

Steelhead Petroleum Ltd. to Acquire Toro Oil & Gas Ltd. for All Cash Consideration

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[Toro Oil & Gas Ltd.](#) (TSXV: TOO) ("Toro") announces that they have entered into a definitive agreement (the "Arrangement Agreement") with Steelhead Petroleum Ltd. ("Steelhead"), a private ARC Financial Corp. sponsored company, pursuant to which Steelhead will acquire all of the outstanding common shares of Toro for \$0.37 per share in cash and the common share purchase warrants of Toro for \$0.0001 per warrant in cash. The transaction is to be completed by way of a plan of arrangement under the Business Corporations Act (Alberta) (the "Arrangement").

The consideration payable pursuant to the Arrangement represents a 64% premium to the most recent closing price of Toro's common shares on the TSX Venture Exchange and a 69% premium to the 10-day volume weighted average trading price of Toro's common shares for the period ended December 13, 2016, representing a total equity purchase price of \$44.1 million. The total transaction value, including the assumption of Toro's current positive working capital after adjusting for transaction costs, severance and amounts to be paid under the Arrangement to retire in-the-money Toro stock options, is approximately \$39.5 million.

"This transaction marks the culmination of over two years of perseverance and hard work by the Toro team through a challenging industry environment," commented Barry Olson, President and Chief Executive Officer. "Toro prudently assembled one of the few remaining large independently-owned Alberta Viking light oil portfolios at competitive industry metrics. In an increasingly competitive area with several recently announced asset and corporate transactions, Toro has remained focused on shareholder value and capital discipline. This competitive environment led Toro to conclude that a corporate divestiture at attractive and accretive metrics is in the best interests of shareholders. The offer price represents a substantial return to Toro's last equity financing and average trading price over the year while providing a liquidity event for all shareholders."

Transaction Metrics

Total Transaction Value⁽¹⁾ ~\$39.5 million

Production Multiple⁽²⁾ ~\$60,000 / boe

Reserves Multiples⁽³⁾

PDP ~\$34.75 / boe

Total Proved ~\$13.40 / boe

Total Proved + Probable ~\$8.50 / boe

Notes:

¹⁾ Total Transaction Value is calculated using net positive working capital of \$5.8 million and total transaction costs of \$2.5 million (including severance)

²⁾ September 2016 field production, adjusted for non-core divestitures in October 2016

Company interest before royalties; based on independent reserves evaluation (the "Sproule Report")
³⁾ effective December 31, 2015, prepared by Sproule Associates Limited, ("Sproule") after giving effect to the non-core divestitures in October 2016

The Arrangement

The Arrangement will be subject to approval by at least 66 2/3% of the votes cast at a special meeting of Toro's shareholders and warrant holders that is expected to be held in late January 2017 and approval by a majority of the votes cast by Toro shareholders and warrant holders, after excluding the votes cast by those persons whose votes may not be included in determining minority approval of a business combination pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions. Pursuant to the Arrangement Agreement, the transaction is also subject to the approval of the Court of Queen's Bench of Alberta, applicable regulatory approvals and the satisfaction of certain closing conditions customary in transactions of this nature. The Arrangement Agreement also provides for, among other things, customary board support and non-solicitation covenants (subject to a "fiduciary out" for unsolicited "superior proposals" in favour of the Toro Board of Directors and a "right to match" in favour of Steelhead) as well as the payment to Steelhead of a break fee in the amount of \$1.6 million and reimbursement of expenses to a cap of \$400,000 if the proposed transaction is not completed in certain specified circumstances.

Recommendation of the Toro Board of Directors

Toro's Board of Directors, after consultation with its financial and legal advisors, has determined that the Arrangement is in the best interest of Toro and is fair to Toro shareholders and warrant holders and recommends that Toro's shareholders and warrant holders vote in favour of the Arrangement. Mr. Chris Seasons, independent director of Toro, abstained from voting as Mr. Seasons is Steelhead's Chairman of the Board. AltaCorp Capital Inc., acting as exclusive financial advisor to the Special Committee of the Board of Directors of Toro, has provided a verbal opinion to the effect that the consideration to be received by Toro shareholders is fair, from a financial point of view, to Toro shareholders. All of the senior officers and directors of Toro, holding approximately 21% of Toro's fully diluted common shares outstanding have entered into customary lock-up and support agreements, pursuant to which, among other things, they have agreed to vote in favour of the Arrangement.

