



TAG Oil Reports 100% Increase in Production Revenue & Strong Year-End Financial Results

Vancouver, B.C. – August 2, 2011 – TAG Oil Ltd. (TSX: [TAO](#)) and (OTCQX: [TAOIF](#)), a Canadian-based production and exploration company with extensive operations in New Zealand, reports that the Company has filed its audited financial results, Management Discussion and Analysis and Annual Information Form with the Canadian Securities Administrators for the period ended **March 31, 2011**. Copies of these documents can be obtained electronically at www.sedar.com, or for additional information please visit the TAG Oil website at <http://www.tagoil.com/>.

Year-End March 31, 2011 Operating Highlights

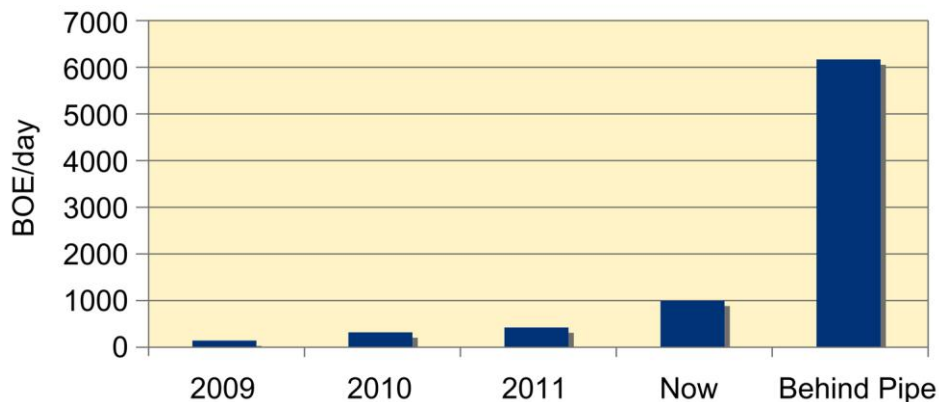
- Production revenue for 2011 increased to \$13,088,423 compared to \$6,527,585 in 2010.
- TAG produced 150,742 net barrels of light oil in fiscal 2011, sold at an average price of \$86 per barrel with production costs reduced to less than \$20 per barrel.
- Significant gas discovery with the Sidewinder-1 well was followed by three additional Sidewinder discoveries.
- Behind-pipe production capability of more than 5,000 barrels of oil equivalent per day is ready to come on production.
- The Cheal-B4ST well discovered light oil in the Urenui Formation (~1400m), and a second producing formation is now under development at the Cheal field.
- TAG acquired a 100% interest in the Cardiff condensate-rich deep gas discovery.
- Light oil was discovered in three shallow wells during recent drilling in the East Coast Basin, confirming the underlying shale formations as the source of the oil.

Reserves, Production, Drilling — Taranaki Basin

As previously announced, as at March 31, 2011 TAG's independently assessed, proven and probable reserves stood at 1,677,000 barrels of oil equivalent ("BOE"). This assessment accounts for just 475 acres of the 7,487-acre Cheal permit, and only 107 acres of the 7,910-acre Sidewinder permit: The report included an initial reserve estimate from Sidewinder-1 alone, as TAG Oil's five subsequent discovery wells were completed after the fiscal year-end cut-off.

During the 2011 fiscal year TAG's production rate averaged 413 barrels of oil equivalent (BOE) per day. Current production is now at approximately 950 BOE per day with a ramp-up past 5,000 BOE per day as TAG brings "behind-pipe" production online over the coming months.

Taranaki Production – Barrels of Oil Equivalent Per Day (BOE)



Production from these new oil and gas wells is awaiting Cheal's minor facility upgrade and the commissioning of the Sidewinder Production Station, both on schedule for completion in coming months. TAG's operations in Taranaki continue to deliver better-than-expected results and have encouraged the Company to accelerate the next phase of exploration drilling, now scheduled to commence in September 2011. This drilling campaign will further target the Mt. Messenger and Urenui Formation prospects as well as potential deeper wildcat targets identified.

The table below summarizes TAG's flow testing results from the six successful Mt. Messenger and Urenui Formation wells recently drilled in Taranaki.

