

Consolidated Interim Financial Statements
For the six months ended September 30, 2008 and 2007

(Unaudited)

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

TAG Oil Ltd.
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Consolidated Balance Sheets
Expressed in Canadian Dollars

	September 30, 2008 Unaudited	March 31, 2008 Audited
Assets		
Current		
Cash and cash equivalents	\$ 5,928,827	\$ 6,553,101
Amounts receivable and prepaids	1,504,960	1,537,078
Inventory	703,736	1,015,886
	8,137,523	9,106,065
Property and equipment (Note 2)	28,938,862	29,381,949
Investment (Note 4)	138,340	-
	\$ 37,214,725	\$ 38,488,014
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 633,440	\$ 1,595,026
Non-current		
Future income tax	4,144,883	4,144,883
Asset retirement obligations (Note 5)	531,996	513,907
	5,310,319	6,253,816
Share capital (Note 6)	69,979,631	69,979,631
Contributed surplus	910,605	897,925
Deficit	(37,714,910)	(38,643,358)
	38,485,645	32,234,198
Accumulated other comprehensive loss (Notes 1 and 4)	(1,270,920)	-
	\$ 37,214,725	\$ 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 September 30		Six months ended September 30	
	2008	2007	2008	2007
Revenues				
Production revenue	\$ 1,534,373	\$ 789,655	\$ 3,595,197	\$ 1,683,154
Royalties	(64,496)	(45,918)	(154,379)	(86,656)
	<u>1,469,877</u>	<u>743,737</u>	<u>3,440,818</u>	<u>1,596,498</u>
Expenses				
General and administrative	396,850	779,753	719,575	1,163,714
Depletion, depreciation and accretion	347,953	269,153	773,304	583,108
Directors & officers insurance	11,250	12,633	23,250	26,533
Foreign exchange	34,808	633,645	94,829	1,184,889
General exploration	(479)	51,370	17,063	392,180
Interest income	(34,414)	(176,520)	(79,355)	(300,271)
Legal settlement (Note 2)	(22,731)	(477,827)	(22,731)	(477,827)
Production costs	592,627	302,547	940,610	564,135
Stock option compensation	6,341	22,817	12,680	45,634
Write-off of oil and gas properties	178	-	33,145	-
	<u>(1,332,383)</u>	<u>(1,417,571)</u>	<u>(2,512,370)</u>	<u>(3,182,095)</u>
Net income (loss) for the period	137,494	(673,834)	928,448	(1,585,597)
Deficit, beginning of period	(37,852,404)	(31,575,206)	(38,643,358)	(30,663,443)
Deficit, end of Period	<u>\$ (37,714,910)</u>	<u>\$ (32,249,040)</u>	<u>\$ (37,714,910)</u>	<u>\$ (32,249,040)</u>
Income (loss) per share -basic	\$ 0.00	\$ (0.01)	\$ 0.01	\$ (0.02)
-diluted	\$ 0.00	\$ -	\$ 0.01	\$ -
Weighted average number of shares outstanding	<u>91,631,081</u>	<u>91,631,081</u>	<u>91,631,081</u>	<u>91,631,081</u>

See accompanying notes.



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

	Three months ended September 30		Six months ended September 30	
	2008	2007	2008	2007
Net income (loss) for the period	\$ 137,494	\$ (673,834)	\$ 928,448	\$ (1,585,597)
Other comprehensive loss in the period				
Fair value adjustment to financial instruments:				
Investment (Note 4)	(884,510)	-	(1,270,920)	-
Comprehensive income (loss) for the period	\$ (747,016)	\$ (673,834)	\$ (342,472)	\$ (1,585,597)

See accompanying notes.

