



Management's Discussion and Analysis

For the three and nine months ended

September 30, 2013 and 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("the MD&A") is dated November 11, 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 and nine months ended September 30, 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:

<i>(\$ thousands)</i>	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Net cash from operating activities (defined by IFRS)	\$ 6,055	\$ (172)	\$ 31,873	\$ 5,438
Settlement of decommissioning obligations	85	-	262	98
Changes in non-cash working capital	10,083	3,104	15,943	3,618
Funds flow from operations (as defined above)	\$ 16,223	\$ 2,932	\$ 48,078	\$ 9,154

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.

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Forward-Looking Statements

This MD&A contains forward-looking statements. More specifically, it contains forward-looking statements respecting: (i) the annual dividend, (ii) TORC's expectation that general and administrative expenses on a Boe basis will decrease, (iii) TORC's expectation that it will continue to realize natural gas prices greater than AECO benchmarks, (iv) the anticipated sources of funding of the 2013 capital program, (v) the sufficiency of liquidity and capital resources to fund the 2013 capital program and (vi) the estimates regarding the Company's future farm-in commitments.

The forward-looking statements contained in this MD&A are based on certain key expectations and assumptions made by TORC, including expectations and assumptions concerning 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.

Although TORC believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because TORC can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks, including, without limitation, factors and 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. Additional information on these and other factors and risks 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Significant Events

Asset acquisition, financing, credit facility, dividends and share consolidation

On September 9, 2013, the Company closed a \$510 million acquisition of light oil producing assets in southeast Saskatchewan (the "SE Saskatchewan Acquisition") and a strategic transition of the Company's business model to an intermediate dividend plus growth company. Net of purchase price adjustments, the acquisition price was approximately \$494 million.

In conjunction with the SE Saskatchewan Acquisition, TORC secured an equity investment by the Canada Pension Plan Investment Board ("CPPIB") for \$170.0 million through a private placement of subscription receipts and also entered into an agreement for a \$241.6 million bought deal prospectus offering of subscription receipts offered through a syndicate of underwriters, for total gross proceeds of \$411.6 million (the "Financings"). In total, the Financings resulted in the issuance of 52,434,000 subscription receipts at \$7.85 per subscription receipt (the number of subscription receipts and price per subscription receipt indicated here reflect amounts after the Share Consolidation detailed below). In September 2013, the subscription receipts were converted to common shares of TORC on a one-for-one basis.

After the Financings, CPPIB owned approximately 24 percent of the outstanding common shares of TORC and is entitled to two board of directors nominees as long as they own 20 percent or greater of the outstanding common shares of TORC.

Also concurrently with the closing of the SE Saskatchewan Acquisition, the Company's syndicated credit facility was increased to \$350 million. The structure of the increased credit facility is similar to the Company's credit facility prior to the increase.

In September 2013, the Company's shareholders approved TORC's plan to transition its business model to an intermediate dividend plus growth company. Pursuant to this transition, TORC announced a plan to pay an annual dividend of \$0.50 per common share. The Company's dividend plan enables common shareholders to elect to receive dividends in common shares rather than cash, calculated at 95% of the weighted average trading price for the five days immediately prior to the payment date (the "Share Dividend Program"). TORC declared its first dividend of \$0.0417 per common share (for a total of \$3.8 million), paid on October 15, 2013 to common shareholders of record on September 30, 2013.

In September 2013, the Company consolidated its outstanding common shares, stock options, incentive shares and warrants on a 1 for 5 basis (the "Share Consolidation"). 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 five, in order for the comparative common share, stock options, incentive shares, warrants, per share and per diluted share amounts to be equivalent.

Results of Operations

Production

	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Crude oil and NGL (Bbl per day) ⁽¹⁾⁽²⁾	4,465	855	3,712	801
Natural gas (Mcf per day) ⁽³⁾	7,449	433	6,280	424
Total (Boe per day)	5,706	927	4,758	872

⁽¹⁾ "NGL" refers to natural gas liquids.

⁽²⁾ "Bbl" refers to barrels.

