ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2011

Dated July 29, 2011

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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**") future operational or financial performance and are subject to risks and uncertainties. When used in this AIF, the words "may", "will", "should", "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 PMP 38156 ("**Cheal Oil and Gas Field**" or "**Cheal**") such as current and expected production rates and the production capacity of the Cheal Oil and Gas Field; the expected exploration and development, drilling, work-over and optimization operations of TAG Oil's properties in the Taranaki and East Coast Basins; oil and natural gas production estimates and targets, including those at Cheal and PEP 38748 ("**Sidewinder Permit**"); capital expenditure programs and estimates; projections of market prices and costs; supply and demand for oil and natural gas; expectations regarding TAG Oil's ability to raise capital and to continually add to reserves through development; treatment under governmental regulatory regimes and tax laws.

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*. 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 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. 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, 2011, unless otherwise stated.

1.3 Accounting Principles

All financial information in this AIF is prepared in accordance with accounting principles generally accepted in Canada.

1.4 Currency and Measurement

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

Conversion from metric into imperial units of measurement is as follows:

Metric Units	*Imperial Units*
hectare	2.471 acres
metre (m)	3.281 feet
kilometre (km)	0.621 miles (3,281 feet)

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 energy equivalence at the burner tip and does not represent a value equivalence at the wellhead.

2. CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

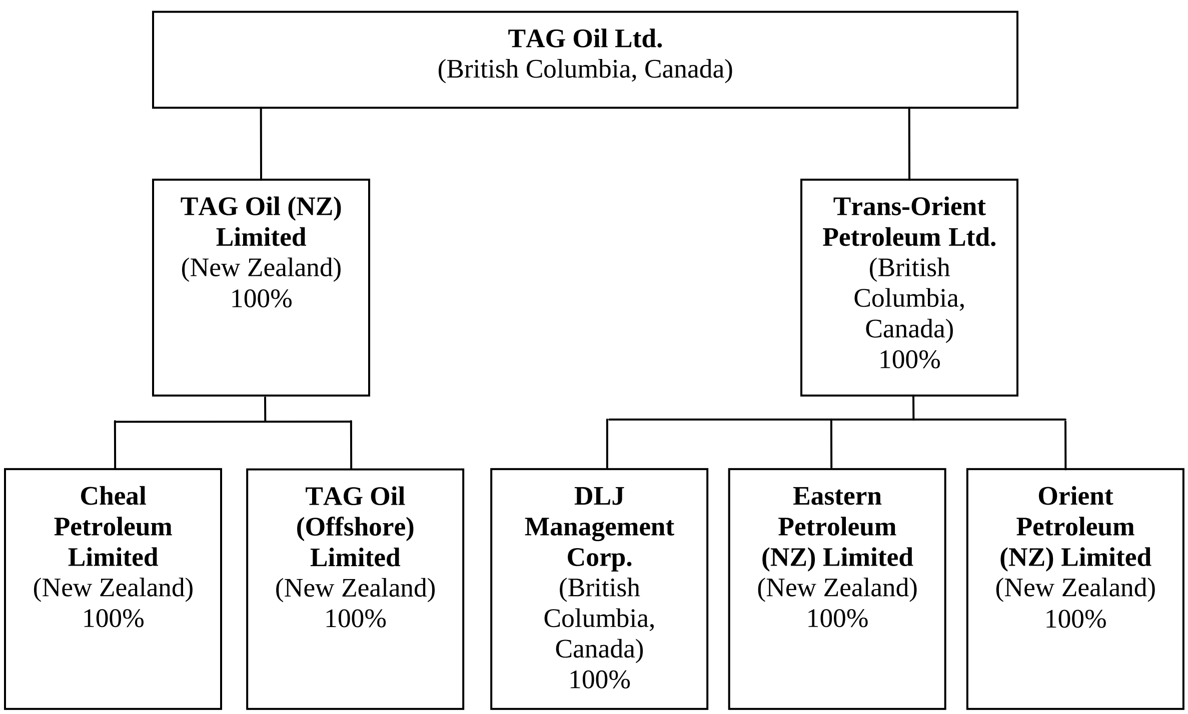
TAG Oil's full corporate name is TAG Oil Ltd. and TAG Oil's registered office is located at Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3, and its head office is located at Suite 2901, 1050 Burrard Street, Vancouver, British Columbia, V6Z 2S3.

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 <u>Intercorporate Relationships</u>

As at the date of this AIF, TAG Oil’s direct wholly-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 indirect wholly-owned subsidiaries are: Cheal Petroleum Limited (“**Cheal Petroleum**”), incorporated under the laws of New Zealand, TAG Oil (Offshore) Limited, incorporated under the laws of New Zealand, Orient Petroleum (NZ) Limited, incorporated under the laws of New Zealand, Eastern Petroleum (NZ) Limited, incorporated under the laws of New Zealand and DLJ Management Corp., incorporated under the laws of British Columbia.

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 for the periods shown.

