

Kallisto Energy Corp. Announces Recapitalization Financing and New Management Team

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CALGARY, ALBERTA -- (Marketwired - Sept. 15, 2014) - [Kallisto Energy Corp.](#) ("Kallisto" or the "Company") (TSX VENTURE:KEC) is pleased to announce that it has entered into a definitive reorganization and investment agreement (the "Agreement") with Barry Olson, Donald Sabo, Greg Phaneuf, Elizabeth More, Neil Wilson, Kellie D'Hondt and Paul Storey (the "Initial Investor Group"), which provides for: (i) a non-brokered private placement of approximately \$25 million in aggregate (the "Private Placement"); (ii) the appointment of a new management team and board of directors (collectively, the "New Management Team"); and (iii) a rights offering (the "Rights Offering") to current holders of Common Shares of Kallisto (collectively, the "Transaction"). Kallisto will be seeking a discretionary waiver from the TSX Venture Exchange (the "TSXV") in respect of the minimum pricing requirements for the Private Placement on the basis of a future consolidation to be completed by Kallisto within six months of the date of completion of the Private Placement. Completion of the Private Placement is subject to customary closing conditions, including approval of the TSXV. Upon completion of the Transaction, it is anticipated that the shareholders of Kallisto will be asked to approve, at a special meeting called for such purpose, a change of the Company's name to "Toro Oil & Gas Ltd."

The New Management Team will be led by Barry Olson as President & Chief Executive Officer, Donald Sabo as Executive Vice President, Greg Phaneuf as Vice President, Finance & Chief Financial Officer, Elizabeth More as Vice President, Exploration & Geology, Neil Wilson as Vice President, Engineering, Kellie D'Hondt as Vice President, Land & Business Development and Paul Storey as Vice President, Operations.

Upon closing of the Transaction, the new board of directors will be comprised of Barry Olson, James Mahoney, Dean Bernhard, Donald Sabo and up to two additional nominees as determined by members of the New Management Team. Scott Cochlan, a partner and co-head of the Calgary office of Torys LLP and such firm's Corporate and Capital Markets Practice, will act as Corporate Secretary. In addition, Scott Saxberg, President, Chief Executive Officer and Director of Crescent Point Energy Corp., is acting as an advisor to the New Management Team.

New Management Team

The New Management Team has an exceptional track record of creating value in high-growth, junior oil and gas companies. Through its proposed strategy of acquiring and exploiting light oil and liquids-rich natural gas reserves and through a combination of organic development opportunities and strategic acquisitions, it intends to grow the recapitalized Kallisto and enhance value for shareholders.

Barry Olson, President & Chief Executive Officer

Barry Olson is a petroleum engineer with more than 30 years of engineering and senior management experience in the Canadian oil and gas industry. Most recently, Barry was the Country Manager (Canada) for Pacific Oil & Gas Ltd., an independent energy resources development company focused on the exploration, development, and production of oil and natural gas with midstream operations centered on the development of LNG receiving terminals and power plants in China. Previously, Barry was the founder, President & Chief Executive Officer of Orleans Energy Ltd., a TSX-listed entity that grew to 4,700 boepd prior to merging with [RMP Energy Inc.](#) in 2011. Prior thereto, Barry held various increasingly senior management roles in major and junior oil and gas companies in Canada.

Donald Sabo, Executive Vice President

Donald Sabo is a petroleum geologist and founder of several public and private oil and gas companies with 30 years experience in the Canadian oil and gas industry. Most recently, Don was a founder, director and Executive Vice President at Red River Oil Inc. Previously, Don was a founder, director and Executive Vice President at Plenty Energy Inc., a founder, Chairman and President & Chief Executive Officer at Gibraltar

Energy Inc., and a founder, Chairman and Executive Vice President at Genesis Exploration Ltd. Don was instrumental in the formation of the above listed companies, with responsibilities including prospect generation and evaluation, exploration and development drilling, investor relations and capital markets matters.