The terms and conditions of the proposed transaction will be summarized in Toro's information circular, which will be filed and mailed to Toro shareholders and warrant holders in early January 2017. The transaction is expected to close in early February 2017.

Advisors and Legal Counsel

AltaCorp Capital Inc. is acting as exclusive financial advisor and Torys LLP is acting as legal counsel to Toro.

About Steelhead Petroleum Ltd.

Established in October 2015, Steelhead has been focused on acquiring conventional oil weighted assets in the Western Canadian Sedimentary Basin. The team is focused on best in class operating practices, achieving strong financial results, and environmental leadership. The team has significant industry expertise and is led by Bruce Beveridge, President and CEO, who has over 30 years of industry experience including senior leadership positions at Barrick Energy, Bankers Petroleum, Apache Canada and Shell Canada. For more information about Steelhead visit the website at www.steelheadpetroleum.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.

Reader Advisory

Forward-Looking Statements. This press release contains forward-looking statements within the meaning of Canadian securities laws. These forward-looking statements contain statements of intent, belief or current expectations of Toro. Forward-looking information is often, but not always identified by the use of words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project", "may", "will", "should", "could", "estimate", "predict" or similar words suggesting future outcomes or language suggesting an outlook.

The forward-looking statements included in this press release, including statements regarding the Arrangement, the receipt of necessary approvals, the shareholder vote and the anticipated timing for mailing

the information circular, holding the special meeting of shareholders and warrant holders of Toro and completing the Arrangement, are not guarantees of future results and involve risks and uncertainties that may cause actual results to differ materially from the potential results discussed in the forward-looking statements.

In respect of the forward-looking statements and information concerning the completion of the Arrangement and the anticipated timing for completion of the Arrangement, Toro has provided such in reliance on certain assumptions that it believes are reasonable at this time, including assumptions as to the time required to prepare and mail special meeting materials, the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary regulatory, court, shareholder and warrant holder, TSX Venture Exchange and other third party approvals and the ability of the parties to satisfy, in a timely manner, the other conditions to the completion of the Arrangement. These dates may change for a number of reasons, including unforeseen delays in preparing meeting material; inability to secure necessary shareholder, regulatory, court or other third party approvals in the time assumed or the need for additional time to satisfy the other conditions to the completion of the Arrangement. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release concerning these times.

Risks and uncertainties that may cause such differences include but are not limited to: the risk that the Arrangement may not be completed on a timely basis, if at all; the conditions to the consummation of the Arrangement may not be satisfied; the risk that the Arrangement may involve unexpected costs, liabilities or delays; the possibility that legal proceedings may be instituted against Toro and/or others relating to the Arrangement and the outcome of such proceedings; the possible occurrence of an event, change or other circumstance that could result in termination of the Arrangement; risks relating to the failure to obtain necessary shareholder, warrant holder and court approval; other risks inherent in the oil and gas industry. Failure to obtain the requisite approvals, or the failure of the parties to otherwise satisfy the conditions to or complete the Arrangement, may result in the Arrangement not being completed on the proposed terms, or at all. In addition, if the Arrangement is not completed, the announcement of the Arrangement and the dedication of substantial resources of Toro to the completion of the Arrangement could have a material adverse impact on Toro's share price, its current business relationships and on the current and future operations, financial condition and prospects of Toro. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Toro's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

The forward-looking statements in this press release are made as of the date it was issued and Toro does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks that outcomes implied by forward-looking statements will not be achieved. Toro cautions readers not to place undue reliance on these statements.

BOE Presentation. References herein to "boe" mean barrels of oil equivalent derived by converting gas to oil in the ratio of six thousand cubic feet (Mcf) of gas to one barrel (bbl) of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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