Subsequent to the fiscal year ended March 31, 2011

On April 5, 2011, the Sidewinder-3 exploration well located on TAG Oil's 100% controlled Sidewinder Permit was drilled to a total depth of 2160m, targeting a large anomaly identified on 3-D seismic, approximately 1.1 km 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 in the primary Sidewinder zone. 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 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 May 6, 2011, the results from drilling the Sidewinder-4 well located on TAG Oil's 100% controlled 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 1410m, 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 18, 2011, Sproule International Limited ("**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 and does not include the Cheal-B4ST well that was placed on permanent production on May 31, 2011. Due to the timing of operations occurring after March 31, 2011, the Sidewinder reserve assessment was completed with information related only to the Sidewinder-1 well and does not include the now-completed Sidewinder-2, Sidewinder-3 and Sidewinder-4 wells located at the Sidewinder Permit. TAG Oil's net proved and probable ("**2P**") 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:

- one new well drilled and completed;
- establishment of commercial production from a bypassed discovery;
- increased recovery factors; and
- upward revision to projected future well performance.

On May 31, 2011, the Cheal-B4ST exploration well located on Cheal was placed on permanent production at rates of approximately 400 BOE per day through TAG Oil's 100%-owned Cheal Oil and Gas Field production facility ("**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 new 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 with good porosity. The Mt. Messenger Formation was the primary objective of the Cheal-C1 well, however it was deepened to a total depth of 2382m 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. Any future wells directly targeting this Moki Formation structure will be drilled in an updip position, which could potentially intersect substantially more of the hydrocarbon-charged Moki sandstones.

On July 5, 2011, Mr. John Vaccaro resigned from the Company's Board of Directors ("**Board**") and Mr. Keith Hill was subsequently appointed to the Board.

On July 6, 2011, TAG Oil successfully graduated to the Toronto Stock Exchange ("**TSX**") from Tier-1 of the TSX-Venture Exchange ("**TSX-V**") and TAG Oil's common shares and warrants began trading under the same trading symbols: "TAO" and "TAO.WT".

As at the date of this AIF, certain production capable wells at the Cheal Oil and Gas Field are restricted from daily production until such time as Cheal's artificial lift capabilities are enhanced. Currently 4 of the 9 wells capable of production at Cheal are producing on any given day. The wells are rotated to allow even depletion, and planned optimization work in the 2011 calendar year will allow simultaneous production of all existing and future wells at the Cheal Oil and Gas Field. TAG Oil believes that maximum value of the Cheal Oil and Gas Field will be realized through this optimization implementation combined with additional successful drilling.

Fiscal year ended March 31, 2011

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 5, 2011. The net proceeds of the offering will be used to fund TAG Oil's exploration and development programs in the Taranaki and East Coast Basins of New Zealand, for working capital and general corporate purposes.

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 now stabilized at approximately 200 BOE per day.

On May 26, 2010, a change of conditions was lodged with the MED for PEP 50940 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.

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 sq-km surface geological mapping survey was completed in preparation for a shallow stratigraphic well to be drilled on the Kawakawa anticline located in PEP 38349 that was drilled as at the date of this AIF.

TAG Oil's 2P reserves increased to 651,000 barrels of oil 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.

On September 7, 2010, TAG Oil acquired 100% interest in the Cardiff Deep Gas Prospect, referred to also as "PMP 38156-D" 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 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 2285m, 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 1400m. 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 2280m, 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 225 meters of pay. Wire line work conducted after the perforation confirmed production flow from the lateral section was being constrained by fracture sand and perforation-gun debris. TAG Oil is considering a coil tubing workover to clean out the debris within the production tubing, although the well continues to be one of the strongest producers in the Cheal Oil and Gas Field.

On October 25, 2010, Mr. Michael Hart resigned from the Board.

On November 4, 2010, TAG Oil relinquished 25% of PEP 38348 and made a commitment in writing to the next stage of the work program for PEP 38348 with the MED.

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. Total net proceeds from the bought deal equity offering including the over-allotment totalled $56,163,805 and will also be used to fund TAG Oil's exploration and development programs in the Taranaki and East Coast Basins of New Zealand, for working capital and general corporate purposes.

On December 10, 2010, TAG Oil acquired 20% interest in the shallow offshore permit PEP 52181 in exchange for cash from Mighty River Power, a New Zealand state-owned utility. The permit is operated by a subsidiary of Australian-based Roc Oil Pty Ltd., 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.

In February 2011, TAG Oil began the construction of production facilities at the Sidewinder Permit and progress is being made to commercialize this oil and gas discovery. Construction of the facility and 3km pipeline is in the final phases and scheduled for commissioning in September 2011. The facility is being designed to accommodate oil and gas production from the Sidewinder wells arising from the active drilling campaign conducted in the Sidewinder Permit.

On February 15, 2011, TAG Oil commenced drilling the Cheal-B4ST well located on the Cheal Oil and Gas Field, which is 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 1810m, 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 7500-acre Cheal area is oil-prone, with multiple shallow horizons prospective for discovery. On May 31, 2011, the Cheal-B4ST exploration well was placed on permanent production at rates of approximately 400 BOE per day.

On March 14, 2011, the Sidewinder-2 sidetrack well located on the Sidewinder Permit was drilled to a total depth of 1597m, 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 from the primary Sidewinder zone.

