



## **INFORMATION CIRCULAR**

### **FOR THE ANNUAL GENERAL MEETING OF THE HOLDERS OF COMMON SHARES TO BE HELD ON May 16, 2013**

THIS MANAGEMENT INFORMATION CIRCULAR (the “**Circular**”) IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY OR ON BEHALF OF THE MANAGEMENT OF TORC Oil & Gas Ltd. (the “**Corporation**” or “**TORC**”) for use at the Annual General Meeting of the holders (the “**Shareholders**”) of common shares (the “**Shares**”) of the Corporation to be held at the **Eighth Avenue Place, Conference Centre, 4<sup>th</sup> Floor, 525 – 8<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 1G1** at 10:00 a.m. (Calgary time) on Thursday, May 16, 2013 and any adjournment or adjournments thereof (the “**Meeting**”) for the purposes set forth in the accompanying Notice of Meeting. Information contained in this Circular is given as at April 12, 2013 unless otherwise stated.

#### **SOLICITATION OF PROXIES**

Management of the Corporation is soliciting proxies from Shareholders for the Meeting. In addition to solicitation by mail, proxies may be solicited by personal interview, telephone or other means of communication and by directors, officers and employees of the Corporation, who will not be specifically remunerated therefore. Solicitation of proxies by management will be primarily by mail, but may also be in person or by telephone. The cost of solicitation will be borne by the Corporation.

#### **RECORD DATE**

April 12, 2013 is the record date for the Meeting. Only registered Shareholders at the close of business on the record date are entitled to notice of the Meeting and to vote thereat unless, after the record date, a registered Shareholder transfers his Shares and the transferee, upon producing properly endorsed certificates evidencing such Shares or otherwise establishing that he owns such Shares, requests not later than 10 days before the Meeting that the transferee’s name be included in the list of Shareholders entitled to vote, in which case such transferee shall be entitled to vote such Shares at the Meeting.

#### **APPOINTMENT AND REVOCATION OF PROXIES**

Registered Shareholders may vote in person at the Meeting or they may appoint another person, who does not have to be a Shareholder, as their proxy to attend and vote in their place. The persons named in the enclosed form of proxy are the President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer of the Corporation.

**A SHAREHOLDER SUBMITTING A PROXY HAS THE RIGHT TO APPOINT A PERSON OR COMPANY TO REPRESENT HIM OR HER AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE FORM OF PROXY FURNISHED BY THE CORPORATION. TO EXERCISE THIS RIGHT, THE SHAREHOLDER SHOULD INSERT THE NAME OF THE DESIRED REPRESENTATIVE IN THE BLANK SPACE PROVIDED IN THE FORM OF**

## **PROXY AND STRIKE OUT THE OTHER NAMES OR SUBMIT ANOTHER APPROPRIATE PROXY.**

In order to be effective, the proxy must be mailed so as to be deposited at the office of the Corporation's transfer agent, Olympia Trust Company, 2300, 125 – 9<sup>th</sup> Avenue S.E., Calgary, Alberta, T2G 0P6, before 10:00 a.m. (Calgary time) on Tuesday, May 14, 2013 or, if the Meeting is adjourned, at least 48 hours prior to the time that the Meeting is reconvened. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date of its execution. The instrument appointing a proxy shall be in writing under the hand of the Shareholder or his attorney, or, if such Shareholder is a corporation, under its corporate seal, and executed by a director, officer or attorney thereof duly authorized.

A Shareholder who has submitted a proxy may revoke it by instrument in writing executed by the Shareholder or his attorney authorized in writing, or, if the Shareholder is a corporation, under its corporate seal and executed by a director, officer or attorney thereof duly authorized, and deposited either at the office of the Corporation's transfer agent, Olympia Trust Company, 2300, 125 – 9<sup>th</sup> Avenue S.E., Calgary, Alberta, T2G 0P6, at any time prior to 4:30 p.m. (Calgary time) on the last business day preceding the day of the Meeting or with the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting, and upon such deposit the previous proxy is revoked.

## **EXERCISE OF DISCRETION BY PROXY HOLDERS**

All Shares represented at the Meeting by properly executed proxies will be voted. Where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy the Shares represented by the proxy will be voted or withheld from being voted in accordance with such specification. **IN THE ABSENCE OF SUCH SPECIFICATION, SUCH SHARES WILL BE VOTED "FOR" ALL OF THE MATTERS SET FORTH IN THE CIRCULAR.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of the Circular, management of the Corporation knows of no such amendment, variation or other matter.

## **ADVICE TO BENEFICIAL HOLDERS OF SECURITIES**

**The information set forth in this section is of significant importance to many Shareholders of the Corporation, as a substantial number of the Shareholders of the Corporation do not hold Shares in their own name.**

Shareholders who do not hold their Shares in their own name (referred to in this Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Shares can be recognized and acted upon at the Meeting. If Shares are held in an account with an intermediary, such as a broker or financial institution, then in almost all cases those Shares will not be registered in the Beneficial Shareholder's name on the records of the Corporation. Such Shares will more likely be registered under the name of the intermediary or its agent. In Canada, the vast majority of such Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Such Shares can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions the intermediary and its agents and nominees are prohibited from voting such Shares. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Shares are communicated to the appropriate person.**

Applicable regulatory policy requires intermediaries to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the applicable meeting. The form of proxy supplied to a Beneficial Shareholder by its broker or other intermediary or agent is similar to the form of proxy provided to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (the broker or other intermediary or agent) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically asks Beneficial Shareholders to return the proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the applicable meeting. **A Beneficial Shareholder receiving a Broadridge proxy cannot use that proxy to vote Shares directly at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the Shares voted.**

## **VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES**

The Corporation is authorized to issue an unlimited number of Shares and an unlimited number of first preferred shares issuable in series (the "**Preferred Shares**"). As at April 12, 2013, there were 192,933,995 Shares and no Preferred Shares issued and outstanding. Holders of Shares are entitled to one vote for each Share held.

To the best of the knowledge of the directors and officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the Shares.

## **APPROVAL REQUIREMENTS**

Unless otherwise indicated, all of the matters to be considered at the Meeting are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution by or on behalf of Shareholders present in person or represented by proxy at the Meeting.

## **MATTERS TO BE ACTED UPON AT THE MEETING**

The following are the matters to be acted upon at the Meeting:

### **Item 1 – Fixing the Number of Directors**

The Shareholders will be asked to consider a resolution fixing the number of directors to be elected at the Meeting. Management proposes that the number of directors to be elected at the Meeting be set at seven (7). There are presently seven (7) directors of the Corporation, each of whom retires from office at the Meeting. Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of setting the number of directors to be elected at the Meeting at seven (7).

### **Item 2 - Election of Directors**

The Shareholders will be asked to consider a resolution in respect of the election of each of the persons proposed to be nominated by management for election as directors of TORC. Each director so elected will hold office until the next annual meeting of the Shareholders of TORC or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with TORC's articles or by-laws.

The following table provides the names and cities of residence of all persons proposed to be nominated by management for election as directors, the position each currently holds with the Corporation, the principal occupations of such persons for the prior five years, the date on which each became a director of the Corporation and the number of Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by each as at April 12, 2013.

<b>Name, City and Province of Residence</b>	<b>Position</b>	<b>Principal Occupation During Previous Five Years</b>	<b>Shares Beneficially Owned, Controlled or Directed</b>
Raymond Chan <sup>(1)(3)</sup> Calgary, Alberta	Chairman & Director	Mr. Chan was appointed Executive Chairman of Baytex Energy Corp. in December 2010 and held the same position with Baytex Energy Ltd. (“ <b>Baytex</b> ”) since January 2009. Prior to that, Mr. Chan was the Chief Executive Officer of Baytex (November 2007 to December 2008) and the President and Chief Executive Officer of Baytex (September 2003 to November 2007). Mr. Chan has been a director of Baytex since October 1998.	758,466
John Brussa <sup>(3)</sup> Calgary, Alberta	Director	Mr. Brussa is Vice Chairman of the law firm Burnet, Duckworth & Palmer LLP and has been a partner at the firm since 1987.	605,955
M. Bruce Chernoff <sup>(1)</sup> Calgary, Alberta	Director	Mr. Chernoff has been the President and a Director of Caribou Capital Corp. (a private investment management company) since June 1999. Mr. Chernoff was the Chairman of Harvest Energy Trust from 2002 until its sale in December 2009. Mr. Chernoff has been a Director of Maxim Power Corp. since January 2005 and serves as its Chairman of the Board.	1,354,155
Brett Herman Calgary, Alberta	Director, President and Chief Executive Officer	Mr. Herman is the President & Chief Executive Officer and a Director of TORC. Mr. Herman was the President & Chief Executive Officer and a Director of Result Energy Inc. from November 2009 to April 2010 and the President & Chief Executive Officer and a Director of TriStar Oil & Gas Ltd. from August 2007 to October 2009.	3,471,393
David Johnson <sup>(2)(3)</sup> Calgary, Alberta	Director	Mr. Johnson is an independent businessman with over thirty-five years of diverse experience in the Oil & Gas Industry. Mr. Johnson was the Chairman of Progress Energy Resources Corp. from July 2004 until its sale to PETRONAS in 2012.	627,357
Dale Shwed <sup>(1)(2)</sup> Calgary, Alberta	Director	Mr. Shwed has been the President & Chief Executive Officer and a Director of Crew Energy Inc. since June 2003.	513,126
Hank Swartout <sup>(2)</sup> Calgary, Alberta	Director	Mr. Swartout is an independent businessman with over thirty years of experience in the Oilfield Services Industry.	4,747,803

**Notes:**

- 1) Member of the Audit Committee.
- 2) Member of the Reserves Committee.
- 3) Member of the Compensation Committee.