Greg Phaneuf, Vice President, Finance & Chief Financial Officer

Greg Phaneuf is both a Chartered Accountant and Chartered Financial Analyst with 23 years of experience in the financial and oil and gas industry. Greg is currently the Senior Vice President, Finance & Chief Financial Officer of [Ivanhoe Energy Inc.](#) ("Ivanhoe"), a TSX and NASDAQ listed oil and gas company. Previously, Greg was a Senior Vice President, Business Development and Corporate Strategy with Ivanhoe, Vice President, Corporate Development for The Churchill Corporation, where he led all acquisition and associated fundraising activities, a founder, Vice President, Finance and Chief Financial Officer of Seven Generations Energy, a private company which today has production in excess of 40,000 boepd, and Treasurer of Western Oil Sands which ultimately sold for an enterprise value of \$7.1 billion.

Elizabeth More, Vice President, Exploration & Geology

Elizabeth More is a professional geologist with over 30 years of technical and management experience in the oil and gas industry. Most recently, Elizabeth has acted as a technical consultant with expertise in property evaluations for clients, including public and private companies and private equity groups. Previously, Elizabeth was the Vice President, Exploration of Angle Energy Inc. and a Vice President, Exploration at Flagship Energy Inc.

Neil Wilson, Vice President, Engineering

Neil Wilson is a geological engineer with over 20 years of experience in the oil and gas industry, including field operations, reservoir engineering, acquisitions and divestitures and senior management roles. Most recently, Neil has acted as an independent engineering consultant, providing engineering support to various clients for a variety of projects, including sourcing, evaluating, negotiating and successfully closing property and corporate acquisitions of over 5,000 boepd. Prior thereto, Neil was Vice President, Engineering and Exploitation of Cordero Energy Inc. and a founding member that grew production from 200 to 4,000 boepd in three years prior to its sale to Ember Resources Inc.

Kellie D'Hondt, Vice President, Land & Business Development

Kellie D'Hondt is a professional landman with more than 10 years of experience in land negotiations and business development in the oil and gas industry. Most recently, Kellie was the Team Lead of Business Development for [Crescent Point Energy](#) (US) Corporation (Denver). Previously, Kellie was a Senior Land Negotiator, and Investor Relations Representative with Crescent Point Energy Corporation. Prior thereto, Kellie held various land negotiating roles with Starpoint Energy Trust, Bonavista Energy Trust and [Canadian Natural Resources Limited](#).

Paul Storey, Vice President, Operations

Paul Storey is a professional engineer with more than 29 years of operations and management experience in the oil and gas industry in Canada and including work terms in the Beaufort Sea and Russia. Most recently, Paul was a consulting engineer with [Trilogy Energy Corp.](#) Previously, Paul was a Manager of Drilling, Completions and Facilities with [Equal Energy Ltd.](#) focused on the company's operations in the Cardium and Viking light oil resource plays. Prior thereto, Paul was a Senior Production Engineer with [NuVista Energy Ltd.](#) and held various operations management roles with Trafalgar Energy Ltd., Luke Energy Ltd., and Cavell Energy Corporation.

James Mahoney (President, HorizonOne Asset Management Inc.), and Dean Bernhard (Vice President Finance & CFO, RMP Energy Inc.), will join Barry Olson and Donald Sabo as part of the new board of directors. Each member of the new board of directors has experience with successful oil and gas companies both in the past and in their current occupations, and collectively will offer the New Management Team unique oil and gas industry and capital markets expertise.

Corporate Objectives and Strategy

The New Management Team has extensive experience in creating shareholder value through the acquisition, exploitation and development of light oil and liquids-rich natural gas reserves in western Canada and believes that the current market environment is conducive to repositioning Kallisto as a high-growth junior oil and gas company.