During the 2011 fiscal year, TAG Oil secured a land access agreement and drilled two additional shallow stratigraphic wells to approximately 250 meters in PEP 38348. 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 11 meters) under high pressure and high quality light crude oil being recovered while drilling. These results will be considered further and a follow-up shallow oil testing program is likely to be planned to understand the potential of this shallow reservoir.

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 250 to 3000 meters in PEP 38348, PEP 38349 and PEP 50940, which total 1.73 million acres of permitted land. Several shallow stratigraphic core wells were drilled to help further define depths and optimal drilling locations where the Waipawa Black Shale and Whangai Shale formations will be intersected. The first round of deep unconventional shale operations is scheduled to begin in late 2011 and carry into 2012.

Fiscal year ended March 31, 2010

On May 27, 2009, TAG Oil filed a Form 15F with the U.S. Securities and Exchange Commission ("**SEC**") with the intention of voluntarily terminating the registration of its common shares under section 12(g) of the Securities Exchange Act (the "**Exchange Act**") and that termination of registration became effective 90 days after its filing with the SEC. As a result of this filing, TAG Oil's reporting obligations with the SEC were immediately suspended and, when it became effective 90 days after its filing with the SEC, TAG Oil's shares were no longer quoted in the U.S. on the Over-the-Counter Bulletin Board.

On October 2, 2009, TAG Oil launched a normal course issuer bid to purchase up to 1,364,582 of its common shares through the facilities of the TSX-V. No purchases were made under the bid, which expired on October 1, 2010.

On October 24, 2009, TAG Oil completed the sale of its 16.65% interest in PEP 38746 to Greymouth Petroleum Limited in exchange for cash.

On October 26, 2009, TAG Oil announced that it had competed its agreement with the receivers of Austral to acquire the remaining 69.5% interest in the Cheal Oil Field ("**Cheal Acquisition**"). As a result TAG Oil owns a 100% interest in the Cheal Oil Field including the Cheal Production Facility. The Cheal Production Facility and development operations are located on two sites, Cheal A-Site and Cheal B-Site, which are less than a mile apart. The consideration paid by TAG Oil for these assets includes:

- US$2,000,000 in cash;
- an initial 25% overriding royalty on net oil sale revenue per barrel from the Cheal Oil Field for the first 500,000 barrels of shallow oil produced (reduced to 7.5% for the life of the field after 500,000 barrels of oil have been produced);
- certain permit work commitments that include optimization and drilling operations to be completed in the next 30 months; and

- a first ranking security interest over all oil produced and the proceeds of all oil produced from the Cheal Oil Field to secure royalty payments and performance of certain permit work commitments.

On December 3, 2009, TAG Oil's request for a change of conditions was granted by the MED to extend the drilling requirement on the Sidewinder Permit from August 2009 to March 2011.

On December 10, 2009, TAG Oil completed a transaction with the receivers of Austral to acquire the remaining 66.67% interest in the Sidewinder Permit, giving TAG Oil 100% interest in this permit. The consideration paid for these assets was US$50,000 in cash and a 5% overriding royalty on the first 200,000 barrels of oil produced (reduced to 2.5% for all barrels produced thereafter).

On December 16, 2009, by way of a plan of arrangement between TAG Oil, TAG Acquisition Corp. ("**TAG Subco**"), which was a wholly-owned subsidiary of TAG Oil formed for the purposes of the transaction, and Trans-Orient, Trans-Orient became a wholly-owned subsidiary of TAG Oil through an amalgamation with TAG Subco (the "**Trans-Orient Arrangement**"). Under the Trans-Orient Arrangement, holders of the common shares of Trans-Orient received 1 common share of TAG Oil in exchange for every 2.8 common shares of Trans-Orient. As a result of the Trans-Orient Arrangement, approximately 13,053,652 common shares of TAG Oil valued at $6,599,694 were issued to Trans-Orient's shareholders. Through the completion of the Trans-Orient Arrangement, TAG Oil acquired an under-explored frontier acreage position of 2,275,902 net acres located in the onshore portion of the East Coast Basin of New Zealand, which consists of 100% property interests in PEP 38348, PEP 38349, and PEP 50940.

On January 15, 2010, PEP 38738-S expired after reaching the end of the permit's second 5 year term. On January 21, 2010, TAG Oil made an application to extend the area of PMP 38156-S by 4.92 sq-km to retain exploration rights on certain acreage of the former PEP 38738-S. This application has yet to be granted by the MED.

On January 26, 2010, TAG Oil was awarded a 100% interest in a 61,900-acre permit extension to its PEP 38349 permit, located in the southern portion of the onshore East Coast Basin, New Zealand.

From October 2009 to January 2010, TAG Oil re-processed existing 2D seismic data and completed a field mapping project targeting specific areas of PEP 50940, and outcrop and geochemical samples were also collected for analysis.

