TAG Oil

ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2013

Dated July 2, 2013

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1. GENERAL

1.1 Forward Looking Statements

Certain statements in this Annual Information Form ("**AIF**") constitute forward-looking statements. These forward-looking statements are not guarantees of TAG Oil Ltd.'s ("**TAG Oil**" or the "**Corporation**") future operational or financial performance and are subject to risks and uncertainties. When used in this AIF, the words "may", "will", "should", "could", "would", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue" and similar expressions, and statements related to matters that are not historical facts are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these statements, which speak only as of the date of this AIF. These statements are based on certain factors and assumptions and involve known and unknown risks and uncertainties that may cause the actual results, performances, or achievements of TAG Oil to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements.

Forward-looking statements contained in or incorporated by reference in this AIF include, but are not limited to, statements with respect to: performance characteristics of TAG Oil's major oil and gas property located in TAG Oil's 100% owned PMP 38156 ("**Cheal Oil and Gas Field**" or "**Cheal**"); the expected infrastructure enhancements, exploration and development, drilling and optimization operations of TAG Oil's properties in the Taranaki, Canterbury, and East Coast Basins of New Zealand; oil and natural gas production estimates and targets, including those at Cheal Oil and Gas Field and TAG Oil's 100% owned PMP 53803 and PEP 38748 (collectively, the "**Sidewinder Permit**"), including, without limitation, statements regarding BOE/d production capabilities; capital expenditure programs and estimates relating to timing, cost and cash flow generation related to these programs; projections of market prices and costs; supply and demand for oil and natural gas; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; treatment under governmental regulatory regimes and tax laws; the potential expansion of production at the Cheal Oil and Gas Field and Sidewinder Permit; and the potential to acquire new property in the Taranaki Basin.

In addition, please note that all statements relating to "reserves" or "resources" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves and resources described can be profitably produced in the future, as are more particularly set out in TAG Oil's annual oil and gas filings under National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**").

All forward-looking statements in this AIF are based on management's reasonable beliefs, intentions, and expectations with respect to future events as of the date of this AIF and are subject to certain risks, uncertainties, and assumptions. The principal material assumptions underlying TAG Oil's forward-looking statements are that TAG Oil will be able to continue to develop the Cheal Oil and Gas Field and Sidewinder Permit and achieve exploration and development success in the Taranaki, Canterbury, and East Coast Basins, that currency exchange rates between the U.S., Canada and New Zealand dollars remain stable, that TAG Oil will maintain its permits in good standing and be granted additional permit terms as necessary, that oil and gas prices do not decline materially and that TAG Oil will continue to maintain its oil sales contract with Shell (Petroleum Mining) Company Limited ("**Shell**"). Additional risk uncertainties and factors include those disclosed herein under "Risk Factors". These factors include, but are not limited to, risks associated with operations, production estimates, loss of market, regulatory matters, commodity price risk, environmental risks, industry competition, uncertainties as to the availability and cost of financing, risks in conducting operations in New Zealand, potential delays or changes in plans with respect to exploration, development or capital expenditures. Actual operational and financial results may differ materially from TAG Oil's expectations contained in the forward-looking statements as a result of various factors, many of which are beyond the control of TAG Oil. In light of the many risks and uncertainties that may cause future results to differ materially from those expected, TAG Oil cannot give assurance that the forward-looking statements contained in this AIF and the documents incorporated by reference will be realized. Forward-looking statements are not guarantees of future performance. Except as required by applicable law, TAG Oil does not assume any obligation to publicly update these statements, or disclose any difference between TAG Oil's actual results and those reflected in these statements.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this AIF, and the documents incorporated by reference herein, are expressly qualified by this cautionary statement.

In the event that any of these assumptions prove to be incorrect, or in the event that TAG Oil is impacted by any of the risks identified above, TAG Oil may not be able to continue its business as planned.

1.2 Effective Date of Information

The information contained herein is stated as of March 31, 2013, unless otherwise stated.

1.3 Accounting Principles

All financial information in this AIF is prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

1.4 Currency and Measurement

All currency amounts in this AIF are stated in Canadian dollars unless otherwise indicated.

Abbreviations

Crude Oil and Natural Gas Liquids		**Natural Gas**	
Bbls	barrels	Mcf	Thousand cubic feet
Bbls/d	barrels per day	MMcf	Million cubic feet
Mbbls	thousand barrels	Mcf/d	Thousand cubic feet per day
BOE	barrels of oil equivalent of natural gas and crude oil, unless otherwise indicated	MMcf/d	Million cubic feet per day
BOE/d	barrels of oil equivalent per day		

Conversion

The following table sets forth certain standard conversions from Standard Imperial units to the International System of Units (or metric units).

To Convert From	To	Multiply by
Mcf	Thousand Cubic Meters	0.0282
Thousand cubic meters	Mcf	35.494
Bbls	Cubic meters	0.159
Cubic meters	Bbls	6.290
Feet	Meters	0.305
Meters	Feet	3.281
Miles	Kilometers	1.609
Kilometers	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

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

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

2. CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

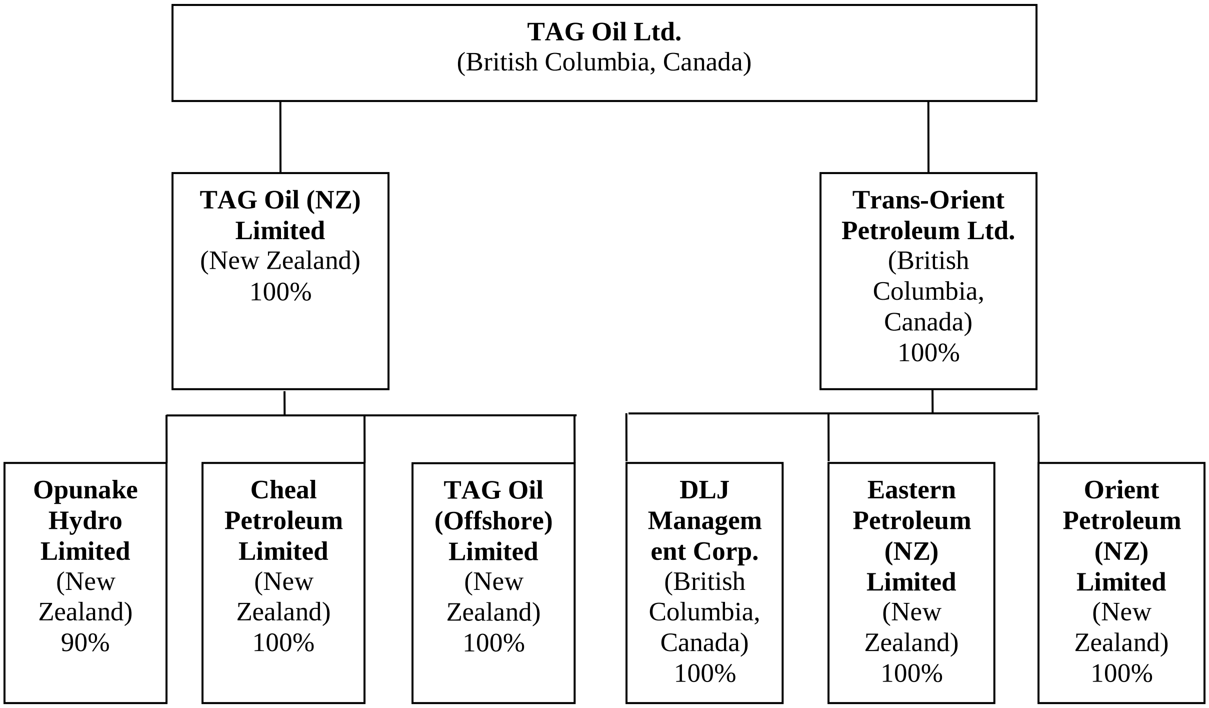
TAG Oil's full corporate name is "TAG Oil Ltd." and TAG Oil's registered and records office is located at Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3, and its head office is located at Suite 2040, 885 W. Georgia Street, Vancouver, British Columbia, V6C 3E8.

TAG Oil was incorporated under the laws of British Columbia on December 12, 1990 under the name "398052 B.C. Ltd." Its name was subsequently changed to "Aldus Energy (Canada) Corp." on January 28, 1991, to "Aldus Energy Corp." on April 4, 1991, to "Durum Energy Corp." on July 18, 1991, to "Durum Cons. Energy Corp." on October 27, 1998, and to its current name "TAG Oil Ltd." on June 12, 2002. On January 16, 2006, TAG Oil was re-domiciled from a company subsisting under the Business Corporations Act (Yukon) back to British Columbia by way of continuance under the Business Corporations Act (British Columbia) (the "**B.C. Act**").

2.2 Intercorporate Relationships

As at the date of this AIF, TAG Oil's directly owned subsidiaries are: TAG Oil (NZ) Limited ("**TAG NZ**"), incorporated under the laws of New Zealand, and Trans-Orient Petroleum Ltd. ("**Trans-Orient**"), amalgamated under the laws of British Columbia. TAG Oil's indirectly owned subsidiaries are: Opunake Hydro Limited ("**OHL**"), incorporated under the laws of New Zealand, Cheal Petroleum Limited ("**Cheal Petroleum**"), incorporated under the laws of New Zealand, TAG Oil (Offshore) Limited, incorporated under the laws of New Zealand, DLJ Management Corp. ("**DLJ**"), incorporated under the laws of British Columbia, Eastern Petroleum (NZ) Limited ("**Eastern**"), incorporated under the laws of New Zealand, and Orient Petroleum (NZ) Limited ("**Orient**"), incorporated under the laws of New Zealand.

The following chart shows the corporate relationships between TAG Oil and its subsidiaries as at the date of this AIF:



3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 <u>Three Year History</u>

The following is a summary of the key events in the development of TAG Oil's business over the last three completed fiscal years and to the date of this AIF. For further detail of TAG Oil's oil and gas reserves and resources for the 2013 fiscal year and as at the date of this AIF, please refer to the heading "Oil and Gas Activities", TAG Oil's Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information* as at March 31, 2013, the report of Sproule International Limited ("**Sproule**") effective as of March 31, 2013, as disclosed on Form 51-101F2 *Report on Reserves Data* by Independent Qualified Reserves Evaluator or Auditor and Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure*, which have been filed under TAG Oil's profile on SEDAR at www.sedar.com and are incorporated by reference into this AIF. Readers are further cautioned that references herein to well flow test results may be misleading as test results are not necessarily indicative of long term performance or of ultimate recovery.

Acquisitions and Dispositions

On September 7, 2010, TAG Oil acquired 100% interest in the Cardiff prospect located at the Cheal Oil and Gas Field (the "**Cardiff Prospect**") for cash, assumption of a 0.775% gross overriding royalty of 15.1% interest in the permit and certain asset retirement obligations associated with the deep prospect. This interest was acquired from the receivers and liquidators of Austral Pacific Energy Ltd. ("**Austral**").

On November 4, 2010, TAG Oil relinquished 25% of PEP 38348, located in the East Coast Basin of New Zealand and made a commitment in writing to the next stage of the work program for PEP 38348 with the Ministry of Economic Development in New Zealand (the "**MED**").

On December 10, 2010, TAG Oil acquired from Mighty River Power, a New Zealand state-owned utility, a 20% interest in the shallow offshore permit PEP 52181 in exchange for cash. The permit is also referred to as "Kaheru" and covers a 77,039 acre area in the main Taranaki oil and gas discovery fairway located just 8km from shore and is in close proximity to existing infrastructure, making commercialization in the event of discovery efficient and cost effective. As at the date of this AIF, the ownership of PEP 52181 has changed into a simple two-company joint venture and New Zealand Oil and Gas, a New Zealand and Australian listed company, is now the operator and TAG's working interest has increased to 40%.

On September 1, 2011, TAG Oil and Apache New Zealand Corporation LDC ("**Apache**") entered into a farmout agreement (the "**Farmout Agreement**") to explore and potentially develop oil and natural gas resources in PEP 38348, PEP 38349, and PEP 50940 located the East Coast Basin of New Zealand. Apache agreed to pay for a portion of TAG Oil's direct costs incurred to the date of entering into the Farmout Agreement, as well as providing TAG Oil with a full carry on three phases of operations to a maximum agreed cost in each phase. If the agreed cost was exceeded in any phase, or if additional operations were conducted, Apache would be required to pay a majority share of any drilling or seismic costs in accordance with the specified percentages set out in the Farmout Agreement. Subject to certain conditions, the planned exploration work program was planned to be conducted over the next four years from the date of the Farmout Agreement. Seismic operations were completed in 2012 and phase 1 drilling was originally set to commence after mid-2012.

In October 2011, TAG Oil announced the completion and commissioning of its 100% owned Sidewinder Permit production facility (the "**Sidewinder Production Facility**") and a 3.5km pipeline. Permanent tie-in of all four Sidewinder Permit wells has since been completed and TAG Oil has acquired 60 square km of new 2D seismic data that will be followed by a multi-well drilling program within this lightly explored permit.

On December 9, 2011, TAG Oil launched a normal course issuer bid to purchase up to 4,427,774 of its common shares through the facilities of the Toronto Stock Exchange ("**TSX**"). There were 67,300 common shares purchased and cancelled under the bid at an average weighted purchase price of $5.91 per common share, which expired on December 9, 2012.

On February 22, 2012, TAG Oil was awarded a mining permit, referred to as PMP 53803 that covers 714 acres of PEP 38748, which is the location of the Sidewinder Permit. PEP 38748 (covering 7,487 acres or 6,773 acres after removing the PMP 53803 amount) remains a valid permit in good standing in full force and effect.

On March 6, 2012, TAG Oil announced that it is initiating a $66 million capital expenditure program within the Cheal Oil and Gas Field and Sidewinder Permit. This program consists of continued high-impact exploration and development drilling targeting the shallow (2,000m) oil prone zones, deeper drilling (4,000m) targeting large liquids-rich gas prospects and various workover operations to existing wells. In addition, TAG Oil also planned to expand its wholly-owned production infrastructure at the Cheal Oil and Gas Field in order to bring additional production on-stream arising from new discoveries and production that currently sits behind pipe. This capital expenditure program is funded from proceeds of offerings, existing working capital, and revenues from current oil and gas production.

On June 4, 2012, TAG Oil confirmed that it has entered into an agreement with Rawson Taranaki Limited ("**Rawson**") and Zeanco (NZ) Ltd. ("**Zeanaco**") to acquire a 100% interest in PEP 52589, PEP 52676 and PEP 53674, which cover approximately 2 million acres in the East Coast and Canterbury Basins. Under the terms of the agreement, TAG Oil will pay to Rawson and Zeanco $2,300,000 in the aggregate and undertake all future exploration work program commitments. The MED has consented to the closing of this transaction. TAG Oil has since carried out a geochemical survey to enable greater understanding of the near surface geology of PEP 52676 and PEP 53674, which are located in the East Coast Basin, and the results are currently being analyzed in conjunction with a geological and seismic review report to be completed.

On August 17, 2012, TAG Oil acquired 25,975,000 common shares in the capital of Coronado Resources Ltd. ("**Coronado**"), a mining company, pursuant to a private placement by Coronado, at a price of $0.12 per common share, which represent approximately 40.08% of Coronado's issued and outstanding common shares, for investment purposes.

On December 10, 2012, TAG Oil launched a normal course issuer bid to purchase up to 5,586,926 of its common shares through the facilities of the TSX. There have been 510,000 common shares purchased and cancelled under the bid at an average weighted purchase price of $3.98 per common share, which will expire on December 9, 2013.