Following the completion of the Transaction, the New Management Team expects to implement a growth strategy established on the acquisition and consolidation of light oil and liquids-rich natural gas horizons in central Alberta and southern Saskatchewan, targeting the Bakken, Cardium, Glauconitic, Mannville and Viking oil formations. The New Management team will also pursue development and exploration drilling on the existing Kallisto asset base which contains targets consistent with the New Management Team's strategy. The current Kallisto production base (current production of 200 boepd, 60% light oil and natural gas liquids) in connection with the recapitalized corporate structure will allow for the exploitation of the current Kallisto drilling inventory and expansion of the Company's asset base through joint-ventures, farm-ins and/or strategic acquisitions.

Upon completion of the Transaction, the recapitalized Kallisto is expected to have a net cash position of approximately \$20 million, assuming the Private Placement is fully subscribed. The New Management Team believes that the Transaction will provide them with the ideal foundation to execute a high-growth development strategy on its current asset base and/or strategic acquisitions.

Private Placement

Pursuant to the Private Placement, the Initial Investor Group, together with additional subscribers identified by the Initial Investor Group, will subscribe for not less than 296,296,296 units of Kallisto ("Units") at a price of \$0.03375 per Unit and not less than 444,444,444 common shares of Kallisto ("Common Shares") at a price of \$0.03375 per Common Share for maximum total proceeds of approximately \$25 million. Each Unit will consist of one Common Share and one performance warrant of Kallisto (a "Warrant"), which shall entitle the holder of such Warrant to purchase one Common Share at a price of \$0.045 per Common Share within 5 years from the date of issuance with 1/3 vesting when the 20 day volume weighted average price ("VWAP") of the Common Shares meets or exceeds \$0.065, 1/3 vesting when the 20 day VWAP of the Common Shares meets or exceeds \$0.085 and the final 1/3 vesting when the 20 day VWAP of the Common Shares meets or exceeds \$0.11.

The resignation of the current board of directors, comprising Steven Cloutier, Glenn Gradeen, Martin Hislop, Robyn Lore and John McLeod, and management team, comprising Robyn Lore, President & Chief Executive Officer, Greg Florence, Chief Financial Officer and Corporate Secretary and Curtis Hartzler, Vice President, Operations, of Kallisto and the appointment of the New Management Team will occur contemporaneous with closing of the Private Placement (the "Closing").

The proceeds raised from the Private Placement will initially be used to pursue acquisitions and for general corporate purposes.

Rights Offering

Upon completion of the Private Placement, if the requisite shareholder approval is obtained by Written Resolution (as defined below), Kallisto shareholders will be entitled to participate in the Rights Offering, which is expected to be conducted by way of a rights offering circular. Pursuant to the Rights Offering, each shareholder as of the record date for such offering (the "Record Date") will be issued one right ("Right") for each Common Share held on the Record Date, entitling that holder to purchase one (1) Common Share for each six (6) Rights held at an exercise price of \$0.03375 per Common Share at or before the expiry of time of the Rights Offering, following which all outstanding Rights shall terminate and expire. There will be no backstop or stand by commitment for the Rights Offering and shareholders will not be offered an additional subscription privilege. Subscribers in the Private Placement shall not be entitled to participate in the Rights Offering.

Shareholder and Stock Exchange Approvals

Completion of the Transaction is subject to a number of conditions and approvals including, but not limited to, the approval of the TSXV and shareholder approval. Under the policies of the TSXV, the completion of the Private Placement is subject to the approval of the shareholders of Kallisto as the completion of the Private Placement may result in the creation of a new "control person" (as defined under the policies of the TSXV). In addition thereto, the appointment of the New Management Team is subject to shareholder approval under the policies of the TSXV. The required disinterested shareholder approval may be obtained

by Kallisto either by receipt of written consents by holders of more than 50% of the issued and outstanding voting shares of Kallisto (the "Written Resolution") or by approval of a resolution at a special meeting of shareholders (the "Kallisto Meeting"). Pursuant to the Agreement, Kallisto has agreed to obtain the Written Resolution on or before September 30, 2014, failing which the Initial Investor Group has the right to terminate the Agreement. In the event that the Written Resolution is not obtained on or before September 30, 2014 and the Initial Investor Group waives its termination right, Kallisto has agreed to convene and hold the Kallisto Meeting on or before November 6, 2014.