In March 2010, the first stratigraphic well in TAG Oil's initial three-well Waitangi Hill program was drilled to a total depth of 171m. The results, including "free oil" in core samples, further indicate Waitangi Hill as an area of active oil and gas generation and expulsion. Gas, oil and core samples retrieved while drilling was sent to labs and analyzed for use in planning the next two Waitangi Hill wells. The Waitangi Hill-2 well is located within TAG Oil's 530,000-acre permit area in the northern East Coast Basin of New Zealand, where TAG Oil is pursuing both conventional and unconventional fractured oil shale prospects.

Fiscal year ended March 31, 2009

The Cheal-A6 development well on PMP 38156-S (TAG Oil: 30.5% interest prior to the closing of the Cheal Acquisition) was drilled in the first quarter of the 2009 fiscal year. This deviated development well was drilled from the Cheal A-Site surface location reaching a total depth of

1930 meters. The well intercepted oil bearing MM3 sands at approximately 1818 meters, but the net sand interval was interpreted as too thin and made the well uneconomical to complete. The well was plugged and abandoned and a whipstock plug was set at 1350 meters for a side track well. Cheal-A6ST was drilled approximately 150 meters to the south of Cheal-A6 reaching a total depth of 1936 meters. An assessment of the subsurface data indicated a sub-commercial hydrocarbon discovery and the well was plugged and abandoned.

The Cheal-A7 development well on PMP 38156-S (30.5% interest prior to the closing of Cheal Acquisition) was drilled in the second quarter of the 2009 fiscal year. This deviated development well was drilled from the Cheal A-Site surface location reaching a total depth of 1848 meters. Following a short-term production test, the well has commenced production through the Cheal facility.

In April 2008, TAG Oil received consent from the MED approving the agreement with Discovery Geo Corporation to sell TAG Oil's 35.5% interest in PEP 38342 for a combination of cash and a 1.11% royalty on future production on the permit.

On October 2, 2008, TAG Oil launched a normal course issuer bid to purchase up to 7,583,858 of its common shares, which became 1,516,700 of its common shares following the share consolidation described below, through the facilities of the TSX Venture Exchange. TAG Oil purchased 1,516,500 common shares for cancellation and return to treasury and the bid terminated on October 1, 2009.

At TAG Oil's annual and special meeting held on December 19, 2008, shareholders of TAG Oil approved the consolidation of its common shares on the basis of every five common shares being consolidated into one common share.

On January 27, 2009, TAG Oil received the consent of the MED and completed the agreement with a subsidiary of New Zealand based Genesis Energy Limited ("**Genesis**") to sell its 15.1% interest in PEP 38738-D and PMP 38156-D containing the Cardiff deep gas prospect for a combination of cash and a 1% royalty on any future production from both permits.

On February 4, 2009, TAG Oil's common shares began trading on the basis of five common shares being consolidated into one common share.

4. DESCRIPTION OF THE BUSINESS

4.1 General

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

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. TAG Oil does not have a reliance on raw materials, or any significant patents or licences, as we operate in an extractive industry.

TAG Oil competes with other companies in bidding for the acquisition of petroleum interests from various authorities, and in exploring for oil and gas in the Australasian region. TAG Oil is also subject to government regulation of the oil and gas properties it holds and in the operations it conducts on those properties.

The development of the Cheal Oil and Gas Field commenced in August 2006, which included completing a production facility 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 facilities in September 2007. The facilities are fully certified and were formally opened on October 8, 2007, with wells primarily being lifted using hot water power fluid and downhole jet pumps.

During the 2011 fiscal year and to date, TAG Oil drilled three wells on the Cheal Oil and Gas Field, which consisted of Cheal-B4ST that was placed on permanent production at rates of approximately 400 BOE per day, Cheal-C1 that was drilled and completed for production testing of the light oil and gas potential identified in both the Mt. Messenger and Moki Formations, and Cheal-BH-1 that underwent additional re-completion and is being considered for a coil tubing workover to clean out the debris within the production tubing.

During the 2011 fiscal year and to date, TAG Oil drilled four wells on the Sidewinder Permit and completed and tested all four wells, which consisted of Sidewinder-1, Sidewinder-2, Sidewinder-3 and Sidewinder-4. Results indicated that the size and scope of the Sidewinder Permit discovery area is much larger than originally anticipated. Furthermore, the permit remains lightly explored and is prospective for further oil and gas discoveries, with numerous drill-ready prospects identified on 3D seismic. Progress is also being made to commercialize this oil and gas discovery and place all four wells on production. The facility is being designed to accommodate oil and gas production from the Sidewinder Permit and is scheduled for commissioning in September 2011.

TAG Oil believes that a properly executed development plan will allow for an increase in cash flow, reserves and reserve values through further drilling in the Taranaki Basin on TAG Oil's 100% owned and operated permits. In addition, TAG Oil's 20% interest in the shallow offshore prospect called "Kaheru" in PEP 52181 offers a significant amount of resource potential to pursue. A decision is required to commit to drill by May 2012 and a well is required to be drilled by May 2013. TAG Oil will also pursue its goal of converting the undiscovered resource potential within its East Coast Basin permits to proved reserves through an aggressive drilling campaign.

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. 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 agreement was entered into on July 7, 2010 and expired on May 7, 2011. On May 25, 2011, a longer term gas sales agreement was entered into and a portion of Cheal Oil and Gas Field gas is being sold pursuant to this agreement.