On December 11, 2012, New Zealand Petroleum and Minerals ("**NZP&M**") awarded TAG Oil with four onshore exploration blocks offered in New Zealand's 2012 blocks offer program ("**2012 New Zealand Blocks Offer**"). The permits awarded are PEP 54873, PEP 54876, PEP 54877, and PEP 54879, which are all located in the Taranaki Basin, New Zealand, and add 37,501 additional gross acres in the main Taranaki oil and gas discovery fairway. Other key features to these permits are:

- extensive TAG Oil controlled proprietary 3D seismic coverage over three of the permits;

- PEP 54876, PEP 54877, and PEP 54879 initially add at least ten shallow, low-risk drilling prospects plus numerous leads identified on 3D seismic in close proximity to the Cheal Oil and Gas Field;

- joint venture is created with East West Petroleum Ltd. ("**East West**") in which TAG Oil will operate the permits and East West will fund four wells to a maximum of $2.5 million per well before TAG Oil and East West pay their pro-rata share of costs over $2.5 million within PEP 54876, PEP 54877 and PEP 54879 in 2013 earning East West a 50% interest in PEP 54876 and PEP 54879, and a 30% interest in PEP 54877;

- PEP 54873 (TAG Oil 100%) also referred to as "Heatseeker" (the "**Heatseeker Prospect**") provides several shallow drilling leads along with significant exploration upside via a drill-ready deep gas and condensate prospect that has similar geological features to the adjacent 1.3 TCF Kapuni gas/condensate field; and

- economically robust commercial potential: any new discoveries arising from drilling in these new blocks will be cost-effectively tied into the Cheal Production Facility.

On August 29, 2012, TAG Oil entered into a deed to acquire a 90% interest in OHL, an established New Zealand electricity generation and retailing company, through the investment of approximately $5 million. The funds are being used by OHL to expand its total generation capacity by acquiring and installing gas fired generation at the Cheal Oil and Gas Field. On February 8, 2013, TAG's investment in OHL was completed and on April 8, 2013, gas fired generation equipment with 2 megawatts of generation capacity were commissioned and is currently providing electricity to the Cheal Oil and Gas Field with excess electricity sent to the national grid. The acquisition of OHL has allowed TAG Oil to add another purchaser for its natural gas, as well as participate in the upside of a growing electricity generation and retail business in New Zealand.

On January 11, 2013, TAG Oil confirmed that Apache elected not to undertake the Phase 2 program under the Farmout Agreement relating to drilling PEP 38348, PEP 38349, and PEP 50940 in the East Coast Basin of New Zealand. Under the Farmout Agreement, Apache is obligated to pay all costs and expenses actually incurred or committed in respect of the Phase 1 program. On January 31, 2013, TAG Oil and Apache concluded an agreement for early termination of the Farmout Agreement. The main highlights of the agreement are:

- Apache paid TAG Oil a $15 million lump sum payment to satisfy its obligations related to funding Phase 1 operations under the Farmout Agreement;

- TAG Oil retains all assets developed under the Farmout Agreement, including all seismic and technical work completed; and

- TAG Oil retains a 100% interest in PEP 38348, PEP 38349 and PEP 50940.

On April 4, 2013, TAG Oil reported that its 100% owned Cheal Oil and Gas Field production facility ("**Cheal Production Facility**") infrastructure expansion project has been completed. The original Cheal Production Facility was constructed at a cost of approximately $25 million by the previous operator, Austral Pacific Energy Ltd. ("**Austral**"). At an additional cost of approximately $30 million, the Cheal Production Facility now has expanded oil processing capability, gas-liquids' extraction capabilities, and a new 11km pipeline to New Zealand's primary gas transmission pipeline. Together with the Sidewinder Production Facility and pipeline network, TAG Oil controls approximately $100 million in critical infrastructure and is a completely independent processor, transporter, and marketer of the oil and gas it discovers, extracts, and produces.

On May 13, 2013, TAG Oil agreed to sell its 90% stake in OHL to Coronado in exchange for common shares of Coronado valued at approximately $5 million. The transaction is being completed pursuant to the terms of a definitive share purchase agreement ("**Share Purchase Agreement**") between TAG Oil, Coronado and the vendor of the remaining 10% interest in OHL. Under the terms of the Share Purchase Agreement, TAG Oil will receive 13,015,410 common shares of Coronado valued at $0.39 per share. The Coronado share price is based on the volume weighted average closing price of Coronado's common shares on the TSX Venture Exchange ("**TSX-V**") for the twenty consecutive trading days ending on May 10, 2013. TAG Oil currently holds 25,975,000 common shares, or 40.08%, of Coronado and upon completion of the transaction, TAG Oil will hold 38,990,410 common shares, or 49.18%. The common shares will be held for investment purposes and TAG Oil may, depending on market and other conditions, increase or decrease its beneficial ownership of common shares or other securities of Coronado whether in the open market, by privately negotiated agreement or otherwise. Completion of the transaction is subject to a number of conditions, including approval by Coronado's shareholders and the TSX-V, as well as consent from the Overseas Investment Office of New Zealand. TAG

Oil will retain an exposure to a growing electricity generation and retail business in New Zealand through its investment in Coronado.

Exploration and Production

On May 13, 2010, TAG Oil completed a 17-ton artificial fracture stimulation into the Mt. Messenger formation on the Cheal-A7 well. Initial flow testing indicated that daily production rates increased on the Cheal-A7 well to 292 BOE per day. This well has declined naturally through the initial flush production stage and has since stabilized. The initial increase in production from this well justified the re-completion expense, but long term production was not sufficiently higher to warrant fracture stimulating further wells of this nature within Cheal.

On May 26, 2010, a change of conditions was lodged with the MED for PEP 50940, located in the East Coast Basin, to drill at least four oriented core holes and conduct trenching in place of conducting a 2D seismic survey while also relinquishing a portion of the least prospective area of the permit. The change of conditions has been granted by the MED and under the new terms of the permit TAG Oil has completed the orientated coring operations on eight stratigraphic wells and the trenching operations to evaluate the structure of the Tangamatai area of interest.

In June 2010, downhole heaters were installed in the Cheal-A1 well in an attempt to handle the waxy nature of the crude produced from the Urenui formation. Testing of the heaters proved to be unsuccessful due to equipment concerns. Although initial results from the downhole heater installation were promising, the equipment proved over time to be mechanically unreliable. Downhole heating will not be installed in future Cheal wells.

In June 2010, a leaking casing patch that was initially set to patch perforations in the Cheal-A3X well over the Urenui formation was removed and a removable bridge plug was set below the Urenui formation, temporarily suspending production from the Mt. Messenger formation. The completion string was reconfigured with wax reduction technology. This well was subsequently placed on permanent production from the Urenui formation.

In June 2010, a 60 square km surface geological mapping survey was completed in preparation for a shallow stratigraphic well that was subsequently drilled on the Kawakawa anticline located in PEP 38349 on the East Coast Basin.

On September 22, 2010, the second phase of the optimization operations commenced at the Cheal Oil and Gas Field with a 34 ton fracture stimulation being conducted on the Cheal-B3 well. The well remains on long term production.

On September 29, 2010, the Sidewinder-1 well located on the Sidewinder Permit was drilled to a total depth of 1,601m and encountered 14m of net (22m gross) oil-bearing sandstones in the Mt. Messenger formation. Electric logs indicated excellent reservoir qualities, with average porosities of 22.5% and oil saturations of 60%. The well was later perforated and a 10-day sustained production test was completed in November 2010 resulting in stabilized flow rates of 8.5 million cubic feet of gas and 44 barrels of oil per day.

On September 29, 2010, the Cheal-BH-1 horizontal well located on the Cheal Oil and Gas Field was drilled to a total depth of 2,285m, including a 550m horizontal section within the Mt. Messenger formation. Uphole mudlogs recorded better than expected oil and gas shows within the secondary Urenui formation target at a depth of approximately 1,400m. In the Mt. Messenger horizontal section of the well, a total of 430m of continuous reservoir penetration was interpreted with high oil and gas readings during the drilling operations. The multi-phase fracture completion assembly was successfully landed at a total depth of 2,280m, with all stage packers successfully deployed and production commenced. Additional re-completion of the Cheal-BH-1 well was undertaken in the fourth quarter of the 2011 fiscal year by perforating an additional 225m of pay. An economic decision was made to let the well continue to produce as is, rather than risk further workovers on the well.

On February 15, 2011, TAG Oil commenced drilling the Cheal-B4ST well located on the Cheal Oil and Gas Field, which was the first of several "step-out" wells targeting the proven, producing light oil and gas zones in the Mt. Messenger and Urenui formations. Cheal-B4ST re-entered the suspended Cheal-B4 well, which previously recorded strong oil shows and was drilled to a total depth of 1,810m, encountering 17m of net oil-bearing sandstones. Electric logs indicated that four separate zones were likely to be oil-charged with excellent porosity and permeability and that two of the four zones intersected are oil-bearing zones never before encountered in wells within the Cheal Oil and Gas Field, further demonstrating that the entire 7,500 acre Cheal Oil and Gas Field area is oil-prone, with multiple shallow horizons prospective for discovery.

On March 14, 2011, the Sidewinder-2 sidetrack well located on the Sidewinder Permit was drilled to a total depth of 1,597m, and encountered 47m of net oil-and-gas-bearing sandstones, including "free oil" observed over the shakers during the drilling operation from multiple potential pay zones. Furthermore, electric log data indicates these zones have excellent reservoir qualities. While this well has intersected and extended the area of the main Sidewinder-1 discovery zone, the Sidewinder-2 well has also encountered five separate oil-and-gas-charged pay zones, both above and below the primary target. The initial flow test was completed in June 2011, which achieved stabilized flow rates during a 4-point isochronal flow test of 8.8 million cubic feet of gas per day.

During the 2011 fiscal year, TAG Oil secured a land access agreement and drilled two additional shallow stratigraphic wells to approximately 250m in PEP 38348 located on the East Coast Basin. During the drilling of shallow wells in PEP 38348, potential conventional reservoirs were encountered at shallow depths of less than 250m with net pay intercepted in each well of approximately 7m (gross pay of approximately 11m) under high pressure and high quality light crude oil being recovered while drilling.

During the fourth quarter of the 2011 fiscal year, TAG Oil continued to prepare for increased explorations operations on the East Coast Basin of New Zealand, targeting widespread fractured oil shale prospects and conventional targets at depths ranging from 250m to 3,000m in PEP 38348, PEP 38349 and PEP 50940. Several shallow stratigraphic core wells were drilled to help further define depths and optimal drilling locations where the Waipawa and Whangai shale formations will be intersected.

On April 5, 2011, the Sidewinder-3 exploration well located on the Sidewinder Permit was drilled to a total depth of 2,160m, targeting a large anomaly identified on 3-D seismic, approximately 1.1km to the south of the recent Sidewinder-1 and Sidewinder-2 discovery wells. The Sidewinder-3 well encountered 15.4m of net oil-and-gas-bearing sandstones. The initial flow test was completed in June 2011, which achieved stabilized flow rates during a 4-point isochronal flow test of 7.21 million cubic feet of gas per day.

On May 6, 2011, the results from drilling the Sidewinder-4 well located on the Sidewinder Permit was sidetracked to a location down-dip of the Sidewinder-3 well, targeting a fault-bounded 3-D anomaly, which intercepted a gross 29m thick sandstone reservoir. The total depth of the

Sidewinder-4 well is 1,410m, with 19m of net oil-and-gas-charged sandstones, with electric logs indicating hydrocarbon charge to the base of the sandstone. Also, “free oil” was observed over the shakers during the drilling operation from the target zone. The initial flow test was completed in June 2011, which achieved stabilized flow rates during a 4-point isochronal flow test of 6.98 million cubic feet of gas per day.

On May 31, 2011, the Cheal-B4ST exploration well located on the Cheal Oil and Gas Field was placed on permanent production through the Cheal Production Facility.

On June 6, 2011, the Cheal-C1 well located on the Cheal Oil and Gas Field was drilled and completed for production testing of the light oil and gas potential identified in both the Mt. Messenger and Moki formations. Cheal-C1 was drilled directionally from the Cheal C-Site approximately 3.5km to the northwest of the existing Mt. Messenger producing wells, with results extending the Mt. Messenger oil saturation area over a considerably larger area than previously known. Over 15m of net oil-and-gas bearing sandstones were intercepted in the Mt. Messenger area with good porosity. The Mt. Messenger zone was the primary objective of the Cheal-C1 well, however it was deepened to a total depth of 2,382m to test the down-dip edge of a large closure within the deeper Moki formation. Strong oil and gas shows were encountered within a 73m thick, high-quality section of porous and permeable sandstone.

On June 23, 2011 a 4-Point Isochronal flow test was completed over the main discovery zone in the Sidewinder-2 discovery well, which achieved stabilized flow rates of 8.8 million cubic feet per day (approximately 1,467 BOE/d) with less than a 25% drawdown. The Sidewinder-2 well encountered 47m oil-and-gas-bearing sandstones within the Mt. Messenger formation.

On November 28, 2011, TAG Oil reported that it received consent from the Taranaki Regional Council and the Stratford District Council to drill eighteen new wells within the Cheal Oil and Gas Field. TAG Oil also reported that an agreement was concluded with Petra Drilling (“**Petra**”), a 100% owned subsidiary of New Zealand-based Webster Drilling and Exploration, which gives TAG Oil exclusive rights to a state-of-art drilling unit. Under the terms of the agreement, TAG Oil will provide secured financing for Petra to acquire and deliver to New Zealand the fully automated VR500 rack and pinion, top-drive drill rig. In exchange, TAG Oil has secured a fixed price for future drilling, as well as the first right of refusal on use of the rig, until all financing has been repaid.

On December 5, 2011, TAG Oil announced what it believes to be the most extensive pay interval ever recorded by a Cheal Oil and Gas Field well, Cheal-B5, which included porosities of up to 30% (averaging over 25%) and a 60% total gas kick encountered while drilling. The Cheal-B5 discovery well naturally flowed at an average rate of 1,870 BOE/d, consisting of 1,700 Bbls/d of oil and 1.0 Mmcf/d flowing through a 40/64 inch choke over a five-day test period. TAG Oil perforated and flow tested 20m of continuous oil-and-gas pay in the Cheal-B5 well within the 35m of net pay intercepted within the primary Mt. Messenger formation target. The Cheal-B5 well was drilled, tested and placed on full-time production in less than thirty days, with capital payback in approximately fourteen days.

On December 8, 2011, TAG Oil reported that the Cheal-C1, Cheal-C2 and Cheal-A8 wells had been flow tested. The Cheal-C1 well encountered 15m of net oil-and-gas pay within the Urenui and Mt. Messenger zones and approximately 9m of pay was perforated within the primary Mt. Messenger formation target. The Cheal-C2 well encountered more than 12m of net pay within the primary Mt. Messenger formation target, all of which was perforated. Results from the Cheal-A8 well showed that 15m of oil-and-gas pay were encountered.

On March 5, 2012, TAG Oil announced that the Cheal-B7 discovery well was flow tested and was naturally flowing at an average rate of more than 1,100 Bbls/d of light oil per day plus associated gas. The Cheal-B7 well was drilled to a total depth of approximately 2,100m and encountered a total of 18m of high quality oil-and-gas-bearing sands within the targeted Urenui and Mt. Messenger zones, located to the northeast and up-dip of the Cheal-B5 well.

On April 2, 2012, TAG Oil announced that flow testing of Cheal-B6, Cheal-A9 and Cheal-A10 wells has confirmed commercial oil discoveries within the Urenui zone at a depth of approximately 1,400m. The wells are expected to be placed on full-time production, along with other established production, following completion of the enhancements to the Cheal Oil and Gas Field's artificial lift capabilities.

