Toro Oil & Gas Ltd reports second quarter 2016 financial and operating results, amended credit facility and corporate update

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CALGARY, Aug. 30, 2016 - Toro Oil & Gas Ltd. (TSXV: TOO) ("Toro" or the "Company") announces its financial and operating results for the three and six month period ended June 30, 2016. Selected financial and operational information is set out below and should be read in conjunction with Toro's June 30, 2016 interim financial statements and the related management's discussion and analysis, which are available for review at www.sedar.com or the Company's website at www.torooil.com.

Second Quarter Financial and Operational Highlights

- Averaged 766 boe/d in production during Q2 2016, of which 62% represents oil and liquids compared to 574 boe/d of production in Q2 2015 and 873 boe/d in Q1 2016. During the quarter, Toro decided to shut-in approximately 70 boe/d of low economic production. Minor weather related operational constraints and normal production declines also affected the Company's Q2 2016 production;
- Continued to materially reduce the cost structure of the business on both operational and corporate levels. Operating costs both on an absolute dollar and per unit basis continue to trend downwards evidenced by $17.50 per boe realized in Q2 2016 compared to $22.33 per boe in Q2 2015 (22% decrease), and $18.01 per boe in Q1 2016 (3% decrease). The operating month of June 2016 represented Toro's lowest operating cost per unit since inception at $14.59 per boe. Similarly, corporate G&A costs towards the end of the quarter materially decreased as the full effects of certain personnel and office cost optimization initiatives were realized with per unit June 2016 G&A costs of $5.75 per boe;
- Successfully completed a bought deal equity financing, which together with the exercise of the underwriters' option, raised approximately $12.6 million in gross proceeds. Proceeds received were directed to the complete elimination of bank debt outstanding resulting in a positive current cash balance in excess of $4 million providing Toro with sufficient liquidity to sustain future commodity price volatility and potentially commence a high-graded drilling program should commodity prices improve.

Financial Results

(CAD$ thousands unless otherwise specified)

	Three months ended June 30			Six months ended June 30		
	2016	2015	% Change	2016	2015	% Change
Operational Performance						
Production Volumes						
Oil and NGLs (bbls/d)	476	275	73	515	270	91
Natural gas (mcf/d)	1,741	1,795	(3)	1,827	1,784	2
Oil equivalent (boe/d)	766	574	34	820	568	44
Financial Performance						
Production revenue (1)	2,405	1,874	28	4,480	3,598	25
Net comprehensive loss	(8,976)	(2,543)	253	(10,844)	(6,935)	56

Per share - basic and diluted	(0.16)	(0.05)	245	(0.19)	(0.13)	51
Cash deficiency from operations (2)	(156)	(373)	(58)	(572)	(588)	(3)
Per share - basic and diluted	(0.00)	(0.01)	(59)	(0.01)	(0.01)	(6)
Realized Sale Prices						
Oil and NGL's ($/bbl)	50.48	58.45	(14)	41.99	55.28	(24)
Natural Gas ($/mcf)	1.37	2.52	(46)	1.63	2.77	(41)
Oil Equivalent ($/boe)	34.47	35.87	(4)	30.02	35.02	(14)
Netback ($/boe)						
Realized sales price	34.47	35.87	(4)	30.02	35.02	(14)
Royalties	(5.35)	(1.68)	219	(4.97)	(3.15)	58
Production expenses	(17.50)	(22.33)	(22)	(17.77)	(20.82)	(15)
Transportation expenses	(2.79)	(2.41)	16	(2.88)	(2.49)	16
Operating netback ($/boe) (2)	8.83	9.45	(7)	4.40	8.56	(49)
General and administrative	(10.67)	(16.01)	(33)	(9.64)	(21.38)	(55)
Interest and other income	(0.41)	(0.82)	(50)	0.07	(0.42)	(116)
Cash netback ($/boe)	(2.25)	(7.38)	(69)	(5.17)	(13.24)	(61)
Capital expenditures						
Capital expenditures	227	2,343	(90)	706	3,243	(78)
Net acquisitions (dispositions) (3)	(89)	-	nmf(4)	(134)	2,309	(106)
Total capital expenditures	138	2,343	(94)	572	5,552	(90)
Liquidity						
Net debt (surplus) (2)	(4,122)	(1,882)	119	(4,122)	(1,882)	119
Bank facility - undrawn portion	7,000	25,000	(72)	7,000	25,000	(72)
Weighted average shares outstanding (5)						
Basic	57,607,968	56,238,709	2	57,267,400	55,326,021	4
Diluted	57,607,968	56,238,709	2	57,267,400	55,326,021	4

(1) Production revenue is presented gross of royalties.

(2) Cash deficiency in operations, operating netback and net debt (surplus) are non-IFRS measures. See "Non-IFRS Measures".

(3) Represents the cash expenditures (proceeds) from the acquisition (sale) of assets, as applicable.

(4) No meaningful figure.