⁽³⁾ "Mcf" refers to thousand cubic feet.

Production in the three and nine months ended September 30, 2013 increased compared to the three and nine months ended September 30, 2012 (the "Corresponding Periods"). In addition to the Company's on-going drilling success, the increase includes production from the acquisition of Vero Energy Inc. ("Vero") which closed on November 19, 2012 as well as production from the SE Saskatchewan Acquisition which closed on September 9, 2013.

The Company's production mix for both the three and nine months ended September 30, 2013 was 78% oil and NGL and 22% natural gas. In the Corresponding Periods, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pricing

	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Average realized prices:				
Crude oil and NGL (\$ per Bbl)	\$ 97.20	\$ 78.18	\$ 89.22	\$ 81.56
Natural gas (\$ per Mcf)	2.61	2.09	3.19	1.96
Boe (\$ per Boe)	\$ 79.46	\$ 73.14	\$ 73.80	\$ 75.98

During the three and nine months ended September 30, 2013, TORC realized oil prices of \$99.87 and \$91.53, respectively. TORC's discount to WTI converted to Canadian dollars approximated \$10 per Bbl and \$9 per Bbl, respectively (Corresponding Periods: \$13 per Bbl and \$14 per Bbl, respectively). In the three and nine months ended September 30, 2013, TORC's discount to Edmonton Par averaged approximately \$5 per Bbl and \$4 per Bbl, respectively (Corresponding Periods: \$6 per Bbl and \$8 per Bbl, respectively). The pricing differentials are a function of North American refinery supply/demand fundamentals as well as crude quality.

In the three and nine months ended September 30, 2013, the Company realized gas prices of \$2.61 per Mcf and \$3.19 per Mcf, respectively (Corresponding Periods: realized \$2.09 per Mcf and \$1.96 per Mcf, respectively). In the three and nine months ended September 30, 2013, the Company's realized gas prices were 19% and 16% above AECO benchmarks, respectively (Corresponding Periods: 0% and 3% above AECO benchmarks, respectively). TORC expects to continue to realize natural gas prices greater than AECO benchmarks due to the heat content of its natural gas.

In the three and nine months ended September 30, 2013, the average realized price across all products was \$79.46 per Boe and \$73.80 per Boe, respectively. For the three months ended September 30, 2013, the average realized price was \$6.32 higher than the Corresponding Period owing largely to a higher crude oil price environment offset by a lower percentage of crude oil production in 2013 relative to 2012. For the nine months ended September 30, 2013, the average realized price was \$2.18 less than the Corresponding Period due to the larger percentage of natural gas production in 2013 relative to 2012.

	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Average Benchmark Prices:				
Crude oil – WTI (<i>US\$ per Bbl</i>)	105.82	92.22	98.14	96.21
Crude oil – Edmonton Par (<i>CDN\$ per Bbl</i>)	105.18	84.79	95.62	87.30
Natural gas – AECO Daily Spot (<i>\$ per Mcf</i>)	2.20	2.09	2.76	1.91
Natural gas – AECO Monthly Spot (<i>\$ per Mcf</i>)	2.54	1.97	2.85	1.96
Exchange rate – (<i>CDN\$/US\$</i>)	1.04	0.99	1.02	1.00

Revenues

	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
<i>(\$ thousands)</i>				
Crude oil and NGL	\$ 39,927	\$ 6,148	\$ 90,405	\$ 17,899
Natural gas	1,790	89	5,463	245
	\$ 41,717	\$ 6,237	\$ 95,868	\$ 18,144

Revenues in the three and nine months ended September 30, 2013 increased compared to the Corresponding Periods due to the Company's on-going drilling success and the addition of production from acquisitions including SE Saskatchewan Acquisition which closed on September 9, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Royalties

<i>(\$ thousands, unless otherwise noted)</i>	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Royalties	\$ 6,077	\$ 747	\$ 13,623	\$ 1,737
Percentage of revenue	14.6%	12.0%	14.2%	9.6%

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. Compared to the Corresponding Periods, the Company's corporate royalty rate increased in the three and nine months ended September 30, 2013. The increase in royalties is primarily due to higher royalty rates related to the assets from the SE Saskatchewan Acquisition (which includes the Saskatchewan Resource Tax), Crown royalty incentives that expired for certain wells, and certain wells that were drilled which did not qualify for the Crown royalty incentives.