On June 25, 2012, the Cheal-C3 well recorded a total of 17.5m of pay including 6.5m of pay within the Urenui formation and 11m of pay in the Mt. Messenger formation. It is important to note that Cheal-C3 well was drilled updip of the Cheal-C2 gas and condensate discovery well, and continues to extend the known oil and gas saturation area in this new discovery Cheal C-Site. Following completion and testing operations, the Cheal-C3 well demonstrated that oil will become the dominant product produced, so oil lifting and pumping equipment is currently being evaluated to maximize deliverability from that well.

On June 27, 2012, the Cheal-C4 well reached total depth and recorded a total of 17.5m of pay in the targeted Mt. Messenger formation. The Cheal-C4 well is the first down-dip follow-up well to the Cheal-C1 oil discovery well, but following completion and testing operations, the Cheal-C4 well has not proven to be an economic long-term producer to date, producing oil at lower daily thresholds than operating costs mandate for profit.

On December 11, 2012, the Cheal-B8 well reached a total depth of 3,600m encountering 26m of high quality oil-and-gas pay within the initial 2,000m of the well. Following the logging and casing of the up-hole oil discovery, the Cheal-B8 well was deepened a further 1,600m to test a wildcat target in the Tikorangi formation, however electric logging did not indicate sufficient pay present at this depth. This result does not affect the potential in the deeper Kapuni formation targets that TAG Oil will be drilling in the Taranaki Basin. TAG Oil subsequently tied-in Cheal-B8 to its Cheal Production Facility, along with Cheal-A11 and Cheal-A12, which recorded a total of 30m and 23m of net pay, respectively.

During the third quarter of fiscal 2013, TAG Oil was granted consent by the New Plymouth District Council to drill four new wells within the Sidewinder Permit. TAG Oil went on to immediately completed site construction, and on March 19, 2013, announced the drilling and completion of the Sidewinder-A5 and A6 wells, which have been perforated and tied-in to the Sidewinder Production Facility and for long term production. As at the date of this AIF, the Sidewinder-A7 well has also been drilled and completion operations are currently underway, followed by tie-in to the Sidewinder Production Facility for testing. Consistent with the original four Sidewinder Permit discovery wells drilled to date, the Sidewinder-A5, A6 and A7 wells encountered similar quality reservoir sands within the Mt. Messenger formation at approximately 2,000m depth. TAG Oil plans to drill the Sidewinder-A8 well in fiscal 2014 using its proprietary 3D seismic, combined with new 2D seismic that was acquired during fiscal 2012.

During the third quarter of fiscal 2013, TAG Oil acquired and processed an 80 square km 2D seismic survey within PEP 52589, situated both offshore and onshore in the Canterbury Basin, South Island, New Zealand (the "**Canterbury Prospect**"), as well as a 100km magnetic data acquisition that TAG Oil is continuing to analyze. TAG Oil has evaluated the 2D seismic data and has identified a number of leads and prospects within the Canterbury Prospect, but has concluded that more seismic data is required to properly mature the prospects to a status that would enable a drilling decision to be made. On June 14, 2013, a change of conditions application was submitted to NZP&M seeking to acquire further seismic data before drilling a well. As at the date of this AIF, TAG Oil has not received approval of the change of conditions by NZP&M.

On January 23, 2013, TAG Oil announced its Taranaki Basin drilling program for the 2013 calendar year within the Cheal and Sidewinder Permit, and within TAG Oil's newly awarded acreage in PEP 54873, PEP 54876, PEP 54877 and PEP 54879 that were acquired during the 2012 New Zealand Blocks Offer. This drilling campaign is expected to consist of a minimum thirteen wells, and will continue to target the Mt. Messenger/Urenui formation targets, as well as deeper high-impact targets in the Kapuni formation, including the Cardiff Prospect. The capital expenditure to drill, complete and test the thirteen wells is estimated at US$36 million and will be funded primarily by operating cash flow generated from current production.

During the 2013 fiscal year, the Ministry of Business, Innovation and Employment in New Zealand received an application from a third party for unitisation of part of the reserves at the Sidewinder Permit's boundary. After receiving legal advice and considering the geological features in the relevant Sidewinder Permit area, TAG Oil considers that the tests for unitisation under the Crown Minerals Act 1991 (New Zealand) are not met. In any case, even if unitisation were required, TAG Oil's share or production is unlikely to be significantly different from production without a unitisation scheme.

On May 14, 2013, TAG Oil announced that the Ngapaeruru-1 exploration well reached a total depth of 1,417m after successfully drilling through the Waipawa and Whangai source rock formations, the main objective of the well. The Ngapaeruru-1 well is located in PEP 38349 on the East Coast Basin of New Zealand and represents New Zealand's first test directly targeting the naturally fractured Waipawa and Whangai formation source rocks. Mud gas shows, which indicate the presence of gas zones or soluble gas in oil, were recorded between the intervals of 1,140m to 1,295m (155m gross hydrocarbon column). Preliminary gas ratio analysis interprets a predominantly wet gas/oil signature. All data from logging of the well has now been forwarded to independent laboratories for expert analysis. In addition, TAG Oil cut and recovered sidewall cores over fourteen separate intervals within the 155m of potential tight oil and gas pay, sampled total organic content and acquired in-situ gas analysis at depth. Detailed petrophysical evaluation is now underway with a full suite of unconventional logs to ascertain source rock quality, fracture identification, geochemistry, and rock moduli data. This data is critical to determining the most suitable completion method for production testing the Ngapaeruru-1 well, as well as to better understand the long term feasibility of TAG Oil's East Coast Basin opportunity.

In June 2013, TAG Oil secured a deep drilling rig to re-drill the Cardiff Prospect. Preparations are underway at the Cheal C-Site to allow the set-up of the drilling rig, which is scheduled for a mid-September 2013 spud date. The Cardiff Prospect operation will see the re-entry of the historic Cardiff 2A-ST1 discovery well, which was a follow-up well to the Cardiff-1 and Cardiff-2 discovery wells. All three of these wells drilled into a resource originally defined in 1992, but due to a string of mechanical failures, never achieved economic production. Gas and condensate was previously produced from three separate zones in these historic wells, but economics, in particular, gas prices did not dictate an economic development at that time. New completion techniques as well as higher gas and condensate prices in New Zealand now create the opportunity to exploit the existing resource. The question of deliverability is the primary risk to the play, as the reservoir, hydrocarbon saturations and depths have been de-risked from past drilling activities. The Cardiff Prospect well will be drilled from the Cheal C-Site, which is now connected by a 4” and a 6” pipeline to the Cheal Production Facility and a 6” gas export line to the open access gas sales network allowing for fast-track development of the well upon success.

Financings

On May 5, 2010, TAG Oil closed an equity offering of a total of 7,700,000 units sold for net proceeds of $18,534,174. Each unit is comprised of one common share of TAG Oil and one-half of one common share purchase warrant. Each whole warrant is exercisable at $3.60 and will entitle the holder thereof to acquire one common share until November 7, 2011, which has now passed and the unexercised warrants have expired.

On November 17, 2010, TAG Oil closed a bought deal common share public offering. TAG Oil sold a total of 10,300,000 common shares at a price of $5.20 per share. TAG Oil also granted to the underwriters an over-allotment option, exercisable in whole or in part at any time on or up to 30 days after the closing of the offering, to purchase up to an additional 1,250,000 common shares at the same price. On November 26, 2010, the over-allotment option was exercised in full. The total net proceeds from the bought deal equity offering including the over-allotment totalled $56,163,805.

On May 15, 2012, TAG Oil closed a bought deal offering of 4,170,000 common shares of TAG Oil at a price of $10.45 per common share for gross proceeds of $46,345,750 (the “**Offering**”). Pursuant to the terms of the underwriting agreement dated April 27, 2012, TAG Oil granted a syndicate of underwriters led by Dundee Securities Ltd. and including Casimir Capital Ltd., Cormark Securities Inc., GMP Securities L.P., Mackie Research Capital Corporation and M Partners Inc. (collectively the “**Underwriters**”) an option to purchase up to an additional 615,000 common shares at a price of $10.45 per common share, exercisable in whole or in part at any time prior to thirty days after the closing date (the **“Over-Allotment Option”**). On May 11, 2012, Dundee Securities Ltd., on its own behalf and on behalf of the underwriters, delivered notice to TAG Oil that the underwriters were electing to partially exercise the Over-Allotment Option to purchase an additional 265,000 common shares. The total net proceeds from the Offering including the Over-Allotment Option was $43,365,746.

The net proceeds from the offerings are being used to fund TAG Oil’s exploration and development programs in the Taranaki, Canterbury and East Coast Basins of New Zealand, and for working capital and general corporate purposes.

Listings

On April 6, 2011, TAG Oil’s common shares commenced trading on the premier tier of the OTC market in the United States, the OTCQX International, under the trading symbol “TAOIF”.

On July 6, 2011, TAG Oil successfully graduated to TSX from Tier-1 of the TSX-V and TAG Oil’s common shares and warrants began trading on the TSX under the same trading symbols: “TAO” and “TAO.WT”. TAG Oil’s unexercised warrants expired on November 7, 2011.

Board of Directors and Senior Officers

On October 25, 2010, Mr. Michael Hart resigned from the TAG Oil’s Board of Directors (the “**Board**”).

On July 5, 2011, Mr. John Vaccaro resigned from the Board and Mr. Keith Hill was subsequently appointed to the Board.

On December 14, 2011, Mr. Ken Vidalin was appointed to the Board.

On May 1, 2013, Mr. Randy Toone, P. Eng. joined TAG Oil as its New Zealand Country Manager, based in New Plymouth, New Zealand. Mr. Toone brings significant operations and energy related expertise and will help TAG Oil leverage its strong position, and execute its business plan which includes building the Corporation's natural gas businesses. Over the past ten years, Mr. Toone was a senior executive with AltaGas Ltd. ("**AltaGas**"), a leading Canadian energy infrastructure company based in Calgary, Alberta, and has held leadership positions with Williams Energy Canada, Petro-Canada Oil and Gas, and Husky Oil Operations.

Reserve Estimates

TAG Oil's proved plus probable reserves increased to 651,000 barrels of oil and 258,000 thousand standard cubic feet of gas in the Cheal Oil and Gas Field per TAG Oil's independent assessment of reserves as of March 31, 2010, prepared by Sproule on July 5, 2010. The increase results from a number of factors such as recovery factors and projected future well performance. The success of this initial optimization program has set the stage for a more aggressive approach to develop the Cheal Oil and Gas Field, and has provided support for the significant upside potential of the Cheal Oil and Gas Field. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenues for all properties, due to the effects of aggregation.

On May 18, 2011, Sproule prepared an independent assessment of TAG Oil's reserves effective as of March 31, 2011, which relates primarily to the Cheal Oil and Gas Field. Due to the timing of operations occurring after March 31, 2011, the reserve assessment of the Sidewinder Permit completed by Sproule was completed with information related only to the Sidewinder-1 well and does not include the subsequently completed Sidewinder-2, Sidewinder-3 and Sidewinder-4 wells located at the Sidewinder Permit. The March 31, 2011 Sproule report also does not include the Cheal-B4ST well (or any other wells drilled subsequent to B4ST) that was drilled to a depth of 1,821 m and encountered 17 m of pay within the Urenui and Mt. Messenger formations and was placed on permanent production on May 31, 2011. The Corporation's net proved plus probable reserves increased from 694,000 BOE at March 31, 2010 to 1,677,000 BOE at March 31, 2011, which resulted from a number of factors such as:

- the Cheal-BH-1 well was drilled and completed;
- establishment of commercial production from a bypassed discovery;
- increased recovery factors; and
- upward revision to projected future well performance.

On June 26, 2012, Sproule prepared an independent assessment of TAG Oil's reserves effective as of March 31, 2012, which relates to the Cheal Oil and Gas Field and Sidewinder Permit. The Corporation's net proved plus probable reserves increased from 1,677,000 BOE at March 31, 2011, to 5,373,000 BOE at March 31, 2012, which resulted from a number of factors such as:

- multi-well drilling success at the Cheal Oil and Gas Field during the 2012 fiscal year resulting in a significant increase in estimated original oil in place related to proved and probable acreage reviewed;

- upward revision to projected future well performance;

- drilling and testing success at the Sidewinder-2, 3 and 4 wells during 2012 fiscal year; and

- increase in recovery factors assigned to the Cheal Oil and Gas Field proved and probable reserves to:

    - Mt. Messenger zone: 1p 20%;

    - Mt. Messenger zone: 2p 22%;

    - Urenui zone: 1p 12%; and

    - Urenui zone: 2p 14%.

On June 27, 2013, Sproule prepared an independent assessment of TAG Oil's reserves effective as of March 31, 2013, which relates to the Cheal Oil and Gas Field and Sidewinder Permit. Taking into account production during the year (641,142 BOE), the Corporation's net proved plus probable reserves increased from 5,983,000 BOE at March 31, 2012, to 6,112,000 BOE at March 31, 2013, which resulted from a number of factors such as:

- multi-well drilling success at the Cheal Oil and Gas Field during the 2013 fiscal year resulting in a significant increase in estimated original oil in place related to proved and probable acreage reviewed;

- continued strong performance of the mature Cheal Oil and Gas Field wells exhibiting predictable conservative declines;

- drilling and testing success at the Sidewinder-5 and 6 wells during 2013 fiscal year; and

- strong performance from the Urenui formation at Cheal, a formation previously thought to be sub-economic by other operators, but now proving moderately prolific given proper operating procedures.

4. DESCRIPTION OF THE BUSINESS

4.1 <u>General</u>

TAG Oil is a Canadian registered oil and gas producer and explorer with assets consisting of approximately 3 million acres of land in the Taranaki, East Coast and Canterbury Basins of New Zealand, and 30,816 net acres (77,039 gross acres) of land offshore in the Taranaki Basin as at the date of this AIF. TAG Oil's business plan is designed to grow through increased operating cash flow, strategic acquisitions and exploration and development operations. The Corporation is continuing an active drilling program and successfully completed its infrastructure expansion to increase plant processing capacity at the Cheal Production Facility and Sidewinder Production

Facility, and monetize its drilling success. TAG Oil remains in a strong financial position, with sufficient working capital to fund operations and meet all commitments for the foreseeable future.

4.2 Summary

Beginning in fiscal 2007, TAG Oil began earning revenues from the sale of hydrocarbons. The extent of such revenue may be affected by principal markets for hydrocarbon products, seasonality of products, or marketing channels.

There is no spot market for natural gas in New Zealand, which means that any gas sales are made under contracts for the primary purpose of electricity generation or reticulation to homes and businesses. Gas produced from both the Cheal Oil and Gas Field and Sidewinder Permit is sold under a gas sales contract with Vector Gas Contracts Limited ("**Vector**"), which was entered into on December 1, 2011, and expires on December 31, 2015. A portion of gas produced at Cheal is also sold pursuant to a gas supply contract between TAG Oil and OHL, which was entered into on February 8, 2013, and expires on February 7, 2018.

The principal markets for sales of oil produced at the Cheal Oil and Gas Field are in the Australasian region. More specifically, Shell purchases all of the oil that TAG Oil produces from the Cheal Oil and Gas Field and exports it to the Australasian markets in accordance with an oil sales contract dated December 28, 2012, and expires on December 31, 2013. All of the oil is trucked from the Cheal Oil and Gas Field to a tank farm located in the Port of New Plymouth, New Zealand, and sold to Shell whose subsidiary, Energy Infrastructure Limited ("**EIL**"), operates the tank farm, pursuant to an oil storage contract dated October 13, 2009, which is to continue in effect on an ongoing basis subject to termination. Approximately every twenty days a tanker arrives at the Port of New Plymouth, which is then filled with TAG Oil's oil along with oil from other producers in the Taranaki Basin, and it is shipped to refineries primarily on the North East coast of Australia. From there, the oil is sold into the Australasian markets, as described above. In terms of oil produced at the Sidewinder Permit, TAG Oil is a party to an oil sales agreement with Shell dated December 28, 2012, and expires on December 31, 2013.

