to 7,583,858 of its common shares through the facilities of the TSX Venture Exchange. As of December 31, 2008, the Company has purchased 5,077,000 common shares for cancellation and return to treasury at an average price of $0.05 per share.

In December 2008, Shareholders of the Company approved the consolidation of the Company's common shares on the basis of five common shares being consolidated into one common share.

b) Incentive Stock Options

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

The following is a continuity of outstanding stock options:

	Number of Options	Weighted Average Exercise Price (1)
Balance at March 31, 2008	1,260,000	0.77
Expired during the period	(375,000)	(0.42)
Granted during the period	225,000	0.25
Balance at December 31, 2008	1,110,000	0.76

The following summarizes information about stock options that are outstanding at December 31, 2008:

Number of Shares	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
400,000	US$0.65	1.00	January 1, 2010	400,000
75,000	US$0.65	1.33	May 10, 2010	75,000
150,000	$1.30	1.83	November 22, 2010	150,000
325,000	$0.70	2.00	August 2, 2011	325,000
60,000	$0.52	2. 25	November 22, 2011	60,000
100,000	$0.25	4.58	August 1, 2013	Nil
1,110,000		1.81		1,010,000

The Company applies the Black-Scholes option pricing model using the closing market prices on the grant dates and to date the Company has calculated option benefits using a volatility ratio of 42% and a risk free interest rate of 3.5% to calculate option benefits. The fair value of the option benefit is amortized over the vesting period of the options, generally being eighteen months.

c) Income per share

Basic weighted average shares outstanding for the nine months ended December 31, 2008 was 90,732,666 (2007: 91,631,081) and diluted weighted average shares outstanding for the period was 91,842,666 (2007: 92,891,081). Stock options and share purchase warrants outstanding are not included in the computation of the diluted loss per share as the inclusion of such securities would be anti-dilutive.

Refer to Note 10

Note 7 – 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 8 – Financial Instruments

The nature of the Company's operations expose the Company to credit risk, liquidity risk and market risk, and changes in commodity prices, foreign exchange rates and interest rates may have a material effect on cash flows, net income and comprehensive income.

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

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

a) Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is relative to the sale of oil production; the majority of all of the Company's production is sold directly to one company by the operator of the permit on behalf of the Cheal joint venture. The Company is paid its share of oil sales, by the operator, immediately upon receipt of sale proceeds. The Company has assessed the risk of non-collection from the operator as a significant risk due to the operator's financial condition.

Cash and cash equivalents consist of cash bank balances and short-term deposits maturing in less than 90 days. The Company's short-term investments are held with a Canadian chartered bank and are monitored to ensure a stable return. The Company's short-term investments currently consist of term deposits as it is not the Company's policy to utilize complex, higher-risk investment vehicles.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at December 31, 2008 and did not provide for any doubtful accounts nor was it required to write-off any receivables during the nine months ended December 31, 2008. As at December 31, 2008 there were no significant amounts past due or impaired.

b) Liquidity Risk

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

The Company's liquidity is dependent upon 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. Expected future cash flow from the Cheal oil field currently exceeds operating costs and future capital expenditures. Considering these circumstances and the cash balance at December 31, 2008 of $6.529 million, the Company's liquidity risk is assessed as low. As at December 31, 2008 the Company's only financial liabilities are accounts payable and accrued liabilities of $530,045.

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. The Company has been materially affected by changes to commodity prices and the affects on the Company's cash flow and net income, during the 2009 fiscal year.

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 nine months ended December 31, 2008, however the Company does anticipate changes in commodity prices to affect results of operations. These commodity price decreases have negatively affected the value of the Company's development property.

Refer to Note 2

f) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its cash and cash equivalents which bear a floating rate of interest. The risk is not considered significant as the Company's interest revenue is approximately 2% of total revenue.

The Company did not have any interest rate swaps or financial contracts in place as at or during the nine months ended December 31, 2008 and any variations in interest rates would not have materially affected net income.

g) Fair Value of Financial Instruments

The Company's financial instruments as at December 31, 2008 included cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities. The fair value of the financial instruments with exception of the Company's investments, approximate their carrying amounts due to their short terms to maturity. The fair value of the Company's investments approximate their carrying value as they are recorded at market value at December 31, 2008.