The principal markets for sales of oil produced at the Cheal are in the Australasian region. More specifically, Shell (Petroleum Mining) Company Limited ("**Shell**") purchases all of the oil that TAG Oil produces from Cheal and exports it to the Australasian markets. 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. Approximately every 20 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.

TAG Oil's revenue for the 2011 fiscal year consisted of oil and gas sales from Cheal totaling $13,088,423 (2010: $6,527,585). TAG Oil's production costs for the 2011 fiscal year amounted to $2,977,996 (2010: $1,538,111) while depletion and royalties amounted to $1,499,468 (2010: $824,945) and $3,577,366 (2010: $1,875,421), respectively. Royalty costs incurred relate to crown royalty payments of 5% on net oil and gas proceeds received during the period ending March 31, 2011 and a 25% overriding royalty on net oil sales for the first 500,000 barrels of oil produced at the Cheal Oil and Gas Field, in accordance with the terms of the Cheal Acquisition. As at March 31, 2011, there was 235,806 barrels of production remaining that is subject to the 25% royalty related to the Cheal Acquisiton before the royalty is reduced to 7.5%.

During the 2011 fiscal year, the Cheal Oil Field produced 150,742 (2010: 117,979) gross barrels of oil and 151,586 (2010: 118,269) gross barrels of oil were sold during the year with associated gas produced being used to generate electricity on-site with a small amount of excess gas and electricity being sold to independent third parties. TAG Oil's share of oil produced and sold was 150,742 (2010: 67,525) and 151,586 (2010: 77,206), respectively.

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.

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).

TAG Oil is not dependent upon any significant patents or licenses, except that most of the plant at TAG Oil's new production station at the Cheal Oil and Gas Field was designed specifically for Cheal. The vessels, heat exchangers and piping are specific to the Cheal Oil and Gas Field process and the designs of the power fluid pump, coalescing filter, and export compressor have been patented by their respective suppliers.

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.

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.

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

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, 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.

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 2012.

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.

TAG Oil is dependent on an oil sales contract with the Cheal Oil and Gas Field's sole crude customer, Shell. This contract was extended on June 17, 2010, and will expire on December 31, 2011. 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.

The overall environmental impact to TAG Oil's economic valuations is not material. In New Zealand, on land and in waters within twelve 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 the 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.

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.

As at March 31, 2011, TAG Oil directly employed eight full-time employees, which included TAG Oil's Chief Executive Officer, Chief Operating Officer, Operations Geologist, Exploration and New Ventures Manager, Legal Counsel, Controller and Office Assistants. TAG Oil also employed various consultants.

4.2 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 our 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. But, 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.

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 and the capital and operating costs may be greater than anticipated. The risks to revenue include the development wells not producing predicted rates of oil and gas production, decreases in the market prices of oil and gas, and increased storage and transportation costs.

Reliance on Oil Storage and Oil Sales Contracts

TAG Oil is dependent on an oil sales contract with the Cheal Oil and Gas Field's sole crude customer, Shell. TAG Oil is also dependant on an oil storage contract with EIL. Oil produced at the 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.

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 differential between the price paid by refiners for light, quality oil and various grades of oil produced. TAG Oil is subject to market fluctuations in the prices of oil and natural gas, 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.

Funding Requirements

Oil exploration involves a high degree of technical and commercial risk and is characterized by a continuous need for fresh capital. 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 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.

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 our business. Although TAG Oil currently has working capital and operating revenues that are sufficient to sustain our 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, 2011, TAG Oil had a net loss of $453,001 and an accumulated deficit of $60,571,466 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 Notice of Articles authorizes 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.

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, we may be liable for damages and the costs of removing hydrocarbon spills for which we are 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 our part. Such laws and regulations may expose us 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.

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 while 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 are in accordance with National Instrument 51-101 *Standards of Disclosure for Oil And Gas Activities* may be viewed 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

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 four 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 Exchange Act. 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.

4.3 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 10 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 was approved by the Cheal joint venture parties in 2006, which is in accordance with the joint venture operating agreement. The Cheal Oil and Gas Field includes the Cheal Production Facility that has an initial capacity of 2,000 barrels of oil per day and 3 million cubic feet of gas per day. The Cheal Production Facility and operations are located on three sites (Cheal A-Site, Cheal B-Site and Cheal C-Site).

The Cheal A-Site is the location of the Cheal Production Facility as well as producing wells Cheal-1, Cheal-A3X, Cheal-A4 and Cheal-A7. The construction of the Cheal Production Facility at the Cheal A-Site 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 facilities in September 2007. The facilities are now fully certified and were formally opened on October 8, 2007.

Development at the Cheal B-Site in 2006 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. Cheal-B4 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. Cheal-B4 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 confidence in the resource potential of the north western extension of the Cheal Oil and Gas Field, but lacked economic thickness of reservoir rock at these levels. The lower Moki zone was found to be water bearing. Subsequent to the 2011 fiscal year, the Cheal-B4ST vertical exploration well was drilled by TAG Oil to a total depth of 1821m (5973 feet), encountering net pay in both the Urenui and Mt. Messenger Formations. Initial flow rates averaged 400 barrels of oil equivalent (BOE) per day (360 barrels of oil + 240 thousand cubic feet gas). Cheal-B4ST well encountered 17 meters (56 feet) of net pay within the Urenui (~1400m) and Mt. Messenger (~1700m) zones. These Miocene-aged zones were isolated and tested separately, confirming oil and gas flow rates from both zones with final completion co-mingling the two zones.