Subscribers to the Private Placement also acknowledge that it is the intention of Company to effect a share consolidation of the Common Shares of the Company within six (6) months of the closing of the Transaction on such basis as to ensure the price of the Private Placement after giving effect to such consolidation will be greater than \$0.05. Each subscriber to the Private Placement shall, among other things, agree to vote all of the Common Shares beneficially owned or controlled by the subscriber in favor of any such consolidation as a condition to their participation in the Private Placement.

Kallisto

Kallisto consists of approximately 200 boepd of production (60% oil and natural gas liquids) from a diversified asset base with near term development drilling opportunities, including:

- Cardium light oil at Minnehik - Buck Lake and Harmattan, Alberta;
- Elkton light oil and Lower Mannville liquids-rich gas at Crossfield, Alberta; and
- Doe Creek light oil at Valhalla, Alberta.

The Company currently has 100,766,280 Common Shares issued and outstanding and current net debt of approximately \$5 million, excluding the costs of the Transaction. Upon completion of the Transaction, and assuming the exercise of all Rights issued in connection with the Rights Offering, the Company will have approximately 858,301,400 Common Shares, and assuming the exercise of all Warrants issued in connection with the Private Placement, there will be approximately 1,154,597,696 Common Shares on a fully diluted basis.

Board of Directors' Recommendation

The board of directors of Kallisto has determined that the Transaction contemplated by the Agreement is in the best interests of its shareholders, and has unanimously approved the Transaction and unanimously recommends shareholders of Kallisto vote in favour of the Transaction.

Directors and officers of Kallisto who, in aggregate, own, directly or indirectly or exercise control or direction over approximately 12.9% of the Common Shares, have entered into support agreements pursuant to which they have agreed to execute the Written Resolution and have otherwise agreed to support the Transaction.

The Agreement

The Agreement contains a number of customary representations, warranties, and conditions and provides for a non-completion fee of \$200,000 payable by Kallisto to the Initial Investor Group, and a non-completion fee of \$200,000 payable by the Initial Investor Group to Kallisto, in certain circumstances, as are customary for transactions of this nature. The complete Agreement will be accessible on Kallisto's SEDAR profile at www.sedar.com.

Financial Advisors

National Bank Financial Inc. is acting as exclusive financial advisor to Kallisto with respect to the Transaction.

Scott Saxberg, President, Chief Executive Officer and Director of Crescent Point Energy Corp., is acting as an advisor to the New Management Team.

Forward-Looking Information

The reader is advised that some of the information contained herein may constitute forward-looking statements within the meaning assigned by National Instrument 51-102 and other relevant securities

legislation. It includes, but is not limited to, statements with respect to: the Private Placement; the use of proceeds of the Private Placement; the Transaction; the proposed name change of Kallisto; satisfaction of the conditions precedent in the Agreement; timing for receipt of the Written Resolution and shareholder approval; timing for closing of the Transaction; drilling opportunities of Kallisto; the growth strategy proposed by the New Management Team; the anticipated effect of the Transaction on Kallisto; and the ability to obtain all required approvals in respect of the Transaction. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "scheduled", "potential", or other similar words, or statements that certain events or conditions "may", "should" or "could" occur.

Forward-looking information is based on the Company's expectations regarding its future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. Such forward-looking information reflects management's current beliefs and assumptions and is based on information currently available to it.

The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable by the Company at the time of preparation, may prove to be incorrect and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date hereof. 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. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information including risks associated with the impact of general economic conditions, industry conditions, governmental regulation, volatility of commodity prices, currency fluctuations, imprecision of reserve and resource estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and the Company's ability to access sufficient capital from internal and external sources. Additional 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.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. Kallisto is a Calgary-based junior resource company engaged in the acquisition, exploration, development and production of oil and natural gas, primarily in Alberta.

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