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

Note 9 – Comparative Figures

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

Note 10 – Subsequent Events

Property

Subsequent to the quarter ended December 31, 2008, the Company completed its previously announced sale of its15.1% interest in PEP 38738-D and PMP 38156-D ("Cardiff") to a subsidiary of New Zealand based Genesis Energy for a combination of cash and a 1% royalty on any future production from both permits.

On February 7, 2009, the Company relinquished its interest in PEP 38758.

Share Capital

Effective February 4, 2009, the Company's common shares began trading on a consolidated basis. Shareholders approved the consolidation of the Company's common shares on the basis of five common shares being consolidated into one common share. As a result of the consolidation and the Company's Normal Course Issuer Bid, the Company has 17,115,216 shares issued and outstanding as of February 17, 2009.

Note 11 – 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 Nine Months Ended December 31, 2008	**Canada**	**New Zealand**	**Total Company**
Production revenue	$ -	$ 4,323,228	$ 4,323,228
Royalty expenses	-	(185,582)	(185,582)
		4,137,646	4,137,646
Expenses:			
General and administrative	765,240	383,514	1,148,754
General exploration	-	16,923	16,923
Production costs	-	1,269,522	1,269,522
Stock option compensation	19,019	-	19,019
Directors and officers insurance	34,125	-	34,125
Foreign exchange	(406,999)	(71,271)	(478,270)
Depletion, depreciation and accretion	3,722	1,128,678	1,132,400
	(415,107)	(2,727,366)	(3,142,473)
Other items			
Interest income	107,888	19,650	127,538
Write-off of oil and gas properties	-	(11,399,083)	(11,399,083)
Legal settlement	-	99,164	99,164
	107,888	(11,280,269)	(11,172,381)
Net loss for the period	$ (307,219)	$ (9,869,989)	$ (10,177,208)
Total assets	$ 5,308,869	$ 16,202,073	$ 21,510,942
Capital expenditures for the period	$ -	$ 2,135,562	$ 2,135,562

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) is dated February 27, 2009 for the nine month period ended December 31, 2008 and should be read in conjunction with the Company's accompanying unaudited consolidated interim financial statements, the audited consolidated financial statements and the MD&A for the year ended March 31, 2008.

Forward Looking Statements

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 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. 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 reserves, future production volumes, cash flow, royalty and tax obligations, production expenses, general and administrative expenses, future income taxes, and future exploration and development activities and the related expenditures.

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: commodity price volatility; well performance and marketability of production; transportation and refining availability and costs; exploration and development costs; the recoverability of reserves; reserves estimates and valuations; the Company's ability to add reserves through development and exploration activities; fluctuations in currency exchange rates; and changes in government legislation and regulations.

The forward-looking statements contained herein are as of February 27, 2009 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.

Business

TAG Oil Ltd. is an independent Canadian oil and gas production and exploration company with international operations being conducted primarily through its interest in five petroleum permits located in the Taranaki Basin of New Zealand. The Taranaki Basin is a lightly explored area with established commercial production and all of our interests in Taranaki cover 9,760 net acres.

At the date of this report there are six wells producing at the Cheal oil field (TAG: 30.5%). Having completed and fully commissioned the Cheal production facility during the 2008 fiscal year, the Company is focused on reducing operating costs, increasing production at Cheal and high-grading our exploration prospects while continuing to mitigate the risk of our prospects through technical evaluation and strict cost control. Although the recent fall in oil prices has significantly reduced the Company's cash-flow provided to the Company by the Cheal oil field, our long-term plan continues to focus on maximizing value at Cheal so that oil revenues can fund our development and exploration programs going forward. During these difficult financial times globally, we also intend to seek extensions on commitments where available and where felt necessary.