At the Cheal C-Site, recent operations have consisted of drilling the Cheal-C1 well. The well was drilled and completed for production testing of the Mt. Messenger and Moki Formations on June 6, 2011. Cheal-C1 was drilled 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 with good porosity and "free oil" encountered while drilling through the zone. Although the Mt. Messenger Formation was the primary objective of the Cheal-C1 well, the well was deepened to a total depth of 2382m 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. Any future wells directly targeting this Moki Formation structure will be drilled in an updip position, which could potentially intersect substantially more of the hydrocarbon-charged Moki sandstones.

During the 2011 fiscal year, TAG Oil produced a total of 150,742 barrels of oil and sold 151,586 barrels of oil. 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 agreement was entered into on July 7, 2010 and expired on May 7, 2011. On May 25, 2011, a longer term gas sales agreement was entered into and a portion of Cheal Oil and Gas Field gas is being sold pursuant to this agreement.

During the 2011 fiscal year and to date, TAG Oil has focused on identifying new prospects and drilling its onshore Taranaki Basin permits while also increasing production at the Cheal Oil and Gas Field through optimization of existing wells. TAG Oil's optimization efforts were successful and resulted in an increase in the recovery factors being assigned to the Mt. Messenger Formation reserves as well as having reserves being assigned to the Urenui Formation in fiscal 2011. The focus of TAG Oil's short-term plan will be to continue to maximize value at the Cheal Oil and Gas Field, as well as at the Sidewinder Permit so that oil and gas revenues can contribute to funding TAG Oil's development and exploration programs going forward and identifying other opportunities for growth through acquisitions and through the provision of funding for suitable development opportunities.

TAG Oil's optimization work established the first-ever commercial production from the bypassed Urenui Formation oil discovery, using new wax reduction technology and completion techniques in two historical wells drilled at the Cheal Oil and Gas Field and then applying this completion technology to the successful Cheal-B4ST well that targeted the Urenui and Mt. Messenger Formations. Having tions at approximate depths of 1400m and 1800m, respectively.

During the 2011 fiscal year and to date, TAG Oil also drilled four wells on the Sidewinder Permit and completed and tested all four wells, which consisted of Sidewinder-1, Sidewinder-2, Sidewinder-3 and Sidewinder-4. Results indicated that the size and scope of the Sidewinder Permit discovery area is much larger than originally anticipated. Furthermore, the entire Sidewinder Permit remains lightly explored and prospective for further oil and gas discoveries, with numerous drill-ready prospects.

As at the date of this AIF, certain production capable wells at the Cheal Oil and Gas Field are restricted from daily production until such time as Cheal's artificial lift capabilities are enhanced. Currently 4 of the 9 wells capable of production at Cheal are producing on any given day. The wells are rotated to allow even depletion, and planned optimization work in the 2011 calendar year will allow simultaneous production of all existing and future wells at the Cheal Oil and Gas Field. TAG Oil believes that maximum value of the Cheal Oil and Gas Field will be realized through this optimization implementation combined with additional successful drilling.

For further detail of TAG Oil's oil and gas reserves and resources for the 2011 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, 2011, the report of Sproule 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 50,069,896 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 Directors 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, TAG Oil has 50,069,896 common shares issued and outstanding, meaning that that 5,006,990 common shares are currently available for options to be granted under the Amended and Restated Share Option Plan at the date hereof. The number of options currently outstanding is 3,734,214 and the number available for grant is 1,272,776.

Warrants

As of the date of this AIF, TAG Oil has 3,861,950 Warrants outstanding. Each whole Warrant is convertible into one common share of TAG Oil at an exercise price of $3.60 at any time prior to November 5, 2011. The Warrants are governed by a warrant indenture dated May 5, 2010, between TAG Oil and Computershare Investor Services Inc., as amended on June 17, 2010, (the "**Warrant Indenture**"). A copy of the Warrant Indenture is available for viewing under TAG Oil's profile on SEDAR at www.sedar.com.

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".

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	High ($)	Low ($)	Close	Daily Trading volume (average)
April 2010	2.98	2.48	2.75	159,700
May 2010	3.02	2.13	2.45	155,200
June 2010	2.94	2.32	2.41	133,200
July 2010	2.64	2.31	2.55	126,200
August 2010	2.97	2.50	2.50	122,200
September 2010	3.75	2.42	3.42	200,200
October 2010	6.27	3.30	5.56	474,900
November 2010	5.79	5.11	5.59	243,100
December 2010	7.35	5.54	6.60	243,700
January 2011	7.45	6.20	7.12	197,600
February 2011	7.45	6.26	6.68	132,600
March 2011	7.40	6.09	6.70	133,700
April 2011	6.85	5.57	5.82	146,600
May 2011	6.68	5.43	6.40	125,100
June 2011	6.68	5.70	6.10	243,800
July 2011(1)(2)	6.86	6.13	6.70	104,700

Note:

(1) The information is up to July 27, 2011.