Unless authority to vote on the election of one or more of the seven director nominees is withheld, it is the intention of the management designees, if named as proxy, to vote for the election of each of the above mentioned persons to the board of directors of the Corporation (the “**Board of Directors**” or the “**Board**”) unless otherwise directed. Management does not contemplate that any of the proposed nominees will be unable to serve as a director. However, if for any reason any of the proposed nominees does not stand for election or is unable to serve as such, the management designees, if named as proxy, reserve the right to vote for any other nominee in their sole discretion unless the Shareholder has specified in his proxy that his Shares are to be withheld from voting on the election of directors.

### **Voting and Majority Voting Policy**

Voting for the election of directors will be conducted on an individual, and not a slate, basis. The Board has adopted a policy (the “**Majority Voting Policy**”) which requires that any nominee for director who receives a greater number of votes “withheld” than votes “for” his or her election as a director shall, forthwith following the applicable shareholders' meeting, submit his or her resignation to the Chairman of the Board. The Compensation Committee of the Board (the “**Compensation Committee**”) shall consider the resignation and make a recommendation to the Board whether or not to accept it. The Board shall, after receiving the recommendation of the Compensation Committee, make a determination as whether to accept the resignation within 90 days of the applicable shareholders' meeting and a press release shall be issued by the Corporation announcing the Board's determination. Any director who tenders his or her resignation shall not participate in any meetings to consider whether the resignation shall be accepted. The Majority Voting Policy applies only to uncontested elections, meaning elections where the number of nominees for director is equal to the number of directors to be elected.

It is the intention of the management designees, if named as proxy, to vote for the election of the above mentioned persons to the Board unless otherwise directed. Management does not contemplate that any of such nominees will be unable to serve as a director. However, if for any reason any of the proposed nominee does not stand for election or is unable to serve as such, the management designees, if named as proxy, reserve the right to vote for any other nominee in their sole discretion unless the Shareholder has specified in his proxy that his Shares are to be withheld from voting on the election of directors.

### **Item 3 - Appointment of Auditors**

Shareholders will be asked to consider a resolution appointing auditors of the Corporation to act until the next annual meeting of Shareholders. Management proposes the firm KPMG Chartered Accountants LLP, Calgary, Alberta be re-appointed as auditors of the Corporation. Unless otherwise directed, the management designees, if named as proxy, intend to vote for the appointment of KPMG Chartered Accountants LLP as the auditors of the Corporation to hold office until the next annual meeting of the Shareholders at remuneration to be fixed by the Board.

KPMG Chartered Accountants LLP has been the auditor of TORC since January 24, 2011.

### **Item 4 – Other Business**

The financial statements of the Corporation for the financial year ended December 31, 2012 will be put before the Shareholders at the Meeting. The directors and officers of the Corporation are not aware of any matters, other than those indicated above, which may be submitted to the Meeting for action. However, if any other matters should properly be brought before the Meeting, the enclosed proxy confers discretionary authority to vote on such other matters according to the best judgment of the person holding the proxy at the Meeting.

## CORPORATE GOVERNANCE PRACTICES

Every issuer that is listed on the TSX is required under Section 2.1 of National Instrument 58-101 - *Corporate Governance Disclosure* (“**NI 58-101**”) to disclose annually in its information circular certain information concerning its corporate governance practices. The Board is responsible for the governance of the Corporation. The Board and senior management consider good governance to be central to the effective and efficient operation of the Corporation. Listed below is a discussion of the Board’s approach to governance of the Corporation. The Corporation will continue to monitor its corporate governance practices and to develop such practices deemed necessary by the Corporation to accommodate changes in the size and scope of operations of the Corporation.

### Board Independence

A director is considered to be independent of an issuer under applicable Canadian securities laws if the director is free of any relationship with the issuer which could, in the view of the issuer’s Board of Directors, be reasonably expected to interfere with the exercise of the director’s independent judgment. Certain directors, such as current or former employees or officers of the issuer, are deemed not to be independent of the issuer.

The Board has seven members, six of whom are considered to be independent. The Board considers Raymond Chan (Chair), John Brussa, M. Bruce Chernoff, David Johnson, Dale Shwed and Hank Swartout to be independent directors. Brett Herman is not independent as he is the President and Chief Executive Officer of the Corporation.

The Board has an independent Chair. The role of the Chair is to act as the leader of the Board, to manage and coordinate the activities of the Board and to oversee the execution of the board mandate (the “**Board Mandate**”).

The Board Mandate does not require that the Board hold regularly scheduled meetings of its independent members and no such meetings were held in the year ended December 31, 2012. The Board ensures open and candid discussion among its independent directors by continuously monitoring situations where a conflict of interest or perceived conflict of interest with respect to a director may exist. In cases where such a conflict of interest or perceived conflict of interest is identified, it is addressed in accordance with the *Business Corporations Act* (Alberta), the Corporation’s code of business conduct and ethics and the Board Mandate. The Board may determine that it is appropriate to hold an *in camera* session excluding a director with a conflict of interest or perceived conflict of interest or such director may consider that it is appropriate to recuse himself from considering and voting with respect to the matter under consideration.

Pursuant to the Board Mandate, the Board retains overall responsibility for the implementation and enforcement of an appropriate system of corporate governance, including policies and procedures to ensure the Board functions independently of management. The Board establishes and maintains such corporate governance policies and procedures as are necessary to ensure that the Corporation is fully compliant with applicable securities laws and prevailing governance standards. The Board is responsible for ensuring that such policies and procedures contain clear reporting, oversight and enforcement provisions that reserve the right to the Board to take appropriate remedial action in the event of a breach thereof.

The Board Mandate provides that the Corporation’s professional advisors keep it apprised of developing corporate governance issues and shall, each year after the annual shareholder meeting of the Corporation, review the sufficiency of the Corporation’s corporate governance policies and procedures. A copy of the Board Mandate is attached as Schedule “B” to this Circular.

## Board and Committee Meetings and Meeting Attendance

The Board maintains three standing committees: the Audit Committee, the Reserves Committee, and the Compensation Committee. The members of the Audit Committee are Raymond Chan (Chair), M. Bruce Chernoff and Dale Shwed. The members of the Reserves Committee are David Johnson (Chair), Dale Shwed and Hank Swartout. The members of the Compensation Committee are John Brussa (Chair), Raymond Chan and David Johnson. The following is a summary of attendance of the directors at meetings of the Board and its committees for 2012:

<b>Director</b>	<b>Board</b>	<b>Audit</b>	<b>Reserves</b>	<b>Compensation</b>
Raymond Chan	100%	100%	N/A	100%
John Brussa	100%	N/A	N/A	100%
M. Bruce Chernoff	60%	50%	N/A	N/A
Brett Herman	100%	N/A	N/A	N/A
David Johnson	100%	N/A	100%	100%
Dale Shwed	100%	100%	100%	N/A
Hank Swartout	60%	N/A	100%	N/A

## Directors that are Directors of Other Reporting Issuers

The following directors of the Corporation are also currently directors of other reporting issuers or their equivalent in a domestic or foreign jurisdiction:

<b>Director</b>	<b>Reporting Issuer</b>	<b>Stock Exchange</b>
Raymond Chan	Baytex Energy Corp.	TSX / NYSE
John Brussa	Argent Energy Ltd. <i>(Administrator of Argent Energy Trust)</i> Baytex Energy Corp. Crew Energy Inc. Enseco Energy Services Corp. Just Energy Group Inc. Long Run Exploration Ltd. Penn West Petroleum Ltd. Pinecrest Energy Inc. RMP Energy Inc. Storm Resources Ltd. Twin Butte Energy Ltd. Yoho Resources Inc.	TSX TSX / NYSE TSX TSXV TSX TSX TSX / NYSE TSXV TSX TSXV TSX TSXV
M. Bruce Chernoff	Artek Exploration Ltd. Calmena Energy Services Inc. Maxim Power Corp. PetroShale Inc.	TSX TSX TSX TSXV
David Johnson	Secure Energy Services Inc. Pinecrest Energy Inc. Zedi Inc.	TSX TSXV TSXV

<b>Director</b>	<b>Reporting Issuer</b>	<b>Stock Exchange</b>
Dale Shwed	Baytex Energy Corp. Crew Energy Inc.	TSX / NYSE TSX
Hank Swartout	Calmena Energy Service Inc.	TSX
Brett Herman	PetroShale Inc.	TSXV

### **Position Descriptions**

The Corporation has adopted written position descriptions for the chairman of each of the Audit Committee, the Reserves Committee, and the Compensation Committee.