Consolidated Statements of Cash Flows
Expressed in Canadian Dollars
Unaudited

	Three months ended September 30		Six months ended September 30	
	2008	2007	2008	2007
Operating Activities				
Net income (loss) for the period	\$ 137,494	\$ (673,834)	\$ 928,448	\$ (1,585,597)
Changes for non-cash operating items:				
Depletion, depreciation and accretion	347,953	269,153	773,304	583,108
Stock option compensation	6,341	22,817	12,680	45,634
Write-off of oil and gas properties	178	-	33,145	-
	491,966	(381,864)	1,747,577	(956,855)
Changes for non-cash working capital accounts:				
Amounts receivable and prepaids	(233,453)	(227,587)	32,118	(223,241)
Due to/from related parties	-	50,000	(21,897)	50,000
Accounts payable and accrued liabilities	(9,400)	(280,120)	26,522	(214,156)
Inventory	128,059	(93,270)	312,150	(92,900)
Cash provided by (used) in operating activities	377,172	(932,841)	2,096,470	(1,437,152)
Financing Activities				
Issuance of common shares	-	-	-	-
Cash provided by financing activities				
Investing Activities				
Purchase of property and equipment	(1,050,385)	(2,320,849)	(2,720,744)	(5,096,331)
Cash used in investing activities	(1,050,385)	(2,320,849)	(2,720,744)	(5,096,331)
Net decrease in cash during the period	(673,213)	(3,253,690)	(624,274)	(6,533,483)
Cash and cash equivalents - beginning of the period	6,602,040	10,146,002	6,553,101	13,425,795
Cash and cash equivalents – end of the period	\$ 5,928,827	\$ 6,892,312	\$ 5,928,827	\$ 6,892,312

See accompanying notes.

Supplementary disclosures:

Interest received	\$ 34,414	\$ 176,520	\$ 79,355	\$ 300,271
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Non-cash investing activities:

The Company incurred \$584,900 in exploration expenditures which amounts were in accounts payable at September 30, 2007 (June 30, 2008: \$950,850 and March 31, 2008: \$1,551,111).

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

Note 1 – Accounting Policies and Basis of Presentation

The unaudited consolidated interim financial statements of TAG Oil Ltd. and its wholly owned subsidiaries have been prepared in accordance with generally accepted accounting principles in Canada, which were the same accounting policies and methods of computation as the audited consolidated financial statements as at March 31, 2008, 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 September 30, 2008 should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended March 31, 2008.

a) Capital Disclosures

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

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. This standard is effective for the Company for interim and annual periods beginning on or after January 1, 2008. The Company is currently evaluating the effects of adopting this standard.

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 December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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 September 30, 2008
Oil and Gas Properties					
Proved					
PMP 38156-S	30.50	\$ 21,769,272	\$ 1,141,056	\$ (741,396)	\$ 22,168,932
Unproved					
PMP 38153	15.00	32,911	4,578	-	37,489
PMP 38156-D	15.10	195,572	-	-	195,572
PEP 38738-S	30.50	-	-	-	-
PEP 38738-D	15.10	-	-	-	-
PEP 38741	-	-	13,734	(13,734)	-
PEP 38746	16.67	187,040	3,397	-	190,437
PEP 38748	33.33	24,839	10,175	-	35,014
PEP 38757	-	-	276	(276)	-
PEP 38758	100.00	-	6,536	(6,536)	-
PEP 38765	-	-	11,699	(11,699)	-
		22,209,634	1,191,451	(773,641)	22,627,444
Production equipment		7,144,016	794,364	(1,640,543)	6,297,837
Office equipment		28,299	-	(14,718)	13,581
Total		\$ 29,381,949	\$ 1,985,815	\$ (2,428,902)	\$ 28,938,862

The Company's oil and gas properties are located in New Zealand and its interests in these properties are maintained pursuant to the terms of exploration and mining permits granted by the national government. The Company is satisfied that evidence supporting the current validity of these permits is adequate and acceptable by prevailing industry standards in respect to the current stage of exploration on these properties.

During the quarter ended June 30, 2008, the Company and Austral Pacific Energy Ltd. ("Austral") resolved a dispute related to the construction of the Cheal Production Station located on PMP 38156-S. The agreement to resolve the dispute required Austral to issue 2,273,000 common shares to the Company valued at NZ\$2,000,240 and to pay the Company NZ\$300,000 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 is to issue the Company approximately 860,000 additional shares by November 23, 2008. In addition, because the Cheal A7 well was completed successfully for production, Austral will pay the Company an additional US\$250,000 equally over the next twelve months. During the period ended September 30, 2008, the Company received US\$20,833 from Austral as the first payment 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.

Refer to Note 4

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 \$141,624 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 \$37,500 in consulting fees.

Pursuant to an agreement dated June 11, 2008, the Company paid a director compensation of \$3,000.

Pursuant to an agreement dated October 1, 2007, the Company paid a consultant \$30,000 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-Orient’s Chief Operating Officer.

