TORC Oil & Gas Ltd

Management's Discussion and Analysis

For the three months ended

March 31, 2013 and 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("the MD&A") is dated May 13, 2013. The MD&A should be read in conjunction with TORC Oil & Gas Ltd.'s ("TORC" or the "Company") unaudited condensed interim financial statements as at and for the three months ended March 31, 2013 and the audited financial statements as at and for the year ended December 31, 2012. The reader should be aware that historical results are not necessarily indicative of future performance.

The financial data presented below has been prepared in accordance with International Financial Reporting Standards ("IFRS"), unless otherwise indicated.

Barrel of Oil Equivalent

Where amounts are expressed on a barrel of oil equivalent ("Boe") basis, natural gas volumes have been converted to Boe using a ratio of 6,000 cubic feet of natural gas to one barrel of oil equivalent. This conversion ratio is based upon an energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. Boe figures may be misleading, particularly if used in isolation.

Non-IFRS Measurements

The MD&A contains the terms "funds flow from operations" and "operating netback" which are not defined by IFRS and therefore may not be comparable to performance measures presented by others. Funds flow from operations represents cash flow from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations. Operating netback represents revenue and realized gain or loss on financial derivatives, less royalties, operating expenses and transportation expenses and has been presented on a per Boe basis. Management believes that in addition to net income, funds flow from operations and operating netback are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage and liquidity. Investors should be cautioned, however, that these measures should not be construed as an alternative to both net income and net cash from operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

The reconciliation between funds flow from operations, as defined above, and net cash from operating activities, as defined by IFRS, is as follows:

($ thousands)	**Three months ended Mar 31, 2013**	Three months ended Mar 31, 2012
Net cash from operating activities (defined by IFRS)	**$ 9,665**	$ 3,060
Settlement of decommissioning obligations	**174**	-
Changes in non-cash working capital	**5,436**	734
Funds flow from operations (as defined above)	**$ 15,275**	$ 3,794

The reconciliation for operating netback is found within this MD&A.

TORC's reporting and measurement currency is the Canadian dollar. Amounts in this MD&A are in Canadian dollars unless otherwise stated.

Forward-Looking Statements

This MD&A contains forward looking statements. TORC's expectation that it will continue to realize natural gas prices greater than AECO benchmarks, the anticipated sources of funding of the 2013 capital program, the sufficiency of liquidity and capital resources to fund the 2013 capital program, the satisfaction of farm-in commitments by the end of 2013 and the potential impact of new accounting standards may constitute forward looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, the inability to fully realize the benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and inability to access sufficient capital from internal and external sources.

The Company's actual results may differ materially from those expressed in, or implied by, the forward looking statements. Forward looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although TORC believes that the expectations reflected in such forward looking statements or information are reasonable, undue reliance should not be placed on forward looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document and other documents filed by the Company, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which TORC operates; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; TORC's ability to obtain financing on acceptable terms; changes in the Company's banking facility; field production rates and decline rates; the ability to reduce operating costs; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion; the ability of the Company to secure adequate product transportation; future petroleum and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and TORC's ability to successfully market its petroleum and natural gas products. Readers are cautioned that the foregoing list of factors is not exhaustive.

Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or at the Company's website (www.torcoil.com). Furthermore, the forward looking statements contained in this document are made as at the date of this document and the Company does not undertake any obligation to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Results of Operations

Production

	Three months ended Mar 31, 2013	Three months ended Mar 31, 2012
Crude oil and NGL (Bbl per day) [(1) (2)]	**3,294**	810
Natural gas (Mcf per day) [(3)]	**5,677**	439
Total (Boe per day)	**4,240**	883

(1) "NGL" refers to natural gas liquids.
(2) "Bbl" refers to barrels.
(3) "Mcf" refers to thousand cubic feet.

Production in the three months ended March 31, 2013 increased significantly compared to the three months ended March 31, 2012 (the "Corresponding Period"). In addition to the Company's on-going drilling success, the increase includes a full three months of production from the acquisition of Vero Energy Inc. ("Vero") which closed on November 19, 2012, and accounted for as a reverse takeover.

In the three months ended March 31, 2013, the Company drilled nine (5.6 net) wells. In the Corresponding Period, the Company drilled nine (7.2 net) wells.

The Company's production mix for the three months ended March 31, 2013 was 78% oil and NGL and 22% natural gas. In the Corresponding Period, the production mix was 92% oil and NGL and 8% natural gas. The proportionate increase in natural gas production is largely the result of higher natural gas weighting associated with the Vero acquisition.

Pricing

	Three months ended Mar 31, 2013	Three months ended Mar 31, 2012
Average realized prices:		
Crude oil and NGL ($ per Bbl)	**$ 82.06**	$ 87.72
Natural gas ($ per Mcf)	**3.34**	2.10
Boe ($ per Boe)	**$ 68.22**	$ 81.57

In the three months ended March 31, 2013, the Company realized prices of $68.22 per Boe. This represents a decrease as compared to the Corresponding Period, largely reflecting the Company's increase in gas weighting as well as a comparatively lower North American crude oil price.

During the three months ended March 31, 2013, TORC's discount to WTI converted to Canadian dollars approximated $12 per Bbl (Corresponding Period: $15 per Bbl). TORC's discount to Edmonton Par averaged approximately $5 per Bbl in Q1 2013 (Corresponding Period: $5 per Bbl). The pricing differentials are a function of North American refinery supply/demand fundamentals as well as crude quality.

(continued)

In the three months ended March 31, 2013, the Company realized gas prices of $3.34 per Mcf, which was 16% above AECO benchmarks (Corresponding Period: realized $2.10 per Mcf, 8% above AECO benchmarks). TORC expects to continue to realize natural gas prices greater than AECO benchmarks due to the heat content of its natural gas.