The Board has not developed a written position description for the Chief Executive Officer. The Board Mandate states that management is responsible for the maintenance and creation of an overall corporate strategic planning process. The Board Mandate specifies that the Board will review and approve management's strategic and operational plans to ensure that they are consistent with the corporate vision for the Corporation and monitor the Corporation's performance against short term and long term strategic plans. The Board delineates the role and responsibilities of the Chief Executive Officer through its direct and ongoing oversight and assessment of management's development and execution of corporate strategy. In addition, the Board Mandate provides for the annual review of the Chief Executive Officer by the Compensation Committee in accordance with their terms of reference and for the appointment of the chairman of each committee, if applicable. The Board Mandate outlines the specific roles and responsibilities of the Chairman of the Board. A copy of the Board Mandate is attached as Schedule "B" to this Circular.

### **Orientation and Continuing Education**

While TORC does not have a formal orientation and training program, new Board members are provided with access to management and all relevant corporate information and, as required, access to legal counsel. Members of the TORC Board are encouraged to communicate with management, legal counsel and, where applicable auditors and technical consultants of TORC; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit TORC's operations. TORC Board members have full access to the records of TORC.

All members of the Board are provided with copies of the (i) charters of each the three committees of the Board; (ii) TORC's code of business conduct and ethics; (iii) the Corporate Disclosure and Confidentiality Policy; (iv) the Trading policy; (v) the Board Mandate; and (vi) the Majority Voting Policy.

### **Ethical Business Conduct**

The Corporation has adopted a code of business conduct and ethics. The code has been filed on the Corporation's website and can be viewed at [www.torcoil.com](http://www.torcoil.com). All staff and directors of the Corporation are made personally accountable for learning, endorsing and promoting the code and applying it to their own conduct and field of work. All staff and directors are asked to review the code and confirm, through written or electronic declaration, that they understand their individual responsibilities and will conform to the requirements of the code. Any breach of the code may be reported directly to the responsible officer or may be reported to the Chair of the Audit Committee in accordance with the Whistleblower Policy of



the Corporation. The application of the Whistleblower Policy is the primary means by which the Board monitors compliance with the code.

The Corporation has adopted a Whistleblower Policy pursuant to its Audit Committee Charter. The Whistleblower Policy establishes procedures that allow employees of the Corporation to confidentially and anonymously submit any concerns regarding activity that may be considered ethically, morally or legally questionable to the Chair of the Audit Committee without fear of retaliation.

The Corporation has adopted a Corporate Disclosure and Confidentiality Policy. The purpose of the Corporate Disclosure and Confidentiality Policy is to: (i) ensure that the communications of the Corporation with the public are timely, factual and accurate, and broadly disseminated in accordance with all applicable legal and regulatory requirements; and (ii) ensure that all non-publicly disclosed information remains confidential. The policy extends to all directors, officers and employees of the Corporation, those authorized to speak on behalf of the Corporation and all other insiders of the Corporation.

The Corporation has adopted a Trading Policy. The purpose of the Trading Policy is to promote investor confidence in the securities of the Corporation by ensuring that persons who have access to material, undisclosed information concerning the Corporation or its affiliates will not make use of it by trading securities of the Corporation or tipping others before the information has been fully disclosed to the public.

### **Conflicts of Interest**

The directors and officers of the Corporation may participate in activities and investments in the oil and natural gas industry outside the scope of their engagement or employment as directors or officers of the Corporation. As a result, the directors and officers may become subject to conflicts of interest. In accordance with the *Business Corporations Act* (Alberta), directors who are party to or are a director or an officer of a company that is a party to a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the *Business Corporations Act* (Alberta), the written mandate of the Board of Directors and the Corporation's corporate governance policies.

As at the date hereof, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and a director or officer of the Corporation.

### **Nomination of Directors**

The identification of new candidates for Board nomination where a vacancy exists on the Board or the Board has determined that it is in the best interests of the Corporation for additional members to be added to the Board is the responsibility of the Compensation Committee. The written mandate of the Compensation Committee provides that, when so directed by the Board as a whole, it will identify and recommend suitable candidates for nomination for election as directors. In doing so, it will: (i) consider the competencies and skills the Board, as a whole, should possess; (ii) formulate criteria for candidates after considering the competencies and skills of each existing director; (iii) consider the competencies and skills of each new nominee and whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member; (iv) establish the procedure for approaching prospective candidates; (v) canvas current Board members for suggestions as to candidates; and (vi) make a formal recommendation to the Board of proposed nominees for election.

The Board will encourage an objective nomination process by reviewing the criteria employed by the Compensation Committee in conducting the nomination process and confirming the absence of any factors that might compromise the integrity of the process.

## **Compensation**

The Board is responsible for determining the compensation of the Corporation's directors and officers. The Board has delegated certain responsibilities respecting compensation to the Compensation Committee. Under its written mandate, the primary function of the Compensation Committee is to assist the Board in carrying out its responsibilities by reviewing compensation and human resources issues and making recommendations to the Board as appropriate. Among other things, the Compensation Committee: (i) recommends to the Board human resources and compensation policies and guidelines for application to the Corporation and oversees the administration of such policies and guidelines as are approved by the Board; (ii) ensures that the Corporation has in place programs to attract and develop management of the highest caliber and a process to provide for the orderly succession of management; (iii) reviews the performance of the Chief Executive Officer relative to the goals and objectives of the Corporation for the purpose of determining the compensation of the Chief Executive Officer to be recommended to the Board for approval; (iv) recommends to the Board for approval the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer, and approves compensation for all other designated officers of the Corporation after considering the recommendations of the Chief Executive Officer, all within the human resources and compensation policies and guidelines approved by the Board; (v) periodically reviews with the Chief Executive Officer the Corporation's policies on compensation for all employees and overall human resources matters; and (vi) periodically reviews the adequacy and form of compensation of directors to ensure that the compensation realistically reflects the responsibility and risks involved in being an effective director and reports and makes recommendations to the Board accordingly.

Each of the members of the Compensation Committee is an independent director. The Board encourages objectivity in the compensation process by monitoring the criteria and methodology employed by the Compensation Committee in arriving at its recommendations to the Board. The Compensation Committee is required to meet at least semi-annually or otherwise as circumstances warrant.

## **Other Committees**

In addition to the Audit Committee and the Compensation Committee, the Board has a Reserves Committee.

### *Reserves Committee*

Each of the members of the Reserves Committee is an independent director. The primary function of the Reserves Committee is to assist the Board in the selection, engagement and instruction of an independent reserves evaluator for the Corporation. This involves ensuring that processes are in place to provide all relevant reserves data to the independent reserves evaluator, monitoring the preparation of the independent reserves evaluation of the Corporation and reviewing the annual independent reserves evaluation of the Corporation and any interim independent reserves evaluations prepared for the Corporation. The Reserves Committee meets at least once annually or otherwise as circumstances warrant.

## Assessment

The Board Mandate provides that the Board is responsible for annually assessing its overall performance and that of its committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. Each review will have regard to the mandate or charter of the Board or committee and identifies any areas where the directors or management believe that the Board or committee could make a better collective contribution to overseeing the affairs of the Corporation.