(2) TAG Oil's common shares began trading on the TSX on July 6, 2011.

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

Month	High ($)	Low ($)	Close	Daily Trading volume (average)
May 2010(1)	0.53	0.49	0.51	130,458
June 2010	0.59	0.58	0.58	21,500
July 2010	0.62	0.62	0.62	10,750
August 2010	0.71	0.69	0.71	26,750
September 2010	0.66	0.65	0.65	5,600
October 2010	1.95	1.67	1.79	93,329
November 2010	2.61	2.35	2.44	18,275
December 2010	3.57	3.33	3.48	8,059
January 2011	3.64	3.36	3.52	32,017
February 2011	3.23	3.55	3.36	10,974

Month	High ($)	Low ($)	Close	Daily Trading volume (average)
March 2011	3.44	3.30	3.38	11,235
April 2011	2.90	2.74	2.82	12,888
May 2011	2.69	2.51	2.66	32298
June 2011	2.87	2.75	2.83	33,394
July 2011(2)(3)	3.02	2.92	2.99	6,492

Note:

(1) TAG Oil's warrants began trading on the TSX-V on May 6, 2010.

(2) The information is up to July 27, 2011.

(3) TAG Oil's warrants began trading on the TSX on July 6, 2011.

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 2011(1)	7.05	5.87	6.14	33,700
May 2011	6.93	5.61	6.47	23,100
June 2011	6.77	5.85	6.33	22,500
July 2011(2)	7.20	6.27	6.99	19,200

Note:

(1) TAG Oil's common shares began trading on the OTCQX International on April 6, 2011.

(2) The information is up to July 27, 2011.

7.2 Prior Sales

During the fiscal year ended March 31, 2011, 593,737 TAG Oil options were exercised for proceeds of $756,572.

During the fiscal year ended March 31, 2011, 219,050 TAG Oil warrants were exercised for proceeds of $788,580.

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 for a period of 18 months.

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.

Total net proceeds from the bought deal equity offering including the over-allotment totalled $56,163,805.

Subsequent to the fiscal year ended March 31, 2011, 93,834 TAG Oil options were exercised for proceeds of $207,498.

The following table sets forth the TAG Oil options that were exercised during and subsequent to the fiscal year ended March 31, 2011:

No. of Optioned Shares Exercised	**Grant Date**	**Exercise Price**	**Exercise Date**
25,000	October 28, 2009	$1.25	May 6, 2010
8,333	October 28, 2009	$1.25	May 10, 2010
25,000	October 28, 2009	$1.25	October 4, 2010
8,333	October 28, 2009	$1.25	November 2, 1010
20,000	October 28, 2009	$1.25	November 23, 2010
100,000	October 28, 2009	$1.25	January 6, 2011
20,000	March 14, 2008	US$1.40	January 6, 2011
20,000	October 28, 2009	$1.25	January 6, 2011
25,000	October 28, 2009	$1.25	January 6, 2011
25,000	October 28, 2009	$1.25	January 7, 2011
75,000	October 28, 2009	$1.25	January 14, 2011
20,000	March 14, 2008	US1.40	January 14, 2011
5,000	October 28, 2009	$1.25	January 14, 2011
50,000	October 28, 2009	$1.25	January 14, 2011
50,000	March 14, 2008	US1.40	January 19, 2011
6,000	October 28, 2009	$1.26	February 2, 1011
40,000	October 28, 2009	$1.25	February 9, 2011
50,000	October 28, 2009	$1.25	March 17, 2011
7,500	October 28, 2009	$1.26	March 17, 2011

13,571	March 14, 2008	US$1.40	March 23, 2011
25,000	October 28, 2009	$1.25	June 27, 2011
2,000	October 28, 2009	$1.26	July 7, 2011
8,334	October 28, 2009	$1.25	July 13, 2011
40,000	August 2, 2006	$3.50	July 14, 2011
11,000	October 28, 2009	$1.26	July 18, 2011
7,500	October 28, 2009	$1.26	July 21, 2011

The following table sets forth the TAG Oil warrants that were exercised during the fiscal year ended March 31, 2011:

No. of Warrants Exercised	Grant Date	Exercise Price	Exercise Date
69,300	May 5, 2010	$3.60	November 17, 2010
138,600	May 5, 2010	$3.60	December 9, 2010
10,650	May 5, 2010	$3.60	January 14, 2011
200	May 5, 2010	$3.60	January 26, 2011
300	May 5, 2010	$3.60	February 21, 2011

No warrants were exercised subsequent to the fiscal year ended March 31, 2011.