	Three months ended Mar 31, 2013	Three months ended Mar 31, 2012
Average Benchmark Prices:		
Crude oil – WTI *(US$ per Bbl)*	**94.37**	102.93
Crude oil – Edmonton Par *(CDN$ per Bbl)*	**88.65**	92.70
Natural gas – AECO Daily Spot *($ per Mcf)*	**2.88**	1.94
Natural gas – AECO Monthly Spot *($ per Mcf)*	**2.77**	2.27
Exchange rate – *(CDN$/US$)*	**1.01**	1.00

Revenues

($ thousands)	**Three months ended Mar 31, 2013**	Three months ended Mar 31, 2012
Crude oil and NGL	**$ 24,329**	$ 6,467
Natural gas	**1,705**	90
	$ 26,034	$ 6,557

Revenues in the three months ended March 31, 2013 increased significantly compared to the Corresponding Period due to the Company's on-going drilling success and the addition of production from the acquisition of Vero which closed on November 19, 2012.

Royalties

($ thousands, unless otherwise noted)	**Three months ended Mar 31, 2013**	Three months ended Mar 31, 2012
Royalties	**$ 3,580**	$ 501
Percentage of revenue	**13.8%**	7.6%

The Company receives certain Crown royalty incentives on qualifying wells that meet the Crown's depth and other criteria, which results in reduced Crown royalty rates until certain time and volume thresholds are met. As the Company brings wells on production that meet these criteria, the corporate royalty rate decreases. As the Crown royalty incentives expire for these wells, or the Company drills wells that do not qualify for these incentives, the corporate royalty rate increases.

Operating Expenses

For the three months ended March 31, 2013, the Company's operating expenses were $3.7 million or $9.74 per Boe (Corresponding Period: $1.1 million or $13.08 per Boe). The decrease on a per Boe basis, compared to the Corresponding Period, largely reflects the benefits associated with further development of infrastructure, along with economies of scale associated with greater volumes.

Transportation Expenses

For the three months ended March 31, 2013, the Company's transportation expenses were $2.1 million or $5.53 per Boe (Corresponding Period: $0.5 million or $6.48 per Boe).

Operating Netbacks

($ per Boe, unless otherwise noted)		**Three months ended Mar 31, 2013**		Three months ended Mar 31, 2012
Average daily production *(Boepd)*		**4,240**		883
Crude oil and NGL *($ per Bbl)*	**$**	**82.06**	$	87.72
Realized hedging gains ($ per Bbl)		**0.61**		-
Natural gas *($ per Mcf)*	**$**	**3.34**	$	2.10
Average price prior to hedging	**$**	**68.22**	$	81.57
Realized gain on financial derivatives (hedging)	**$**	**0.04**	$	-
Royalties		**(9.38)**		(6.23)
Operating		**(9.74)**		(13.08)
Transportation		**(5.53)**		(6.48)
Operating netback	**$**	**43.61**	$	55.78
Operating netback (prior to hedging)	**$**	**43.57**	$	55.78

General and Administrative Expenses

During the three months ended March 31, 2013, the Company incurred the following general and administrative expenses ("G&A"):

($ thousands)		**Three months ended Mar 31, 2013**		Three months ended Mar 31, 2012
Gross general and administrative expenses	**$**	**2,707**	$	1,857
Recoveries [1]		**(684)**		(484)
Capitalized general and administrative expenses [2]		**(577)**		(477)
Total general and administrative	**$**	**1,446**	$	896
G&A per Boe – ($ per Boe)	**$**	**3.79**	$	11.15

(1) Recoveries refers to those G&A expenditures which under industry practice are reclassified to operating expenses, exploration and evaluation assets, or property, plant and equipment, dependent on their nature.

(2) Capitalized general and administrative expenses are those G&A expenditures which are directly attributable to the acquisition or exploration activities of the Company, and are therefore reclassified to exploration and evaluation assets, or property, plant and equipment, dependent on their nature.

Total general and administrative expenses in the three months ended March 31, 2013 increased 61% compared to the Corresponding Period. This increase was due to additional employee compensation and other administrative costs resulting from increased drilling activity and production operations compared to the Corresponding Period. However, G&A per Boe decreased 66% compared to the Corresponding Period due to production increasing faster on a percentage basis relative to total G&A expenses.

Finance Costs (Income)

($ thousands)	**Three months ended Mar 31, 2013**	Three months ended Mar 31, 2012
Interest income	**$ (223)**	$ (207)
Financing charges	**146**	-
	(77)	(207)
Accretion on decommissioning obligations	**69**	5
	$ (8)	$ (202)

Interest income arises from the interest earned on the Company's cash balance.

In the first quarter of 2013, the Company incurred financing charges associated with the unused portion of the credit facility.

Under IFRS, non-cash accretion expenses related to decommissioning obligations are presented as part of finance costs.

Stock-Based Compensation Expenses

Stock-based compensation expenses reflect the value ascribed to the non-cash compensation provided by the Company, and were calculated utilizing a fair value assessment methodology. These amounts are net of stock-based compensation costs capitalized to exploration and evaluation assets, and property, plant and equipment when they are related to exploration or acquisition activities (in the same manner that G&A expenses are capitalized).

($ thousands)	**Three months ended Mar 31, 2013**	Three months ended Mar 31, 2012
Stock-based compensation expenses	**$ 980**	$ 1,231
Capitalized stock-based compensation expenses	**(489)**	(678)
	$ 491	$ 553

For the three months ended March 31, 2013, stock-based compensation expenses, net of capitalized amounts, decreased 11% compared to the same period in 2012, largely as a result of vested Stock Options and Incentive Shares that are no longer being expensed, partially offset by new grants of Stock Options and Incentive Shares.

Depletion and Depreciation Expenses

For the three months ended March 31, 2013, the Company's depletion and depreciation expenses totaled $10.2 million or $26.63 per Boe (Corresponding Period: $4.0 million or $49.75 per Boe). This reflects a 46% decrease which is the result of lower cost of reserve additions related to the Vero acquisition and also to wells drilled in the quarter.