Operating Expenses

For the three and nine months ended September 30, 2013, the Company's operating expenses were \$6.5 million (\$12.46 per Boe) and \$14.0 million (\$10.81 per Boe), respectively, compared to the Corresponding Periods of \$1.1 million (\$13.03 per Boe) and \$3.2 million (\$13.56 per Boe), respectively. The decrease on a per Boe basis, compared to the Corresponding Periods, largely reflects the benefits associated with further development of infrastructure, along with economies of scale associated with greater volumes, offset by higher costs associated with the assets acquired in the SE Saskatchewan Acquisition.

Transportation Expenses

For the three and nine months ended September 30, 2013, the Company's transportation expenses were \$1.7 million (\$3.22 per Boe) and \$6.0 million (\$4.62 per Boe), respectively, compared to the Corresponding Periods of \$0.6 million (\$6.93 per Boe) and \$1.7 million (\$7.28 per Boe), respectively. Similar to operating expenses, the decrease on a per Boe basis, compared to the Corresponding Periods, largely reflects the benefits associated with further development of infrastructure, along with economies of scale associated with greater volumes, and lower transportation costs associated with the assets acquired in the SE Saskatchewan Acquisition.

Operating Netbacks

<i>(\$ per Boe, unless otherwise noted)</i>	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Average daily production (<i>Boepd</i>)	5,706	927	4,758	872
Crude oil and NGL (<i>\$ per Bbl</i>)	\$ 97.20	\$ 78.18	\$ 89.22	\$ 81.56
Natural gas (<i>\$ per Mcf</i>)	\$ 2.61	\$ 2.09	\$ 3.19	\$ 1.96
Average price prior to hedging	\$ 79.46	\$ 73.14	\$ 73.80	\$ 75.98
Realized loss on financial derivatives (hedging)	\$ (2.30)	\$ -	\$ (0.90)	\$ -
Royalties	(11.57)	(8.76)	(10.49)	(7.28)
Operating	(12.46)	(13.03)	(10.81)	(13.56)
Transportation	(3.22)	(6.93)	(4.62)	(7.28)
Operating netback	\$ 49.91	\$ 44.42	\$ 46.98	\$ 47.86
Operating netback (prior to hedging)	\$ 52.21	\$ 44.42	\$ 47.88	\$ 47.86

MANAGEMENT'S DISCUSSION AND ANALYSIS

General and Administrative Expenses

During the three and nine months ended September 30, 2013, the Company incurred the following general and administrative expenses ("G&A"):

<i>(\$ thousands)</i>	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Gross general and administrative expenses	\$ 3,499	\$ 1,904	\$ 9,034	\$ 5,504
Recoveries ⁽¹⁾	(328)	(296)	(1,508)	(1,171)
Capitalized general and administrative expenses ⁽²⁾	(1,201)	(721)	(2,654)	(1,727)
Total general and administrative G&A per Boe – (\$ per Boe)	\$ 1,970 \$ 3.23	\$ 887 \$ 11.26	\$ 4,872 \$ 3.75	\$ 2,606 \$ 10.91

⁽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 and nine months ended September 30, 2013 increased 122% and 87%, respectively, compared to the Corresponding Periods. This increase was due to additional employee compensation and other administrative costs resulting from the acquisition of Vero in November 2012 and the addition of the assets from the SE Saskatchewan Acquisition, as well as greater drilling activity and production operations. However, for the three and nine months ended September 30, 2013, G&A per Boe decreased 71% and 66%, respectively, compared to the Corresponding Periods due to production increasing faster on a percentage basis relative to total G&A expenses. It is expected that G&A on a Boe basis will decrease with the full integration of the SE Saskatchewan Acquisition.

