



TSX: TAO

OTCQX: TAOIF

TAG Oil Announces 2015 First Quarter Results: Strong Revenue and Production Growth

Vancouver, B.C. – August 14, 2014 – After a successful first quarter 2015 drilling program, TAG Oil Ltd. (TSX: TAO) and (OTCQX: TAOIF), is pleased to announce growth of production and associated revenues from first quarter operations and drilling activity.

TAG's current net production at the beginning of August was 1,977 barrels of oil equivalent per day (81% oil), in line with the annual average production forecast of 2,000 boe/d for fiscal year 2015.

During the quarter, TAG drilled and tested two successful development wells at the Cheal field in the Taranaki Basin of New Zealand; Cheal-B9 and B10 (100% TAG) that produced a combined average of 351 boe/d during testing. Production has remained steady, growing slightly as production methods are optimized as part of the testing program. The Company has now moved the Nova-1 drilling rig to the Company's PEP 38348 permit located in New Zealand's East Coast Basin to drill the Waitangi Valley-1 unconventional well targeting the Waipawa Black Shale and the thick Whangai source rocks.

Following Waitangi Valley-1, the rig will return to Taranaki and complete the remainder of the Company's fiscal 2015 drilling program. This program consists of five more shallow wells including two step-out wells at the Sidewinder field, shifting the focus from gas wells to targeting the significant shallow oil potential identified. In addition, the Company is planning to drill the Boar Hill-1 unconventional exploration well in the East Coast Basin and one frontier exploration well in the Canterbury Basin.

Based on stabilized production trends at Cheal, the Company's most recent results with Cheal-B9 and B10, and the number of development drilling prospects already identified, the Company is considering a number of business growth opportunities. One such opportunity may include contracting with additional drilling services required to expedite drilling operations, with a view to further grow shallow production within the Cheal and Sidewinder fields.

TAG CEO Garth Johnson commented, "I am very pleased with our operational progress and commend the team for successfully executing our ambitious drilling program safely. I am also pleased that we have expanded the scope of our oil development area into the Greater Cheal area (Cheal E and G sites) as we look at the potential to increase the pace of development and step-out drilling in an effort to grow our high netback oil production while continuing to pursue high-impact drilling opportunities."

Q1 FY2015 TAG OIL HIGHLIGHTS

- Average net daily production increased by 18% for the quarter to 1,750 boe/d (74% oil) from 1,486 boe/d (72% oil) for the previous quarter ended March 31, 2014.
- Total revenue increased by 11% for the quarter ended June 30, 2014 to \$15.6 million from \$14 million for the quarter ended March 31, 2014, and increased by 6% from \$14.7 million for the same period last year.



- Operating netback per boe increased for the quarter ended June 30, 2014 to \$72.16 per boe from \$71.80 per boe for the quarter ended March 31, 2014, and increased from \$43.72 per boe for the same period last year.
- Cashflow provided from operating activities increased by 329% for the quarter ended June 30, 2014 to \$7.2 million from \$1.7 million for the quarter ended March 31, 2014.
- Cashflow per share (basic) provided from operating activities increased by 266% to \$0.11 from \$0.03 for the quarter ended March 31, 2014.
- Capital expenditures totalled \$11.4 million for the quarter ended June 30, 2014 compared to \$22.8 million for the quarter ended March 31, 2014.

RECENT DEVELOPMENTS

- Average net production for the first 10 days of August was 1,977 boe/d (81% oil), an increase of 11% on July's average daily production (1,783 boe/d).
- Waitangi Valley-1 unconventional exploration well targeting the Waipawa Black Shale and Whangai source rocks in PEP 38348 (100% TAG) spudded on July 23rd. The well is expected to take 70 days to drill to a total depth of approximately 3,600 meters (11,800 feet).
- Cheal-B9 and Cheal-B10 have been drilled, completed and production tested. Combined average production totalled 351 BOE/d (88% oil) during testing. Both wells are being permanently tied into the Cheal Production Station.
- TAG drilled and tested the Cheal-G1 (TAG 50%) a step-out well whereby the Company is carried on expenditures of up to \$2,500,000. Cheal-G1 produced an average of 93 boe/d (96% oil) over a 10-day test period providing encouragement for potential future development drilling.
- The Company announced the appointment of Mr. Max Murray, as New Zealand Country Manager, replacing Mr. Randy Toone.