(5) Current common shares outstanding totals 113,585,022

Operational and Corporate Update

During the second quarter of 2016, Toro concentrated on improving the liquidity position of the Company through operational and corporate efficiencies and enhancement of the overall cash reserves of the Company. The second quarter of 2016 continued to witness volatile and depressed commodity prices which afforded Toro the opportunity to more closely review internal operations. As a result, Toro successfully reduced the cost structure of the business and looks to attain further cost improvements over the coming quarters. With June 2016 operating costs per unit coming in at under $15 per boe, exclusive of transportation expenses, Toro believes it is becoming increasingly well positioned to take advantage of a return to better commodity prices and future drilling programs.

From a production perspective, Toro continues to be encouraged with results from its 2015 Hamilton Lake drilling program. With now close to one year of production history, actual production continues to correlate at or above the type curve developed both internally and used by Toro's independent reserve evaluator. The Hamilton Lake Viking type curve exceeds certain other Viking horizons both in initial production rates and estimated ultimate recovery. With 140 net sections of Alberta Viking acreage, the Company believes that it has a drilling inventory of over 600 potential horizontal infill locations which supports Toro's value proposition.

Amended Bank Facility
As disclosed in Toro's recent short-form prospectus dated June 22, 2016, Toro was working with its lender to amend the terms of its bank facility. The Company and its lender have since finalized a new agreement with the following material provisions:

- Toro's demand operating line has been reduced from $7 million to $4 million and will be further reduced on October 1, 2016 to a combined level of $2 million plus amounts, if any, as determined using the bank's standard reserve based lending practices;
- Toro's $18 million demand development line has been withdrawn by the bank;
- Pricing on drawn amounts will be the bank's prime lending rate plus four percent;
- All covenants and security documents essentially remain unchanged with the next scheduled semi-annual review on December 1, 2016.

Post equity financing, Toro's balance sheet strengthened as evidenced by no bank debt outstanding and sufficient cash reserves to conduct operations inclusive of a high-graded drilling program should, in the Company's opinion, there be a sustained recovery of commodity prices.

Capital Budget and Other Corporate Matters
The Company's Board of Directors approved a small capital program totaling $750 thousand for the balance of 2016, exclusive of future drilling programs. The focus of the modest budget is to replace remaining rental equipment and undertake pipeline optimization projects, the objectives of which will be to further reduce operating costs and enhance production from existing wells. Funds for the program will be sourced from existing cash reserves.

Toro also announces that it has granted a total of 5,610,800 share options to officers, directors, employees and various contractors under the Company's share option plan, including an aggregate of 4,418,300 share options to directors and officers. The options are exercisable at $0.22 per share for a period of five years from the date of grant and vest equally over three years.

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.

Abbreviations

bbls	barrels
bbls/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day

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 timing of any future drilling programs, the number and risk profile of the Company's drilling inventory,, anticipated future capital efficiencies, the expected reduction in per unit operating costs, forecasted future operating costs per unit, Toro's ability to take advantage of better commodity prices and Toro's future liquidity and funding sources. 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. Statements relating to "reserves" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. Actual results may vary from forward-looking information and readers are cautioned not to place undue reliance on forward-looking information. The forward-looking information contained in this press release is presented as of the date hereof and 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 March 31, 2016 which is filed under the Company's SEDAR profile at www.sedar.com.

Non-IFRS Measures

This press release provides certain financial measures that do not have a standardized meaning prescribed by IFRS. These non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Cash flow from (used in) operations, operating netback and net debt (surplus) are not recognized measures under IFRS. Management believes that in addition to net income (loss), cash flow from operations, operating netback and net debt (surplus) are useful supplemental measures that demonstrate the Company's ability to generate the cash necessary to repay debt or fund future capital investment. Investors are cautioned, however, that these measures should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indication of Toro's performance. Toro's method of calculating these measures may differ from other companies and accordingly, they may not be comparable to measures used by other companies. Cash flow from (used in) operations is calculated by adjusting net income (loss) for other income, unrealized gains or losses on financial derivative instruments, transaction costs, accretion, share based compensation, impairment and depletion and depreciation. Operating netback is calculated based on oil and gas revenue less royalties, production expenses and transportation expenses. Net debt (surplus) is the total of cash plus accounts receivable, prepaids and deposits, less accounts payable plus bank debt.

51-101 Advisory

In conformity with 51-101, 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. In certain circumstances, natural gas liquid volumes have been converted to a thousand cubic feet equivalent ("mcfe") on the basis of one barrel of natural gas liquids to six thousand cubic feet of gas. Boes and mcfes 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.

Estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. Estimated values of reserves may or may not represent the fair market value of the reserve estimates.

Drilling Locations

This press release may disclose drilling locations in four categories: (i) proved undeveloped locations; (ii) probable undeveloped locations; iii) unbooked locations; and, iv) an aggregate total of (i),(ii) and (iii). Proved undeveloped locations and probable undeveloped locations are booked and derived from the Company's most recent independent reserves evaluation as prepared Sproule Associates Limited ("Sproule") as of December 31, 2015 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Unbooked locations have been identified by management as an estimation of the Company's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which the Company will actually drill wells is ultimately dependent upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

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