Transaction Related Costs

Transaction related expenses are those costs related to acquisitions that cannot be capitalized as part of the cost of such transactions under IFRS. These costs generally include, but are not limited to, legal fees, advisory fees and administrative integration expenses. For the three and nine months ended September 30, 2013, transaction related costs totaled \$7.7 million (or \$15.12 per Boe for the three months ended September 30, 2013, and \$5.90 per Boe for the nine months ended September 30, 2013) and are largely comprised of the costs related to the SE Saskatchewan Acquisition.

Finance Costs (Income)

<i>(\$ thousands)</i>	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Interest expense (income)	\$ 239	\$ (35)	\$ (151)	\$ (353)
Financing charges	100	5	563	25
	339	(30)	412	(328)
Accretion on decommissioning obligations	95	10	254	21
	\$ 434	\$ (20)	\$ 666	\$ (307)

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

In the third quarter of 2013, the financing charges arose from standby fees associated with the undrawn portion of the credit facility as well as certain administrative fees.

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

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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).

<i>(\$ thousands)</i>	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Stock-based compensation expenses	\$ 592	\$ 1,051	\$ 2,398	\$ 3,125
Capitalized stock-based compensation expenses	(297)	(579)	(1,198)	(1,718)
	\$ 295	\$ 472	\$ 1,200	\$ 1,407

For the three and nine months ended September 30, 2013, stock-based compensation expenses, net of capitalized amounts, decreased 38% and 15%, respectively, compared to the Corresponding Periods. The changes are partly the result of vested Stock Options and Incentive Shares that are no longer being expensed, as well as forfeitures of unvested Stock Options and Incentive Shares.

Depletion and Depreciation Expenses

For the three and nine months ended September 30, 2013, the Company's depletion and depreciation expenses totaled \$14.1 million (\$26.85 per Boe) and \$34.5 million (\$26.55 per Boe), respectively. This compares to the Corresponding Periods of \$4.5 million (\$52.62 per Boe) and \$11.5 million (\$48.17 per Boe), respectively. The decrease on a per Boe basis is the result of lower cost of reserve additions related to wells drilled in 2013, the Vero acquisition, and the assets from the SE Saskatchewan Acquisition.

Taxes

For the three and nine months ended September 30, 2013, the Company recorded a deferred income tax expense of \$1.7 million and \$5.9 million, respectively (Corresponding Periods: deferred income tax recovery of \$0.4 million and deferred income tax expense of \$1.3 million, respectively).

Net Income (Loss)

The net income for the three and nine months ended September 30, 2013 was \$3.3 million and \$7.8 million, respectively (Corresponding Periods: net loss of \$1.7 million and net loss \$5.1 million, respectively).

Basic net income per share for the three and nine months ended September 30, 2013 was \$0.06 and \$0.18, respectively (Corresponding Periods: net loss per share of \$0.08 and \$0.24, respectively). Diluted net income per share for the three and nine months ended September 30, 2013 was \$0.06 and \$0.18, respectively (Corresponding Periods: net loss per share of \$0.08 and \$0.24, respectively).

Funds Flow from Operations

Funds flow from operations for the three and nine months ended September 30, 2013 was \$16.2 million and \$48.1 million, respectively (Corresponding Periods: \$2.9 million and \$9.2 million, respectively).

Basic funds flow from operations per share for the three and nine months ended September 30, 2013 was \$0.32 and \$1.13, respectively (Corresponding Periods: \$0.14 and \$0.43, respectively). Diluted funds flow from operations per share for the three and nine months ended September 30, 2013 was \$0.32 and \$1.11, respectively (Corresponding Periods: \$0.14 and \$0.43, respectively).

Net Cash from (used in) Operating Activities

Net cash from (used in) operating activities for the three and nine months ended September 30, 2013 was \$6.1 million and \$31.9 million, respectively (Corresponding Periods: \$(0.2) million and \$5.4 million, respectively).

Basic net cash from (used in) operating activities per share for the three and nine months ended September 30, 2013 was \$0.12 and \$0.75, respectively (Corresponding Periods: \$(0.01) and \$0.25, respectively). Diluted net cash from (used in) operating activities per share for the three and nine months ended September 30, 2013 was \$0.12 and \$0.73, respectively (Corresponding Periods: \$(0.01) and \$0.25, respectively).