TAG Oil's revenue for the 2013 fiscal year consisted of oil and gas sales from the Cheal Oil and Gas Field totaling $44,591,201 (2012: $42,908,655). TAG Oil's production, transportation and storage costs for the 2013 fiscal year amounted to $9,004,538 (2012: $5,907,084) while depletion, depreciation and accretion amounted to $11,781,737 (2012: $5,311,659) and royalties amounted to $5,036,005 (2012: $9,706,513). Royalty costs incurred relate to crown royalty payments of 5% on net oil and gas proceeds received during the period ending March 31, 2013, and a 7.5% overriding royalty (reduced from 25% because over 500,000 barrels of oil have been produced) paid on net oil sales produced at the Cheal Oil and Gas Field, in accordance with the terms of TAG Oil's acquisition of the remaining 69.5% interest the Cheal Oil and Gas Field from the receivers of Austral on October 26, 2009. The Sidewinder Permit overriding royalty agreement requires TAG Oil to pay a 5% royalty on net sales revenue on the first 200,000 barrels of oil produced from the date PMP 53803 was acquired and then dropping to a 2.5% royalty on net oil sales revenue thereafter. At March 31, 2013, 9,903 barrels of oil (2012: 3,513 barrels of oil) had been produced leaving 190,097 barrels of oil (2012: 196,487 barrels of oil) to be produced before the royalty is reduced to 2.5%. Sidewinder Permit royalties also include a 3.33% royalty on net oil and gas proceeds payable to a previous partner.

The development of the Cheal Oil and Gas Field commenced in August 2006, which included completing the Cheal Production Facility that was designed to have initial capacity to process up to 2,000 barrels of oil per day and 3 million cubic feet of gas per day. The construction of the

Cheal Production Facility commenced in 2006 and was completed in September 2007. The pre-commissioning test phase commenced on August 10, 2007, and first oil was produced through the Cheal Production Facility in September 2007. The Cheal Production Facility is fully certified and was formally opened on October 8, 2007, with wells primarily being lifted using hot water power fluid and downhole jet pumps. On April 4, 2013, an approximately $30 million infrastructure expansion project of the Cheal Production Facility was completed. The Cheal Production Facility now has expanded oil processing capability, gas-liquids' extraction capabilities, and a new 11km pipeline to New Zealand's primary gas transmission pipeline. Together with the Sidewinder Production Facility and pipeline network, TAG Oil controls approximately $100 million in critical infrastructure and is a completely independent processor, transporter, and marketer of the oil and gas it discovers, extracts, and produces.

During the 2013 fiscal year and as at the date of this AIF, TAG Oil drilled, completed and tested the Cheal-A11, A12, B8, C3, and C4 wells and tied-in the first four of these wells to the upgraded Cheal Production Facility. At the Sidewinder Permit, TAG Oil also drilled and completed the Sidewinder-A5 and A6 wells, and at the date of this AIF had drilled the Sidewinder-A7 well. The Sidewinder-A5 and A6 wells have been tied-in to the Sidewinder Production Facility for testing and the Sidewinder-A7 well is currently in the process of being completed and will be tied-in at the conclusion of these operations. TAG Oil also drilled the Ngapaeruru-1 exploration well located at PEP 38349 at the East Coast Basin.

TAG Oil believes that a properly executed development plan, combined with exploration drilling, will allow for an increase in daily production rates, cash flow, reserves and reserve values. Maintaining 100% ownership of the Cheal Production Facility, Sidewinder Production Facility and associated pipeline infrastructure at the Cheal Oil and Gas Field, Cardiff Prospect and Sidewinder Permit located at the Taranaki Basin ensures the Corporation can both commercialize all discoveries and developments expeditiously, as well as offer third party processing to other companies in the Taranaki Basin.

The Corporation recently secured four new Taranaki Basin permits in the 2012 New Zealand Blocks Offer, consisting of PEP 54876, PEP 54877, PEP 54873 and the Heatseeker Prospect, and is progressing the consenting, construction and drilling of nine new commitment wells associated with the new permits awarded. PEP 54876, PEP 54877 and PEP 54879 will target the proven Mt. Messenger and Urenui formations and are strategically located close to the Cheal Production Facility, which allows wells to be economically tied-in to this existing infrastructure. The permit work program for PEP 54876 includes reprocessing 200km of 2D sesmic data and drilling two exploration wells. As at the date of this AIF, resource consent is currently being prepared for submission to the local council and once granted, TAG Oil will begin construction of the well-site lease construction once completed a contracted rig will be mobilised to the site to begin drilling. The permit work program for PEP 54877 includes drilling five shallow exploration wells and at the date of this AIF, TAG Oil has signed land access agreements with two landowners, securing two well-site locations to drill up to five commitment wells. Resource consent applications allowing TAG Oil to drill up to twelve wells on each site have been granted by the local council and construction has now commenced on the first well-site and once completed a contracted rig will be mobilised to the site and the first of five wells will commence drilling. The second well-site will be constructed early next year in anticipation of further drilling on this permit and at Cheal. The permit work program for PEP 54879 includes drilling three shallow exploration wells and at the date of this AIF, TAG Oil has identified a well-site location and signed a land access agreement with the landowner. A resource consent application to drill up to twelve wells is being completed for submission to the local council and once granted construction of the well-site lease will commence. The Heatseeker Prospect provides several shallow drilling leads along with significant exploration upside via a drill-ready deep gas and condensate prospect, and has been identified clearly on 2D seismic data and has similar geological features to the adjacent landmark Kapuni gas/condensate discovery field, including apparent 4-way dip closure at the crest of the feature. The permit is located in close proximity to the Kapuni gas/condensate processing facility, which could allow for an efficient route to commercialization upon discovery. As at the date of this AIF, resource consent to drill the Heatseeker well is being prepared for submission to the local council and once granted TAG Oil will begin construction of the well-site lease in preparation for the drilling of the well, scheduled to follow directly after drilling at the Cardiff Prospect located at the Cheal C-Site.

TAG Oil is moving towards the next phase of its business plan by adding a deeper drilling component to its Taranaki Basin operating plan in fiscal 2014, as well as dedicating more capital to its East Coast Basin tight oil play. During fiscal 2014, the Corporation will conduct a very well planned, methodical and fully funded drilling campaign of an unprecedented scale in New Zealand's drilling history. TAG Oil expects to have up to four drilling and/or completion rigs operating simultaneously in the second half of calendar 2013 to drill approximately nine shallow Taranaki Basin wells, two deep Taranaki Basin wells and at least one more East Coast Basin well. TAG Oil's management team has undertaken a significant amount of planning for this campaign and combined with the experience gained from recent drilling activity data, is confident of executing its business plan and adding further value to the Corporation by providing significant production and reserve growth to its existing value base. Also, owning and operating the Cheal Production Facility, Sidewinder Production Facility and natural gas pipelines will allow TAG Oil to fast-track development by adding increased cash flow.

A deep specialty drilling rig has been contracted to drill the two deep gas targets identified as part of TAG Oil's expanded business plan. Drilling is expected at the first of these deep tests, which is the Cardiff Prospect re-entry in the third calendar quarter of 2013. This will be followed immediately by the second deep gas test, the Heatseeker Prospect, to be drilled directly north of the landmark 1.5 TCF Kapuni gas field. A third deep gas prospect known as "Hellfire" located at the Sidewinder Permit (the "**Hellfire Prospect**"), may be drilled contingent on the results of the Cardiff Prospect and Heatseeker Prospect. All three of these deep gas prospects are located within the onshore portion of the Taranaki Basin and have the potential to contribute long-term production and reserve growth to TAG Oil, and are materially larger in reserve and deliverability potential than the historically targeted shallow Taranaki Basin drilling programs at the Cheal Oil Gas Field and Sidewinder Permit.

In addition to TAG Oil's onshore Taranaki Basin interests, TAG Oil's 40% interest in the Kaheru prospect located offshore in PEP 52181 (the "**Kaheru Prospect**") offers a significant amount of resource potential to pursue in the offshore portion of the Taranaki Basin during the next few years. Planning work for the drilling of the Kaheru-1 offshore well by the operator of the Kaheru Prospect continues, and is currently seeking to secure a rig slot in order to drill the well that is scheduled to be drilled during the early part of the 2015 calendar year.

TAG Oil also intends to add East Coast Basin unconventional drilling to its growth plan with a dedicated effort to unlocking the potential within its 1.7 million acre tight-oil play that compares favourably to commercial tight-oil plays in North America. On May 14, 2013, TAG Oil announced that it had successfully drilled and cased its first tight-oil well, Ngapaeruru-1, with promising initial results. The Ngapaeruru-1 well targeted the Waipawa and Whangai formations and drilling data acquired by TAG Oil, including comprehensive unconventional logging technology and sidewall core samples, and is currently being analysed prior to completing and testing the well. TAG Oil also continues to progress operations in preparation to undertake the first phase of the drilling on PEP 38348 and initial construction and surface lease access consent applications have been submitted to the various regional and district councils for the initial drilling program. TAG Oil is awaiting confirmation of the consents and will commence shortly to build access roads and leases to drill a well in the permit, and anticipates that a well in PEP 38348 will be drilled by December 2013. Additional drilling of at least three wells is expected over the next 18 to 24 months to achieve TAG Oil's goal of converting undiscovered resource potential within its East Coast Basin permits to proven reserves.

Further resource potential in TAG Oil's Canterbury Prospect covering 1.17 million acres is being investigated through processing and interpreting of 80 square km of recently acquired seismic data, which is the first step in this frontier area. The Canterbury Basin has a proven working hydrocarbon system as evidenced by the presence of numerous oil and gas shows onshore and discoveries made offshore. TAG Oil's new 2D seismic data acquired in November 2012 over leads initially identified using geochemical surface data, has resulted in a clearly imaged subsurface, resulting in four newly mapped features within the Canterbury Prospect. TAG Oil intends to acquire additional seismic over these specific leads to confirm aerial extent of the anomalies as well as closure prior to making a commitment to drill.

4.3 Production and Services

During the 2013 fiscal year, TAG Oil produced from the Cheal Oil and Gas Field and Sidewinder Permit a total of 350,106 Bbls of oil (2012: 336,137 Bbls of oil) and 1,746 Mmcf of natural gas (2012: 1,130 Mmcf of natural gas) and sold 349,393 Bbls of oil (2012: 338,569 Bbls of oil) and 1,200 Mmcf of natural gas (2012: 908 Mmcf of natural gas).

As commercial arrangements for the transportation, storage, processing and sale of TAG Oil's crude oil production have been completed and are in operation, different marketing channels are not currently required. Solution gas produced in association with crude oil production is used to generate electricity for on-site use, with the excess electricity being exported into the local grid or sold to an independent third party.

4.4 Specialized Skill and Knowledge

Exploration for and development of petroleum and natural gas resources requires specialized skills and knowledge in the areas of petroleum engineering, geophysics, geology and title. TAG Oil has obtained personnel with the required specialized skills and knowledge to carry out their respective operations. While the current labour market in the industry is highly competitive, TAG Oil expects to be able to attract and maintain appropriately qualified employees for fiscal 2014.

4.5 Competitive Conditions

TAG Oil actively competes for prospect acquisitions, exploration permits and licenses, and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than TAG Oil. TAG Oil's competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

TAG Oil strives to be competitive by utilizing current technologies to enhance exploitation, development and operational activities.

Certain of TAG Oil's customers and potential customers are themselves exploring for oil and natural gas, and the results of such exploration efforts could affect TAG Oil's ability to sell or supply oil or gas to these customers in the future. TAG Oil's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with industry participants and joint venture parties and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

4.6 Components

TAG Oil does not have a reliance on raw materials or any significant patents or licenses as TAG Oil operates in an extractive industry.

4.7 Intangible Properties

TAG Oil is not dependent upon any significant patents or licenses, except that most of the Cheal Production Facility was designed specifically for the Cheal Oil and Gas Field, and most of the Sidewinder Production Facility was designed specifically for the Sidewinder Permit. The vessels, heat exchangers and piping are specific to the Cheal Oil and Gas Field and Sidewinder Permit processes, respectively, and the designs of the power fluid pumps, coalescing filters, and export compressors have been patented by their respective suppliers.

4.8 Cycles

TAG Oil's business is not seasonal, except to the extent that:

- forecast weather may determine the timing of operations and weather delays may affect the speed of completion of operations; and

- its revenues are generally reliant on international oil prices, which are partially affected by seasonality.

Oil prices vary in line with international prices, for which there have been, in past years, seasonal highs in the summer months (for the U.S. driving season) and in the winter months (for the northern hemisphere heating oil season).

4.9 Economic Dependence

TAG Oil is dependent on an oil sales contract with the Cheal Oil and Gas Field's sole crude customer, Shell, which expires on December 31, 2013. TAG Oil is also dependant on an oil storage contract with EIL, which is on an ongoing basis subject to termination by EIL or TAG Oil. Cheal crude oil is stored and sold via these contracts and TAG Oil's revenue depends substantially upon them. TAG Oil is not dependent on any gas sales contracts.

4.10 Changes to Contracts

Oil sales contracts are negotiated annually to align with the charter of vessels used to transport oil stored at the Omata tank farm in New Plymouth, New Zealand. There is a negligible risk that the oil sales contract will not be renewed as the counterparty is a major oil and gas company, Shell, and has always taken all oil volume offered to it in the New Zealand market. In the event that

Shell does not renew the contract, TAG Oil would pursue other contractual arrangements, most likely through combining volume with other producers and jointly marketing the oil.

The natural gas market in New Zealand is active and has many buyers and TAG Oil does not anticipate a contractual risk associated with negotiating a contract to market its natural gas.

4.11 Environmental Protection

The overall environmental impact to TAG Oil's economic valuations is not material. In New Zealand, on land and in waters within 12 miles of the coast, the Resource Management Act 1991 (the "**Resource Act**") controls users of natural and physical resources, including petroleum explorers, with a view to managing resource usage in ways that will not compromise future utilization. The Resource Act places emphasis on assessment of the effect the proposed activity will, or might, have on the environment with a view to promoting sustainable management. Under the Resource Act, most of the responsibility for managing resources and their use is given to local authorities. Regional and district councils must produce and continuously update planning schemes for their jurisdictions which establish procedures and standards for assessing and approving environmental standards in accordance with the Resource Act. Such changes to the standards could impact TAG Oil's costs and have an adverse effect on results of operations. TAG Oil is committed to upholding high environmental standards and carries out its activities and operations in compliance with all relevant and applicable environmental regulations and best industry practices. Currently, TAG Oil believes it has included appropriate amounts in its capital expenditure budget to continue to meet its environmental obligations.

The Climate Change Response Act 2002 establishes the New Zealand Emissions Trading Scheme ("**NZETS**"). TAG Oil, through Cheal Petroleum, became a registered participant of the NZETS from January 1, 2010, and is required to calculate and record emissions, file emissions returns and surrender emission units at the end of each calendar year. The application of these requirements or the adoption of new requirements has not had a material effect on TAG Oil to date but could possibly have a material adverse effect on TAG Oil's business, results of operations, financial condition, cash flows and shareholder value.

TAG Oil is subject to government regulation of the oil and gas properties it holds and of the operations it conducts on those properties, such as those relating to hazardous substances, flaring, environmental effects, health and safety, land access, permit conditions, and those regulations which relate to all companies operating in the relevant jurisdictions such as corporate governance, taxation, and employment laws. Such regulations do not in general have a material effect on TAG Oil's business, and do not affect TAG Oil's business in a manner different from the effects on other companies competing in the same industry.

4.12 Employees

As at March 31, 2013, TAG Oil directly employed 17 full-time employees. TAG Oil also employed various consultants.