The Board is also responsible for regularly assessing the effectiveness and contribution of the individual directors, having regard to the competencies and skills each director is expected to bring to the Board.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

On September 12, 2012 the predecessor to the Corporation, TORC Oil & Gas Ltd. entered into an arrangement agreement, as amended on September 27, 2012 (the "**Arrangement Agreement**"), with Vero Energy Inc. ("**Vero**") whereby TORC, Vero and 1688763 Alberta Ltd. ("**AcquisitionCo**") agreed to carry out a plan arrangement under the provisions of Section 193 of the ABCA (the "**Arrangement**"). The Arrangement was completed on November 19, 2012. Upon completion of the Arrangement, TORC, Vero and AcquisitionCo amalgamated to form the Corporation.

Pursuant to the Arrangement Agreement, all of the outstanding stock options of Vero ("**Vero Options**") were duly exercised or surrendered for cancellation prior to completion of the Arrangement, or have otherwise expired, and the outstanding stock options ("**TORC Options**"), share purchase warrants ("**TORC Warrants**") and incentive shares ("**TORC Incentive Shares**") of TORC continued according to their terms and became obligations of the Corporation entitling the holders thereof, upon vesting and valid exercise, to acquire Shares in lieu of former TORC Shares, subject to adjustment of the exercise price and Share entitlements in accordance with the exchange ratio under the Arrangement.

For more information regarding the Arrangement, please refer to the joint information circular of TORC and Vero dated October 19, 2012 in respect of the special meeting of the shareholders of TORC and the special meeting of the shareholders of Vero, available under the profile of the Corporation on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Upon completion of the Arrangement, the stock option plan of Vero continued as the stock option plan of the Corporation (the "**Option Plan**") in respect of the issuance of stock options to acquire Shares ("**Options**") following the Arrangement.

The Option Plan has been previously approved by Vero's security holders and is the only compensation plan pursuant to which equity securities of the Corporation are authorized for issuance. The Option Plan is described in detail below under the heading "*Summary of Option Plan*". Information concerning the outstanding TORC Options, Options, TORC Incentive Shares and the Shares available for issuance under the Option Plan as at December 31, 2012 is set out in the table below:

Plan Category	Number of Shares issuable upon exercise of outstanding Options and Incentive Shares	Weighted-average exercise price of outstanding Options	Number of Shares remaining available for future issuance under the Option Plan <sup>(1)</sup>
Option Plan	542,620	\$3.35	10,585,713
TORC Options <sup>(2)</sup>	7,361,397	\$3.41	N/A
TORC Incentive Shares <sup>(3)</sup>	803,032		N/A

**Notes:**

- 1) The maximum number of Shares reserved for issuance under the Option Plan is set at 10% of the outstanding Shares at any time. The number of Shares remaining available for future issuance reflects 10% of the currently outstanding Shares, less the currently outstanding number of Options. The number of Shares remaining available for future issuance will increase as the outstanding number of Shares increases.
- 2) Represents Shares issuable pursuant to the TORC Options, as adjusted pursuant to the Arrangement exchange ratio.
- 3) Represents Shares issuable pursuant to the TORC Incentive Shares, as adjusted pursuant to the Arrangement exchange ratio.

*Summary of Option Plan*

The predecessor corporation to the Corporation previously adopted the Option Plan, which permits the granting of Options to purchase Shares to directors, officers, employees and consultants (“**Optionees**”) of the Corporation and its subsidiaries. The Option Plan is intended to afford persons who provide services to the Corporation an opportunity to obtain an increased proprietary interest in the Corporation by permitting them to purchase Shares and to aid in attracting as well as retaining and encouraging the continued involvement of such persons with the Corporation. The Option Plan is administered by the Board of Directors of the Corporation or a Committee of the Board of Directors appointed from time to time by the Board to administer the Option Plan (the Board of Directors or, if appointed, such Committee, is referred to as the “**Committee**”).

The Option Plan currently limits the number of Shares that may be issued on exercise of Options to a number not exceeding 10% of the number of Shares which are outstanding from time to time. Options that are cancelled, terminated or expired prior to exercising all or a portion thereof shall result in the Shares that were reserved for issuance thereunder being available for a subsequent grant of Options pursuant to the Option Plan. As the Option Plan is a "rolling" plan, the issuance of additional Shares by the Corporation or the exercise of Options will also give rise to additional availability under the Option Plan.

The number of Shares issuable pursuant to Options granted under the Option Plan or any other security based compensation arrangements of the Corporation: (i) to any one Optionee may not exceed 5% of the outstanding Shares; (ii) issuable to insiders at any time shall not exceed 10% of the issued and outstanding Shares; and (iii) issued to insiders within any one-year period may not exceed 10% of the outstanding Shares. Options granted under the Option Plan are not assignable. Directors who are not also officers or employees of the Corporation are not eligible participants under the Option Plan.

Options granted pursuant to the Option Plan have a term not exceeding five years and vest in such manner as determined by the Committee. In the absence of any specific determination to the contrary by the Committee, Options will vest and be exercisable as to 1/3 on each of the first, second and third anniversaries of the date of grant, subject to acceleration of vesting in the discretion of the Committee. If

an Option is set to expire within ten (10) business days following the end of a Black Out Period (as such term is defined in the Option Plan), the expiry date of the Option shall be extended for 10 business days following the end of the Black Out Period.

The exercise price of the Options granted pursuant to the Option Plan is determined by the Committee at the time of grant, using the volume weighted average trading price of the Shares on the TSX (or such stock exchange on which the Shares may be listed) for the five trading days immediately preceding the employment commencement date.

In case of death of an Optionee, Options terminate on the date determined by the board of directors which may not be more than 12 months from the date of death and, if the Optionee shall no longer be a director or officer of or be in the employ of, or a consultant or other service provider to, either the Corporation or a subsidiary of the Corporation, their Options terminate on the expiry of a period not in excess of six months as determined by the board of directors at the time of grant. In each case, the Optionee is entitled to exercise those Options, which the Optionee was entitled to exercise on the date of death or the date the Optionee ceased to be an officer, director, employee, consultant or other service provider to the Corporation, as the case may be.

An Optionee may, under the terms of the Option Plan, make an offer (the “**Surrender Offer**”) to the Corporation, at any time, for the disposition and surrender by the Optionee to the Corporation (and the termination thereof) of any Options for an amount (not to exceed the fair market value thereof) specified in the Surrender Offer and the Corporation may, but is not obligated to, accept the Surrender Offer, subject to any required regulatory approval.

In the event the outstanding Shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through certain events including reorganization, merger, recapitalization, dividend, subdivision or consolidation, an appropriate adjustment shall be made in the maximum number or kind of shares as to which Options may be granted under the Option Plan and a corresponding adjustment changing the number or kind of shares allocated to unexercised Options granted prior to any such event, shall likewise be made. In addition, in the event of certain events such as the liquidation or dissolution of the Corporation or upon a reorganization, arrangement, merger or consolidation of the Corporation with one or more entities as a result of which the Corporation is not the surviving entity, any Options granted under the Option Plan shall terminate unless provision is made in writing in connection with such transaction for the continuance of the Option Plan and for the assumption of Options, or the substitution for such Options of new options of a successor entity, with appropriate adjustments in which case the Options shall continue in the manner and upon the terms so provided. In addition, whether or not the Option Plan and unexercised Options terminate, the Board shall have the right, in its absolute discretion, to accelerate any unvested and unexercised portion of Options then outstanding.

Without the prior approval of the Shareholders, the Committee may not (i) make any amendment to the Option Plan to increase the percentage of Shares issuable on exercise of outstanding Options at any time, (ii) reduce the exercise price of any outstanding Options held by Insiders, (iii) extend the term of any outstanding Options beyond the original expiry date of such Option, (iv) make any amendment to increase the maximum limit on the number of securities that may be issued to Insiders, (v) make any amendment to increase the maximum number of Shares issuable on exercise of Options to directors who are not officers or employees of the Corporation (which limitation will no longer be required in the event that the proposed amendments to the Option Plan are approved as directors who are not officers or employees of the Corporation will no longer be eligible participants under the Option Plan), (vi) make any amendment to the Option Plan that would permit an Optionee to transfer or assign Options to a new beneficial Optionee other than in the case of death of the Optionee, or (vii) amend the restrictions on amendments

that are provided in the Option Plan. Subject to restrictions set out above, the Committee may amend or discontinue the Option Plan and Options granted thereunder at any time, without shareholder approval, provided that any amendment to the Option Plan that requires approval of any stock exchange on which the Shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the Option Plan or Options granted pursuant to the Option Plan may be made without the consent of the Optionee if it adversely alters or impairs any Option previously granted to such Optionee.

The policies of the TSX require that the Option Plan be approved every three years by Shareholders. The Option Plan was last approved by shareholders of the predecessor corporation to the Corporation, Vero Energy Inc., at its annual and special meeting held on May 18, 2011. Accordingly, the Corporation is not required to seek further approval of its shareholders for the grant of unallocated Options under the Option Plan until May 18, 2014.