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Capital Expenditures

Capital expenditures are summarized as follows:

<i>(\$ thousands)</i>	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Cash:				
Land retention costs	\$ 131	\$ 135	\$ 490	\$ 341
Geological and geophysical	31	(4)	309	1,300
Drilling and completions	22,214	18,117	74,461	78,062
Equipment and facilities	3,448	2,131	18,387	7,905
Administrative assets	27	4	69	13
Exploration and development expenditures	25,851	20,383	93,716	87,621
Capitalized general and administrative expenses	1,201	721	2,654	1,727
Exploration and development expenditures, including capitalized G&A	27,052	21,104	96,370	89,348
Property acquisitions, net of dispositions	495,137	(1,398)	494,813	4,229
Total capital expenditures - cash items	\$ 522,189	\$ 19,706	\$ 591,183	\$ 93,577
Non-cash:				
Property acquisition	1,631	-	1,631	-
Decommissioning obligations	77,623	335	81,774	2,562
Capitalized stock-based compensation	297	579	1,198	1,718
Total capital expenditures	\$ 601,740	\$ 20,620	\$ 675,786	\$ 97,857

In the three and nine months ended September 30, 2013, the Company drilled eight (4.1 net) wells and 21 (13.7 net) wells, respectively. In the Corresponding Periods, the Company drilled six (3.6 net) wells and 19 (14.8 net) wells, respectively.

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 Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Weighted average outstanding common shares:				
Basic	50,604,132	21,178,477	42,647,935	21,157,229
Diluted	51,091,329	21,178,477	43,383,284	21,157,229
Outstanding Securities:				
Common shares	91,069,498	21,178,477	91,069,498	21,178,477
Stock options	1,666,977	1,482,197	1,666,977	1,482,197
Incentive shares	138,404	163,622	138,404	163,622
Warrants	3,480,000	3,480,000	3,480,000	3,480,000

In August 2013, in connection with the SE Saskatchewan Acquisition, the Company completed an equity financing by issuing 52,434,000 subscription receipts at \$7.85 per subscription receipt for gross proceeds of \$411.6 million, before share issue costs (the number of subscription receipts and price per subscription receipt indicated here reflect amounts after the Share Consolidation). In September 2013, these subscription receipts were converted into common shares of TORC on a one-for-one basis.

(continued)

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The corporate acquisition of Vero in November 2012 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.

In addition, in September 2013, the Company consolidated its outstanding common shares, stock options, incentive shares and warrants on a 1 for 5 basis (the "Share Consolidation"). 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 five, 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 common shares and an unlimited number of preferred shares, issuable in series.

As at November 11, 2013, the Company had 91,208,677 common shares issued and outstanding, 1,666,977 stock options outstanding, 135,388 incentive shares outstanding and 3,480,000 warrants outstanding.

In September 2013, the Company's shareholders approved an award plan (the "Share Award Plan") whereby restricted awards and performance awards (collectively, "Share Awards") may be granted to the directors, officers and employees of the Company. The maximum number of common shares issuable under the Share Award Plan, along with the Company's existing stock option and incentive share plans, cannot exceed ten percent of the outstanding Common Shares. It is expected that Share Awards will be used as the Company's stock-based compensation going forward. In October 2013, pursuant to the Share Award Plan, the Company granted 1,766,331 performance awards and 1,203,214 restricted awards. Share Awards are earned over various periods, up to three years from the date of grant. Upon being earned, the Restricted Awards are converted into Common Shares and issued from treasury at no cost to the recipient. The performance awards are converted into Common Shares using a multiplier between zero and two, dependent on the Company's performance as determined by the Board of Directors.