FINANCIAL RESULTS SUMMARY

	2015		2014		2013			
<i>Canadian \$000s, except per share or boe</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net production volumes (boe/d)	1,750	1,486	1,527	2,100	2,354	1,691	1,727	1,848
Total revenue	15,571	14,025	12,939	15,885	14,698	12,298	10,851	9,616
Operating costs	(5,721)	(5,706)	(4,579)	(4,826)	(4,955)	(3,948)	(3,289)	(3,123)
Foreign exchange	(312)	2,246	(167)	(1,012)	146	426	(69)	(475)
Stock based compensation	(44)	(175)	(377)	(559)	(938)	(1,276)	(2,004)	(1,500)
Other costs	(5,804)	(4,562)	(4,845)	(7,046)	(5,431)	(7,483)	(4,850)	(4,820)
Net income (loss) before tax	3,690	5,828	2,971	2,412	3,521	17	639	(301)
Basic income (loss) \$ per share (BT)	0.06	0.09	0.05	0.04	0.06	0.00	0.01	(0.01)
Diluted income (loss) \$ per share (BT)	0.06	0.09	0.05	0.04	0.06	0.00	0.01	(0.00)
Capital expenditures	11,370	22,767	20,959	14,466	12,349	20,032	21,116	22,204
Operating cash flow (1)	7,715	6,774	6,101	8,562	8,468	18,136	5,611	4,410

(1) Operating cash flow is a non-GAAP measure. It represents cash flow from operating activities before changes in working capital

TAG currently has 63,860,552 common shares outstanding and 68,695,886 common shares outstanding on a fully diluted basis.



OIL AND NATURAL GAS PRODUCTION PRICING AND REVENUE

	2015 Q1	2014 Q4	2014 Q1
Daily production volumes (1)			
Oil (bbls/d)	1,296	1,072	1,075
Natural gas (boe/d)	454	414	1,279
Combined (boe/d)	1,750	1,486	2,354
% of oil production	74%	72%	46%
Daily sales volumes (1)			
Oil (bbls/d)	1,282	1,081	1,058
Natural gas (boe/d)	202	279	1,115
Combined (boe/d)	1,484	1,360	2,173
Natural gas (mmcf/d)	1,213	1,674	6,690
Product pricing			
Oil (\$/bbl)	118.57	122.76	104.87
Natural gas (\$/mcf)	5.60	6.34	5.72
Oil and natural gas revenues (3) - gross (\$000s)	14,375	12,896	13,577
Oil & natural gas royalties (2)	(1,275)	(1,277)	(1,474)
Oil and natural gas revenues - net (\$000s)	13,100	11,619	12,103

(1) Natural gas production converted at 6 Mcf:1BOE (for BOE figures)

(2) Includes a 7.5% royalty related to the acquisition of a 69.5% interest in the Cheal field

(3) Oil and Gas Revenue excludes electricity revenue related to Coronado Resources

OPERATIONS UPDATE AND OUTLOOK FOR FISCAL YEAR 2015

As announced in May 2014, TAG's capital budget for fiscal year 2015 is CDN\$60 million; funded by forecasted cash flow of \$40 million for the year and working capital on hand. The capital budget investment will focus on five plays as follows:

1. Low risk development and step out drilling at Cheal, Greater Cheal and Sidewinder fields;
2. Unconventional exploration wells targeting the Waipawa and Whangai source rocks in the East Coast Basin;
3. High-impact Deep wells targeting condensate-rich, tight gas prospects in Taranaki;
4. High-impact shallow-water offshore Kaheru-1 prospect in Taranaki; and
5. Frontier exploration drilling located in the Canterbury Basin.

FY2015 TAG operations to date have met management's expectations and have provided confirmation of the Company's ability to grow oil production through a focus on development and appraisal drilling at the Cheal and Sidewinder fields. By executing this business plan the Company can maintain the financial strength and can use cash flow to fund ongoing low-risk shallow drilling in Taranaki in combination with a higher-risk / higher reward exploration wells.



For the remainder of the 2015 fiscal year, TAG's continued focus on drilling within the established oil-prone exploration fairways of Taranaki seek to achieve the goal of adding new oil reserves within our permits. The Company will drill two more appraisal wells at Cheal, combined with two new step-out wells at TAG's Sidewinder oil and gas area providing a lower-risk growth opportunity with a 100% interest in each permit. In addition, one new development well will be drilled in the Greater Cheal area where TAG owns a 70% interest and is operator of the permit. Additional potential new reserves targeted during the year will include perforation of additional untested zones in wells already drilled in the Greater Cheal area where TAG owns a 70% interest, one wildcat well will be drilled within PEP 52589 (TAG 100%) located in the Canterbury basin of New Zealand's South Island, and unconventional wells, the Waitangi Valley-1 and Boar Hill-1 in the East Coast Basin that if successful provide an opportunity to add significant new reserve areas to TAG's reserve base.