Taxes

For the three months ended March 31, 2013, the Company recorded a deferred income tax expense of $1.8 million (Corresponding Period: deferred income tax expense of $1.8 million).

Net Income (Loss)

The net income for the three months ended March 31, 2013 was $1.1 million (Corresponding Period: net loss of $2.6 million).

Basic and diluted net income per share for the three months ended March 31, 2013 was $0.01 (Corresponding Period: basic and diluted net loss per share of $0.02).

Funds Flow from Operations

Funds flow from operations for the three months ended March 31, 2013 was $15.3 million (Corresponding Period: $3.8 million).

Basic and diluted funds flow from operations per share for the three months ended March 31, 2013 was $0.08 (Corresponding Period: $0.04).

Net Cash from Operating Activities

Net cash from operating activities for the three months ended March 31, 2013 was $9.7 million (Corresponding Period: $3.1 million).

Basic and diluted net cash from operating activities per share for the three months ended March 31, 2013 was $0.05 (Corresponding Period: $0.03).

Capital Expenditures

Capital expenditures are summarized as follows:

($ thousands)	**Three months ended Mar 31, 2013**	Three months ended Mar 31, 2012
Cash:		
Land retention costs	**$ 198**	$ 118
Geological and geophysical	**19**	1,054
Drilling and completions	**37,864**	40,455
Equipment and facilities	**11,385**	2,310
Administrative assets	**15**	3
Exploration and development expenditures	**49,481**	43,940
Capitalized general and administrative expenses	**577**	477
Exploration and development expenditures (including capitalized G&A)	**50,058**	44,417
Property acquisitions, net of dispositions	**232**	5,436
Total capital expenditures - cash items	**$ 50,290**	$ 49,853
Non-cash:		
Decommissioning obligations	**3,538**	1,934
Capitalized stock-based compensation	**489**	680
Total capital expenditures	**$ 54,317**	$ 52,467

During the first quarter of 2013, the Company drilled nine (5.6 net) wells.

The Company anticipates that its 2013 exploration and development capital program (excluding acquisitions and dispositions) will be financed primarily through cash on hand, funds flow from operations, proceeds from equity issuances and bank debt.

The Company does not set a budget for acquisitions. When making acquisitions, the Company considers opportunities that align with strategic parameters and evaluates and finances each prospect on a case-by-case basis.

Share Capital

	Three months ended Mar 31, 2013	Three months ended Mar 31, 2012
Weighted average outstanding common shares:		
Basic	**192,933,924**	105,646,553
Diluted	**198,774,793**	105,646,553
Outstanding Securities:		
Common shares	**192,933,995**	105,646,553
Stock options	**8,350,507**	5,614,284
Incentive shares	**937,182**	801,879
Warrants	**17,400,000**	17,400,000

The corporate acquisition of Vero has been accounted for as a reverse takeover. As a result, the number of outstanding common shares, stock options, incentive shares and warrants of comparative periods have been reduced by a factor of 0.87 in order for the comparative common share, stock options, incentive shares, warrants, per share and per diluted share amounts to be equivalent.

The Company is authorized to issue an unlimited number of Class A voting common shares, an unlimited number of Class B non-voting common shares and an unlimited number of preferred shares.

As at May 13, 2013, the Company had 193,177,515 common shares issued and outstanding, 8,350,507 stock options outstanding, 693,662 incentive shares outstanding and 17,400,000 warrants outstanding.

Liquidity and Capital Resources

At March 31, 2013, the Company had available a $100.0 million syndicated reserves-based revolving credit facility. The credit facility was increased to $125 million on April 30, 2013. The credit facility provides that advances may be made by way of direct advances, banker's acceptances, or standby letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances and at the bank's U.S. base rate plus an applicable margin for U.S. dollar advances. The applicable margin charged by the bank is dependent on the Company's debt to trailing cash flow ratio. The banker's acceptances bear interest at the applicable banker's acceptance rate plus a stamping fee, based on the Company's debt to trailing cash flow ratio.

The credit facility is secured by a fixed and floating charge debenture on the assets of the Company. The borrowing base is subject to semi-annual review by the bank syndicate. As at March 31, 2013, and the date of this MD&A, the credit facility was undrawn. The borrowing base is primarily based on reserves and commodity prices estimated by the lenders. The Company's next credit facility evaluation is due to be completed by October 31, 2013.

Management is confident that there is sufficient liquidity and capital resources to fund its 2013 capital program and its day-to-day operations.

Risk Management - Financial Derivatives

From time to time, the Company may enter into commodity price, interest rate and foreign exchange rate derivative contracts (also known as hedges) in order to protect acquisition economics and provide some stability of cash flows for capital spending planning purposes. Commodity prices, interest rates and foreign exchange rates fluctuate due to economic and political events. As well, commodity prices may fluctuate due to meteorological conditions and changes in supply and demand. The Company's risk management activities are conducted pursuant to the Company's risk management policies approved by the Board of Directors.

At March 31, 2013, the Company had the following financial derivatives outstanding:

Term	Type	Volume (Bbl/d)	Price (per Bbl in Canadian dollars)	Reference
Apr 1, 2013 to Dec 31, 2013	Costless Collar	500	$95.00 - $106.00	WTI
Apr 1, 2013 to Dec 31, 2013	Costless Collar	500	$90.00 - $100.00	WTI

At March 31, 2013, the mark-to-market value of these hedges totaled $(0.1) million.

