

**PRESS RELEASE**

August 12, 2015

**TORC OIL & GAS LTD. ANNOUNCES SECOND QUARTER 2015 FINANCIAL & OPERATIONAL RESULTS**

CALGARY, ALBERTA - TORC Oil & Gas Ltd. ("TORC" or the "Company") (TSX: TOG) is pleased to announce its financial and operating results for the three and six months ended June 30, 2015. The associated management's discussion and analysis ("MD&A") and unaudited interim financial statements as at and for the three and six months ended June 30, 2015 can be found at [www.sedar.com](http://www.sedar.com) and [www.torcoil.com](http://www.torcoil.com).

<b>Highlights</b>	Three months ended			Six months ended	
	<b>June 30</b> <b>2015</b>	March 31 2015	June 30 2014	<b>June 30</b> <b>2015</b>	June 30 2014
<i>(in thousands, except per share data)</i>					
<b>Financial</b>					
Funds flow from operations, including transaction related costs <sup>(1)</sup>	<b>\$33,332</b>	\$25,615	\$50,655	<b>\$58,947</b>	\$97,862
Per share basic	<b>\$0.28</b>	\$0.25	\$0.55	<b>\$0.53</b>	\$1.07
Per share diluted	<b>\$0.27</b>	\$0.24	\$0.53	<b>\$0.51</b>	\$1.04
Funds flow from operations, excluding transaction related costs <sup>(1)</sup>	<b>\$37,434</b>	\$26,368	\$50,735	<b>\$63,802</b>	\$97,942
Per share basic	<b>\$0.31</b>	\$0.26	\$0.55	<b>\$0.57</b>	\$1.07
Per share diluted	<b>\$0.30</b>	\$0.25	\$0.53	<b>\$0.56</b>	\$1.04
Net income (loss)	<b>(\$14,925)</b>	(\$15,258)	\$13,494	<b>(\$30,183)</b>	\$21,523
Per share basic	<b>(\$0.12)</b>	(\$0.15)	\$0.15	<b>(\$0.27)</b>	\$0.23
Per share diluted	<b>(\$0.12)</b>	(\$0.15)	\$0.14	<b>(\$0.27)</b>	\$0.23
Exploration and development expenditures	<b>\$13,145</b>	\$33,552	\$12,905	<b>\$46,697</b>	\$50,645
Property acquisitions, net of dispositions <sup>(2)</sup>	<b>\$429,495</b>	\$148,236	\$70,617	<b>\$577,732</b>	\$70,590
Net debt <sup>(3)</sup>	<b>\$269,933</b>	\$266,581	\$181,169	<b>\$269,933</b>	\$181,169
<b>Common shares</b>					
Shares outstanding, end of period	<b>157,165</b>	113,227	93,234	<b>157,165</b>	93,234
Weighted average shares (basic)	<b>120,653</b>	103,050	92,126	<b>111,900</b>	91,868
Weighted average shares (diluted)	<b>123,514</b>	104,675	95,015	<b>114,591</b>	94,352
<b>Operations</b>					
<b>Production</b>					
Crude oil (Bbbls per day)	<b>11,655</b>	10,264	8,851	<b>10,964</b>	8,677
NGL (Bbbls per day)	<b>456</b>	519	476	<b>488</b>	449
Natural gas (Mcf per day)	<b>10,796</b>	10,533	10,734	<b>10,665</b>	10,185
Barrels of oil equivalent (Boepd, 6:1)	<b>13,910</b>	12,539	11,116	<b>13,230</b>	10,824
<b>Average realized price</b>					
Crude oil (\$ per Bbl)	<b>\$62.03</b>	\$46.94	\$99.66	<b>\$55.01</b>	\$96.85
NGL (\$ per Bbl)	<b>\$15.14</b>	\$25.17	\$55.82	<b>\$20.45</b>	\$60.76
Natural gas (\$ per Mcf)	<b>\$2.59</b>	\$2.89	\$4.94	<b>\$2.73</b>	\$5.22
Barrels of oil equivalent (\$ per Boe, 6:1)	<b>\$54.48</b>	\$41.89	\$86.51	<b>\$48.55</b>	\$85.08
<b>Operating netback per Boe (6:1)</b>					
Operating netback <sup>(1)</sup>	<b>\$33.67</b>	\$27.59	\$54.37	<b>\$30.81</b>	\$53.96
Operating netback (prior to hedging) <sup>(1)</sup>	<b>\$28.76</b>	\$19.09	\$56.92	<b>\$24.21</b>	\$56.00

*(continued)*

Funds flow netback per Boe (6:1)					
Including transaction related costs <sup>(1)</sup>	<b>\$26.33</b>	\$22.70	\$50.08	<b>\$24.62</b>	\$49.95
Excluding transaction related costs <sup>(1)</sup>	<b>\$29.57</b>	\$23.36	\$50.15	<b>\$26.64</b>	\$49.99
Wells drilled:					
Gross	<b>1</b>	8	4	<b>9</b>	17
Net	<b>1.0</b>	7.0	2.8	<b>8.0</b>	11.3
Success (%)	<b>100</b>	100	100	<b>100</b>	100

<sup>(1)</sup> Management uses these financial measures to analyze operating performance and leverage. The definitions of these measures are found in the Company's Management's Discussion and Analysis ("the MD&A") for the three and six months ended June 30, 2015. These measures do not have any standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable with the calculation of similar measures for other companies.