TAG also announces the filing of the Company's unaudited condensed consolidated interim financial statements and management discussion and analysis with the Canadian Securities Administrators relating to results for the Company's first quarter fiscal 2015 year, ending June 30, 2014. Copies of these documents can be obtained electronically at <http://www.sedar.com>, or for additional information please visit TAG Oil's website at <http://www.tagoil.com/>. In other news TAG Oil Ltd. also announces today the grant of stock options as well as approval by TAG Oil's board of directors (the "Board of Directors") of an advance notice policy (the "Policy") with respect to shareholder nominations of directors.

Details of the grant of options and the advance notice requirement are provided below:

- The grant of options ("Options") announced today was made as part of the Company's compensation strategy to attract and retain directors, officers and employees and aligning compensation with the success of the Company. In total 1,160,000 Options were granted, with a total of 560,000 Options being granted to executive officers and 150,000 being granted to directors of the Company. Each Option has an exercise price of \$2.75 per share and is exercisable for a period of five years from the date granted, subject to certain vesting provisions. Including to today's grant, there are Options to purchase 4,835,334 Common Shares now outstanding which is equal to approximately 7.0% of the number of issued and outstanding Common Shares on a fully diluted basis with an average exercise price of \$5.39 per share. The purpose of the advance notice policy ("the Policy") is to provide shareholders, directors and management of the Company with a clear framework for nominating directors of the Company, which will (i) facilitate an orderly and efficient process for the election of directors at annual general and special meetings; (ii) ensure that all shareholders receive adequate notice of the director nominations and sufficient information with respect to all director nominees; and (iii) allow shareholders to register an informed vote after having been afforded reasonable time for appropriate deliberation.
- The Policy includes a process that requires advance notice to the Company in circumstances where nominations of persons for election to the Board of Directors are made by shareholders of the Company. Among other things, the Policy fixes a deadline by which holders of record of common shares of the Company must submit director nominations to the Company prior to any annual general or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Company for the notice to be in proper written form.

In the case of an annual general meeting of shareholders, notice to the Company must be made not less than 30 nor more than 65 days prior to the date of the annual general meeting; provided, however, that in the event that the annual general meeting is to be held on a date



that is less than 50 days after the date on which the first public announcement of the date of the annual general meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement.

In the case of a special general meeting of shareholders (which is not also an annual general meeting), notice to the Company must be made no later than the close of business on the 15th day following the day on which the first public announcement of the date of the special general meeting was made.

The Policy provides that the Board of Directors may, in its sole discretion, waive any requirement of the Policy.

The Policy is in effect as at the date of this news release. The Board of Directors intends to seek shareholder ratification of the Policy at TAG Oil's next annual general meeting (the "Meeting"). If the Policy is not confirmed at the Meeting, the Policy will terminate and be of no further force and effect following the termination of the Meeting. The full text of the Policy is available via SEDAR at www.sedar.com.

For further information:

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BOEs:

TAG Oil has adopted the standard of six thousand cubic feet of gas to equal one barrel of oil when converting natural gas to "BOEs." 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.

Cautionary Note Regarding 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. Such statements can be generally, but not always, identified by words such as "expects", "plans", "anticipates", "intends", "estimates", "forecasts", "guidance", "schedules", "prepares", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. All estimates and statements that describe the Company's objectives, goals, forecasts, guidance, production rates, test rates, optimization, timing of operations, increased pace of drilling, statements regarding prospects being drill ready and or future plans with respect to the drilling in the Taranaki, East Coast and Canterbury Basins, including any plans to contract additional rigs and associated drilling services, are forward-looking statements under applicable securities laws and necessarily involve risks and uncertainties including, without limitation: risks associated with oil and gas exploration, development, exploitation and production, geological risks, marketing and transportation, availability of adequate funding, volatility of commodity prices, environmental risks, competition from other producers, and changes in the regulatory and taxation environment. 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 would be the same in whole or in part as those presented herein.

Other factors that could cause actual results to differ from those contained in the forward-looking statements are also set forth in filings that TAG and its independent evaluator have made, including TAG's most recently filed reports in Canada under NI 51-101, which can be found under TAG's SEDAR profile at www.sedar.com.

TAG undertakes no obligation, except as otherwise required by law, to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors change.