Note 4 – Investment

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

	Number of Common Shares Held	March 31, 2008 Carrying Value	Additions During the Period	Comprehensive loss	September 30, 2008 Market Value
Austral Pacific Energy Ltd.	2,273,000	\$ -	\$ 1,409,260	\$ (1,270,920)	\$ 138,340

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

During the period ended September 30, 2008, Austral Pacific issued additional common shares at a price less than NZ\$0.88, therefore under the Company’s anti-dilution protection clause the Company is to be issued approximately 860,000 additional Austral common shares by November 23, 2008

Note 5 – Asset retirement obligations

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

Balance at March 31, 2008	\$ 513,907
Accretion expense	18,089
Balance at September 30, 2008	<u>\$ 531,996</u>

The Company’s asset retirement obligations result from net ownership interests in petroleum and natural gas development activity. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations to be approximately \$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.

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

b) Incentive Stock Options

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

The following is a continuity of outstanding stock options:

	Number of Options	Weighted Average Exercise Price (1)
Balance at March 31, 2008	1,260,000	0.77
Expired during the period	(100,000)	(0.76)
Granted during the period	225,000	0.25
Balance at September 30, 2008	1,385,000	0.69

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

Number of Shares	Price per Share	Weighted Average Remaining Contractual Life	Expiry Date	Options Exercisable
400,000	US\$0.65	1.25	January 1, 2010	400,000
75,000	US\$0.65	1.58	May 10, 2010	75,000
150,000	\$1.30	2.08	November 22, 2010	150,000
325,000	\$0.70	2.25	August 2, 2011	325,000
60,000	\$0.52	2.50	November 22, 2011	40,000
150,000	\$0.57	2.58	February 1, 2012	100,000
225,000	\$0.25	4.83	August 1, 2013	Nil
1,385,000		2.37		1,090,000

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 six months ended September 30, 2008 was 91,631,081 (2007: 91,631,081) and diluted weighted average shares outstanding for the period was 92,862,017 (2007: 93,116,081). 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 antidilutive.

Refer to Note 10

Note 7 – Capital Disclosures

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

The Company considers its capital structure to include shareholders' equity and working capital. Management is continually monitoring changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas industry. In the event that adjustments to the capital structure are necessary, the Company may consider issuing additional equity, raising debt or revising its capital investment programs.

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any currently contemplated. There have been no changes to the Company's approach to capital management during the period.

Note 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 September 30, 2008 and did not provide for any doubtful accounts nor was it required to write-off any receivables during the six months ended September 30, 2008. As at September 30, 2008 there were no significant amounts past due or impaired.

b) Liquidity Risk

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

The Company's liquidity is dependent upon its operating cash flows and ability to raise funds. To forecast and monitor liquidity the Company prepares operating and capital expenditure budgets which are monitored and updated as considered necessary. Expected future cash flow from the Cheal oil field currently exceeds operating costs and future capital expenditures. Considering these circumstances and the cash balance at September 30, 2008 of \$5.929 million, the Company's liquidity risk is assessed as low. As at September 30, 2008 the Company's only financial liabilities are accounts payable and accrued liabilities of \$633,440.

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 anticipates that commodity prices will affect the Company's cash flow and net income during the remainder of 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 six months ended September 30, 2008, however the Company does anticipate changes in commodity prices to affect results of operations. These commodity price decreases may negatively affect the value of the Company's development property.

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 six months ended September 30, 2008 and any variations in interest rates would not have materially affected net income.

g) Fair Value of Financial Instruments

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

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

Note 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

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. To November 26, 2008 the Company has purchased 3,082,000 common shares for cancellation and return to treasury at an average price of \$0.06 per share.

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 Six Months Ended September 30, 2008	Canada	New Zealand	Total Company
Production revenue	\$ -	\$ 3,595,197	\$ 3,595,197
Royalty expenses	-	(154,379)	(154,379)
		3,440,818	3,440,818
Expenses:			
General and administrative	509,458	210,117	719,575
General exploration	-	17,063	17,063
Production costs	-	940,610	940,610
Stock option compensation	12,680	-	12,680
Directors and officers insurance	23,250	-	23,250
Foreign exchange	(65,499)	160,328	94,829
Depletion, depreciation and accretion	1,645	771,659	773,304
	(481,534)	(2,099,777)	(2,581,311)
Other items			
Interest income	67,614	11,741	79,355
Write-off of oil and gas properties	-	(33,145)	(33,145)
Legal settlement	-	22,731	22,731
	67,614	1,327	68,941
Net income (loss) for the period	\$ (413,920)	\$ 1,342,368	\$ 928,448
Total assets	\$ 5,847,491	\$ 31,367,234	\$ 37,214,725
Capital expenditures for the period	\$ -	\$ 1,985,815	\$ 1,985,815