<sup>(2)</sup> Included in property acquisitions, net of dispositions for the six months ended June 30, 2015 is \$146.7 million of non-cash consideration paid for the February Acquisition (defined in the MD&A for the three and six months ended June 30, 2015), which comprises the issuance of 16,000,000 common shares valued at \$9.17 per share.

<sup>(3)</sup> Net debt is calculated as current assets (excluding financial derivative assets) less: i) current liabilities (excluding financial derivative liabilities), ii) bank debt, and iii) non-current deferred lease incentives.

## **PRESIDENT'S MESSAGE**

TORC's strategy in 2015 remains consistent with the Company's long term objective of delivering disciplined growth while providing a sustainable dividend. TORC's financial positioning, strategic relationship with the Canada Pension Plan Investment Board ("CPPIB") and the relative business conditions in 2015, have allowed TORC to enhance the Company's asset base and grow through opportunistic acquisitions during the first half of the year.

In the second quarter, TORC closed the strategic acquisition of 4,750 boepd of low decline, high netback light oil assets in southeast Saskatchewan and Manitoba. To date in 2015, TORC has added more than 6,000 boepd of high quality assets through acquisitions, strengthening the Company's netback, continuing to improve the decline profile, adding top tier light oil drilling locations and improving the Company's overall capital efficiencies. Although the business environment remains challenged, TORC remains focused on economic growth and sustainability during this stage in the cycle.

The Company's key achievements in the second quarter of 2015 included the following:

- Achieved record quarterly production of 13,910 boepd, up from 12,539 boepd in the first quarter of 2015 and 11,116 boepd in the second quarter of 2014;
- Generated cash flow of \$37.4 million relative to \$26.4 million in the first quarter of 2015 and \$50.7 million in the second quarter of 2014;
- Generated cash flow per share of \$0.31 as compared to \$0.26 in the first quarter of 2015 and \$0.55 in the second quarter of 2014;
- Drilled 1 (1.0 net) well and initiated the second half drilling program;
- Paid dividends of \$0.135 per share to shareholders;
- Expanded the Company's credit facility to \$550 million from \$425 million;
- At quarter end, the Company was drawn \$227.8 million on its credit facility, with net debt of approximately \$269.9 million; and
- During the second quarter, TORC completed the strategic acquisition of complementary southeast Saskatchewan properties producing 4,750 boepd (98% light oil and liquids) financed by a bought deal public offering and a private placement to CPPIB.

## **OPERATIONAL UPDATE**

TORC achieved record production of 13,910 boepd during the second quarter, which is traditionally the least active quarter from a capital expenditure perspective. TORC spent a total of \$13.1 million of exploration and development capital in the second quarter, including drilling 1 (1.0 net) well with 100% success. Combined with the first quarter, total first half capital spending was \$46.7 million.

Despite growing total production by approximately 50% since the beginning of the year, TORC will maintain the Company's original \$125 million 2015 capital program during this challenging commodity price cycle. With only \$46.7 million spent in the first half of 2015, TORC expects to maintain a flexible but active second half capital program. TORC currently has drilling rigs running in both the Cardium and southeast Saskatchewan core areas. To prudently manage both economic and financial flexibility, TORC has elected to defer the originally planned Monarch capital program until 2016, reallocating capital to projects in the Company's other core areas.

## SOUTHEAST SASKATCHEWAN

TORC drilled 1 (1.0 net) southeast Saskatchewan Torquay/Three Forks delineation well in the second quarter of 2015. Additional activity included the completion of two wells which were drilled in the first quarter. These wells were brought on production in the third quarter.

With continued success in the Torquay/Three Forks delineation program, TORC is expanding its originally planned drilling in the Torquay/Three Forks play in 2015 with an additional 1.5 net wells bringing the total 2015 Torquay/Three Forks drilling program to 9 (6.5 net) wells with an increased focus on development projects.

With the expansion of the southeast Saskatchewan core area from two strategic acquisitions in the first half of 2015, which included a significant inventory of high quality conventional locations, the Company now plans to drill 15 net additional southeast Saskatchewan/Manitoba conventional wells in 2015, bringing the total number of planned conventional wells to 21 net. Pro forma the two strategic acquisitions, TORC has now identified over 360 net undrilled conventional locations in southeast Saskatchewan providing numerous years of high quality drilling inventory.

