CALGARY, ALBERTA--(Marketwired - May 27, 2015) - Toro Oil & Gas Ltd. (TSX VENTURE:TOO) ("Toro" or the "Company") is pleased to announce it has entered into a binding letter agreement (the "Agreement") with Source Rock Royalties Ltd. ("Source Rock"), a private company, for a non-dilutive financing, which inclusive of a $4 million acquisition fund, total $16 million. In exchange for $12 million in cash proceeds, Toro commits to provide Source Rock with Viking light oil production volumes as a royalty (a "PVR"). Additionally, Source Rock will establish an acquisition fund of $4 million for the purpose of strategic acquisitions by Toro within the Viking light oil fairway (the "Acquisition Fund"). The $12 million PVR (the "Total PVR") is allocated into two separate components:

- An $8 million binding PVR in return for Toro providing royalty barrels starting at 33 bbls/d of light oil from Toro's Viking production base and escalating to 63 bbls/d by 2021; and
- A further $4 million PVR conditional upon Source Rock closing an external financing of at least $10 million, in return for Toro to provide royalty barrels starting at 17 bbls/d and escalating to 32 bbls/d by 2021.

Other key terms include:

- Toro will commit to drill eight (8) horizontal Viking light oil wells on or before June 1, 2016 on lands that relate to the binding PVR;
- The $8 million binding PVR will not be subject to any external financings completed by Source Rock;
- Toro will commit production barrels from its Hamilton Lake, Consort and Esther areas pursuant to the Total PVR;
- The Total PVR commitment extends for a seven and one-half (7.5) year term followed by a 20% annual decline, on a declining balance basis;
- Toro will issue 350,000 common shares to Source Rock at a deemed price equal to the ten day volume weighted average share price on the TSX Venture Exchange prior to the execution of the Agreement, allocated as to 233,333 common shares on the binding PVR and the balance, 116,667 common shares, on the conditional PVR. The share issuance is subject to the approval of the TSX Venture Exchange; and
- The parties anticipate that closing will occur on or before June 30, 2015.

Acquisition Fund

In addition to the funding provided by the Total PVR, Source Rock has committed to set aside a $4 million Acquisition Fund, accessible at Toro's option. The proceeds of the Acquisition Fund can be used to fund strategic acquisitions within the Viking light oil fairway. Other key terms of this component include:

- The Acquisition Fund extends for a period of 12 months from the Closing Date; and
- Source Rock will be granted a gross over-riding royalty to be determined on the production and lands acquired by the Acquisition Fund.

Strategic Rationale for the Non-Dilutive Financing

Together with its existing sources of liquidity, Toro intends to use the proceeds from the Total PVR to increase and accelerate its 2015 drilling program within the Viking light-oil fairway.

"The transaction is in every sense of the word a win-win for both parties", commented Barry Olson, President and Chief Executive Officer of Toro. "Toro's business plan significantly accelerates as a result of the Source Rock partnership and non-dilutive form of financing. With signs of a modest recovery in commodity prices, a successful well-funded drilling program which Toro is about to embark upon has the potential to propel Toro into a higher production and valuation range."

The Acquisition Fund will provide Toro with the ability to continue to grow and consolidate the Viking light oil fairway. Toro has been an active acquirer within the Alberta Viking fairway and will continue to identify strategic acquisitions to increase its land base. Toro currently controls 122 net sections of land within this fairway.

With its inventory of high quality, large oil-in-place pools, Toro is well positioned to generate strong operating and financial results in the second half of 2015 and beyond.

2015 Outlook

The Total PVR proceeds in combination with other forms of liquidity, supports a $10 million initial phase drilling program which the Company intends to execute over the course of the summer. Key objectives of the drilling program include, but are not limited to, establishing or at a minimum confirming horizontal production type curves experienced previously on the Hamilton Lake property, bolster corporate cash flows in order to more fully sustain operations, begin to incur qualifying expenditures for Toro's recent flow- through equity offering and provide a basis to conduct further drilling programs prior to year-end.

About Source Rock Royalties

Source Rock Royalties is a Calgary-based private corporation founded in early 2013 that is exclusively focused on acquiring and managing royalties on oil and gas properties and mineral title interests in the Western Canadian Sedimentary Basin. In addition to acquiring existing royalties, Source Rock strives to creatively manufacture royalty interests on high-quality oil and natural gas assets that are owned and operated by experienced management teams with the technical and fiscal capability to successfully develop the assets. Source Rock owns varying gross overriding royalties on approximately 16,000 acres of land in the Viking light oil play in west-central Saskatchewan. As a royalty interest owner Source Rock receives top-line revenue from oil and natural gas production that occurs on its royalty lands. Source Rock does not incur any of the costs associated with activity on its royalty lands, including drilling, completing and equipping wells, maintenance and optimization of wells, enhanced recovery initiatives, abandoning of wells or reclamation of the land. More information regarding Source Rock Royalties is available at www.sourcerockroyalties.com.

About Toro Oil & Gas Ltd.

Toro is a junior oil and gas energy company listed on the TSX Venture Exchange. Toro is focused on acquiring, developing and exploiting large oil in place pools within the Alberta-Saskatchewan Viking light oil fairway. Toro intends to grow by way of organic development and strategic acquisitions while maintaining strict financial discipline to maximize shareholder return.

Forward Looking Information

The reader is advised that some of the information contained herein may constitute forward looking information within the meaning of National Instrument 51-102 and other relevant securities legislation. Forward-looking information contained herein includes, but is not limited to, statements with respect to satisfaction of the conditions to closing of the Total PVR, completion of the external financing by Source Rock, completion of the Acquisition Fund, the use of proceeds from the Total PVR, the Company's drilling plans and Toro's production guidance. Such forward- looking information is based on the Company's current expectations regarding its future business and reflects management's current beliefs and assumptions based on information currently available to them. Actual results may vary from forward-looking information and readers are cautioned not to place undue reliance on forward-looking information. The Company does not undertake any obligation to release publicly any revisions to forward-looking information contained herein to reflect events or circumstances that occur after the date hereof or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws. Forward-looking information involves significant known and unknown risks and uncertainties. These risks and uncertainties are described in the Company's Annual Information Form dated April 25, 2014 which is filed under the Company's SEDAR profile at www.sedar.com.

51-101 Advisory

In conformity with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities, natural gas volumes have been converted to barrels of oil equivalent ("boe") using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. Boes may be misleading, particularly if used in isolation. A conversion ratio of one barrel to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value.

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