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Forward Looking Statements

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; 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 November 27, 2008 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 six petroleum permits located in the Taranaki Basin of New Zealand. The Company also has two permit interests (PEP 38738-D and PMP 38156-D) in the Taranaki Basin that will be formally assigned to an arms-length purchaser upon receipt of consent from the Ministry of Economic Development ("MED") in New Zealand. The Taranaki Basin is a lightly explored area with established commercial production and all of our interests in Taranaki cover 15,827 net acres.

At the date of this report there are six wells producing at the Cheal oil field (TAG: 30.5%). The Cheal A7 well was drilled and tested during the quarter and recorded average production for the month of September of approximately 150 gross barrels of oil per day. Cheal A7 is producing using a temporary tie-in with permanent tie-in anticipated during the third quarter. 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 will significantly reduce the Company's cash-flow and profitability 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 September 30, 2008**

During the quarter ended September 30, 2008 the Company incurred \$684,436 (2007: \$2,150,232) worth of net expenditures on its oil and gas properties. For the six month period ending September 30, 2008 the Company has invested \$1,985,815 on its oil and gas properties compared to \$5,056,220 for the same period last year. The primary capital expenditures and activities during the second quarter essentially relate to PMP 38156-S as follows:

PMP 38156-S: \$195,615 (6 months: \$794,364) in costs were incurred by the Company relating to the Cheal oil field production facilities and \$490,050 (6 months: \$1,141,056) of costs were incurred primarily on drilling.

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

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

Contractual Obligations	Total \$	Less than One Year \$	More than One Year \$
Long term debt	-	-	-
Operating leases	-	-	-
Purchase obligations	-	-	-
Other long-term obligations (1)	1,400,000	1,400,000	-
Total Contractual Obligations (2)	1,400,000	1,400,000	-

- (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 \$1,400,000 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 wells previously 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 net income for the second quarter of the 2009 fiscal year of \$137,494 (\$0.00 per share-basic and fully diluted) compared to a loss of \$673,834 (\$0.01 loss per share) for the same period last year. For the six month period ended September 30, 2008 the company recorded net income of \$928,448 (\$0.01 per share – basic and fully diluted) compared to a loss of \$1,585,597 (\$0.02 loss per share) for the same period last year. Net income for the period essentially resulted from the Company's net production revenue. 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 antidilutive.

The Company's revenue for the second quarter consisted of oil and gas sales from the Cheal Oil Field, totalling \$1,534,373 (6 months: \$3,595,197) and interest income of \$34,414 (6 months: \$79,355) compared to \$789,655 (6 months: \$1,683,154) of production revenue and \$176,520 (6 months: \$300,271) 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 September 30, 2008, the Cheal oil field produced 37,717 (6 months: 81,424) gross barrels of oil and 41,660 (6 months: 93,000) gross barrels of oil were sold with associated gas produced being used to generate electricity on-site with excess gas being sold to an independent third party. The Company's 30.5% share of oil produced and sold for the quarter was 11,504 (6 months: 24,834) and 12,706 (6 months: 28,365), respectively. The Company's share of production costs for the second quarter of the 2009 fiscal year amounted to \$592,627 (6 months: \$940,610) while depletion and royalties amounted to \$335,724 (6 months: \$741,396) and \$64,496 (6 months: \$154,379), respectively.

Production for the quarter averaged 410 barrels gross per day (TAG: 125 barrels per day). The tie-in of the Cheal A7 well enabled the Cheal JV to maintain production of approximately 450 barrels per day over the six months ended September 30, 2008. Additional successful drilling is required to maintain and increase daily production and the joint venture is also considering the implementation of a formal cycling plan to manage gas to oil ratio's. 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 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 Waihapa Production Facility and sold prior to the shut-down. As a result of the shut down, processing of raw gas from Cheal into the Waihapa Production Station 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 Waihapa Production Facility will begin again.

Since the Company acquired its interest in PMP 38156-S in June 2006, the Cheal oil field has produced 296,255 barrels of oil to September 30, 2008. From November 2004 to September 30, 2008, however, the Cheal oil field has produced 389,949 barrels of oil.