4.13 Foreign Operations

TAG Oil is dependent on its foreign operations as it is an oil and gas acquisition, exploration, development and production company, incorporated in British Columbia, Canada, with all of its interests in hydrocarbon development and exploration prospects currently being in New Zealand. TAG Oil is involved in the exploration for and production of hydrocarbons and all of its current property holdings, with the exception of the Cheal Oil and Gas Field and Sidewinder Permit, are in the grass roots or primary exploration stage. TAG Oil has sufficient working capital and revenue to fund its foreign operations and meet all commitments for the foreseeable future.

4.14 Risk Factors

Failure to Locate Commercial Quantities of Hydrocarbons and Geological and Geographic Risks

Exploration for hydrocarbons is a speculative venture necessarily involving substantial risk. There is no certainty that the expenditures incurred on TAG Oil's exploration properties will result in discoveries of commercial quantities of hydrocarbons. TAG Oil's future success in exploiting and increasing its current reserve base will depend on TAG Oil's ability to develop its current properties and on its ability to discover and acquire properties or prospects that are producing. However, there is no assurance that TAG Oil's future exploration and development efforts will result in the discovery or development of additional commercial accumulations of oil and natural gas.

In addition, even if further hydrocarbons are discovered, the costs of extracting and delivering the hydrocarbons to market and variations in the market price may render uneconomic any discovered deposit. Geological conditions are variable and unpredictable. Even if production is commenced from a well, the quantity of hydrocarbons produced inevitably will decline over time, and production may be adversely affected or may have to be terminated altogether if TAG Oil encounters unforeseen geological conditions.

TAG Oil is subject to uncertainties related to the proximity of any reserves that it may discover to pipelines and processing facilities. It expects that its operational costs will increase proportionally to the remoteness of, and any restrictions on access to, the properties on which any such reserves may be found. Adverse climatic conditions at such properties may also hinder TAG Oil's ability to carry on exploration or production activities continuously throughout any given year.

Reliance on Oil Storage and Oil Sales Contracts

TAG Oil is dependent on an oil sales contract with the Sidewinder Permit and Cheal Oil and Gas Field's sole crude customer, Shell. TAG Oil is also dependent on an oil storage contract with EIL. Oil produced at the Sidewinder Permit and Cheal Oil and Gas Field is stored and sold via these contracts and TAG Oil's revenue depends substantially upon them. There is no assurance that TAG Oil will be able to maintain the contracts and failure to do so could have an adverse effect on TAG Oil's revenues.

Exploration, Drilling and Operating Risks

The business of exploration for and production of oil, gas and other resources involves a high degree of risk. In particular, the operations of TAG Oil may be disrupted, curtailed or cancelled by a variety of risks and hazards which are beyond the control of TAG Oil, including environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, flooding and extended interruptions due to inclement or hazardous weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment, compliance with governmental requirements, explosions and other accidents. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruptions, monetary losses and possible legal liability.

TAG Oil's development of oil and gas production facilities is subject to risks that may adversely impact on the commercial viability of the project as the realized revenues from the project may be less than anticipated, the anticipated date for completion of infrastructure projects may be delayed and the capital and operating costs may be greater than anticipated. The risks to revenue include the development wells not producing predicted rates or volumes of oil and gas production, decreases in the market prices of oil and gas, and increased storage and transportation costs.

Availability of Equipment and Access Restrictions

Oil and gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to TAG Oil or its joint venture partners and may delay exploration and development activities. There can be no assurance that sufficient drilling and completion equipment, services and supplies will be available when needed. Shortages could delay the proposed exploration and development activities on TAG Oil's properties. If the demand for, and wage rates of, qualified rig crews rise in the drilling industry, then the oil and gas industry may experience shortages of qualified personnel to operate drilling rigs. This could delay drilling operations and adversely affect TAG Oil's financial condition and results of operations.

Cost Overruns

Projecting the costs of exploratory drilling programs is difficult due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions (such as over-pressured zones and tools lost in the hole), weather related factors and changes in drilling plans and locations as a result of prior exploratory wells or additional technical data and interpretations. Accordingly, there may be changes in estimated costs associated with drilling projects. TAG Oil's difficulty estimating these costs could affect the commerciality of the resources and reserves discovered on its properties or any other properties TAG Oil may acquire from time to time, the economic viability of TAG Oil's products and the ability of TAG Oil to transport its products to market.

Marketability and Price of Oil and Natural Gas

The marketability and price of oil and natural gas that may be acquired or discovered may be affected by numerous factors beyond TAG Oil's control. TAG Oil may be affected by the difference between the price paid by refiners for light, quality oil and various grades of oil produced. TAG Oil is subject to deliverability uncertainties related to access to gas processing facilities, oil storage, proximity of reserves to pipeline and processing facilities and government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Oil and gas prices, which have fluctuated in the past, have a direct impact on TAG Oil's revenues and the value of its assets. Prices for oil and gas are affected by factors such as international economic and political conditions, weather, levels of supply and demand, pipeline capacity and currency exchange rates. Movements in market prices could render uneconomic any of the exploration and production activities undertaken or to be undertaken by TAG Oil. If oil and natural gas prices become depressed or decline, TAG Oil's potential revenue and earnings and the value of its assets would be expected to decline.

TAG Oil's Business Strategy May Not be Successful

As discussed under "Description of the Business - Summary", TAG Oil intends to conduct an aggressive drilling campaign in the Taranaki Basin and also intends to convert resource potential within its permit interests, mainly in the East Coast Basin. There is no assurance that TAG Oil's business strategy will succeed in whole or in part. The success of TAG Oil's business strategy will depend upon a number of factors, including those set out herein. There is no assurance that TAG Oil will be able to execute its plans and add further value to the Corporation, that modifications to its strategy will not be required or that TAG Oil will be able to effectively expand operations and enhance profitability. In addition, any growth could place a significant strain on TAG Oil's management, operational, financial and other resources. TAG Oil's ability to manage growth effectively will require the development of management information system capabilities and improvement of operational and financial systems. Any failure to expand these areas and implement and improve such systems, procedures and controls in an efficient manner at a pace consistent with TAG Oil's business could have a material adverse effect on TAG Oil's business, financial condition and financial performance.

Funding Requirements

Oil exploration and development involves a high degree of technical and commercial risk and is characterized by a continuous need for capital investment. The exploration for and development of any reserves found on TAG Oil's exploration properties may depend upon TAG Oil's ability to obtain financing through joint venturing of projects, equity or debt financing or utilizing cash flow.

There is no assurance that market conditions will continue to enable TAG Oil to raise funds if required, or that TAG Oil will be able to enter into agreements with third parties to fund permit obligations or be able to renegotiate such obligations. TAG Oil faces competition from other oil companies for oil and gas properties and investor dollars. In addition, there has been a high level of volatility in the world financial markets in recent years. This volatility has caused investors to become less willing to provide debt or equity financing to most companies.

TAG Oil believes that its current cash flow from operations, in addition to the proceeds from the recent equity financings, is sufficient to satisfy TAG Oil's expenditure plans and requirements for the near future. If TAG Oil's cash flow from operations and proceeds from the recent equity financing decreases to a level where it is insufficient to satisfy its capital expenditure plans and requirements or TAG Oil increases its capital expenditure plans and requirements, there can be no assurance that additional equity financing will be available to meet these plans and requirements. If TAG Oil is unable to fund its permit obligations using cash flow, share issues or farm-out agreements or to renegotiate such obligations, TAG Oil may be unable to carry out its plan of operations and may be forced to abandon or forfeit some of its permit interests or reduce or terminate its operations.

Limited Financial Resources

TAG Oil has limited financial resources and, if its business is not profitable, TAG Oil may not be able to raise sufficient funds to sustain, continue or expand its business. Although TAG Oil currently has working capital and operating revenues that are sufficient to sustain its exploration and development activities, TAG Oil expects to continue to rely principally on the issuance of common shares to raise funds to finance further business growth. There is no assurance that market conditions will permit TAG Oil to raise necessary funds on acceptable terms or at all.

History of Losses

During the fiscal year ended March 31, 2013, TAG Oil had net income of $5,073,359 and an accumulated deficit of $44,119,881 from its historical operating results. There is no assurance that the business of TAG Oil will be profitable in the future. Management cannot guarantee that TAG Oil will continue to generate revenue in the future. A failure to generate sufficient revenues may cause TAG Oil to eventually terminate operations. TAG Oil has not paid dividends to date, has no current plans to pay any such dividends, and there is no assurance that TAG Oil will pay a dividend at any time in the future.

Dilution

TAG Oil's incorporating documents authorize the issuance of an unlimited number of common shares. TAG Oil expects to continue to rely on the issuance of common shares to raise funds to finance its business. Such additional share issuances may be dilutive to TAG Oil's shareholders.

Third Party Credit Risk

TAG Oil is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, or other parties. In the event such entities fail to meet their contractual obligations to TAG Oil, such failures could have a material adverse effect on TAG Oil and its cash flow from operations.

Environmental Risks

TAG Oil is subject to laws and regulations that control the discharge of materials into the environment, require removal and cleanup in certain circumstances, require the proper handling and disposal of waste materials, or otherwise relate to the protection of the environment. In operating and owning petroleum interests, TAG Oil may be liable for damages and the costs of removing hydrocarbon spills for which it is held responsible. Laws relating to the protection of the environment have in many jurisdictions become more stringent in recent years and may, in certain circumstances, impose strict liability, rendering TAG Oil liable for environmental damage without regard to negligence or fault on its part. Such laws and regulations may expose TAG Oil to liability for the conduct of, or conditions caused by others or for acts of TAG Oil that were in compliance with all applicable law at the time such acts were performed. The application of these requirements or the adoption of new requirements could have a material adverse effect on TAG Oil's business, results of operations, financial condition, cash flows and shareholder value.

Carbon Emissions Regime

The New Zealand government is a signatory to the Kyoto protocol and in order to meet the requirements of this protocol, they have passed the Climate Change Response Act 2002 that establishes the NZETS. TAG Oil, through its subsidiary, Cheal Petroleum, became a registered participant of the NZETS commencing January 1, 2010, and is required to calculate and record emissions, file emissions returns and surrender emission units at the end of each calendar year. The application of these requirements or the adoption of new requirements has not had a material effect on TAG Oil to date but could possibly have a material adverse effect on TAG Oil's business, results of operations, financial condition, cash flows and shareholder value in the future.

Government Regulation, Particularly with Respect to Hydraulic Fracking

TAG Oil's oil and natural gas interests in New Zealand are subject to regulations that relate directly and indirectly to TAG Oil's operations, including title to the oil and natural gas interests, production, marketing and sale of oil and natural gas, taxation, environmental matters, restriction on the withdrawal of capital from a country and other factors. There is no assurance that the laws relating to the ownership of oil and natural gas interests and the operation of TAG Oil's business in New Zealand will not change in a manner that may materially and adversely affect TAG Oil's business.

The New Zealand Parliamentary Commissioner for the Environment ("**PCE**") has commenced an investigation on hydraulic 'fracking' under environmental legislation. The investigation was commenced following initial scoping work. The PCE states that they expect to have a report tabled in the New Zealand legislator before the end of this year. Lobbies have formed both in support of and against fracking in New Zealand.

Since TAG Oil utilizes hydraulic fracking in its operations, if the New Zealand government imposes any regulation which restricts or prohibits the use of hydraulic fracking, the business of TAG Oil, including cash flows and revenue, would be materially adversely affected.

Title to Properties and Consequences of Failure to Satisfy Prescribed Permit or License Terms and Conditions

In all cases, the terms and conditions of the permit or license granting TAG Oil, or the party from which TAG Oil acquired, the right to explore for, and develop, hydrocarbons, prescribe a work program and the date or dates before which such work program must be done. TAG Oil believes that it is in substantial compliance with all such permits and licenses. However, varying circumstances, including the financial resources available to TAG Oil, equipment availability, and other circumstances beyond TAG Oil's control or influence may result in the failure to satisfy the terms and conditions of a permit or license and result in the complete loss of the interest in the permit or license without compensation. Such terms and conditions may be renegotiated with applicable regulatory authorities, but there is no assurance that if a term or condition of a license or permit that is required to be satisfied has not been met, that such term or condition will be successfully renegotiated with the applicable authority.

Possible Lack of or Inadequacy of Insurance

TAG Oil maintains insurance against certain public liability, operational and environmental risks on behalf of TAG Oil and where applicable, on behalf of the respective joint venture, but there is no assurance that an event causing loss will be covered by such insurance, that such insurance will continue to be available to TAG Oil, or that the benefits of such insurance will be adequate to cover any liability of TAG Oil.

Effect of Different Currencies

TAG Oil holds cash reserves in Canadian and U.S. dollars and to a lesser extent in New Zealand dollars. TAG Oil's oil revenue is received in U.S. dollars and the majority of costs incurred on its petroleum property expenditures are done so in New Zealand dollars. TAG Oil does not currently hedge its exposure to foreign currency exchange rate changes, although TAG Oil may choose to selectively hedge exposure to foreign currency exchange rate risk in the future. TAG Oil manages some of this risk by shifting a portion of its cash on hand from one currency to another in a timely manner. A decrease in the value of the New Zealand currency against the value of the Canadian and U.S. will be a benefit to TAG Oil. An increase in value of the New Zealand dollar relative to the Canadian or U.S. dollar would have a detrimental effect on TAG Oil as its expenses incurred would, in turn, increase in Canadian and U.S. dollars.

No Title Insurance

The possibility exists that title to one or more properties may be lost due to an omission in the claim of title. TAG Oil does not maintain title insurance and there is no guarantee of title. The properties may be subject to prior unregistered agreements or transfers or native land claims, and title may be affected by undetected defects. TAG Oil has investigated the rights to explore the various oil and gas properties it holds or proposes to participate in and, TAG Oil believes that those rights are in good standing. In addition, many of TAG Oil's properties are located on private property and may be subject to delays and/or disputes with landowners in certain circumstances. Such delays/disputes may affect TAG Oil's ability to explore for, produce or develop its oil and gas properties.

Uncertainty of Reserves Figures

Actual results of production expenditures, revenues and reserves will likely vary from estimates, and these variances may be material. Estimates of oil and gas reserves referred to below are interpreted through geological, petro-physical and reservoir engineering data. Such interpretations are inherently uncertain, as are the projections of future rates of production and timing of development expenditures. The accuracy of the reserves estimates is a function of the quality of available data, engineering and geological interpretation and judgment. Factors such as historical production from the area compared with the production from other producing areas, assumed effects of governmental regulations, assumptions of future oil and gas prices, future operating costs, development costs and remedial workover costs, will affect the estimates of economically recoverable quantities and of future net cash flow. Any significant variance in the assumptions could materially affect the estimated quantity and value of reserves. TAG Oil's reserves are evaluated by an independent reserves evaluator each year. Copies of TAG Oil's oil and gas annual disclosure reports that have been prepared in accordance with NI 51-101 may be viewed under TAG Oil's profile on SEDAR at www.sedar.com.

Competition

The oil and gas industry is highly competitive. TAG Oil encounters competition from other independent operators and from major oil companies in acquiring oil and natural gas properties suitable for exploration, development, production, contracting for drilling equipment, securing trained personnel and for capital to finance such activities. Many of these competitors have financial resources and personnel resources available to them that are substantially larger than that of TAG Oil. The availability of a ready market for any oil and gas that may be discovered by TAG Oil depends on numerous factors beyond its control, including the proximity and capacity of natural gas pipelines, oil storage capabilities and the effect of regional or national regulations.