Liquidity and Capital Resources

In connection with the SE Saskatchewan Acquisition, the Company increased its syndicated reserves-based revolving credit facility from \$125 million to \$350 million effective September 9, 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 credit facility is available on a revolving basis until April 29, 2014. On April 29, 2014, at the request of the Company and subject to the approval of the bank syndicate, the credit facility may be extended for an additional 364 day period. The borrowing base is subject to semi-annual review by the bank syndicate and was reconfirmed at \$350 million on October 31, 2013. The borrowing base is primarily based on reserves and commodity prices estimated by the lenders. In the normal course, the Company's next semi-annual credit facility evaluation is due to be completed by April 29, 2014.

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

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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 weather 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 September 30, 2013, the Company had the following commodity contracts outstanding:

Remaining term	Type	Volume (Bbl/d)	Price (per Bbl in Canadian dollars)	Reference
Oct 1, 2013 - Dec 31, 2013	Costless Collar	250	\$95.00 - \$106.00	C\$WTI
Oct 1, 2013 - Dec 31, 2013	Costless Collar	250	\$95.00 - \$106.00	C\$WTI
Oct 1, 2013 - Dec 31, 2013	Costless Collar	500	\$90.00 - \$100.00	C\$WTI
Oct 1, 2013 - Dec 31, 2013	Oil Swap	1,000	\$111.15	C\$WTI
Oct 1, 2013 - Dec 31, 2013	Oil Swap	500	\$107.50	C\$WTI
Oct 1, 2013 - Jun 30, 2014	Costless Collar	500	\$100.00 - \$107.00	C\$WTI
Oct 1, 2013 - Jun 30, 2014	Costless Collar	500	\$95.00 - \$109.30	C\$WTI
Oct 1, 2013 - Jun 30, 2014	Oil Swap	500	\$103.75	C\$WTI
Oct 1, 2013 - Dec 31, 2014	Costless Collar	500	\$95.00 - \$104.60	C\$WTI
Oct 1, 2013 - Dec 31, 2014	Costless Collar	250	\$90.00 - \$107.25	C\$WTI
Oct 1, 2013 - Dec 31, 2014	Costless Collar	250	\$90.00 - \$107.55	C\$WTI
Jan 1, 2014 - Jun 30, 2014	Costless Collar	1,000	\$90.00 - \$107.00	C\$WTI
Jan 1, 2014 - Dec 31, 2014	Costless Collar	500	\$95.00 - \$108.50	C\$WTI

At September 30, 2013, the mark-to-market value of these commodity contracts totaled \$1.5 million.

Subsequent to September 30, 2013, the Company entered into the following commodity contract:

Remaining term	Type	Volume (Bbl/d)	Price (per Bbl in Canadian dollars)	Reference
Jan 1, 2014 - Dec 31, 2014	Costless Collar	250	\$95.00 - \$105.00	C\$WTI

Contractual Obligations

The following table lists the Company's contractual obligations as at September 30, 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	\$ 58,396	\$ 58,396	\$ -	\$ -	\$ -
Dividends payable	3,798	3,798	-	-	-
Operating leases (office rent)	3,060	1,080	1,080	900	-
Farm-in transactions	12,738	12,738	-	-	-
Flow-through obligation	8,731	8,731	-	-	-
Bank debt	91,572	-	91,572	-	-
Total	\$ 178,295	\$ 84,743	\$ 92,652	\$ 900	\$ -

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

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.

(continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 September 30, 2013, the Company's required future commitments are estimated to be \$12.7 million, which are expected to be completed by the end of 2013 and form part of the Company's on-going capital program.

Flow-through obligation

In November 2012, the Company issued 2,246,340 flow-through shares at a price of \$17.80 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 \$8.7 million as at September 30, 2013.

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.

(continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Quarterly and Annual Results