General and administrative ("G&A") costs for the second quarter of the 2009 fiscal year decreased to \$396,850 (6 months: \$719,575) from \$779,753 (6 months: \$1,163,714) for the same period as last year primarily due to less exploration activity taking place when compared to the same periods last year.

A comparative summary of the Company's G&A costs over the three and six months ending September 30, 2008 is as follows:

	3 months ended September 30		6 months ended September 30	
	2008	2007	2008	2007
Consulting fees	\$ 69,216	\$ 6,000	\$ 99,276	\$ 8,272
Directors fees	3,000	15,807	19,000	49,741
Filing, listing and transfer agent	16,251	15,292	24,524	21,655
Reports	31,062	17,468	31,062	17,468
Office and administration	36,751	30,969	68,825	53,531
Professional fees	24,265	26,083	40,449	67,991
Rent	11,881	11,299	19,314	24,035
Shareholder relations and communications	21,245	26,144	52,508	47,030
Travel	21,371	17,038	51,512	74,064
Wages	176,174	620,520	353,569	847,890
Overhead recoveries	(14,366)	(6,867)	(40,464)	(47,963)
	<u>\$ 396,850</u>	<u>\$ 779,753</u>	<u>\$ 719,575</u>	<u>\$ 1,163,714</u>

In addition to the G&A costs above:

a. The Company recorded a foreign exchange loss for the second quarter amounting to \$34,808 (6 months: \$94,829) compared to a foreign exchange loss of \$633,645 (6 months: \$1,184,889) last year. The foreign exchange loss for the quarter was caused by fluctuations of both the U.S. and New Zealand dollar in comparison to the Canadian dollar.

b. The Company recorded stock option compensation costs of \$6,341 for the quarter ending September 30, 2008 (6 months: \$12,680) 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 (6 months: \$17,063) compared to \$51,370 for the same quarter last year (6 months: \$392,180).

d. The Company received \$22,731 from Austral Pacific as part of the agreement to resolve the dispute related to the construction of the Cheal facility. Specifically, the \$22,731 consists of the first 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	
	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$
Total revenue	1,534,373	2,060,824	1,181,981	1,238,819	789,655	893,499	366,611	337,311
General and administrative	(396,850)	(322,725)	(735,459)	(421,921)	(779,753)	(383,961)	(741,455)	(430,745)
Foreign Exchange	(34,808)	(60,021)	(509,337)	(188,290)	(633,645)	(551,244)	47,086	634,690
Stock option compensation	(6,341)	(6,339)	(11,382)	(22,817)	(22,817)	(22,817)	(23,838)	(39,219)
Other	(958,880)	(880,785)	(276,812)	(7,202,724)	(27,274)	(847,240)	(15,992,555)	(1,273,535)
Net income (loss)	137,494	790,954	202,615	(6,596,933)	(673,834)	(911,763)	(16,344,151)	(771,498)
Basic income (loss) per share	0.00	0.01	0.00	(0.07)	(0.01)	(0.01)	(0.19)	(0.01)
Diluted income (loss) per share	0.00	0.00	0.00	(0.07)	(0.01)	(0.01)	(0.19)	(0.01)

Liquidity and Capital Resources

The Company ended the second quarter with \$5,928,827 (September 30, 2007: \$6,892,312) in cash and cash equivalents and \$7,504,083 (September 30, 2007: \$7,633,746) 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 September 30, 2008 outside of paying wages and certain other general and administrative expenses as disclosed in this report and in the accompanying unaudited consolidated 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

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

REGIONAL EXPLORATION OFFICE

New Plymouth, New Zealand

SUBSIDIARIES

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

SHAREHOLDER RELATIONS

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

SHARE CAPITAL

At November 26, 2008, there were
89,799,081 shares issued and outstanding.
Fully diluted: 91,184,081 shares

BANKER

Bank of Montreal
Vancouver, British Columbia

LEGAL COUNSEL

Blake, Cassels & Graydon
Vancouver, British Columbia

Bell Gully
Wellington, New Zealand

AUDITORS

De Visser Gray
Chartered Accountants
Vancouver, British Columbia

REGISTRAR AND TRANSFER AGENT

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held
on December 19, 2008 at 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: TAGOF

WEBSITE

www.tagoil.com