Further information regarding the Options can be found under the headings “*Executive Compensation*”.

## **EXECUTIVE COMPENSATION**

This Circular is required to contain certain disclosure concerning the compensation for the financial year ended December 31, 2012 of individuals considered to be “Named Executive Officers” of the Corporation under applicable Canadian securities laws. Attached as Schedule “A” hereto is information concerning the compensation of the current officers and directors of the Corporation for the year ended December 31, 2012.

## **INDEBTEDNESS OF DIRECTORS, OFFICERS AND EMPLOYEES**

No current or former director, officer or employee of the Corporation was indebted to the Corporation as at the date of this Circular. At no time since the beginning of the financial year ended December 31, 2012 did any director or officer, or any associate of any such director or officer, owe any indebtedness to the Corporation or owe any indebtedness to any other entity which is, or at any time has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

For the purposes of this Circular, an “informed person” means (i) a director or officer of the Corporation, (ii) a director or officer of a person or company that is itself an informed person, or (iii) any person or company who beneficially owns, directly or indirectly, and/or exercises control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attaching to all outstanding voting securities of the Corporation.

The interests of certain directors and officers of the Corporation in certain transactions affecting the Corporation are described under the heading “Interest of Management and Others in Material Transaction” in the Corporation’s annual information form dated March 28, 2013 for the year ended December 31, 2012 (the “AIF”). That portion of the AIF is deemed to be incorporated by reference into, and forms a part of, this Circular. A copy of the AIF is available on SEDAR at [www.sedar.com](http://www.sedar.com) or may be obtained free of charge from the Corporation by contacting the Corporation at Suite 1800, 525 – 8<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 1G1, telephone (403) 930-4120. Other than as set out in the AIF, since the beginning of the financial year ended December 31, 2012, no informed person of the Corporation, nominee for director of the Corporation, nor any affiliate or associate of any informed

person or nominee for director, had any material interest, direct or indirect, in any transaction or proposed transaction which has materially affected or would material affect the Corporation.

## **REGULATORY MATTERS AND BANKRUPTCIES AND INSOLVENCIES**

To the knowledge of management of the Corporation, no proposed director of the Corporation is, or within the 10 years before the date of this Circular has been, a director, chief executive officer or chief financial officer of any other issuer that: (a) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under Canadian securities legislation that lasted for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation that lasted for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of management of the Corporation, no proposed director of the Corporation: (a) is, at the date of this Circular or has been within the 10 years before the date of this Circular, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director, other than Mr. Swartout who was formerly a director of the Resort at Copper Point Ltd. (a private real estate development company) which was placed in receivership in February 2009. Mr. Swartout resigned as a director of the Resort at Copper Point Ltd. effective March 4, 2009.

To the knowledge of management of the Corporation, no proposed director of the Corporation has: (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with the Canadian securities regulatory authority; or (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **ADDITIONAL INFORMATION AND AVAILABILITY OF FINANCIAL STATEMENTS**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information concerning the Corporation is provided in its financial statements for the year ended December 31, 2012 and the accompanying management's discussion and analysis, which can be accessed under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Corporation will mail its annual and interim financial statements and accompanying management's discussion and analysis to any Shareholder who requests them by (i) contacting the Corporation's agent, Olympia Trust Company, 2300, 125 – 9<sup>th</sup> Avenue S.E., Calgary, Alberta, T2G 0P6, or (ii) contacting the Corporation at Suite 1800, 525 – 8<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 1G1, telephone (403) 930-4120.

**AUDITORS OF THE CORPORATION**

The auditors of the Corporation are KPMG Chartered Accountants LLP, Calgary, Alberta. KPMG Chartered Accountants LLP were appointed auditors on January 24, 2011.

**DIRECTORS' APPROVAL**

The contents and the sending of this Circular have been approved by the directors.



## SCHEDULE "A"

### EXECUTIVE COMPENSATION

#### Named Executive Officers

The Named Executive Officers for the purposes of this Circular are the following executive officers of the Corporation:

Brett Herman	President and Chief Executive Officer
Jason Zabinsky	Vice President, Finance and Chief Financial Officer
Eric Strachan	Vice President, Exploration
Jeremy Wallis	Vice President, Land
Mike Wihak	Vice President, Operations

Each of the Named Executive Officers was appointed an officer of TORC on December 16, 2010. The Named Executive Officers became officers of the Corporation upon completion of the Arrangement on November 19, 2012.

The Corporation is pleased to announce that effective January 7, 2013 Mr. Shane Manchester joined the Corporation as Vice President, Operations. Mr. Manchester was formerly the Vice President, Operations of Vero Energy Inc. prior to the Arrangement effective November 19, 2012. In addition, Mr. Wihak's position was changed to Vice President, Production.

#### General

This discussion describes the Corporation's compensation program for the Named Executive Officers in the financial year ended December 31, 2012. This section will address the Corporations' philosophy and objectives and provide a review of the process the Compensation Committee of the Board (the "**Committee**") follows in deciding how to compensate the Named Executive Officers. This section will also provide discussion and analysis of the Committee's specific decisions about the compensation of the Named Executive Officers for the financial year ended December 31, 2012.

The Corporation's compensation philosophy and program objectives are directed primarily by two guiding principles. First, the program is intended to provide competitive levels of compensation, at expected levels of performance, in order to attract, motivate and retain talented employees. Second, the program is intended to create an alignment of interest between the Corporation's employees and shareholders so that a significant portion of compensation is linked to maximizing shareholder value. In support of this philosophy, the compensation program is designed to reward performance that is directly relevant to the Corporation's short-term and long-term success. The Corporation attempts to provide both short-term and long-term incentive compensation that varies based on corporate and individual performance.

The Corporation's compensation program is structured into three main components: base salary, bonus and long term incentives including the Options granted pursuant to the Option Plan, the TORC Options granted pursuant to the previous stock option plan of TORC (the "**TORC Option Plan**") and the TORC Incentive Shares granted pursuant to the previous stock incentive plan of TORC (the "**TORC Incentive Share Plan**"). The following discussion describes the Corporation's plans by component of compensation

and discusses how each component relates to the Corporation's overall executive compensation objective. In establishing the executive compensation program, the Corporation believes that:

- (a) base salaries provide an immediate cash incentive and should be at levels competitive with peer companies that compete with the Corporation for business opportunities and executive talent;
- (b) a bonus program which depends on the Corporation's success and achievement of goals and the respective employees contribution to achieving these goals; and
- (c) Options, TORC Options and TORC Incentive Shares ensure that employees are motivated to achieve long term growth of the Corporation, continuing increases in shareholder value and provide capital accumulation linked directly to the Corporation's performance.

The Corporation places equal emphasis on (i) base salary/bonus and (ii) Options/TORC Options/TORC Incentive Shares as short term and long term incentives, respectively.

#### Purpose

The Corporation's compensation program has been designed to accomplish the following long-term objectives:

- (a) create a proper balance between building shareholder wealth and competitive employee compensation while maintaining good corporate governance;
- (b) produce long-term, positive results for Shareholders;
- (c) align compensation with corporate performance and appropriate peer group comparisons; and
- (d) provide market-competitive compensation and benefits that will enable the Corporation to recruit, retain and motivate the talent necessary to be successful.

#### Compensation Committee

The compensation program is administered by the Committee. During the year ended December 31, 2012, the Committee was comprised of John Brussa (Chair), Raymond Chan and David Johnson. None of the current members of the Committee is an officer or employee of the Corporation. The Board is of the view that the Committee has the knowledge, experience and background to fulfill its mandate.

#### Compensation Process

In determining compensation, including the assessment of the competitiveness of the Corporation's compensation practices, the Committee has not established a formal peer group but does review compensation information available in the public domain from companies with similar production, size and development. The Committee may also obtain industry reports which provide general salary and compensation information with respect to executive officers in the oil and gas industry. The Committee retains and does not delegate any of its power to determine all matters of executive compensation and benefits, although the Committee does consider the compensation and benefit proposal made to the Committee by the Chairman.

The Committee considers the risks that may be associated with the Corporation's compensation policies and practices as part of its broader mandate of understanding the principal risks associated with the Corporation's business. There is a risk with any compensation policy that provides for the payment of a cash bonus or, as in the case of Options, TORC Options and TORC Incentive Shares, provides for compensation that is linked to the price of the company's shares that an executive officer or other employee will attempt to maximize the personal return from these elements of compensation by taking excessive risks that are not in the best interests of the company or its shareholders. The Corporation attempts to identify and mitigate these risks through the implementation and monitoring of internal controls and procedures respecting, among other matters, the maintenance of records, reporting and required authorizations for expenditures, acquisitions, dispositions and other corporate actions.