Petroleum Property Activities, Production and Capital Expenditures for the quarter ended December 31, 2008

During the quarter ended December 31, 2008 the Company incurred $149,747 (2007: $93,371) worth of net expenditures on its oil and gas properties. For the nine month period ending December 31, 2008 the Company has invested $2,135,562 on its oil and gas properties compared to $5,149,667 for the same period last year. The primary capital expenditures and activities during the third quarter were as follows:

PMP 38156-S: $14,991 (9 months: $809,355) in costs were incurred by the Company during the quarter on the Cheal oil field production facilities and although there were no costs incurred on drilling during the quarter the Company has spent $1,121,304 on drilling during the nine-months ended December 31, 2008.

The Company recorded write-downs on it oil and gas properties amounting to approximately $11.3 million that related primarily to the Cheal Oil Field as a result an independent reserves evaluation to December 31, 2008. Gross reserves were reduced from 2.783 million boe's to 510,000 boe's at December 31, 2008. The reduction in reserves relates to results of the unsuccessful drilling operations at Cheal A6 and A6ST, as well as a revised projection of future well performance.

PEP 38746 (TAG: 16.66%): $58,570 (9 months: $61,967) was spent primarliy on a 2D seismic programme conducted over PEP 38746. Upon completion of the seismic interpretation, the Cheal JV is required to make a commitment to drill a well in the permit within the next twelve months or relinquish the permit.

PEP 38748 (TAG 33.33%): $42,393 (9 months: $52,568) was spent primarily on overhead and planning for the Company's well commitment in mid-2009.

The Company has the following commitments for Capital Expenditure at December 31, 2008:

Contractual Obligations	Total $	Less than One Year $	More than One Year $
Long term debt	-	-	-
Operating leases	-	-	-
Purchase obligations	-	-	-
Other long-term obligations (1)	1,550,000	1,550,000	-
Total Contractual Obligations (2)	1,550,000	1,550,000	-

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

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

The Company's commitments shown above totalling $1,550,000 include exploration and development activities. Certain exploration commitments may exceed the exploration work required under the permit terms to maintain the permits in good standing and are subject to change as work is completed, results are received and whether the required services are available to the Company.

The commitment amounts for capital expenditure relate primarily to the drilling of a well on each of PEP 38738-S (TAG: 30.5% interest) and PEP 38748 (TAG: 33.33% interest) during the first or second quarter of the 2010 fiscal year. The Company is currently participating in the collection of 2-D seismic on PEP 38746 (TAG: 16.66% interest) and has a commitment to plug and abandon the unsuccessful SuppleJack and Kahili wells previoulsy drilled. The Company expects to use working capital on hand as well as cash flow from oil sales to meet these commitments.

Results of Operations

The Company recorded a net loss for the third quarter of the 2009 fiscal year of $11,105,656 ($0.12 loss per share- basic and fully diluted) compared to a loss of $6,596,933 ($0.07 loss per share) for the same period last year. For the nine month period ended December 31, 2008 the company recorded a net loss of $10,177,208 ($0.11 loss per share – basic and fully diluted) compared to a loss of $8,182,530 ($0.09 loss per share) for the same period last year. The net loss for the quarter essentially resulted from a one-time write-down of approximately $11.36 million in PMP 38156-S. Although the Company redcorded a significant loss as a result of the Cheal write-down the Company's operations remained profitable for another quarterly period. Stock options outstanding are not included in the computation of the diluted loss per share as the inclusion of such securities would be anti-dilutive.

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

The Company's revenue for the third quarter consisted of oil and gas sales from the Cheal Oil Field, totalling $728,031 (9 months: $4,323,228) and interest income of $48,183 (9 months: $127,538) compared to $1,238,819 (9 months: $2,921,973) of production revenue and $71,308 (9 months: $371,579) of interest income being recorded for the same period last year. Interest income decreased for the year when compared to the same period last year as a result of the Company's lower working capital balances.