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]

Name, office held and municipality of present address	Became a Director	Principal occupation and positions during the last five years[1]
Garth Johnson[4] *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.) ("AMG"), a public oil and gas company, from February 2006 to June 2009; • Director of Austral, a public oil and gas company, from June 2003 to January 2006; • 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; • Chief Executive Officer and Director of Trans-Orient from March 2008 to October 2009.
Alex Guidi[2][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; • Director of Trans-Orient from October 2007 to March 2009.
Ronald Bertuzzi[2] *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; • Director of Trans-Orient from November 2008 to December 2009.
Keith Hill[2][3][5] *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; • Director of Ausam Energy Corporation from November 2004 to July 2007; • 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; • Chairman and director of Blackpearl Resources Inc. from January 2006 to present.
Blair Johnson[4] *Chief Financial Officer* Auckland, New Zealand	N/A	• Chief Financial Officer of TAG Oil from December 2009 to present; • 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; • Chief Operating Officer of Trans-Orient from January 2008 to August 2009; • President, Chief Executive Officer and Director of TAG Oil from May 2003 to September 2007.

Name, office held and municipality of present address	Became a Director	Principal occupation and positions during the last five years[(1)]
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.

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) Mr. Blair Johnson replaced Mr. Garth Johnson as Chief Financial Officer of TAG Oil effective December 1, 2009.
(5) On July 5, 2011, Mr. John Vaccaro resigned from the Board and Mr. Keith Hill was subsequently appointed to the Board.

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 owned, or controlled or directed, directly or indirectly 5,221,624 (10.43%) 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	16,129	0.03%	648,571
Alex Guidi	4,705,939	9.40%	225,000
Ronald Bertuzzi	443,356	0.89%	150,000
Keith Hill	Nil	Nil	200,000
Blair Johnson	Nil	Nil	185,000
Drew Cadenhead	56,200	0.11%	553,571
Giuseppe (Pino) Perone	Nil	Nil	136,786

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 year, 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 June 17, 2010, 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 will expire on December 31, 2011, subject to termination by Shell or TAG Oil. Under the contract, TAG Oil can sell up to 30,000 barrels of McKee Blend, as defined in the contract, to Shell each month at a purchase price calculated as follows:

i. The arithmetic average of the Tapis Price, as defined in the contract, for the calendar month of the bill of lading;

ii. US$1.45 will be deducted from the U.S. dollar amount calculated for (i);

iii. The net sum of (i) less (ii) will be adjusted by an amount equal to the arithmetic average of the RIM Cossack Crude Oil Premium (which can be a discount), as defined in the contract, for the calendar month prior to the bill of lading, plus applicable taxes.

On June 1, 2011, the purchase price calculation in the oil sales contract with Shell was amended as follows:

i. The arithmetic average of the Dated Brent Price, as defined in the contract, for the calendar month of the bill of lading;

ii. US$1.95 will be deducted from the U.S. dollar amount calculated for (i);

iii. The net sum of (i) less (ii) will be adjusted by an amount equal to the arithmetic average of the RIM Gippsland Differential, as defined in the contract, for the calendar month prior to the bill of lading, plus applicable taxes.

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 receives an initial 25% overriding royalty on net oil sale revenue per barrel on the Cheal Oil Field for the first 500,000 barrels of shallow oil produced that is then reduced to 7.5% for the life of the Cheal Oil and Gas Field after 500,000 barrels of oil have been produced. Additional information on the royalty agreement and the Cheal Acquisition can be found under the heading "General Development of the Business – Three Year History".

On July 31, 2009, in relation to the Cheal Acquisition, 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. 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. 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".

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 Vancouver	Provided the audit report dated July 26, 2011 on the consolidated balance sheets of TAG Oil as at March 31, 2011 and 2010 and the related consolidated statements of operations and deficit, comprehensive loss and cash flows for each of the years then ended
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, 2011)"

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 ("**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 <u>Audit Committee</u>

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 Alex Guidi.

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 of Directors, reasonably interfere with the exercise of the member's independent judgment. All of the audit committee members are independent within the meaning NI 52-110 with the exception of Mr. Guidi who receives a consulting fee from TAG Oil to assist with the strategic advice and planning matters of TAG Oil's business.

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

Relevant information regarding the education and experience of the members of TAG Oil's audit committee is set out above in "Directors and Officers - Name, Occupation and Security Holding", which has been supplied by the respective audit committee members.

Audit Committee Oversight

Since the commencement of TAG Oil's most recently completed financial year the board of directors 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), or an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions) of NI 52-110. However, TAG Oil is relying on section 3.5 (Death, Disability or Resignation of Audit Committee Member) of NI 52-110 due to the resignation of Mr. Vaccaro from the audit committee on July 6, 2011, which has resulted in a vacancy on the audit committee. The Board has reconfigured the Audit Committee and Mr. Guidi will fill such vacancy and is exempt from the requirements in subsections 3.1(3) and 3.1(4) of NI 52-110 for a period ending on the later of: (a) the next annual meeting of TAG Oil, and (b) the date that is six months from the day the vacancy was created.

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 of directors, 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, 2010	Fees Paid to Auditor in Year Ended March 31, 2011
Audit Fees(1)	$57,058	$75,824
Audit-Related Fees(2)	$24,387	$24,355
Tax Fees(3)	$23,213	$31,241
All Other Fees(4)	Nil	Nil
Total	$104,659	$131,420

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 Company'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 financials 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.