Contractual Obligations

The following table lists the Company's contractual obligations as at March 31, 2013 and the expected timing of these obligations:

($ thousands)	Total	Less than 1 year	1-2 years	3-5 years	Thereafter
Trade and other payables	$ 58,455	$ 58,455	$ -	$ -	$ -
Operating leases (office rent)	3,599	1,080	1,080	1,439	-
Farm-in transactions	3,700	3,700	-	-	-
Flow-through obligation	21,547	21,547	-	-	-
Total	$ 87,301	$ 84,782	$ 1,080	$ 1,439	$ -

Flow-through shares

In November 2012, the Company issued 11,231,700 flow-through shares at a price of $3.56 per share for gross proceeds of $40.0 million. As a result, the Company must incur qualifying resource expenditures amounting to $40.0 million before December 31, 2013. The qualifying expenditures were renounced to shareholders as at December 31, 2012. The obligation remaining for this flow-through share issue was $21.5 million as at March 31, 2013.

Operating commitments

The Company is, or will be, obligated to pay various costs associated with operations incurred in the normal course of business. These costs include royalties paid to provincial governments, surface lease rentals and mineral rights to various landowners, abandonment and reclamation costs and office leases. These costs are highly dependent on the future operating environment and are subject to changes in commodity prices, ownership, production volumes and government policies.

Working capital

During the land accumulation and initial operations stages, the Company is dependent on cash on hand, future financings from equity issues and/or debt. As the Company actively engages in drilling operations, positive cashflow becomes increasingly material to the Company's funding plans. The Company may create a negative working capital position. The Company will prudently manage its borrowings in relation to its credit capacity.

The Company manages the pace of its capital spending related to drilling operations by continuously monitoring production, commodity prices and resulting cash flows. Should circumstances affect cash flow in a detrimental way, the Company is capable of reducing its capital spending levels.

The industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of crude oil, NGL and natural gas. This occurs on the 25th day following the month of sale. As a result, the Company’s production revenues are collected in an orderly fashion. To the extent that the Company has joint venture partners in its activities it collects the partners’ share of capital and operating expenses on a monthly basis. These are subject to normal collection risk.

Accounts payable consist of amounts payable to suppliers relating to capital spending, field operating activities and office expenses. These invoices are processed within the Company’s normal payment cycle.

Farm-in transactions

The Company has entered into a number of farm-in agreements with third parties to earn interests in additional prospective acreage. At March 31, 2013, the Company’s required future commitments are estimated to be $3.7 million, which are expected to be completed by the end of 2013 and form part of the Company’s on-going capital program.

Business Conditions and Risks

The Company is engaged in the acquisition, exploration, development and production of crude oil and natural gas assets. TORC's business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates, and the ability to access debt and equity financing at reasonable cost. Operational risks include competition, environmental factors, reservoir performance uncertainties, a complex regulatory environment and safety concerns.

TORC uses its technical, technological and industry knowledge to evaluate potential hydrocarbon plays in order to pay what it believes are economically sound prices that benefit shareholders. The Company's focus is on areas in which the prospects are understood by management.

The Company minimizes its business risks by operating a large number of its properties. This enables TORC to control the timing, direction and costs related to exploration and development opportunities. TORC's geological focus is on areas in which the prospects are understood by management. Technological tools are regularly used to reduce risk and increase the probability of success.

The Company complies with all government regulations and has an up-to-date emergency response plan that has been communicated to field operations by management. The Company also carries insurance coverage to protect itself against potential losses. Maintaining a highly motivated and talented staff of petroleum and natural gas professionals further minimizes the business risk.

TORC relies on appropriate sources of funding to support the various stages of its business strategy:

- Internally-generated cash flow from production is used to fund business activities;
- New equity, if available on favourable terms, may be utilized to fund acquisitions and to expand capital programs, when appropriate; and
- Debt may be utilized to fund acquisitions and to expand capital programs.

The Company is exposed to commodity price and market risk for its principal products of crude oil and natural gas. Commodity prices are influenced by a wide variety of factors, most of which are beyond TORC's control. To manage this risk, from time to time, the Company may enter into a number of financial derivative contracts for hedging purposes. These derivative contracts may include contracts related to crude oil and natural gas prices, as well as foreign exchange and interest rates. The Company may also, from time to time, enter into fixed physical contracts. The Company monitors the cost and associated benefit of these instruments and contracts as well as any debt levels and utilization rates on bank lines, and utilizes these derivatives and contracts when warranted.

Inflation risks subject the Company to potential erosion of product netbacks. For example, increasing domestic prices for oil and natural gas production equipment and services can inflate the costs of operations. In addition, increasing costs of undeveloped land can inflate costs of both asset and corporate acquisitions.

The supply of service and production equipment at competitive prices is critical to the ability to add reserves at a reasonable cost and produce them in an economic and timely fashion. In periods of increased activity, these services and supplies can become difficult to obtain. The Company attempts to mitigate this risk by developing strong long-term relationships with suppliers and contractors and maintaining an appropriate inventory of production equipment.

Demand for crude oil, NGL and natural gas produced by the Company exists within Canada and the United States; however, crude oil prices are affected by worldwide supply and demand fundamentals while natural gas prices are currently primarily affected by North American supply and demand fundamentals. Demand for natural gas liquids is influenced mainly by the demand for petrochemicals in North American and off-shore markets. TORC mitigates these risks as follows:

- TORC attempts to explore for and produce crude oil that is of high quality, mitigating its exposure to adverse quality differentials;
- Natural gas production will generally be connected to established pipeline infrastructures that operate with minimal interruptions;
- Sale arrangements will vary in term and pricing structure creating a diverse portfolio that minimizes risk of exposure to any one market; and
- Financial derivative contracts may be used where appropriate to manage commodity price volatility.

Off Balance Sheet Arrangements

TORC is not involved with any contractual arrangement under which a non-consolidated entity may have an obligation under certain guarantee contracts, a retained or contingent interest in assets transferred to a non-consolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets. TORC has no obligation under financial instruments or a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Reserves

The estimation of reserves is critical to various accounting estimates. It requires judgments based on available geophysical, geological, engineering and economic data. These estimates can change materially as information from ongoing exploratory, development and production activities becomes available. These estimates can also change as economic conditions impacting crude oil and natural gas prices, royalties and operating costs change. Reserve estimates can change net income through depletion expense, accretion expense from decommissioning obligations and the application of impairment tests. Revisions or changes in reserve estimates can have either a positive or a negative impact on net income.