#### Base Salaries

The base salaries of the Named Executive Officers are reviewed annually to ensure they reflect a balance of market conditions, the levels of responsibility and accountability of each role, the skill and competencies of the individual, retention considerations as well as the level of demonstrated performance.

Base salaries of the Named Executive Officers are set by the Board on the basis of the applicable executive officer's responsibilities, experience and past performance. This is measured against the Committee's assessment of the amounts paid by companies in the Corporation's peer group to persons performing similar duties. In making such an assessment, the Board considers the objectives set forth in the Corporation's business plan and the performance of executive officers and employees in executing the plan in combination with the overall result of the activities undertaken.

#### Long Term Incentive Plans

The Corporation provides long term incentive compensation to its officers, employees and certain consultants through the Option Plan. Prior to completion of the Arrangement, TORC provided long term incentive compensation to its directors, officers, employees and certain consultants through the TORC Option Plan and the TORC Incentive Share Plan.

#### ***Option Plan, TORC Option Plan and TORC Incentive Share Plan***

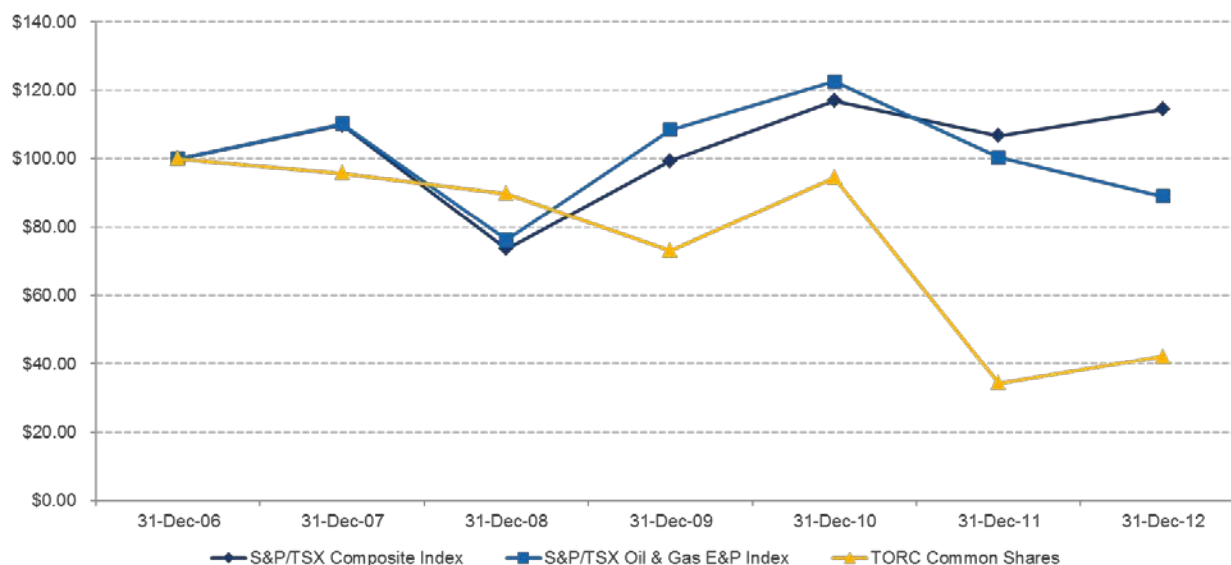
The Corporation provides long term incentive compensation to its officers, employees and certain consultants through the Option Plan. The Committee recommends the granting of Options, from time to time, based on its assessment of the appropriateness of doing so in light of (i) the long term strategic objectives of the Corporation; (ii) its current stage of development; (iii) the need to retain or attract particular key personnel; and (iv) the number of Options, TORC Options and TORC Incentive Shares already outstanding and overall market conditions. The Committee views the granting of Options as a means of promoting the success of the Corporation and higher returns to its shareholders. As such, the Committee does not grant Options in excessively dilutive numbers or at exercise prices not reflective of the Corporation's underlying value.

Prior to completion of the Arrangement, TORC provided long term incentive compensation to its directors, officers, employees and certain consultants through the TORC Option Plan and the TORC Incentive Share Plan.

## Performance Graphs

Prior to completion of the Arrangement, the Vero Shares traded on the TSX under the symbol “VRO”. Upon completion of the Arrangement on November 19, 2012, the Shares began to trade on the TSX under the symbol “TOG” effective November 21, 2012.

The following graph compares the cumulative total shareholder return of the Shares, assuming an initial investment of \$100 on December 31, 2006, with the cumulative shareholder return of the S&P/TSX Composite Index and the S&P/TSX Capped Energy Index for the period commencing December 31, 2007 and ending December 31, 2012. The data for the period December 31, 2007 to November 19, 2012 reflects the period when Vero was managed by a different executive team. Effective November 19, 2012 the Corporation was managed by the current executive team.



	Dec. 31 '07	Dec. 31 '08	Dec. 31 '09	Dec. 31 '10	Dec. 31 '11	Dec. 31 '12
Company Shares	\$95.71	\$89.77	\$73.10	\$94.55	\$34.32	\$42.16
S&P TSX Capped Energy Index	\$110.13	\$76.24	\$108.41	\$122.45	\$100.38	\$89.07
S&P TSX Composite Index	\$109.83	\$73.58	\$99.38	\$116.87	\$106.69	\$114.36

The Named Executive Officers became officers of the Corporation upon completion of the Arrangement on November 19, 2012. Prior to completion of the Arrangement the Named Executive Officers were officers of TORC.

### Summary of Compensation of Named Executive Officers

The following table sets forth, for the years ended December 31, 2012, December 31, 2011 and December 31, 2010, information concerning the total compensation paid to the Corporation's Named Executive Officers.

Name and Principal Occupation	Year	Salary (\$)	Share-Based Awards <sup>(1)</sup> (\$)	Option-Based Awards <sup>(2)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation <sup>(4)</sup> (\$)	Total Compensation (\$)
					Annual Incentive Plans <sup>(3)</sup>	Long-Term Incentive Plans			
Brett Herman, President and Chief Executive Officer	2012	200,000	83,712	203,000	150,000	Nil	Nil	7,440	644,152
	2011	200,000	300,000	595,000	70,000	Nil	Nil	5,580	1,170,580
	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jason Zabinsky, Vice-President, Finance and Chief Financial Officer	2012	180,000	55,250	133,980	100,000	Nil	Nil	6,230	475,460
	2011	180,000	198,000	392,700	63,000	Nil	Nil	2,450	836,150
	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Eric Strachan Vice-President, Exploration	2012	180,000	55,250	133,980	100,000	Nil	Nil	7,440	476,670
	2011	180,000	198,000	392,700	63,000	Nil	Nil	5,060	838,760
	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jeremy Wallis Vice-President, Land	2012	180,000	55,250	133,980	100,000	Nil	Nil	6,230	475,460
	2011	180,000	198,000	392,700	63,000	Nil	Nil	2,450	836,150
	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mike Wihak Vice-President, Operations	2012	180,000	55,250	133,980	75,000	Nil	Nil	7,440	451,670
	2011	180,000	198,000	392,700	63,000	Nil	Nil	5,060	838,760
	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

#### Notes:

- 1) Comprised of TORC Incentive Shares granted in April 2011 and September 2012 pursuant to the TORC Incentive Share Plan. The fair value of TORC Incentive Shares is deemed equal to the share price on the date of grant, and is determined in accordance with IFRS 2 *Share-based Payment* (accounting fair value).
- 2) Comprised of TORC Options granted pursuant to the TORC Option Plan. All of these TORC Options granted vest as to one-third per year for a period of 3 years from the date of grant. Value based on the fair value of the applicable awards calculated using the Black-Scholes-Merton method as at the April 2011 grant date with the following assumptions: risk-free interest rate of 1.4%; expected volatility of 40%; an expected life of three years and a forfeiture rate of Nil. The TORC Options granted in September 2012 will vest one hundred percent on April 27, 2015. The value of the September 2012 grant is based on the fair value of the applicable awards calculated using the Black-Scholes-Merton method as at the September 2012 grant date with the following assumptions: risk-free interest rate of 1.7%; expected volatility of 40%; an expected life of four years and a forfeiture rate of Nil.
- 3) Performance bonuses were accrued in 2011, and approved by the Board and paid in the second quarter of 2012. Performance bonuses for 2012 were accrued in 2012, and approved by the Board and paid in the second quarter of 2013.
- 4) The value of perquisites received by each of the Named Executive Officers, including property or other personal benefits provided to the Named Executive Officers that are not generally available to all employees, were not in the aggregate greater than \$50,000 or 10% of the Named Executive Officer's total salary for the financial year.