Certain of TAG Oil's customers and potential customers are themselves exploring for oil and natural gas, and the results of such exploration efforts could affect TAG Oil's ability to sell or supply oil or gas to these customers in the future. TAG Oil's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with industry participants and joint venture parties and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Foreign Activities

TAG Oil’s oil and gas assets are located in New Zealand. As such, TAG Oil is subject to political, economic, and other uncertainties not within its control, including, but not limited to the uncertainty of negotiating with foreign governments, adverse legislation in New Zealand, renegotiation or nullification of existing concessions, adverse determinations or rulings by governmental authorities, changes in energy policies or in the personnel administering them, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, potential implementation of exchange controls and royalty and government take increases and other risks arising out of foreign governmental sovereignty over the areas in which TAG Oil’s operations are conducted.

TAG Oil’s international operations and investments may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with its foreign operations, TAG Oil may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or enforcing Canadian judgments in foreign jurisdictions. Consequently, TAG Oil’s foreign activities could be substantially affected by factors beyond TAG Oil’s control, any of which could have a material adverse effect on TAG Oil.

Governmental Approvals and Enforcement of Laws

TAG Oil is subject to governmental regulation of the oil and gas properties it holds and in its operations it conducts on these properties. Enforcement of laws in the jurisdictions in which TAG Oil operates may depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has been given to TAG Oil. There can be no assurance that TAG Oil's contracts, licenses, license applications or other legal arrangements will not be adversely affected by the actions of governments or government bodies or authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions.

Value of Properties

The amounts attributed to TAG Oil’s oil and gas properties in its financial statements represent acquisition and exploration expenditures to date, and should not be taken to in any way reflect realizable value.

Difficulty of U.S. Shareholders to Enforce Legal Proceedings Against Foreign Directors

TAG Oil is incorporated under the laws of British Columbia, Canada, and all 5 of TAG Oil’s directors are residents of Canada. Consequently, it may be difficult for U.S. shareholders to effect service of process within the U.S. upon TAG Oil or upon its directors or officers, or to realize in the U.S. upon judgments of U.S. courts predicated upon civil liabilities under the Securities Exchange Act of 1934. Furthermore, it may be difficult for shareholders to enforce judgments of the U.S. courts based on civil liability provisions of the U.S. federal securities laws in a foreign court against TAG Oil or any of TAG Oil’s non-U.S. resident officers or directors.

Labour Requirements

TAG Oil may be required to hire and train local workers in its petroleum and natural gas operation. Some of these workers may organize into labour unions and any strike or labour unrest could adversely affect TAG Oil's ongoing operations and its ability to explore for, produce and market its oil and gas production.

Operators and Key Employees

TAG Oil is a majority interest owner in, and operator of, all of its onshore properties, which means that TAG Oil can control the timing of activities related to such properties.

In addition, the success of TAG Oil largely depends upon the performance of its key employees and on the advice and project management skills of various consulting geologists, geophysicists and engineers retained by TAG Oil from time to time. Although there are other personnel available in the sector who could replace TAG Oil personnel there is likely to be some difficulty in finding immediate replacements of suitable caliber.

Conflicts of Interest

Certain of the directors of TAG Oil also serve as directors of other companies involved in the natural resource exploration, development and oil and gas operations and consequently there exists the possibility for such directors to be in a position of conflict. Any decision made by any of such directors will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of TAG Oil and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the B.C. Act and other applicable laws.

Decommissioning Costs

TAG Oil may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines which it may use for production of oil and gas. Abandonment and reclamation of facilities and the costs associated therewith is often referred to as "decommissioning". Should decommissioning be required, the costs of decommissioning may exceed the value of hydrocarbon reserves remaining at any particular time to cover such decommissioning costs. TAG Oil may have to draw on funds from other sources to satisfy such costs as TAG Oil does not have cash reserves for this purpose. The use of other funds to satisfy such decommissioning costs could have a materially adverse effect on TAG Oil's financial position and future results of operations.

4.15 Oil and Gas Activities

TAG Oil's properties with attributed reserves are located at the Cheal Oil and Gas Field and the Sidewinder Permit, which are in the onshore portion of the Taranaki Basin in New Zealand.

A mining permit, referred to as PMP 38156, was granted on July 26, 2006, covering both the shallow and deep areas of the Cheal Oil and Gas Field for an initial term of ten years with a right to extend the term of the mining permit following delineation of reserves. The development of the Cheal Oil and Gas Field commenced in August 2006, which included completing the Cheal Production Facility that was designed to have initial capacity to process up to 2,000 Bbls of oil per day and 3Mmcf of gas per day. The construction of the Cheal Production Facility commenced in 2006 and was completed in September 2007 at a cost of approximately $25 million, and formally opened on October 8, 2007. On April 4, 2013, a significant upgrade to the Cheal Production Facility was completed at a cost of approximately $30 million. The Cheal Production

Facility now has expanded oil processing capability, gas-liquids' extraction capabilities, and a new 11 km pipeline to New Zealand's primary gas transmission pipeline. The Cheal Production Facility and operations are located on three sites (Cheal A-Site, Cheal B-Site and Cheal C-Site). During the 2013 fiscal year, TAG Oil continued its exploration and development program in the Cheal permit and successfully drilled, completed and tested five new wells.

The Cheal A-Site is the location of the Cheal Production Facility as well as producing wells Cheal-A1, A3, A7, A8, A9, A10, A11 and A12 as at the date of this AIF. During the 2013 fiscal year, TAG Oil successfully drilled, completed and tested the Cheal-A11 and A12 wells, which recorded a total of 30m and 23m of net pay, respectively, and tied-in these wells to the upgraded Cheal Production Facility. The Cheal-A11 and A12 wells were intended as follow-ups to the success of the Cheal-A8, Cheal-A9 and Cheal-A10 wells and were drilled back-to-back.

Development at the Cheal B-Site commenced in 2006, which consisted of the drilling of four wells, Cheal-B1 to B4. Cheal-B1, B2 and B3 were completed as producers and brought into production in December 2007 following the completion of infrastructure connecting the Cheal B-Site with the Cheal Production Facility at the Cheal A-Site. The Cheal-B4 well was an exploration well, drilled by another operator at the time, targeting Moki, Mt. Messenger and Urenui sandstones to the north west of the Cheal Oil and Gas Field's bounding fault. The Cheal-B4 well contained thin oil-bearing Miocene-aged sands that confirmed the presence of hydrocarbon charge outside the currently recognised limits of the Cheal Oil and Gas Field at the two upper levels, increasing TAG Oil's confidence in the resource potential of the north western extension of the Cheal Oil and Gas Field, but it lacked economic thickness of reservoir rock at these levels. The lower Moki zone was found to be water bearing. The Cheal B-Site is the location of producing wells Cheal-B1, B2, B3, BH-1, B4ST, B5 (behind pipe), B6, B7 and B8 as at the date of this AIF.

During the 2013 fiscal year, TAG Oil successfully drilled, completed and tested the Cheal-B8 well and tied-in this well to the upgraded Cheal Production Facility. On December 11, 2012, the Cheal-B8 well reached a total depth of 3,600m encountering 26m of high quality oil-and-gas pay within the initial 2,000m of the well. Following the logging and casing of the up-hole oil discovery, the Cheal-B8 well was deepened a further 1,600m to test a wildcat target in the Tikorangi formation, however electric logging did not indicate sufficient pay present at this depth. This result does not affect the potential in the deeper Kapuni formation targets that TAG Oil will be drilling in the Taranaki Basin. TAG Oil has recently re-completed and returned to production the Cheal-B1 and B2 wells, historical Mt. Messenger producers, to add the overlying Urenui zone to the existing production capabilities. At the date of this AIF, the Cheal-B5 well is shut-in pending a workover to replace a faulty downhole pump, but is expected to be placed back on stream by the first week of July 2013.

In two of TAG Oil's producing wells at the Cheal B-Site, the Cheal-B5 and B7 wells, higher than expected first year declines were noted. The remaining sixteen Cheal wells on production followed predictable decline forecasts, but these two wells, which were the best two initial producers in the Cheal Oil and Gas Field, both exhibited much higher initial declines than predicted. Both wells exhibited initial flow rates up to five times higher than the average initial flow rates in the Cheal pool. They were forecast to decline from those anomalously high initial flow rates in a similar fashion to the average Cheal wells (approximately 20% decline first year, 10% subsequent years), but instead declined up to 50% in the first few months of production before stabilizing at the average 10-20% per year decline common with the rest of the pool. This resulted in an initially optimistic production forecast for the combined Cheal pool. Continued stabilized production after the rapid decline of the Cheal-B5 and B7 wells has now allowed TAG Oil to forecast long-term production with greater confidence.

At the Cheal C-Site, initial operations consisted of drilling the Cheal-C1 and C2 wells. The Cheal-C1 and C2 wells are important step-out wells as they are located approximately 3.5km to the northwest of the Cheal-B5 well and they significantly extend the known oil-and-gas saturation area within the Cheal Oil and Gas Field. The success of the Cheal-C1 and C2 wells also added a number of additional targets to TAG Oil's prospect portfolio in the Urenui and Mt. Messenger zones. The Cheal C-Site is the location of producing wells Cheal-C1 (behind pipe), C2 and C3 as at the date of this AIF.

During the 2013 fiscal year, TAG Oil successfully drilled, completed and tested the Cheal-C3 and C4 wells and tied-in these wells to the upgraded Cheal Production Facility. The new VR500 drill rig, which TAG Oil has under exclusive contract, was mobilized to the Cheal C-Site to spud the Cheal-C3 and C4 wells. The Cheal-C3 and C4 wells are follow-on wells to the Cheal C-Site discoveries, including the Cheal-C2 gas and condensate discovery well, primarily targeting the Mt. Messenger formation. The Cheal-C2 well is a proven gas producer, producing raw gas down TAG Oil's new pipeline network back to the Cheal A-Site for processing at the Cheal Production Facility.

On June 25, 2012, the Cheal-C3 well recorded a total of 17.5m of pay including 6.5m of pay within the Urenui formation and 11m of pay in the Mt. Messenger formation. It is important to note that Cheal-C3 well was drilled updip of the Cheal-C2 gas and condensate discovery well, and continues to extend the known oil and gas saturation area in this new discovery Cheal C-Site. Following completion and testing operations, the Cheal-C3 well demonstrated that oil will become the dominant product produced, so oil lifting and pumping equipment is currently being evaluated to maximize deliverability from that well.

On June 27, 2012, the Cheal-C4 well reached total depth and recorded a total of 17.5m of pay in the targeted Mt. Messenger formation. The Cheal-C4 well is the first down-dip follow-up well to the Cheal-C1 oil discovery well, but following completion and testing operations, the Cheal-C4 well has not proven to be an economic long-term producer to date, producing oil at lower daily thresholds than operating costs mandate for profit.

In June 2013, TAG Oil secured a deep drilling rig to re-drill the Cardiff Prospect. Preparations are underway at the Cheal C-Site to allow the set-up of the drilling rig, which is scheduled for a mid-September 2013 spud date. The Cardiff Prospect operation will see the re-entry of the historic Cardiff 2A-ST1 discovery well, which was a follow-up well to the Cardiff-1 and Cardiff-2 discovery wells. All three of these wells drilled into a resource originally defined in 1992, but due to a string of mechanical failures, never achieved economic production. Gas and condensate was previously produced from three separate zones in these historic wells, but economics, in particular, gas prices did not dictate an economic development at that time. New completion techniques as well as higher gas and condensate prices in New Zealand now create the opportunity to exploit the existing resource. The question of deliverability is the primary risk to the play, as the reservoir, hydrocarbon saturations and depths have been de-risked from past drilling activities. The Cardiff Prospect well will be drilled from the Cheal C-Site, which is now connected by a 4" and a 6" pipeline to the Cheal Production Facility and a 6" gas export line to the open access gas sales network allowing for fast-track development of the well upon success.

During the 2013 fiscal year, TAG Oil successfully drilled, completed and tested five new wells at Cheal. The Cheal Oil and Gas Field produced an average of 942 barrels of oil and 1.3 Mmcf of natural gas per day (1,156 BOE/day) during fiscal 2013 compared to an average of 909 barrels of oil and 0.5 Mmcf of natural gas per day (990 BOE/day) during fiscal 2012. As at the date of this AIF, the Cheal Oil and Gas Field has eighteen wells on full, part-time or constrained production out of a total of twenty wells that are capable of producing. The remaining two wells are awaiting the installation of production equipment or workovers at the Cheal B-Site and C-Site. Furthermore, TAG Oil is assessing the inventory of wells at the Cheal Oil and Gas Field and is working to continually optimize production from it. Reservoir and facility work includes a systematic testing program of every well, including pressure and temperature testing, jet-pump throat and nozzle combination testing, and power fluid rate variances. TAG Oil will use this data to optimize and maximize long-term production using oilfield production best practices.

TAG Oil initially drilled four wells on the Sidewinder Permit and completed and tested all four wells, which consisted of the Sidewinder-1, 2, 3 and 4 wells. Results indicated that the size and scope of the Sidewinder Permit discovery area is much larger than originally anticipated. Permanent tie-in of all four initial Sidewinder Permit wells has since been completed and TAG Oil has acquired 60 square km of new 2D seismic data that will be followed by a multi-well drilling program within this lightly explored permit. A mining permit, referred to as PMP 53803, was granted on February 22, 2012 (covering 714 acres). At that time the PEP 38748 permit (covering 7487 acres or 6773 after removing the PMP amount) was valid and in good standing and remained as such for a period of time during which the PEP 38748 not covered by PMP 53803, was in force and effect. TAG Oil also submitted a four year appraisal extension to the PEP 38748 permit. Furthermore, the Sidewinder Permit remains lightly explored and TAG Oil believes is prospective for further oil and gas discoveries, with numerous drill-ready prospects.

In October 2011, TAG Oil announced the completion and commissioning of the Sidewinder Production Facility and a 3.5km pipeline. The Sidewinder Production Facility is designed to handle up to 30 Mmcf of gas production per day, as well as any oil production, and was constructed following the first four successful Sidewinder Permit exploration wells referenced above. Together with the Cheal Production Facility and pipeline network, TAG Oil controls approximately $100 million in critical infrastructure and is a completely independent processor, transporter, and marketer of the oil and gas it discovers, extracts, and produces, which positions TAG Oil as a prominent New Zealand producer with a strong competitive edge to pursue the attractive opportunities identified within its Taranaki Basin portfolio.

During the third quarter of fiscal 2013, TAG Oil was granted consent by the New Plymouth District Council to drill four new wells within the Sidewinder Permit. TAG Oil went on to immediately completed site construction, and on March 19, 2013, announced the drilling and completion of the Sidewinder-A5 and A6 wells, which have been perforated and tied-in to the Sidewinder Production Facility and for long term production. As at the date of this AIF, the Sidewinder-A7 well has also been drilled and completion operations are currently underway, followed by tie-in to the Sidewinder Production Facility for testing. Consistent with the original four Sidewinder Permit discovery wells drilled to date, the Sidewinder-A5, A6 and A7 wells encountered similar quality reservoir sands within the Mt. Messenger formation at approximately 2,000 m depth. TAG Oil plans to drill the Sidewinder-A8 well in fiscal 2014 using its proprietary 3D seismic, combined with new 2D seismic that was acquired during fiscal 2012. The Sidewinder Permit is the location of producing wells Sidewinder-2, 3, 4, 5, 6 and 7 (behind pipe) as at the date of this AIF.

The Sidewinder Permit produced an average of 600 BOE/day during the 2013 fiscal year, compared to an average of 443 BOE/day during fiscal 2012. With the addition of the newly drilled Sidewinder A-5, A-6 and A-7 wells, the Sidewinder Production Facility has been averaging in excess of 1,000 BOE/day, but slow declines are forecast from that rate for the remainder of the 2013 calendar year.