Decommissioning obligations

The calculation of decommissioning obligations is based on estimated costs to abandon and reclaim its net ownership in all wells and facilities, the estimated timing of the costs to be incurred and economic inflation and discount rates. These estimates can change due to technological advances, governmental and regulatory laws and regulations or economic conditions and can impact the amount of the decommissioning obligations and net income.

Stock-based compensation

The calculation of stock-based compensation includes estimates for interest rates, forfeiture rates, stock price volatility and the expected timing of exercise of stock options. These estimates can impact net income and contributed surplus.

Financial derivatives

By their very nature, the estimated fair value of financial derivative contracts resulting in financial derivative contract assets and liabilities are subject to measurement uncertainty.

Deferred income taxes

The calculation of deferred income taxes includes estimates of reversal of temporary differences, tax rates substantively enacted and likelihood of assets being realized. These estimates can impact net income and deferred tax liabilities.

Environmental Regulation and Risk

The oil and gas industry has various environmental risks subject to regulation by various governmental bodies. Environmental legislation includes, but is not limited to, operational controls, site restoration and abandonment requirements and restrictions on emissions of various substances related to the production of oil and natural gas. Compliance with this legislation may require additional costs and a failure to comply may result in fines and penalties.

TORC is committed to minimizing the environmental impact from its operations through an environmental program which includes stakeholder communication, resource conservation and site restoration.

Adopted Accounting Pronouncements

On January 1, 2013, the Company adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the financial statements as at January 1, 2013 or on the comparative periods.

Disclosure Controls and Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for the design and operating effectiveness of internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") of the Company.

In accordance with National Instrument NI 52-109, the Chief Executive Officer and Chief Financial Officer have filed certifications stating that DC&P and ICFR of the Company have been adequately designed and that there have been no changes in ICFR that have materially affected, or are reasonably likely to materially affect, ICFR.

Additional Information

Additional information can be obtained by contacting the Company at TORC Oil & Gas Ltd., Suite 1800, Eighth Avenue Place, 525 - 8th Avenue SW, Calgary, Alberta, Canada T2P 1G1 or by email at info@torcoil.com. Additional information is also available on www.sedar.com and on the Company's website www.torcoil.com.

Summary of Quarterly and Annual Results

(in $000's of dollars, except per share amounts)	**Q1 2013**	Q4 2012 (1)	Q3 2012 (1)	Q2 2012 (1)	Q1 2012 (1)	Q4 2011 (1)	Q3 2011 (1)	Q2 2011 (1)
Petroleum and natural gas sales	**26,034**	14,567	6,237	5,350	6,557	3,049	220	100
Net income (loss)	**1,130**	(13,677)	(1,659)	(840)	(2,591)	(1,982)	(974)	(1,248)
Per share – basic (2)	**0.01**	(0.09)	(0.02)	(0.02)	(0.03)	(0.02)	(0.01)	(0.02)
Per share – diluted (2)	**0.01**	(0.09)	(0.02)	(0.02)	(0.03)	(0.02)	(0.01)	(0.02)
Funds flow from (used in) operations (3)	**15,275**	4,241	2,932	2,428	3,794	1,731	(336)	(504)
Per share – basic (2)	**0.08**	0.03	0.03	0.02	0.04	0.02	-	(0.01)
Per share – diluted (2)	**0.08**	0.03	0.03	0.02	0.04	0.02	-	(0.01)
Net cash from (used in) operating activities (4)	**9,665**	3,076	(172)	2,550	3,060	(396)	422	86
Per share – basic (2)	**0.05**	0.02	-	0.02	0.03	-	-	-
Per share – diluted (2)	**0.05**	0.02	-	0.02	0.03	-	-	-
Total assets	**627,989**	627,457	361,755	356,919	376,184	368,462	349,853	301,445
Net working capital (5)	**38**	35,077	(3,392)	13,396	35,089	81,138	116,305	127,261

(in $000's of dollars, except per share amounts)	Year ended Dec 2012 (1)	Year ended Dec 2011 (1)	For the period from incorporation on Mar 23, 2010 to Dec 31, 2010 (1)
Petroleum and natural gas sales	32,711	3,369	-
Net loss	(18,767)	(4,667)	(357)
Per share – basic (2)	(0.16)	(0.06)	(0.05)
Per share – diluted (2)	(0.16)	(0.06)	(0.05)
Funds flow from (used in) operations (3)	13,395	521	(442)
Per share – basic (2)	0.12	-	(0.06)
Per share – diluted (2)	0.12	-	(0.06)
Net cash from (used in) operating activities (4)	8,514	(600)	(134)
Per share – basic (2)	0.07	(0.01)	(0.02)
Per share – diluted (2)	0.07	(0.01)	(0.02)
Total assets	627,457	368,462	26,789
Net working capital (5)	35,077	81,138	6,344

(1) *The diluted number of shares is equivalent to the basic number of shares due to stock options, incentive shares and/or warrants being antidilutive in periods where the Company has a net loss or funds flow used in operations or net cash used in operating activities. Therefore, the diluted per share amounts in these periods are equivalent to the basic per share amounts.*

(2) *The corporate acquisition of Vero has been accounted for as a reverse takeover. As a result, the number of outstanding common shares, stock options, incentive shares and warrants of comparative periods have been reduced by a factor of 0.87 (the arrangement exchange ratio), in order for the comparative common share, stock options, incentive shares, warrants, per share and per diluted share amounts to be equivalent.*

(3) *Funds flow from operations should not be considered an alternative to, or more meaningful than, net cash used in operating activities as determined in accordance with International Financial Reporting Standards ("IFRS") as an indicator of TORC's performance. Funds flow from operations represents net cash used in operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations. TORC also presents funds flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.*

(4) *Net cash from (used in) operating activities is determined in accordance with IFRS and includes changes in non-cash working capital.*

(5) *Net working capital is calculated as current assets (excluding financial derivative asset) less current liabilities and non-current deferred lease incentives.*

Since its incorporation on March 23, 2010, the Company has accumulated light oil resource prone acreage and is delineating and developing its resource base. In November 2012, the Company acquired Vero and completed an equity financing. These events have resulted in an increase in total assets, comprised largely of land and wells, as well as increased petroleum and natural gas sales, influenced by commodity prices and commodity mix.