Results of TAG Oil's Taranaki Drilling Program

Well	Flow Rate	BOE Flow rate	Final Drawdown Rate	Net Pay Encountered
Sidewinder-1	7.40mmcf	1,233	28%	14 meters
Sidewinder-2	8.8mmcf	1,467	25%	47 meters
Sidewinder-3	7.21mmcf	1,202	40%	15 meters
Sidewinder-4	6.98mmcf	1,163	25%	19 meters
Cheal-B4ST	360 barrels	400	–	17 meters
Cheal-C1	Testing Underway	Testing Underway	–	15 meters
Total:		5,465 BOE/day		

During the fiscal year TAG significantly expanded its Taranaki business and prospects with the acquisition of the Cardiff condensate-rich gas discovery. Situated immediately adjacent to New Zealand's landmark Kapuni condensate-rich gas field, the large Cardiff anticline extends across an area some 12 km long by 3 km wide—and the Kapuni Formation can be mapped across the entire structure. In close proximity to TAG-controlled infrastructure and with the strong Taranaki gas market, Cardiff has the potential to become a strategic long-term asset.

Fractured Shale Exploration — East Coast Basin

In 2006, TAG Oil acquired a large land base that covered key acreage potentially prospective for fractured shale exploration in two prospective formations: the Waipawa Black Shale and Whangai Shale.

As part of our scheduled commitments to the New Zealand government, we have voluntarily relinquished some acreage that we've determined to have no exploration potential. As a result of high-grading the acreage, TAG has retained 1.7 million acres (2,656 sections) of what the Company interprets to be the most prospective acreage for both conventional and unconventional exploration.

In November 2008 the Company retained AJM Petroleum Consultants to independently assess the resource potential of the Waipawa Black Shale and Whangai Shale prospects within our permits. The report only considers 200,000 acres of our current 1.7 million acres and concludes a best case estimate of 12.6 billion barrels of oil equivalent of undiscovered Hydrocarbon-In-Place.

Undiscovered Resource Potential on 200,000 Acres of Shale

Billion Barrels of Oil in Place	Low Case	Best Case	High Case
Unconventional Exploration	4,022,263,000	12,654,778,000	39,835,707,000

Since TAG first secured the East Coast Basin shale prospects, the Company has compiled significant critical data including new 2-D seismic data, detailed core and oil-seep analysis, extensive geological surface mapping, and shallow stratigraphic drill testing. As part of the Waitangi Hill area evaluation in Petroleum Exploration Permit 38348, TAG drilled three shallow stratigraphic wells to total depths of 250-300m. All three wells intercepted oil-and-gas-bearing sands under anomalously high pressures, with two of the wells intercepting 11 to 13 meters of gross potential oil pay at approximately 200m depth. All three wells recovered 50-degree API sweet light crude oil, which was lab tested, confirming the source of this high quality oil to be from the underlying Waipawa and Whangai Shale formations.

Liquidity and Financial Summary

TAG ended the year financially very strong and enters fiscal 2012 as a much more substantial corporation with rapidly growing oil and gas production and a relatively undiluted capital structure. Production revenue for 2011 more than doubled over

last year to \$13,088,423. and generated an operating profit of \$6.5 million. TAG remains debt free and our net working capital as at March 31, 2011 was \$69.38 million.

During the year TAG completed two equity financings for net proceeds of approximately \$75 million. On May 5, 2010, the Company closed an equity offering with a total of 7,700,000 units and 231,000 broker-warrants for net proceeds of \$18,534,174. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable at \$3.60 and will entitle the holder thereof to acquire one common share up until November 5, 2011.

On November 17, 2010, TAG closed a bought deal common share public offering. The Company sold a total of 10,300,000 common shares at a price of \$5.20 per share. The Company also granted to the underwriters an over-allotment option to purchase up to an additional 1,250,000 common shares at the same price, which was exercised in full on November 26, 2010. Total net proceeds from the bought deal equity offering including the over-allotment totaled \$56,163,805.

The Company currently has 50,069,896 common shares outstanding and 57,566,060 common shares outstanding on a fully diluted basis.

Capital Expenditure

The majority of TAG's capital expenditure items relate to multi-well exploration drilling, optimization work and facility construction. Capitalized oil and gas expenditures during fiscal 2011 totaled \$21.8 million as follows:

Cheal Field	\$11.40 million
Sidewinder Field	\$9.6 million
East Coast Shale	\$658,139
Kaheru (offshore JV)	\$127,879

This summarizes TAG Oil's March 31, 2011 year-end financial and operating results. For further information please visit our website at <http://www.tagoil.com/>.

