

TAG Oil and Apache Corporation Conclude East Coast Basin Farmout Agreement

Vancouver, BC January 31, 2013 – TAG Oil Ltd. (TSX: TAO and OTCQX: TAOIF) announced today that the Company’s 100% owned New Zealand subsidiaries have concluded an agreement with Apache New Zealand Corporation LDC, which results in an early termination of the Farmout Agreement dated September 1, 2011. This agreement relates to exploration in Petroleum Exploration Permits 38348, 38349 and 50940 located in the East Coast Basin of New Zealand.

Main Highlights of the Agreement:

- Apache has paid TAG Oil a lump sum payment to satisfy its obligations related to funding Phase 1 operations under the Farmout Agreement.
- TAG Oil will retain all assets developed under the Agreement, including all seismic and technical work completed by the Joint Venture.
- TAG retains its 100% interest in the subject East Coast Basin permits, including the Waitangi Hill shallow oil discovery.

TAG Oil CEO Garth Johnson commented, “Although we are disappointed that Apache’s shift in corporate strategy resulted in a refocusing of their international holdings, we do understand that tough decisions sometimes need to be made. TAG remains highly enthusiastic about the future of



these prospects: All the work completed to date as a result of our JV Phase 1 activities strengthens our beliefs in the potential of TAG Oil’s East Coast Basin holdings. We’re also pleased to have full control back over the project with funding in place.”

TAG intends to utilize the lump sum payment received by Apache to fund the drilling of up to four East Coast Basin wells as planned in the Apache-agreed Phase 1 work program. These wells will test several high-impact play objectives including the Waipawa and

Whangai source rocks that have independently been confirmed to be generating 50 degree API oil. Additionally, these naturally fractured, high-quality source rocks are believed to be widespread across TAG’s acreage. Independent assessments have concluded that there are approximately 14 billion barrels of undiscovered original oil in place potential, within less than a fifth of TAG’s total land holdings on the East Coast.



Drilling of the first East Coast wells is expected to commence in late March/April 2013, subject to receipt of the necessary consents from regional government. TAG will utilize conventional vertical drilling techniques similar to those used by TAG Oil over many years in its successful Taranaki Basin operations.

Mr. Johnson concluded: "It was a pleasure to have had the opportunity to work closely with Apache. Our work together provided important geotechnical and operational related work, which has confirmed our belief in the major potential of this project, and advanced it to drill-ready status. Furthermore, TAG's cash flow and assets have grown dramatically since we first signed the agreement with Apache. So the Company can now fund further drilling operations and exploration activities from a place of strength and greater flexibility."

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% ownership over all its core assets, including extensive oil and gas production infrastructure, TAG is enjoying 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 2,953,810 net acres of land in New Zealand.

In the East Coast Basin, TAG is pursuing the major unconventional resource potential believed to exist in the tight oil 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 source-rock formation in the successful Williston Basin.

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Important information:

It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate.

Undiscovered Oil Initially-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 resource estimate 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 resource estimate are:

- tectonically complex geology could compromise seal potential; and
- seismic attribute mapping in the two deep liquids-rich gas plays can be indicative but not certain in identifying proven resource.

Important information:

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”, “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 or future plans 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, production, marketing and transportation, undiscovered original oil in place, availability of adequate funding, volatility of commodity prices, imprecision of reserve estimates, 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 that the actual results realized in the future will 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 National Instrument 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.