TORC
Oil & Gas Ltd

Condensed Interim Financial Statements

As at March 31, 2013

and for the three months ended

March 31, 2013 and 2012

FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.

Condensed Interim Statements of Financial Position
(unaudited)
(in $000's of Canadian dollars)

	Note	**As at March 31, 2013**	As at December 31, 2012
Assets			
Cash and cash equivalents		**$ 33,514**	$ 79,715
Trade and other receivables		**23,130**	19,096
Deposits and prepaid expenses		**2,438**	2,369
Financial derivative asset		**-**	1,526
Total current assets		**59,082**	102,706
Exploration and evaluation assets	3	**163,817**	151,111
Property, plant and equipment	4	**405,090**	373,640
Total non-current assets		**568,907**	524,751
Total assets		**$ 627,989**	$ 627,457
Liabilities			
Trade and other payables		**$ 58,455**	$ 65,470
Deferred lease incentives		**177**	177
Financial derivative liability	9	**55**	-
Total current liabilities		**58,687**	65,647
Deferred premium on flow-through shares	10	**3,475**	5,233
Deferred lease incentives		**412**	456
Decommissioning obligations	5	**14,841**	11,408
Deferred tax liability		**7,267**	3,709
Total non-current liabilities		**25,995**	20,806
Total liabilities		**$ 84,682**	$ 86,453
Equity			
Share capital		**$ 558,852**	$ 558,630
Contributed surplus		**7,116**	6,165
Deficit		**(22,661)**	(23,791)
Total equity		**543,307**	541,004
Total liabilities and equity		**$ 627,989**	$ 627,457

Subsequent event (note 8)
Commitments (note 10)

See accompanying notes to the condensed interim financial statements.

TORC Oil & Gas Ltd.

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(unaudited)
(in $000's of Canadian dollars, except per share amounts)

	Note	**Three months ended Mar 31, 2013**	Three months ended Mar 31, 2012
Revenues			
Petroleum and natural gas sales		**$ 26,034**	$ 6,557
Royalties		**(3,580)**	(501)
		22,454	6,056
Realized gain on financial derivatives		**17**	-
Unrealized loss on financial derivatives		**(1,581)**	-
		20,890	6,056
Expenses			
Operating		**3,718**	1,052
Transportation		**2,109**	521
General and administrative		**1,446**	896
Finance costs (income)		**(8)**	(202)
Stock-based compensation	6	**491**	553
Depletion and depreciation		**10,161**	3,999
		17,917	6,819
Income (loss) before income taxes		**2,973**	(763)
Deferred income tax		**1,843**	1,828
Income (loss) and comprehensive income (loss)		**$ 1,130**	$ (2,591)
Income (loss) per share:			
Basic	7	**$ 0.01**	$ (0.02)
Diluted	7	**$ 0.01**	$ (0.02)

See accompanying notes to the condensed interim financial statements.

TORC Oil & Gas Ltd.

Condensed Interim Statements of Changes in Equity
(unaudited)
(in $000's of Canadian dollars, unless otherwise noted)

	Number of common shares	Number of warrants	Share capital	Contributed surplus	Deficit	Total equity
Balance at December 31, 2011	105,647	17,400	$ 329,836	$ 3,106	$ (5,024)	$ 327,918
Share issue cost recovery, net of tax of $0.003 million	-	-	8	-	-	8
Stock-based compensation	-	-	-	1,233	-	1,233
Loss for the period	-	-	-	-	(2,591)	(2,591)
Balance at March 31, 2012	**105,647**	**17,400**	**$ 329,844**	**$ 4,339**	**$ (7,615)**	**$ 326,568**
Balance at December 31, 2012	192,928	17,400	$ 558,630	$ 6,165	$ (23,791)	$ 541,004
Issued on vesting of incentive shares	6	-	-	-	-	-
Transfer of stock-based compensation on vesting of incentive shares	-	-	29	(29)	-	-
Share issue cost recovery, net of tax of $0.1 million	-	-	193	-	-	193
Stock-based compensation	-	-	-	980	-	980
Income for the period	-	-	-	-	1,130	1,130
Balance at March 31, 2013	**192,934**	**17,400**	**$ 558,852**	**$ 7,116**	**$ (22,661)**	**$ 543,307**

See accompanying notes to the condensed interim financial statements.

TORC Oil & Gas Ltd.

Condensed Interim Statements of Cash Flows
(unaudited)
(in $000's of Canadian dollars)

	Three months ended Mar 31, 2013	Three months ended Mar 31, 2012
Cash flows from operating activities:		
Income (loss) for the period	$ 1,130	$ (2,591)
Depletion and depreciation	10,161	3,999
Stock-based compensation	491	553
Deferred income tax	1,843	1,828
Accretion on decommissioning obligations	69	5
Unrealized loss on financial derivatives	1,581	-
Settlement of decommissioning obligations	(174)	-
Change in non-cash working capital	(5,436)	(734)
Net cash from operating activities	9,665	3,060
Cash flows from investing activities:		
Additions to exploration and evaluation assets	(12,367)	(40,371)
Additions to property, plant and equipment	(38,180)	(9,482)
Disposal of exploration and evaluation assets	150	-
Change in non-cash working capital	(5,726)	4,749
Net cash used in investing activities	(56,123)	(45,104)
Cash flows from financing activities:		
Share issue costs	257	10
Net cash from financing activities	257	10
Change in cash and cash equivalents	(46,201)	(42,034)
Cash and cash equivalents, beginning of period	79,715	110,747
Cash and cash equivalents, end of period	$ 33,514	$ 68,713

See accompanying notes to the condensed interim financial statements.