TAG Oil Ltd.

TAG Oil Ltd. (<http://www.tagoil.com/>) is a Canadian-based production and exploration company with operations focused exclusively in New Zealand. With 100% control over all its core assets, including oil and gas production infrastructure, TAG is anticipating substantial oil and gas production and reserve growth through development of several light oil and gas discoveries. TAG is also actively drilling high-impact exploration prospects identified across more than 2,600 sections of land in the onshore Taranaki and East Coast Basins of New Zealand's North Island.

In the East Coast Basin, TAG Oil is pursuing the major unconventional resource potential estimated in the fractured shale source-rock formations that are widespread over the Company's acreage. These oil-rich and naturally fractured formations have many similarities to North America's Bakken Shale source-rock formation in the successful Williston Basin.

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Important Information:

"BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of 6Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Undiscovered Hydrocarbon-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. There is no certainty that any portion of the undiscovered resources will be discovered or that, if discovered, it will be economically viable or technically feasible to produce.

Exploration for hydrocarbons is a speculative venture necessarily involving substantial risk. TAG's future success in exploiting and increasing its current reserve base will depend on its ability to develop its current properties and on its ability to discover and acquire properties or prospects that are capable of commercial production. However, there is no assurance that TAG's future exploration and development efforts will result in the discovery or development of additional commercial accumulations of oil and natural gas. In addition, even if further hydrocarbons are discovered, the costs of extracting and delivering the hydrocarbons to market and variations in the market price may render uneconomic any discovered deposit. Geological conditions are variable and unpredictable. Even if production is commenced from a well, the quantity of hydrocarbons produced inevitably will decline over time, and production may be adversely affected or may have to be terminated altogether if TAG encounters unforeseen geological conditions. TAG is subject to uncertainties related to the proximity of any reserves that it may discover to pipelines and processing facilities. It expects that its operational costs will increase proportionally to the remoteness of, and any restrictions on access to, the properties on which any such reserves may be found. Adverse climatic conditions at such properties may also hinder TAG's ability to carry on exploration or production activities continuously throughout any given year.

The significant positive factors that are relevant to the estimate contained in the independent resource assessment are:

- proven production in close proximity;

- proven commercial quality reservoirs in close proximity; and
- oil and gas shows while drilling wells nearby.

The significant negative factors that are relevant to the estimate contained in the independent resource assessment are:

- tectonically complex geology could compromise seal potential; and
- seismic attribute mapping in the permit areas can be indicative but not certain in identifying proven resource.

Cautionary Note Regarding Anticipated Results and Forward-Looking Statements:

Statements contained in this news release that are not historical facts are forward-looking statements that involve various risks and uncertainty affecting the business of TAG Oil. These statements are based on certain factors and assumptions including those relating to TAG Oil's successful exploration and development of its oil and gas properties within the Cheal and Sidewinder project areas, the production and establishment of additional production of oil and gas in accordance with TAG Oil's expectations at Cheal and Sidewinder, the increase of cash flow from new production, oil and gas price assumptions and fluctuations, foreign exchange rates, expected growth, results of operations, performance, prospects, evaluations and opportunities and effective income tax rates. While TAG Oil considers these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Actual results may vary materially from the information provided in this release, and there is no representation by TAG Oil that the actual results realized in the future will be the same in whole or in part as those presented herein.

TAG Oil is involved in the exploration for and production of hydrocarbons, and its property holdings—with the exception of the Cheal Oil Field and Sidewinder project area—are in the grass roots or primary exploration stage. Exploration for hydrocarbons is a speculative venture necessarily involving substantial risk. There is no certainty that the expenditures incurred on TAG Oil's exploration properties will result in discoveries of commercial quantities of hydrocarbons. TAG Oil's future success in exploiting and increasing its current reserve base will depend on TAG Oil's ability to develop its current properties and on its ability to discover and acquire properties or prospects that are producing. 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.

Other factors could cause actual results to differ from those contained in the forward-looking statements related to upcoming operations, production forecast modeling and other items that are set forth in, but are not limited to, filings that the TAG Oil and its independent evaluator have made, including the TAG Oil's most recent reports in Canada under National Instrument 51-101.