## CARDIUM

In 2015, the Company has budgeted to drill 12.8 net Cardium wells representing less than 5% of TORC's identified undrilled inventory. As planned, no Cardium wells were drilled in the second quarter. TORC has begun actively executing its remaining 2015 Cardium program which includes 9 (7.7 net) wells spread across TORC's land position.

A portion of TORC's Cardium production in the Brazeau area was affected in the second quarter as a result of outages on the TransCanada Pipeline system. These outages are expected to continue into the second half of the year. Despite these shut in volumes, the Company is positioned to meet yearly and exit production guidance as a result of strong performance from the Company's underlying asset base.

With TORC having greater than 95 net light oil sections in the Cardium trend where the Company has identified more than 290 net undrilled locations, TORC has several years of high quality, lower risk drilling locations on a maturing asset to continue to drive free cash flow growth inside TORC's disciplined growth plus dividend model.

## MONARCH

As planned in the original 2015 budget, there have been no capital activities in the first half of 2015 at Monarch. As a result of the uncertainty of the current commodity price environment and its impact on relative economics at Monarch compared to other assets in the Company's portfolio, the Company plans to defer capital activity at Monarch into 2016 and reallocate this capital to projects with lower up front capital costs.

## STRATEGIC ACQUISITION

During the second quarter, TORC completed the acquisition of complementary light oil assets in southeast Saskatchewan. The strategic acquisition included 4,750 boepd (~98% light oil and liquids) of operated, low decline, high netback, light oil producing assets. In addition, the acquisition included ownership of freehold mineral title on more than 80 net sections of land in southeast Saskatchewan. This strategic transaction has expanded TORC's southeast Saskatchewan core area to approximately 70% of the Company's total production base.

With TORC's experience and established operations in southeast Saskatchewan, the integration of the assets has been very smooth and the complementary acquisition has strengthened and enhanced TORC's business model which is focused on delivering disciplined growth and a sustainable dividend to shareholders.

## DIVIDEND

TORC's dividend is reviewed regularly with the Board of Directors and is an important component of TORC's overall strategy. TORC's current dividend policy is \$0.045 per share per month and the Company is committed to maintaining a disciplined approach during the current volatility in the world oil markets. TORC's priorities are to act prudently to protect TORC's financial flexibility while positioning the Company to continue to achieve per share growth over the long term while paying out a sustainable dividend.

## REITERATED CAPITAL BUDGET AND PRODUCTION GUIDANCE

TORC has achieved 50% growth in production since the beginning of the year through opportunistic acquisitions. TORC intends to maintain the previously announced capital budget of \$125 million in order to maintain financial flexibility and sustainability. TORC's underlying asset base continues to exhibit strong performance and provides a position of strength during this phase in the cycle. TORC continues to focus on initiatives to preserve financial flexibility and improve capital efficiencies and operating costs. Service cost

reductions experienced in early 2015 ranged between 5-10%. Further cost savings coupled with improved operational efficiencies are expected in the second half of 2015. TORC will incorporate those reductions in the budgeted capital program as they are realized during the second half of the year.

With more than 60% of TORC's capital budget to be spent in the second half of the year, TORC remains in a strong position to achieve production guidance of 15,400 boepd (87% light oil and liquids) and an exit rate of greater than 18,200 boepd (89% light oil and liquids).

## **OUTLOOK**

TORC has built a sustainable growth platform of light oil focused assets. The stability of the high quality, low decline, light oil assets in southeast Saskatchewan and the low risk Cardium development inventory in central Alberta combined with exposure to the emerging light oil resource plays in the Torquay/Three Forks in southeast Saskatchewan and at Monarch in southern Alberta, positions TORC to provide a sustainable dividend along with value creation through a disciplined growth strategy.

TORC has the following key operational and financial attributes:

High Netback Production <sup>(1)</sup>	2015E Avg: greater than 15,400 boepd 2015E Exit: greater than 18,200 boepd
Reserves <sup>(2)</sup>	Greater than 87 mmmboe (86% light oil & liquids) Total Proved plus Probable
Cardium Light Oil Development Inventory	~290 net undrilled locations
Southeast Saskatchewan Light Oil Development Inventory	~360 net undrilled locations
Sustainability Assumptions	Corporate decline ~23% Full Cycle Capital Efficiency ~\$32,500/boepd (IP 365) <sup>(3)</sup>
2015 Capital Program	\$125 million
Annual Dividend (paid monthly)	\$0.54 per share \$85 million \$64 million (net of 25% share dividend participation)
Net Debt & Bank Line	Net debt of ~\$270 million Bank line of \$550 million
Shares Outstanding	157 million (basic)
Tax Pools	Approximately \$1.5 billion