TORC Oil & Gas Ltd.

Notes to the Condensed Interim Financial Statements
As at March 31, 2013 and for the three months ended March 31, 2013 and 2012
(unaudited)
(in $000's of Canadian dollars, unless otherwise noted)

1. Reporting entity

TORC Oil & Gas Ltd. (the “Company” or "TORC") was incorporated pursuant to the Business Corporations Act (Alberta) on March 23, 2010 as 1525893 Alberta Ltd. The Company's name was changed to TORC Oil & Gas Ltd. on December 17, 2010. The Company's principal business activity is the exploration for and production of petroleum and natural gas in the Western Canadian Sedimentary Basin.

The Company's principal place of business is located at Suite 1800, Eighth Avenue Place, 525 - 8th Avenue SW, Calgary, Alberta, Canada T2P 1G1.

2. Basis of preparation

The corporate acquisition of Vero Energy Inc. ("Vero") has been accounted for as a reverse takeover. As a result, the number of outstanding common shares, stock options, incentive shares and warrants of comparative periods have been reduced by a factor of 0.87 (the Arrangement exchange ratio), in order for the comparative common share, stock options, incentive shares, warrants, per share and per diluted share amounts to be equivalent.

These condensed interim financial statements and the notes thereto should be read in conjunction with TORC's audited financial statements as at and for the year ended December 31, 2012, and do not include all of the information required for full annual financial statements.

These condensed interim financial statements are unaudited and have been prepared in accordance with IAS 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies applied for the condensed interim financial statements as at and for the three months ended March 31, 2013 do not differ significantly from those applied for the financial statements as at and for the year ended December 31, 2012 which have been prepared on the basis of IFRS issued by the IASB and interpretations of the IFRIC, except as noted below.

These condensed interim financial statements were approved by the Company's Board of Directors on May 13, 2013.

On January 1, 2013, the Company adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the financial statements as at January 1, 2013 or on the comparative periods.

TORC Oil & Gas Ltd.

Notes to the Condensed Interim Financial Statements
As at March 31, 2013 and for the three months ended March 31, 2013 and 2012
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3. Exploration and evaluation assets

Balance at December 31, 2011	$	120,708
Property acquisitions		5,496
Property dispositions		(1,721)
Capital expenditures		90,205
Exploration and evaluation assets expensed, previously capitalized		(13,306)
Transferred to property, plant and equipment		(50,271)
Balance at December 31, 2012	$	151,111
Property acquisitions		790
Property dispositions		(150)
Capital expenditures		12,066
Balance at March 31, 2013	**$**	**163,817**

Exploration and evaluation assets ("E&E assets") consist of the Company's exploration projects, including undeveloped land and development costs which are pending the determination of proven reserves. Property acquisitions and capital expenditures represent the Company's share of costs incurred on E&E assets during the period.

4. Property, plant and equipment

Cost:		
Balance at December 31, 2011	$	134,619
Property acquisitions		4,289
Capital expenditures		38,279
Corporate acquisition		164,726
Change in decommissioning obligations		1,808
Transferred from exploration and evaluation assets		50,271
Balance at December 31, 2012		393,992
Property acquisitions (dispositions)		(411)
Capital expenditures		38,484
Change in decommissioning obligations		3,538
Balance at March 31, 2013	**$**	**435,603**

Accumulated depletion and depreciation:		
Balance at December 31, 2011		1,979
Depletion and depreciation for the year		18,373
Balance at December 31, 2012		20,352
Depletion and depreciation for the period		10,161
Balance at March 31, 2013	**$**	**30,513**

Net amount:		
As at December 31, 2012	$	373,640
As at March 31, 2013	**$**	**405,090**

Included in the net amount of property, plant and equipment at March 31, 2013 is office equipment of $0.2 million, net of accumulated depreciation of $0.2 million (December 31, 2012: $0.2 million, net of accumulated depreciation of $0.1 million).

At March 31, 2013, the Company had $102.6 million of property, plant and equipment which was excluded from depletion at the time and largely related to undeveloped land. Estimated future development costs of $176.2 million were included in the depletion calculation.

TORC Oil & Gas Ltd.

Notes to the Condensed Interim Financial Statements
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5. Decommissioning obligations

	As at Mar 31, 2013	As at Dec 31, 2012
Balance, beginning of period	**$ 11,408**	$ 877
Obligations incurred	**697**	1,808
Obligations acquired	**-**	8,762
Obligations settled	**(174)**	(98)
Change in estimated future cash outflows	**2,841**	-
Accretion	**69**	59
Balance, end of period	**$ 14,841**	$ 11,408

The total future decommissioning obligations are based on the Company's net ownership in wells and facilities, estimated costs to reclaim and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The Company has estimated an undiscounted total future liability of $16.4 million as at March 31, 2013 (at December 31, 2012: $15.3 million) to be incurred over the next 25 years. For the period ended March 31, 2013, the Company's risk-free rate of 2.4 percent and an inflation rate of 2.0 percent per annum were used to calculate the net present value of the decommissioning obligations (year ended December 31, 2012: risk-free rate of 2.4 percent and inflation rate of 2.0 percent per annum). Actual costs may differ from estimated costs due to changes in laws and regulations, timing of costs, changes in technology and market conditions.

In 2013, the Company recorded a change in estimated future cash outflows totaling $2.8 million relating to a change in the Company's well abandonment and reclamation cost estimates. These estimates were revised using industry parameters that estimate regional abandonment and reclamation costs established by regulatory organizations.