During the 2013 fiscal year, the Ministry of Business, Innovation and Employment in New Zealand received an application from a third party for unitisation of part of the reserves at the Sidewinder Permit's boundary. After receiving legal advice and considering the geological features in the relevant Sidewinder Permit area, TAG Oil considers that the tests for unitisation under the Crown Minerals Act 1991 (New Zealand) are not met. In any case, even if unitisation were required, TAG Oil's share or production is unlikely to be significantly different from production without a unitisation scheme.

During the 2013 fiscal year, TAG Oil produced from the Cheal Oil and Gas Field and Sidewinder Permit a total of 350,106 Bbls of oil (2012: 336,137 Bbls of oil) and 1,746 Mmcf of natural gas (2012: 1,130 Mmcf of natural gas) and sold 349,393 Bbls of oil (2012: 338,569 Bbls of oil) and 1,200 Mmcf of natural gas (2012: 908 Mmcf of natural gas). Shell purchases all of the oil that TAG Oil produces from the Cheal Oil and Gas Field and exports it to the Australasian markets in accordance with an oil sales contract dated December 28, 2012, and expires on December 31, 2013. All of the oil is trucked from the Cheal Oil and Gas Field to a tank farm located in the Port of New Plymouth, New Zealand, and sold to Shell whose subsidiary, EIL, operates the tank farm, pursuant to an oil storage contract dated October 13, 2009, which is to continue in effect on an ongoing basis subject to termination. Approximately every twenty days a tanker arrives at the Port of New Plymouth, which is then filled with TAG Oil's oil along with oil from other producers in the Taranaki Basin, and it is shipped to refineries primarily on the North East coast of Australia. From there, the oil is sold into the Australasian markets, as described above. In terms of oil produced at the Sidewinder Permit, TAG Oil is a party to an oil sales agreement with Shell dated December 28, 2012, and expires on December 31, 2013. Solution gas produced in association with crude oil production is used to generate heat and electricity for on-site use, with the excess electricity exported into the local grid or sold to an independent third party.

In December 2007, the export of excess gas via a pipeline to the Waihapa Production Station commenced for treatment and on-sale. However, in July 2008, the operator of the Waihapa Production Station suspended operations due to inadequate supplies of gas to the facility from other sources and on November 27, 2008, the gas handling contract was terminated. A formal gas sales contract was entered into on July 7, 2010, and expired on May 7, 2011. Subsequently, gas produced from both the Cheal Oil and Gas Field and Sidewinder Permit is sold under a gas sales contract with Vector, which was entered into on December 1, 2011, and expires on December 31, 2015. A portion of gas produced at Cheal is also sold pursuant to a gas supply agreement between TAG Oil and OHL, which was entered into on February 8, 2013, and expires on February 7, 2018. The Corporation produced a total of 291,036 BOE of gas and sold 199,961 BOE of gas during the 2013 fiscal year.

With less than 25% of the Cheal Oil and Gas Field drilled and less than 10% of the Sidewinder Permit drilled to date, TAG Oil's core properties will provide many more years of shallow drilling, targeting new reserves within the shallow play while also offering highly prospective deeper plays that will target oil, gas and condensates that are not included in reserves at this stage. Along with drilling success within TAG Oil's core properties established and the completion of new infrastructure at Cheal, TAG Oil plans to continue to optimize infrastructure and production techniques during the fiscal 2014 year insuring cashflows remain strong over the long term. This will allow TAG Oil to accelerate higher impact drilling prospects and pursue new business opportunities, including future land acquisitions in New Zealand.

For further detail of TAG Oil's oil and gas reserves and resources for the 2013 fiscal year and as at the date of this AIF, please refer to the heading "General Development of the Business - Three Year History", TAG Oil's Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information as at March 31, 2013, the report of Sproule as at March 31, 2013 as disclosed on Form 51-101F2 Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor and Form 51-101F3 Report of Management and Directors on Oil and Gas Disclosure, which have been filed under TAG Oil's profile on SEDAR at www.sedar.com and are incorporated by reference into this AIF.

5. DIVIDENDS

TAG Oil has paid no dividends on its common shares since incorporation and does not anticipate doing so in the foreseeable future, as it anticipates that all available funds will be invested to finance the growth of its business.

6. DESCRIPTION OF CAPITAL STRUCTURE

6.1 General Description of Capital Structure

TAG Oil is authorized to issue an unlimited number of common shares without par value. As at the date of this AIF there were 59,344,052 common shares issued and outstanding.

Common Shares

The holders of common shares of TAG Oil are entitled to receive notice of, and to one vote per common share at, every meeting of shareholders of TAG Oil, to receive such dividends as the Board of TAG Oil declares and to share equally in the assets of TAG Oil remaining upon the liquidation, dissolution or winding up of TAG Oil after the creditors of TAG Oil have been satisfied.

Stock Option Plan

At TAG Oil's annual general meeting on December 10, 2010, the shareholders of TAG Oil approved an Amended and Restated Share Option Plan to replace TAG Oil's then existing Share Option Plan at the time that TAG Oil's graduation from the TSX-V to the TSX became effective that is subject to the approval of the TSX. Under the Amended and Restated Share Option Plan, which became effective on July 4, 2011, the number of common shares of TAG Oil reserved for issuance as share incentive options remains equal to 10% of TAG Oil's issued and outstanding common shares at any time. The purpose of the Amended and Restated Share Option Plan is to allow TAG Oil to grant options to directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of TAG Oil.

As at the date of this AIF, up to 5,934,405 options in the aggregate may be granted under the Amended and Restated Share Option Plan as at the date hereof. The number of options currently outstanding is 3,708,334 and therefore the number available for grant is 2,226,071.

Warrants

As of the date of this AIF, TAG Oil has no warrants outstanding.

7. MARKET FOR SECURITIES

7.1 Trading Price and Volume

On July 6, 2011, TAG Oil graduated to the TSX from Tier-1 of the TSX-V and TAG Oil's common shares and warrants also began trading on the TSX under the same trading symbols: "TAO" and "TAO.WT". TAG Oil's unexercised warrants expired on November 7, 2011 and ceased trading on the TSX.

On April 6, 2011, TAG Oil's common shares commenced trading on the premier tier of the OTC market in the United States, the OTCQX International, under the trading symbol "TAOIF".

The following table sets forth the trading prices and volumes of TAG Oil's common shares on the TSX and the TSX-V for the periods indicated:

Month/Year	High ($)	Low ($)	Close ($)	Daily Trading volume (average) ($)
April 2012	11.12	8.64	10.50	283,200
May 2012	11.09	7.92	9.35	284,500
June 2012	9.14	6.25	7.37	218,000
July 2012	8.65	6.06	7.01	152,300
August 2012	7.21	5.75	6.39	171,100
September 2012	7.98	6.11	7.22	196,400
October 2012	7.40	6.80	7.00	98,300
November 2012	7.29	5.90	6.16	215,100
December 2012	6.31	5.64	5.70	138,100
January 2013	6.50	3.94	4.67	793,800
February 2013	4.94	3.32	3.57	409,200
March 2013	4.58	3.34	4.19	220,500
April 2013	5.80	3.99	5.50	271,900
May 2013	5.48	3.12	3.13	412,100
June 2013	3.52	2.73	2.97	380,600

The following table sets forth the trading prices and volumes of TAG Oil's common shares on the OTCQX International for the periods indicated:

Month	High ($)	Low ($)	Close	Daily Trading volume (average)
April 2012	11.22	8.66	10.57	9,600
May 2012	11.19	7.82	9.31	27,500
June 2012	8.81	6.18	7.22	17,100
July 2012	8.46	6.37	7.00	11,800

Month	High ($)	Low ($)	Close	Daily Trading volume (average)
August 2012	7.21	5.84	6.42	13,600
September 2012	8.14	6.17	7.34	10,200
October 2012	7.42	6.93	6.98	6,200
November 2012	7.26	5.94	6.20	8,000
December 2012	6.35	5.69	5.71	8,300
January 2013	6.56	3.99	4.66	31,000
February 2013	4.95	3.25	3.45	32,300
March 2013	4.46	3.25	4.11	14,800
April 2013	5.68	3.95	5.45	23,400
May 2013	5.41	3.02	3.04	55,200
June 2013	3.40	2.67	2.81	47,800

7.2 Prior Sales

On May 15, 2012, TAG Oil closed the Offering. Pursuant to the terms of an underwriting agreement dated April 27, 2012, TAG Oil granted the Underwriters the Over-Allotment Option. On May 11, 2012, Dundee Securities Ltd., on its own behalf and on behalf of the Underwriters, delivered notice to TAG Oil that the Underwriters were electing to partially exercise the Over-Allotment Option to purchase an additional 265,000 common shares. Total net proceeds from the Offering including the Over-Allotment Option totalled $43,365,746.

During the fiscal year ended March 31, 2013, TAG Oil purchased and cancelled 317,300 common shares under normal course issuer bids at an average weighted price of $4.74 per common share. Subsequent to the fiscal year ended March 31, 2013, TAG Oil purchased and cancelled 260,000 common shares under its normal course issuer bids at an average weighted price of $3.23 per common share.

During the fiscal year ended March 31, 2013, 208,332 TAG Oil options were exercised for proceeds of $722,578. No warrants were outstanding during the fiscal year ended March 31, 2013. Subsequent to the fiscal year ended March 31, 2013, 71,429 TAG Oil options were exercised for proceeds of approximately US$160,000. No warrants have been outstanding subsequent to the fiscal year ended March 31, 2013.

The following table sets forth the TAG Oil options that were exercised during and subsequent to the fiscal year ended March 31, 2013:

Exercise Date	No. of Optioned Shares Exercised	Exercise Price	Grant Date
May 18, 2012	50,000	$2.60	Sept. 9, 2010
May 30, 2012	33,333	$5.82	May 2, 2011
June 7, 2012	33,333	$5.82	May 2, 2011
July 3, 2012	25,000	$1.25	Oct. 28, 2009

Exercise Date	No. of Optioned Shares Exercised	Exercise Price	Grant Date
July 4, 2012	12,500	$2.60	Sept. 9, 2010
Sept. 19, 2012	16,666	$2.60	Sept. 9, 2010
Sept. 20, 2012	10,000	$2.60	Sept. 9, 2010
Dec. 13, 2012	12,500	$2.60	Sept. 9, 2010
Jan. 3, 2013	15,000	$2.60	Sept. 9, 2010
June 20, 2013	71,429	US$2.24	June 26, 2008

7.3 Escrowed Securities

As at the date of this AIF, there are no securities of TAG Oil that are held in escrow.

8. DIRECTORS AND OFFICERS

8.1 Name, Occupation and Security Holding

The following table sets forth the names and residencies of all directors and executive officers of TAG Oil, the positions and offices with TAG Oil held by such persons and their principal occupations as at the date of this AIF:

Name, office held and municipality of present address	Became a Director	Principal occupation and positions during the last five years(1)
Garth Johnson *Chief Executive Officer and Director* British Columbia, Canada	April 24, 2001	• Chief Executive Officer of TAG Oil from September 2007 to present; • Chief Financial Officer and Corporate Secretary of TAG Oil from April 2001 to December 2009; • Director of TAG Oil since April 2001; • Chief Financial Officer of Adira Energy Ltd. (formerly AMG Oil Ltd.) from February 2006 to June 2009; • President of Trans-Orient, formerly a public oil and gas company that became a wholly-owned subsidiary of TAG Oil on December 16, 2009, from January 2008 to October 2009; and • Chief Executive Officer and Director of Trans-Orient from March 2008 to October 2009.
Alex Guidi(3) *Director* British Columbia, Canada	December 16, 2009	• Director of TAG Oil from December 2009 to present; • Self-employed investor and financier from November 1987 to present; and • Director of Trans-Orient from October 2007 to March 2009.
Ronald Bertuzzi(2)(4) *Director* British Columbia, Canada	December 16, 2009	• Director of TAG Oil from December 2009 to present; • Director of Austral from March 1998 to June 2008; and • Director of Trans-Orient from November 2008 to December 2009.

Name, office held and municipality of present address	Became a Director	Principal occupation and positions during the last five years[1]
Keith Hill[2][3][4] *Director* British Columbia, Canada	July 6, 2011	• Director of TAG Oil from July 2011 to present; • Director of Tyner Resources Ltd. from September 2008 to present; • CEO, President and director of Africa Oil Corp. from October 2006 to present; • Director of Tanganyika Oil Company Ltd. from April 2003 to December 2008; • President and director of Valkyries Petroleum Corp. from August 2002 to August 2006; • Director of Petro Vista Energy Corp. from January 2008 to present; • CEO, President and director of ShaMaran Petroleum Corp. (formerly Bayou Bend Petroleum Ltd.) from February 2007 to present; and • Director of Blackpearl Resources Inc. from January 2006 to present.
Ken Vidalin[2][4] *Director* British Columbia, Canada	December 14, 2011	• Director of TAG Oil from December 2011 to present; • President of Carina Investments Ltd. from August 2005 to present;
Blair Johnson *Chief Financial Officer* Auckland, New Zealand	N/A	• Chief Financial Officer of TAG Oil from December 2009 to present; and • Accountant of TAG Oil from April 2006 to present.
Drew Cadenhead *Chief Operating Officer* Oakura, New Zealand	N/A	• Chief Operating Officer of TAG Oil from December 2009 to present; and • Chief Operating Officer of Trans-Orient from January 2008 to August 2009.
Giuseppe (Pino) Perone *Corporate Secretary* British Columbia, Canada	N/A	• Corporate Secretary of TAG Oil from December 2009 to present; • Director of TAG Oil from July 2007 to December 2009; • Legal Counsel of DLJ from September 2006 to November 2009; • Legal Counsel of TAG Oil from December 2009 to present; • Corporate Secretary of Coronado, a mining company, from August 2012 to present; and • Director of Coronado from August 2012 to March 2013.
Christopher Bailey *VP Business Development* British Columbia, Canada	N/A	• VP Business Development of TAG Oil from May 2012 to present; and • Division Manager, Shared Services of Fraser River Pile & Dredge (GP) Inc. from October 2006 to May 2012.

Name, office held and municipality of present address	Became a Director	Principal occupation and positions during the last five years[(1)]
Randy Toone *New Zealand Country Manager* New Plymouth, New Zealand	N/A	• New Zealand Country Manager of TAG Oil from May 2013 to present; • AltaGas: o President Utilities from December 2012 to April 2013; o President Gas from January 2012 to December 2012; o Co-President Gas from December 2010 to December 2011; o Divisional Vice President Field Gathering and Processing and Energy Services from February 2009 to December 2010; and o Divisional Vice President Extraction and Transmission from January 2007 to February 2009.

Notes:

(1) Such information, not being within the knowledge of TAG Oil, has been furnished by the respective directors and officers individually.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.
(4) Member of the Nominating Committee.

The term of office for each of the directors expires at the end of TAG Oil's next annual meeting of shareholders.

The directors and officers of TAG Oil, as a group, beneficially own, or control or direct, directly or indirectly 3,953,661 (6.66%) of TAG Oil's common shares as at the date of this AIF.