### ***Share-Based Awards and Option-Based Awards***

The following table outlines, for each Named Executive Officers, all option-based or share-based awards outstanding for the year ended December 31, 2012.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying TORC Options <sup>(2)</sup> (#)	TORC Option Exercise Price (\$)	TORC Option Expiration Date	Value of unexercised in-the-money options <sup>(1)(2)</sup>	Number of TORC Incentive Shares that have not Vested <sup>(2)</sup> (#)	Market or payout value of Vested TORC Incentive Shares not paid out or distributed <sup>(3)</sup>
Brett Herman	203,000	\$3.00	Sep. 13-2017	-	28,011	N/A
	609,000	\$3.45	Apr. 27-2016	-	58,000	N/A
Jason Zabinsky	133,980	\$3.00	Sep. 13-2017	-	18,488	N/A
	401,940	\$3.45	Apr. 27-2016	-	38,280	N/A
Eric Strachan	133,980	\$3.00	Sep. 13-2017	-	18,488	N/A
	401,940	\$3.45	Apr. 27-2016	-	38,280	N/A
Jeremy Wallis	133,980	\$3.00	Sep. 13-2017	-	18,488	N/A
	401,940	\$3.45	Apr. 27-2016	-	38,280	N/A
Mike Wihak	133,980	\$3.00	Sep. 13-2017	-	18,488	N/A
	401,940	\$3.45	Apr. 27-2016	-	38,280	N/A

**Notes:**

- 1) Prior to completion of the Arrangement the Vero Shares traded on the TSX under the symbol "VRO". Upon completion of the Arrangement on November 19, 2012, the Shares began to trade on the TSX under the symbol "TOG". Calculated based on the difference between the closing price of the Shares on December 31, 2012 of \$2.32 and the exercise price of the TORC Options, adjusted pursuant to the exchange ratio under the Arrangement.
- 2) TORC Options and TORC Incentive Shares were granted in April 2011 and nil TORC Options and TORC Incentive Shares vested during the year ended December 31, 2011. One-third of the TORC Options granted in April 2011 vested and nil TORC Options were exercised during the year ended December 31, 2012. TORC Options and TORC Incentive Shares were granted in September 2012 and nil vested during the year ended December 31, 2012.
- 3) Nil TORC Incentive Shares vested during the year ended December 31, 2011. One-third of the TORC Incentive Shares granted in April 2011 vested and were immediately paid out during the year ended December 31, 2012.

### ***Change of Control Benefits***

As of the date hereof, the Corporation has no contracts, agreements, plans, or arrangements in place that provide for payments to a Named Executive Officer at, following, or in connection with any termination (whether voluntary, involuntary, or constructive), resignation, retirement, change in control of the Corporation or change in a Named Executive Officer's responsibilities.

Pursuant to the terms of the Option Plan, all unvested Options vest upon change of control of the Corporation. The Arrangement qualified as a change of control for the purposes of the Option Plan. The outstanding Vero Options vested immediately prior to completion of the Arrangement, and all outstanding Vero Options were duly exercised or surrendered for cancellation prior to completion of the Arrangement on November 19, 2012, or have otherwise expired.

Pursuant to the terms of the TORC Option Plan, all unvested TORC Options vest upon change of control of the Corporation. Similarly, pursuant to the terms of the TORC Incentive Share Plan, all unvested TORC Incentive Shares vest upon change of control of the Corporation. The Arrangement did not

qualify as a change of control for the purposes of the TORC Option Plan or the TORC Incentive Share Plan.

## DIRECTOR COMPENSATION

### *Summary of Director Compensation*

The following table outlines, for the year ended December 31, 2012, information concerning the compensation paid to the Corporation's directors other than directors who are also Named Executive Officers.

Name	Fees Earned (\$)	Share-Based Awards <sup>(1)</sup> (\$)	Option-Based Awards <sup>(2)</sup> (\$)	All Other Compensation (\$)	Total (\$)
Raymond Chan	Nil	27,040	46,197	Nil	73,237
John Brussa	Nil	27,040	46,197	Nil	73,237
M. Bruce Chernoff	Nil	27,040	46,197	Nil	73,237
David Johnson	Nil	27,040	46,197	Nil	73,237
Dale Shwed	Nil	27,040	46,197	Nil	73,237
Hank Swartout	Nil	27,040	46,197	Nil	73,237

**Notes:**

- 1) Comprised of TORC Incentive Shares granted in September 2012 pursuant to the TORC Incentive Share Plan. The fair value of TORC Incentive Shares is deemed equal to the share price on the date of grant, and is determined in accordance with IFRS 2 Share-based Payment (accounting fair value).
- 2) Based on the fair value of the TORC Options granted to the director calculated using the Black-Scholes-Merton method as at the September 2012 grant date.

### *Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth for each of the directors of the Corporation, other than directors who are also Named Executive Officers, all option-based and share-based awards outstanding at the end of the year ended December 31, 2012. Directors who are not also officers or employees of the Corporation are not eligible participants under the Option Plan.

Name	Option-Based Awards			Share-Based Awards		
	Number of Securities Underlying Unexercised TORC Options <sup>(2)</sup> (#)	TORC Option Exercise Price (\$)	TORC Option Expiration Date	Value of unexercised in-the-money options <sup>(1)(2)</sup>	Number of TORC Incentive Shares that have not Vested <sup>(2)</sup> (#)	Market or payout value of Vested TORC Incentive Shares not paid out or distributed <sup>(3)</sup>
Raymond Chan	46,197	\$3.00	Sep. 13-2017	-	9,048	N/A
	87,696	\$3.45	Apr. 27-2016	-	8,352	
John Brussa	46,197	\$3.00	Sep. 13-2017	-	9,048	N/A
	87,696	\$3.45	Apr. 27-2016	-	8,352	

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised TORC Options <sup>(2)</sup> (#)	TORC Option Exercise Price (\$)	TORC Option Expiration Date	Value of unexercised in-the-money options <sup>(1)(2)</sup>	Number of TORC Incentive Shares that have not Vested <sup>(2)</sup> (#)	Market or payout value of Vested TORC Incentive Shares not paid out or distributed <sup>(3)</sup>
M. Bruce Chernoff	46,197	\$3.00	Sep. 13-2017	-	9,048	N/A
	87,696	\$3.45	Apr. 27-2016	-	8,352	
David Johnson	46,197	\$3.00	Sep. 13-2017	-	9,048	N/A
	87,696	\$3.45	Apr. 27-2016	-	8,352	
Dale Shwed	46,197	\$3.00	Sep. 13-2017	-	9,048	N/A
	87,696	\$3.45	Apr. 27-2016	-	8,352	
Hank Swartout	46,197	\$3.00	Sep. 13-2017	-	9,048	N/A
	87,696	\$3.45	Apr. 27-2016	-	8,352	

**Notes:**

- 1) Prior to completion of the Arrangement the Vero Shares traded on the TSX under the symbol "VRO". Upon completion of the Arrangement on November 19, 2012, the Shares began to trade on the TSX under the symbol "TOG". Calculated based on the difference between the closing price of the Shares on December 31, 2012 of \$2.32 and the exercise price of the TORC Options, adjusted pursuant to the exchange ratio under the Arrangement.
- 2) TORC Options and TORC Incentive Shares were granted in April 2011 and nil TORC Options and TORC Incentive Shares vested during the year ended December 31, 2011. One-third of the TORC Options granted in April 2011 vested and nil TORC Options were exercised during the year ended December 31, 2012. TORC Options and TORC Incentive Shares were granted in September 2012 and nil vested during the year ended December 31, 2012.
- 3) Nil TORC Incentive Shares vested during the year ended December 31, 2011. One-third of the TORC Incentive Shares granted in April 2011 vested and were immediately paid out during the year ended December 31, 2012.



## SCHEDULE “B”

### BOARD OF DIRECTORS MANDATE

These terms of reference define the role of the Board of Directors of the Corporation. The fundamental responsibilities of the Board of Directors of TORC Oil & Gas Ltd. (the “**Corporation**”) are to: (i) appoint and oversee a competent executive team to manage the business of the Corporation, with a view to maximizing shareholder value, (ii) identify and understand the risks associated with the business of the Corporation and (iii) ensure corporate conduct in an ethical and legal manner via an appropriate system of corporate governance, disclosure processes and internal controls. The following are the key guidelines governing how the Board will operate to carry out its duties.