6. Stock-based compensation

The Company has an employee stock option plan under which employees and directors are eligible to receive option grants ("Stock Options") and Common Share incentives ("Incentive Shares"). The total aggregate amount of Stock Options and Incentive Shares that can be issued cannot exceed ten percent of the outstanding Common Shares. Stock Options granted under the plan have a term of five years to expiry and have various vesting periods up to three years.

The corporate acquisition of Vero has been accounted for as a reverse takeover. As a result, the number of Stock Options and Incentive Shares related to periods before November 19, 2012 have been reduced by a factor of 0.87 and the corresponding Stock Option exercise prices have been increased by a factor of 0.87, in order for comparative amounts to be equivalent.

The following table summarizes Stock Option activity:

(thousands, except exercise prices)	Number of Stock Options	Weighted average exercise price
Balance at December 31, 2011	5,479	$ 3.52
Granted	2,474	3.00
Forfeited	(49)	3.45
Balance at December 31, 2012	7,904	$ 3.35
Granted	446	2.35
Balance at March 31, 2013	**8,350**	**$ 3.30**
Exercisable at March 31, 2013	**1,871**	**$ 3.54**

The fair value of each Stock Option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

(continued)

TORC Oil & Gas Ltd.

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	Three months ended Mar 31, 2013	Three months ended Mar 31, 2012
Risk free interest rate	**1.4%**	1.4%
Expected life (years)	**3.0**	3.0
Expected volatility (%)	**40.0%**	40.0%
Forfeiture rate (%)	**0.0%**	0.0%
Weighted average fair value of options	**$ 0.67**	$ 1.14

The following table summarizes Incentive Share activity:

(thousands)	Number of Incentive Shares
Balance at December 31, 2011	783
Granted	363
Forfeited	(5)
Common shares issued upon vesting	(261)
Balance at December 31, 2012	880
Granted	63
Common shares issued upon vesting	(6)
Balance at March 31, 2013	**937**
Convertible into Common Shares at March 31, 2013	**-**

7. Earnings per share

Earnings per share amounts are calculated by dividing the net income (loss) for the period attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

(thousands, except number of Common Shares and per share amounts)	Three months ended Mar 31, 2013	Three months ended Mar 31, 2012
Income (loss) for the period	**$ 1,130**	$ (2,591)
Basic weighted average number of Common Shares	**192,933,924**	105,646,553
Diluted weighted average number of Common Shares	**198,774,793**	105,646,553
Basic income (loss) per Common Share	**$ 0.01**	$ (0.02)
Diluted income (loss) per Common Share	**$ 0.01**	$ (0.02)

For the three months ended March 31, 2012, the diluted number of shares is equivalent to the basic number of shares due to antidilutive stock options, incentive shares and warrants. Therefore, the diluted per share amounts for net loss are equivalent to the basic per share amounts.

In computing diluted earnings per share for the three months ended March 31, 2013, 5,495,238 warrants and 345,631 Incentive Shares were added to the basic weighted average Common Shares outstanding.

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Notes to the Condensed Interim Financial Statements
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8. Credit facility

At March 31, 2013, the Company had available a $100.0 million syndicated reserves-based revolving credit facility. The credit facility was increased to $125 million on April 30, 2013. The credit facility provides that advances may be made by way of direct advances, banker's acceptances, or standby letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances and at the bank's U.S. base rate plus an applicable margin for U.S. dollar advances. The applicable margin charged by the bank is dependent on the Company's debt to trailing cash flow ratio. The banker's acceptances bear interest at the applicable banker's acceptance rate plus a stamping fee, based on the Company's debt to trailing cash flow ratio.

The credit facility is secured by a fixed and floating charge debenture on the assets of the Company. The borrowing base is subject to semi-annual review by the bank syndicate. As at March 31, 2013, the credit facility was undrawn. The borrowing base is primarily based on reserves and commodity prices estimated by the lenders. The Company's next credit facility evaluation is due to be completed by October 31, 2013.

9. Financial derivatives

Commodity contracts outstanding as at March 31, 2013:

Term	Reference	Type	Volume (Bbl/d)	Price (per Bbl in Canadian dollars)	Fair value at Mar 31, 2013
Apr 1, 2013 to Dec 31, 2013	WTI	Costless Collar	500	$95.00 - $106.00	$ 172
Apr 1, 2013 to Dec 31, 2013	WTI	Costless Collar	500	$90.00 - $100.00	(227)
					$ (55)

For the three months ended March 31, 2013, a 10% decrease in the WTI price would have resulted in an additional $1.1 million realized gain on financial derivatives.

The fair value of financial forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the statement of financial position date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate. The fair value of costless collars is based on option models that use published information with respect to volatility, prices and interest rates. The Company classifies its derivatives as Level 2. Level 2 values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

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Notes to the Condensed Interim Financial Statements
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10. Commitments

Flow-through shares issued in November 2012

In November 2012, the Company issued 11,231,700 flow-through shares at a price of $3.56 per share for gross proceeds of $40.0 million. As a result, the Company must incur qualifying resource expenditures amounting to $40.0 million before December 31, 2013. The qualifying expenditures were renounced to shareholders as at December 31, 2012. The obligation remaining for this flow-through share issue was $21.5 million as at March 31, 2013.

A flow-through share liability of $6.5 million was recorded which reflected the fair value of the liability associated with these shares at that date. This flow-through share liability was reduced on a pro-rata basis as the Company incurred qualifying expenditures. As at March 31, 2013, the remaining flow-through share liability was $3.5 million.

Farm-in transactions

The Company has entered into a number of farm-in agreements with third parties to earn interests in additional prospective acreage. At March 31, 2013, the Company's required future commitments are estimated to be $3.7 million, which are expected to be completed by the end of 2013 and form part of the Company's on-going capital program.