The following table sets out the number of securities beneficially owned, or controlled or directed in TAG Oil, the percentage of voting securities beneficially owned, or controlled or directed in TAG Oil and the number of TAG Oil options granted to each director and officer of TAG Oil as at the date of this AIF:

Name	Number of Voting Securities Beneficially Owned or Controlled or Directed in TAG Oil	Percentage of Voting Securities Beneficially Owned or Controlled or Directed in TAG Oil	Number of TAG Oil Options Granted
Garth Johnson	5,000	0.01%	525,000
Alex Guidi	3,629,539	6.12%	425,000
Ronald Bertuzzi	208,356	0.35%	125,000
Keith Hill	Nil	Nil	250,000
Ken Vidalin	Nil	Nil	250,000
Blair Johnson	16,666	0.03%	300,334

Name	Number of Voting Securities Beneficially Owned or Controlled or Directed in TAG Oil	Percentage of Voting Securities Beneficially Owned or Controlled or Directed in TAG Oil	Number of TAG Oil Options Granted
Drew Cadenhead	41,300	0.07%	425,000
Giuseppe (Pino) Perone	Nil	Nil	115,000
Christopher Bailey	Nil	Nil	40,000
Randy Toone	52,800	0.09%	150,000

8.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of TAG Oil is, as of the date of the AIF or has been, within the 10 years preceding the date of this AIF, a director, chief executive officer or chief financial officer of any company, including TAG Oil, that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of TAG Oil, or to the best of TAG Oil's knowledge, shareholder holding a sufficient number of securities of TAG Oil to affect materially the control TAG Oil:

(a) is, as of the date of the AIF, or has been within 10 years preceding this date, a director or executive officer of any company, including TAG Oil, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the ten years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of TAG Oil, or to the best of TAG Oil's knowledge, shareholder holding a sufficient number of securities of TAG Oil to materially affect the control of TAG Oil, has been subject to:

(c) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(d) any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

8.3 Conflicts of Interest

Directors and officers of TAG Oil may also serve as directors and/or officers of other companies in the oil and gas industry, and may be presented from time to time with situations or opportunities which give rise to potential conflicts of interest which cannot be resolved by arm's length negotiations, but only through the exercise by such director or officer of such judgment as is consistent with his fiduciary duties to TAG Oil which arise under British Columbia corporate law. All conflicts of interest will be resolved in accordance with the B.C. Act. Any transactions with directors and officers will be made on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those persons to TAG Oil, and, depending on the magnitude of the transactions and the absence of any disinterested directors of TAG Oil, may be submitted to the shareholders of TAG Oil for their approval.

In the opinion of TAG Oil, there are no existing or potential conflicts of interest between TAG Oil or its subsidiaries and any director or officer of TAG Oil or its subsidiaries.

9. LEGAL PROCEEDINGS

TAG Oil is not a party to any outstanding legal or regulatory proceedings, and the directors of TAG Oil do not have any knowledge of any contemplated legal or regulatory proceedings that are material to the business and affairs of TAG Oil.

10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed in this AIF, TAG Oil is not aware of any material interest, direct or indirect, of any director or executive officer of TAG Oil, any person or company beneficially owning or controlling, directly or indirectly, more than 10% of the common shares of TAG Oil or any associate or affiliate of any such person in any transaction entered into by TAG Oil in the three most recently completed financial years, or in any subsequent transactions, or in any proposed transaction, that has materially affected or is reasonably expected to materially affect TAG Oil.

11. REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for TAG Oil is Computershare Investor Services Inc. located at 2nd Floor - 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

12. MATERIAL CONTRACTS

There are contracts of TAG Oil that are material to TAG Oil and were entered into within the most recently completed financial year of TAG Oil or before the most recently completed financial year of TAG Oil and which are still in effect.

TAG Oil through its subsidiary, Cheal Petroleum, is a party to an oil sales contract dated December 28, 2012, with the Cheal Oil and Gas Field's sole crude customer, Shell. This contract replaces previous contracts with Shell for the Cheal Oil and Gas Field's crude oil, and expires on December 31, 2013, subject to termination by Shell or TAG Oil. Additional information regarding TAG Oil's arrangements with Shell can be found under the heading "Description of Business – General".

TAG Oil through its subsidiary, Cheal Petroleum, is a party to on an oil storage contract with EIL dated October 13, 2009, which is to continue in effect on an ongoing basis subject to termination by EIL or Cheal Petroleum. Fees payable under this agreement are on a per use and as accrued basis as set out in the agreement with EIL. Additional information regarding TAG Oil's arrangements with EIL can be found under the heading "Description of Business – General".

On July 31, 2009, in relation to the Cheal Acquisition, TAG Oil entered into an overriding royalty agreement with Totara Energy Limited, in receivership ("**Totara**"), under which Totara received an initial 25% royalty on net oil sale revenue per barrel on the Cheal Oil Field for the first 500,000 barrels of shallow oil produced, which has now been reduced to 7.5% for the rest of the life of the Cheal Oil and Gas Field since 500,000 barrels of oil have been produced. TAG Oil also entered into a security agreement with Totara, under which a first ranking security interest was granted by TAG Oil to Totara over all oil produced and the proceeds of all oil produced from the Cheal Oil and Gas Field to secure royalty payments and performance of certain permit work commitments. Additional information with respect to the security interest granted to Totara and the Cheal Acquisition can be found under the heading "General Development of the Business – Three Year History".

On April 21, 2010, TAG Oil entered into an underwriting agreement with a syndicate of underwriters led by GMP Securities L.P. and including Cormark Securities Inc., to sell 6,700,000 units at a price of $2.60 per unit to raise gross proceeds of $17,420,000 pursuant to a short-form prospectus. As consideration, the underwriters received $1,201,200. Also, TAG Oil is party to the warrant indenture that contains certain provisions to protect the holders of warrants against dilution upon the occurrence of certain events. Additional information regarding the offering and the warrants can be found under the heading "General Development of the Business – Three Year History".

On November 2, 2010, TAG Oil entered into an underwriting agreement with a syndicate of underwriters led by GMP Securities L.P. and including Wellington West Capital Markets Inc., to sell a total of 10,300,000 common shares at a price of $5.20 per share. TAG Oil also granted to the underwriters an over-allotment option, exercisable in whole or in part at any time on or up to 30 days after the closing of the offering, to purchase up to an additional 1,250,000 common shares at the same price that was exercised in full. As consideration, the underwriters received $3,603,600. Total net proceeds from the offering including the over-allotment totaled $56,200,6096. Additional information regarding the offering can be found under the heading "General Development of the Business – Three Year History".

On April 27, 2012, TAG Oil entered into an underwriting agreement with the Underwriters to transact the Offering. TAG Oil also granted the Underwriters an Over-Allotment Option. On May 11, 2012, Dundee Securities Ltd., on its own behalf and on behalf of the Underwriters, delivered notice to TAG Oil that the Underwriters were electing to partially exercise the Over-Allotment Option to purchase an additional 265,000 Common Shares. As consideration, the Underwriters received $2,780,745. Total net proceeds from the Offering including the Over-Allotment Option totalled $43,365,746. Additional information regarding the offering can be found under the heading "General Development of the Business – Three Year History".

A copy of these material contracts have been filed under TAG Oil's profile on SEDAR at www.sedar.com and the summaries contained herein are qualified in their entirety by reference to the full text of such material contracts.

13. INTERESTS OF EXPERTS

The following persons and companies are named as having prepared or certified a report, valuation, statement or opinion in this AIF or in a document incorporated by reference into this AIF.

Name	**Description**
De Visser Gray LLP, Chartered Accountants	Provided the audit report dated June 27, 2013 on the consolidated statements of financial position of TAG Oil as at March 31, 2013, March 31, 2012 and March 31, 2011 and the consolidated statements of comprehensive income (loss), cash flows and changes in equity for each of the years ended March 31, 2013 and March 31, 2012
Sproule International Limited	Authored the "Evaluation of the P&NG Reserves of TAG Oil Ltd. in the Cheal and Sidewinder Areas of New Zealand (As of March 31, 2013)"

Based on the information provided by the experts, none of the individuals named in the foregoing section, nor the directors, officers and employees in the aggregate, as applicable, of each of De Visser Gray LLP, Chartered Accountants ("**De Visser**") or Sproule, hold any registered or beneficial interest, direct or indirect, in any of the securities or other property of TAG Oil or any of the associates or affiliates of TAG Oil.

The auditors of TAG Oil, De Visser, report that they are independent of TAG Oil in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia, Canada.

14. ADDITIONAL INFORMATION

14.1 Audit Committee

The Audit Committee's Charter

A copy of the audit committee's charter is attached to to this AIF as Appendix "A".

Audit Committee Composition

TAG Oil is required under the rules of the TSX to have an audit committee comprised of not less than three directors, all of whom are not officers, control persons or employees of TAG Oil or an affiliate of TAG Oil. TAG Oil's current members of the audit committee are Messrs. Ronald Bertuzzi (Chair), Keith Hill and Ken Vidalin.

TAG Oil is required to disclose whether the members of its audit committee are "independent" and "financially literate" within the meaning of NI 52-110.

NI 52-110 provides that a member of an audit committee is "independent" if the member has no direct or indirect material relationship with TAG Oil, which could in the view of TAG Oil's Board, reasonably interfere with the exercise of the member's independent judgment. All of the audit committee members are independent within the meaning of NI 52-110.

NI 52-110 provides that an individual is "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by TAG Oil's financial statements. All members of the audit committee are considered to be "financially literate" in the context of TAG Oil's operations.

Relevant Education and Experience

The following is relevant biographical information regarding the education and experience of the members of TAG Oil's audit committee, which has been supplied by the respective audit committee members:

Mr. Ronald Bertuzzi has been a director of TAG Oil since December 16, 2009. Mr. Bertuzzi holds a Bachelor of Economics from the University of British Columbia and he has more than 20 years of executive, board and committee experience with U.S. and Canadian junior listed companies focused primarily in the oil and gas industry that are doing business in Australasia. Mr. Bertuzzi's experience covers various stages of company development beginning with initial start-up and initial public offerings, acquiring and exploring significant exploration acreages and ending in discovery, facility development and commercial production of oil and gas. Mr. Bertuzzi has previously served as a director of Trans-Orient and Austral.

Mr. Keith Hill has been a director of TAG Oil since July 6, 2011. Mr. Hill is the Chairman and a director of ShaMaran Petroleum Corp., and is the CEO and a director of Africa Oil Corp. Mr. Hill is also a director of Black Pearl Resources Inc., Tyner Resources Ltd., and Petro Vista Energy Corp. Prior to this, Mr. Hill was instrumental in developing Valkyries Petroleum Corp. and Tanganyika Oil Company Ltd., both highly successful international oil and gas producers which were acquired by major oil companies. Mr. Hill holds a Master of Science degree in Geology and Bachelor of Science degree in Geophysics from Michigan State University, as well as an MBA from the University of St. Thomas in Houston.

Mr. Ken Vidalin has been a director of TAG Oil since December 14, 2011. Mr. Vidalin is the founder of two significant global corporations, Methanex and Acetex, and has more than 20 years of experience as a board member of public and private companies. As the founder, former director, and former COO of Methanex Corporation, Mr. Vidalin has significant technical and business qualifications. Mr. Vidalin is currently the President of Carina Investments Ltd., which is a private investment company, and he holds a Bachelor of Science degree in Mechanical Engineering from the University of North Dakota.

Audit Committee Oversight

Since the commencement of TAG Oil's most recently completed financial year, the Board has not failed to adopt a recommendation by the audit committee to nominate or compensate an external auditor.

Reliance on Certain Exemptions

Since the commencement of TAG Oil's recently completed financial year, TAG Oil has not relied on the exemptions contained in section 2.4 (De Minimis Non - audit Services), section 3.2 (Initial Public Offerings), section 3.4 (Events Outside Control of Member), section 3.5 (Death, Disability or Resignation of Audit Committee Member) or an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions) of NI 52-110.

Pre-Approval Policies and Procedures

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by TAG Oil's Board, and when applicable, the audit committee, on a case-by-case basis.

External Auditor Service Fees

The audit committee has reviewed the nature and amount of the non-audited services provided by De Visser and TAG Oil's New Zealand auditor BDO Spicers, Chartered Accountants and Advisors ("**BDO Spicers**"), to ensure auditor independence. Fees incurred with De Visser and BDO Spicers for audit and non-audit services in the last two fiscal years for audit fees are outlined in the following table:

Nature of Services	**Fees Paid to Auditor in Year Ended March 31, 2012**	**Fees Paid to Auditor in Year Ended March 31, 2013**
Audit Fees[(1)]	$61,363	$107,433
Audit-Related Fees[(2)]	$37,200	$2,853
Tax Fees[(3)]	$46,768	$41,181
All Other Fees[(4)]	Nil	Nil
Total	$131,420	$151,467

Notes:

(1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of TAG Oil's consolidated financial statements and include both the fees of the Corporation's principal auditor, De Visser, and BDO Spicers. Audit fees also include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

(4) "All Other Fees" include all other non-audit services.

14.2 Additional Information

Additional information relating to TAG Oil may be found on SEDAR at www.sedar.com.

Additional information, including directors and officers remuneration and indebtedness, principal holders of TAG Oil's securities and securities authorized for issuance under equity compensation plans is contained in the Information Circular for TAG Oil's most recent annual meeting of shareholders.

Additional information is provided in TAG Oil's financial statements and management discussion and analysis for its most recently completed financial year.

Appendix “A”

Audit Committee Charter

1. Mandate

The audit committee will assist the board of directors (the “Board”) in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well and the company’s business, operations and risks.

2. Composition

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

2.1 Independence

A majority of the members of the audit committee must not be officers, employees or control persons of the Company.

2.2 Expertise of Committee Members

Each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

3. Meetings

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company’s Chief Financial Officer and external auditors in separate executive sessions.

4. Roles and Responsibilities

The audit committee shall fulfill the following roles and discharge the following responsibilities:

4.1 External Audit

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor’s report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

(a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;

(b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;

(c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;

(d) review and recommend to the Board the compensation to be paid to the external auditors; and

(e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

4.2 Internal Control

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

(a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company; and

(b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

4.3 Financial Reporting

The audit committee shall review the financial statements and financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

General

(a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and

(b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

Annual Financial Statements

(c) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;

(d) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and

(e) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

Interim Financial Statements

(f) review and approve the interim financial statements prior to their release to the public; and

(g) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

Release of Financial Information

(h) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

4.4 Non-Audit Services

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

Delegation of Authority

(a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

De-Minimis Non-Audit Services

(b) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:

   (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or

   (ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

Pre-Approval Policies and Procedures

(c) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:

(i) the pre-approval policies and procedures are detailed as to the particular service;

(ii) the audit committee is informed of each non-audit service; and

(iii) the procedures do not include delegation of the audit committee's responsibilities to management.

4.5 Other Responsibilities

The audit committee shall:

(a) establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters;

(b) establish procedures for the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters;

(c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;

(d) review the policies and procedures in effect for considering officers' expenses and perquisites;

(e) perform other oversight functions as requested by the Board; and

(f) review and update this Charter and receive approval of changes to this Charter from the Board.

4.6 Reporting Responsibilities

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

5. Resources and Authority of the Audit Committee

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

(a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) set and pay the compensation for any advisors employed by the audit committee; and

(c) communicate directly with the internal and external auditors.

6. Guidance – Roles & Responsibilities

The following guidance is intended to provide the Audit Committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

6.1 Internal Control

(a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;

(b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and

(c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

6.2 Financial Reporting

General

(a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and

(b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and

(c) understand industry best practices and the Company's adoption of them.

Annual Financial Statements

(d) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;

(e) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;

(f) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;

(g) consider management's handling of proposed audit adjustments identified by the external auditors; and

(h) ensure that the external auditors communicate all required matters to the committee.

Interim Financial Statements

(i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;

(j) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and

(k) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:

  (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;

  (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financial statements are consistent with changes in the company's operations and financing practices;

  (iii) generally accepted accounting principles have been consistently applied;

  (iv) there are any actual or proposed changes in accounting or financial reporting practices;

  (v) there are any significant or unusual events or transactions;

  (vi) the Company's financial and operating controls are functioning effectively;

  (vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and

  (viii) the interim financial statements contain adequate and appropriate disclosures.

6.3 Compliance with Laws and Regulations

(a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";

(b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and

(c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

6.4 Other Responsibilities

(a) review, with the company's counsel, any legal matters that could have a significant impact on the company's financial statements.