During the quarter ended December 31, 2008, the Cheal oil field produced 42,740 (9 months: 124,163) gross barrels of oil and 42,687 (9 months: 135,687) gross barrels of oil were sold with associated gas produced being used to generate electricity on-site with a small amount of excess gas being sold to an independent third party. The Company's 30.5% share of oil produced and sold for the quarter was 13,036 (9 months: 37,870) and 13,020 (9 months: 41,385), respectively. The Company's share of production costs for the third quarter of the 2009 fiscal year amounted to $328,912 (9 months: $1,269,522) while depletion and royalties amounted to $346,573 (9 months: $1,087,969) and $31,203 (9 months: $185,582), respectively.

Production for the quarter averaged 465 barrels gross per day (TAG: 142 barrels per day). The temporary tie-in of the Cheal A7 well enabled the Cheal JV to maintain production of approximately 450 barrels per day over the nine months ended December 31, 2008 and additional successful drilling is required to maintain and increase daily production. The joint venture is also considering the implementation of a formal cycling plan to manage gas to oil ratio's and additional work is also being conducted to identify the potential benefits of downhole heating, a waterflood program and a fracture stimulation operation in order to further develop the Cheal field to capture the maximum amount of reserves. Gas export from the field commenced on December 21, 2007 with a total of 30.03 million standard cubic feet being exported to the Waihapa Production Station to March 31, 2008 and 30.351 million standard cubic feet being exported during the first quarter of the 2009 fiscal year.

In July 2008, the Waihapa Production Station ("WPS") was shut down due to inadequate supplies of gas to the facility from other sources and remains shut-down at the date of this report. The Cheal field oil production produces very small volumes of gas; most of which is used to operate the plant and generate electricity into the grid. However any residual amounts of gas was being processed at the WPS and sold prior to the shut-down. As a result of the shut down, processing of raw gas from Cheal into the WPS has been suspended and oil production as a result is required to be cycled to ensure excess gas is not produced. It is uncertain when processing through the WPS will begin again.

Since the Company acquired its interest in PMP 38156-S in June 2006, the Cheal oil field has produced 338,995 barrels of oil to December 31, 2008. From November 2004 to December 31, 2008, however, the Cheal oil field has produced 432,689 barrels of oil.

General and administrative ("G&A") costs for the third quarter of the 2009 fiscal year were $429,179 (9 months: $1,148,754) and $421,921 (9 months: $1,585,634) for the comparable period as last year.

A comparative summary of the Company's G&A costs over the three and nine months ending December 31, 2008 is as follows:

	3 months ended December 31		9 months ended December 31	
	2008	2007	2008	2007
Consulting fees	$ 125,925	$ 60,127	$ 225,201	$ 68,399
Directors fees	3,000	10,000	22,000	59,741
Filing, listing and transfer agent	13,096	17,892	37,620	39,547
Reports	-	-	31,062	17,468
Office and administration	41,249	43,790	110,074	96,695
Professional fees	82,517	51,377	122,966	119,368
Rent	15,009	9,675	34,323	33,710
Shareholder relations and communications	12,471	79,204	64,979	126,859
Travel	21,499	29,225	73,011	103,289
Wages	116,276	164,442	469,845	1,012,332
Overhead recoveries	(1,863)	(43,811)	(42,327)	(91,774)
	$ 429,179	$ 421,921	$ 1,148,754	$ 1,585,634

In addtion to the G&A costs above:

a. The Company recorded a foreign exchange gain for the third quarter amounting to $573,099 (9 months: $478,270) compared to a foreign exchange loss of $188,290 (9 months: $1,373,180) last year. The foreign exchange gain for the quarter was caused by fluctuations of both the U.S. and New Zealand dollar in comparison to the Canadian dollar.

b. The Company recorded stock option compensation costs of $6,339 for the quarter ending December 31, 2008 (9 months: $19,019) relating to the amortization of the fair value compensation cost of stock options previously granted.

c. The Company incurred a nominal amount of general exploration costs (recoveries) for the quarter (9 months: $16,923) compared to $87,712 for the same quarter last year (9 months: $479,892).

d. The Company received $99,164 from Austral Pacific as part of the agreement to resolve the dispute related to the construction of the Cheal facility. Specifically, the $99,164 consists of the first four of twelve payments Austral Pacific will pay to the Company after successfully completing the Cheal A7 well for production.