### Notes:

- (1) >87% and 89% light oil & NGLs respectively
- (2) The reserve information in the foregoing table is derived from (i) our reserves as at December 31, 2014, from the independent engineering report dated March 5, 2015 and effective December 31, 2014 prepared by Sproule Associates Limited ("Sproule") evaluating the oil, NGL and natural gas reserves attributable to all of our properties; (ii) the reserves associated with the strategic acquisition completed during the second quarter from reports prepared by Sproule and McDaniel & Associates Ltd. ("McDaniel") as of April 30, 2015 which were mechanical updates of the reserves associated with these acquired assets as of December 31, 2014 ; and (iii) reserves estimates effective November 1, 2014 internally prepared by a qualified reserves evaluator in accordance with National Instrument 51-101 and the COGE Handbook attributable to certain assets acquired by us pursuant to an acquisition completed on February 25, 2015. Since these reserves were estimated as at different dates, they have been generated based on different assumptions in respect of commodity pricing and other metrics. As a result, the presentation of our reserves on a consolidated pro forma basis, would not reflect the actual combined estimated of our reserves at December 31, 2014 and should not necessarily be viewed as predictive of our reserves and future production.
- (3) Full cycle capital efficiency refers to the all-in corporate capital budget divided by the IP365 of the associated wells.

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**READER ADVISORIES**

**Forward Looking Statements**

*This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to the Company's plans, strategy, business model, focus, objectives and other aspects of TORC's anticipated future operations and financial, operating and drilling and development results, including, expected future production, production mix, reserves, drilling inventory, net debt, , cash flow, operating netbacks, decline rate and decline profile, product mix, capital expenditure program, capital efficiencies, commodity prices, targeted growth, tax pools, operating, drilling and development plans and the timing thereof, and expected facility downtime. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding: anticipated service cost reductions; the focus and allocation of TORC's 2015 capital budget; management's view of the characteristics and quality of the opportunities available to the Company; TORC's dividend policy and plans; and other matters ancillary or incidental to the foregoing.*

*Forward-looking information typically uses words such as "anticipate", "believe", "project", "target", "guidance", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. The forward-looking information is based on certain key expectations and assumptions made by TORC's management, including expectations and assumptions concerning the timing of closing the Acquisition and the Financings, prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; capital efficiencies; decline rates; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; ability to market oil and natural gas successfully and TORC's ability to access capital.*

*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.*

*Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because TORC can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that the Company will derive there from. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide securityholders with a more complete perspective on TORC's future operations and such information may not be appropriate for other purposes.*

*Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect TORC'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](http://www.sedar.com)).*

*These forward-looking statements are made as of the date of this press release and TORC disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.*

**Dividends**

*The payment and the amount of dividends declared in any month will be subject to the discretion of the board of directors and will depend on the board of director's assessment of TORC's outlook for growth, capital expenditure requirements, funds from operations, potential acquisition opportunities, debt position and other conditions that the board of directors may consider relevant at such future time. The amount of future cash dividends, if any, may also vary depending on a variety of factors, including fluctuations in commodity prices and differentials, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens and foreign exchange rates.*

**Non-GAAP Measures**

*This document contains the term "cash flow" and "net debt", which do not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. TORC uses cash flow and net debt to analyze financial, operating performance, and liquidity and leverage. TORC feels these benchmarks are key measures of profitability and overall sustainability for TORC. Both of these terms are commonly used in the oil and gas industry. Cash flow and net debt are not intended to represent operating profits nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. Cash flows are calculated as cash flows from operating activities less changes in non-cash working capital. Net debt is calculated as bank debt plus working capital deficiency or minus working capital surplus (adjusted for fair value of financial*

instruments and the current portion of decommissioning obligation). TORC calculates cash flow per share using the same method and shares outstanding that are used in the determination of earnings per share.

#### **Oil and Gas Disclosures**

Our oil and gas reserves statement for the year ended December 31, 2014, which includes complete disclosure of our oil and gas reserves and other oil and gas information in accordance with NI 51-101, is contained within our Annual Information Form which is available on our SEDAR profile at [www.sedar.com](http://www.sedar.com). The recovery and reserve estimates contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered. In relation to the disclosure of estimates for individual properties, such estimates may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

#### **Meaning of Boe:**

The term "BOE" or barrels of oil equivalent may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, 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 of 6:1 may be misleading as an indication of value.

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from reserves evaluations prepared by Sproule as of December 31, 2014, Sproule and McDaniel as of April 30, 2015 and an internal evaluation with respect to certain assets as of effective November 1, 2014 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on TORC'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. Of the 650 drilling locations identified herein, 149 are proved locations, 81 are probable locations and 420 are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that TORC will drill all unbooked drilling locations and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which we actually drill wells will ultimately depend 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, some 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 or production.