1. **Duty of Oversight**

The Board is responsible for overseeing and supervising management's conduct of the business of the Corporation to ensure that such business is being conducted in the best interests of the Corporation and its shareholders.

2. **Formulation of Corporate Strategy**

Management is responsible for the development of an overall corporate strategy to be presented to the Board. The Board shall ensure there is a formal strategic planning process in place and shall review and, if it sees fit, endorse the corporate strategy presented by management. The Board shall monitor the implementation and execution of the corporate strategy.

3. **Principal Risks**

The Board should have a continuing understanding of the principal risks associated with the business of the Corporation. It is the responsibility of management to ensure that the Board and its committees are kept well informed of changing risks. The principle mechanisms through which the Board reviews risks are the Audit Committee, the Reserves Committee, the Environmental, Health and Safety Committee and the strategic planning process. It is important that the Board understands and supports the key risk decisions of management.

4. **Internal Controls and Communication Systems**

The Board ensures that sufficient internal controls and communication systems are in place to allow it to conclude that management is discharging its responsibilities with a high degree of integrity and effectiveness. The confidence of the Board in the ability and integrity of management is the paramount control mechanism.

5. **Financial Reporting, Operational Reporting and Review**

- (a) The Board ensures that processes are in place to address applicable regulatory, corporate, securities and other compliance matters, including applicable certification requirements regarding the financial, operational and other disclosure of the Corporation.
- (b) The Board reviews and approves the financial statements, related MD&A and reserves evaluations of the Corporation.

- (c) The Board approves annual operating and capital budgets and reviews and considers all amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy which diverge from the ordinary course of business.
- (d) The Board reviews operating and financial performance results relative to established strategy, budgets and objectives.

**6. Succession Planning and Management Development**

The Board considers succession planning and management recruitment and development. The Chief Executive Officer and the Compensation Committee shall periodically review succession planning and management recruitment and development.

**7. Disclosure and Communication Policy**

The Board will adopt a policy governing disclosure and communication concerning the affairs of the Corporation.

**8. The Chair of the Board**

The Board shall appoint a Chair from among its members. The role of the Chair is to act as the leader of the Board, to manage and co-ordinate the activities of the Board and to oversee execution by the Board of this written mandate.

**9. Committees**

The Board may appoint such committees as it sees fit. Each committee operates according to terms of reference approved by the Board and outlining its duties and responsibilities and the limits of authority delegated to it by the Board. The Board reviews and re-assesses the adequacy of the terms of reference of each committee on a regular basis and, with respect to the Audit Committee, at least once a year.

**10. Committee Chairs and Committee Members**

- (e) The Chair shall annually propose the leadership and membership of each committee. In preparing recommendations, the Chair will take into account the preferences, skills and experience of each director. Committee Chairs and members are appointed by the Board at the first Board meeting after the annual shareholder meeting or as needed to fill vacancies during the year.
- (f) Each committee's meeting schedule will be determined by its Chair and members based on the committee's work plan and terms of reference. The committee Chair will develop the agenda for each committee meeting. Each committee will report in a timely manner to the Board on the results of its meetings.

**11. Board Meetings and Agendas**

- (a) The Board will meet a minimum of 4 times per year.

- (b) The Chair, in consultation with the Chief Executive Officer, the Chief Financial Officer and the Corporate Secretary, will develop the agenda for each Board meeting. Under normal circumstances, management will use its best effort to distribute the agenda and related materials to directors not less than two business days before the meeting. All directors are free to suggest additions to the agenda.

12. **Information for Board Meetings**

- (a) Material distributed to the directors in advance of Board meetings should be concise, yet complete, and prepared in a way that focuses attention on critical issues to be considered. Reports may be presented during Board meetings by directors, management or staff, or by invited outside advisors. Presentations on specific subjects at Board meetings should briefly summarize the material sent to directors, so as to maximize the time available for discussion on questions regarding the material.
- (b) It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written material in advance.

13. **Non-Directors at Board Meetings**

The Board appreciates the value of having management team members attend Board meetings to provide information and opinions to assist the directors in their deliberations. The Board, through the Chair, and in consultation with the Chief Executive Officer, can determine management attendees at Board meetings.

14. **Board Relations with Management**

- (a) Board policies and guidelines are issued to management for their adherence. Directors may direct questions or concerns on management performance to the Chair, to the President and Chief Executive Officer or through Board and committee meetings.
- (b) While the Board establishes limits of authority delegated to management, directors must respect the organizational structure of management. A director has no authority to direct any staff member.

15. **New Director Orientation**

New directors will be provided with an orientation which will include written information about the duties and obligations of directors and the business and operations of the Corporation, documents from recent Board meetings and opportunities for meetings and discussion with senior management and other directors.

16. **Assessing the Board's Performance**

The Board is responsible for annually assessing its overall performance and that of its committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. The review should identify any areas where the directors or management believe that the Board could make a better collective contribution to overseeing the affairs of the Corporation.

17. **Board Compensation**

The Compensation Committee will review director compensation annually in accordance with the terms of reference of the Compensation Committee and will recommend changes in compensation to the Board when warranted and in light of the responsibilities and risks involved in being a director.

18. **Annual Evaluation of the President and Chief Executive Officer**

The Compensation Committee will conduct an annual performance review of President and Chief Executive Officer in accordance with the terms of reference of the Compensation Committee. The results of this performance review will be communicated to the President and Chief Executive Officer by the Chair.

19. **Outside Advisors for Individual Directors**

Occasionally, a director may need the services of an advisor to assist with matters involving responsibilities as a director. A director who wishes to engage an outside advisor at the expense of the Corporation may do so with the authorization of the Chair of the Board.

20. **Conflict of Interest**

- (a) Directors have a duty to act honestly and in good faith with a view to the best interests of the Corporation and to exercise the care, diligence and skill a reasonably prudent person would exercise in comparable circumstances.
- (b) Directors shall not allow personal interests to conflict with their duties to the Corporation and shall avoid and refrain from involvement in situations of conflict of interest.
- (c) A director shall disclose promptly any circumstances such as an office, property, a duty or an interest, which might create a conflict or perceived conflict with that director's duty to the Corporation.
- (d) A director shall disclose promptly any interest that director may have in an existing or proposed contract or transaction of or with the Corporation.
- (e) The disclosures contemplated in paragraphs (c) & (d) above shall be immediate if the perception of a possible conflict of interest arises during a meeting of the Board or any committee of the Board, or if the perception of a possible conflict arises at another time then the disclosure shall occur at the first Board meeting after the director becomes aware of the potential conflict of interest.
- (f) A director's disclosure to the Board shall disclose the full nature and extent of that director's interest either in writing or by having the interest entered in the minutes of the meeting of the Board.
- (g) A director with a conflict of interest or who is capable of being perceived as being in conflict of interest vis a vis the Corporation shall abstain from discussion and voting by the Board or committee of the Board on any motion to recommend or approve the relevant contract or transaction unless the contract or transaction is an arrangement by way of security for obligations undertaken by the director for the benefit of the

Corporation or one relating primarily to the director's remuneration or benefits. If the conflict of interest is obvious and direct, the director shall withdraw while the item is being considered.

- (h) Without limiting the generality of "conflict of interest" it shall be deemed a conflict of interest if a director, a director's relative, a member of the director's household in which any relative or member of the household is involved has a direct or indirect financial interest in, or obligation to, or a party to a proposed or existing contract or transaction with the Corporation.
- (i) Directors shall not use information obtained as a result of acting as a director for personal benefit or for the benefit of others.
- (j) Directors shall maintain the confidentiality of all information and records obtained as a result of acting as a director.

21. **Corporate Governance**

The Board retains overall responsibility for the implementation and enforcement of an appropriate system of corporate governance, including policies and procedures to ensure the Board functions independently of management. The Board shall establish and maintain such corporate governance policies and procedures as are necessary to ensure that the Corporation is fully compliant with applicable securities laws and prevailing governance standards. Such policies and procedures shall contain clear reporting, oversight and enforcement provisions that reserve the right to the Board to take appropriate remedial action in the event of a breach thereof. The Board shall mandate the Corporation's professional advisors to keep it apprised of developing corporate governance issues and shall, each year after the annual shareholder meeting of the Corporation, review the sufficiency of the Corporation's corporate governance policies and procedures.

22. **Terms of Reference Review**

These Terms of Reference shall be reviewed and approved by the Board each year after the annual general shareholder meeting of the Corporation.