Please also refer to Note 2 of the accompanying unaudited consolidated interim financial statements for information relating to the Company's assets.

Summary of Quarterly Information

	2009			2008				2007
	Q3 $	Q2 $	Q1 $	Q4 $	Q3 $	Q2 $	Q1 $	Q4 $
Total revenue	728,031	1,534,373	2,060,824	1,181,981	1,238,819	789,655	893,499	366,611
General and administrative	(429,179)	(396,850)	(322,725)	(735,459)	(421,921)	(779,753)	(383,961)	(741,455)
Foreign Exchange	573,099	(34,808)	(60,021)	(509,337)	(188,290)	(633,645)	(551,244)	47,086
Stock option compensation	6,339	(6,341)	(6,339)	(11,382)	(22,817)	(22,817)	(22,817)	(23,838)
Other	(11,983,946)	(958,880)	(880,785)	(276,812)	(7,202,724)	(27,274)	(847,240)	(15,992,555)
Net income (loss)	(11,105,656)	137,494	790,954	202,615	(6,596,933)	(673,834)	(911,763)	(16,344,151)
Basic income (loss) per share	(0.12)	0.00	0.01	0.00	(0.07)	(0.01)	(0.01)	(0.19)
Diluted income (loss) per share	(0.12)	0.00	0.00	0.00	(0.07)	(0.01)	(0.01)	(0.19)

Liquidity and Capital Resources

The Company ended the third quarter with $6,529,350 (December 31, 2007: $6,290,663) in cash and cash equivalents and $7,696,811 (December 31, 2007: $7,822,243) in working capital. This compares to $6,553,101 in cash and cash equivalents and $7,511,039 in working capital for the year ended March 31, 2008. As of the date of this report the Company is adequately funded to meet its capital and ongoing requirements for the next twelve months based on the current exploration and development programs and anticipated revenue from the Cheal oil field. Additional material commitments, changes to production estimates or any acquisitions by the Company may require a source of additional financing. Alternatively certain permits may be farmed-out or relinquished.

Off-Balance Sheet Arrangements and Proposed Transactions

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

Related Party Transaction

The Company was not involved in any related party transaction during the period ended December 31, 2008 outside of paying wages and certain other general and adminstrative expenses as disclosed in this report and in the accompanying unaudited consolidated interim financial statements.

Subsequent Events
For more information please also refer to Note 10 of the accompanying unaudited consolidated financial statements.

Share Capital
Please refer to Notes 6 and 10 of the accompanying unaudited consolidated financial statements for share capital information to the date of this report.

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

Changes in Accounting Policies
Please refer to Note 1 of the accompanying unaudited consolidated financial statements.

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

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

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

John Vaccaro
Director
Vancouver, British Columbia

Dan Brown
Director
Vancouver, British Columbia

Guiseppe (Pino) Perone
Director
Vancouver, British Columbia

CORPORATE OFFICE

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Canada V6Z 2S3
Telephone: 1-604-609-3350
Facsimile: 1-604-682-1174

REGIONAL EXPLORATION OFFICE

Wellington, New Zealand

SUBSIDIARIES

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

SHAREHOLDER RELATIONS

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

SHARE CAPITAL

At February 27, 2009, there were 17,110,216 shares issued and outstanding.
Fully diluted: 18,220,216 shares

BANKER

Bank of Montreal
Vancouver, British Columbia

LEGAL COUNSEL

Blake, Cassels & Graydon
Vancouver, British Columbia

Bell Gully
Wellington, New Zealand

AUDITORS

De Visser Gray
Chartered Accountants
Vancouver, British Columbia

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario
Canada M5J 2Y1
Telephone: 1-800-564-6253
Facsimile: 1-866-249-7775

ANNUAL GENERAL MEETING

The Annual General Meeting was held on December 19, 2008 at 10:00am at the offices of Blake, Cassels & Graydon located at Suite 2600, 595 Burrard Street
Vancouver, B.C. V7X 1L3

SHARE LISTING

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

WEBSITE

www.tagoil.com