<i>(in \$000's of dollars, except per share amounts)</i>	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
				(1)	(1)	(1)	(1)	(1)
Petroleum and natural gas sales	41,717	28,117	26,034	14,567	6,237	5,350	6,557	3,049
Net income (loss)	3,287	3,340	1,130	(13,677)	(1,659)	(840)	(2,591)	(1,982)
Per share – basic ⁽²⁾	0.06	0.09	0.03	(0.47)	(0.08)	(0.04)	(0.12)	(0.09)
Per share – diluted ⁽²⁾	0.06	0.09	0.03	(0.47)	(0.08)	(0.04)	(0.12)	(0.09)
Funds flow from operations ⁽³⁾	16,223	16,580	15,275	4,241	2,932	2,428	3,794	1,731
Per share – basic ⁽²⁾	0.32	0.43	0.40	0.15	0.14	0.11	0.18	0.08
Per share – diluted ⁽²⁾	0.32	0.42	0.38	0.15	0.14	0.11	0.18	0.08
Funds flow from operations (excluding transaction related costs) ⁽³⁾	23,888	16,580	15,275	8,039	2,932	2,428	3,794	1,731
Per share – basic ⁽²⁾	0.48	0.43	0.40	0.28	0.14	0.11	0.18	0.08
Per share – diluted ⁽²⁾	0.47	0.42	0.38	0.28	0.14	0.11	0.18	0.08
Net cash from (used in) operating activities ⁽⁴⁾	6,055	16,153	9,665	3,076	(172)	2,550	3,060	(396)
Per share – basic ⁽²⁾	0.12	0.42	0.25	0.11	(0.01)	0.12	0.14	(0.02)
Per share – diluted ⁽²⁾	0.12	0.41	0.24	0.11	(0.01)	0.12	0.14	(0.02)
Total assets	1,200,628	611,283	627,989	627,457	361,755	356,919	376,184	368,462
Net working capital (net debt) ⁽⁵⁾	(121,486)	(2,088)	38	35,077	(3,392)	13,396	35,089	81,138

<i>(in \$000's of dollars, except per share amounts)</i>	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⁾	(0.81)	(0.28)	(0.25)
Per share – diluted ⁽²⁾	(0.81)	(0.28)	(0.25)
Funds flow from (used in) operations ⁽³⁾	13,395	521	(442)
Per share – basic ⁽²⁾	0.58	0.03	(0.31)
Per share – diluted ⁽²⁾	0.54	0.03	(0.31)
Net cash from (used in) operating activities ⁽⁴⁾	8,514	(600)	(134)
Per share – basic ⁽²⁾	0.37	(0.04)	(0.10)
Per share – diluted ⁽²⁾	0.34	(0.04)	(0.10)
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 in November 2012 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. In addition, in September 2013, the Company consolidated its outstanding common shares, stock options, incentive shares and warrants on a 1 for 5 basis. 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 five, 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 (used in) operations should not be considered an alternative to, or more meaningful than, net cash from (used in) operating activities as determined in accordance with International Financial Reporting Standards ("IFRS") as an indicator of TORC's performance. Funds flow from (used in) operations represents net cash from (used in) operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations. TORC also presents funds flow from (used in) operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

(footnotes continued on next page)

MANAGEMENT'S DISCUSSION AND ANALYSIS

- (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 (net debt) is calculated as current assets (excluding financial derivative assets) less current liabilities (excluding financial derivative 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. In September 2013, the Company acquired significant assets in southeast Saskatchewan, along with another 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.



Condensed Interim Financial Statements

As at September 30, 2013

and for the three and nine months ended

September 30, 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 September 30, 2013	As at December 31, 2012
Assets			
Cash and cash equivalents		\$ -	\$ 79,715
Trade and other receivables		30,820	19,096
Deposits and prepaid expenses		1,961	2,369
Financial derivative asset	12	1,799	1,526
Total current assets		34,580	102,706
Exploration and evaluation assets	4	181,635	151,111
Property, plant and equipment	5	984,413	373,640
Total non-current assets		1,166,048	524,751
Total assets		\$ 1,200,628	\$ 627,457
Liabilities			
Trade and other payables		\$ 58,396	\$ 65,470
Dividends payable	8	3,798	-
Deferred lease incentives		177	177
Financial derivative liability	12	328	-
Total current liabilities		62,699	65,647
Bank debt		91,572	-
Deferred premium on flow-through shares	13	1,408	5,233
Deferred lease incentives		324	456
Decommissioning obligations	6	93,263	11,408
Deferred tax liability		8,080	3,709
Total non-current liabilities		194,647	20,806
Total liabilities		\$ 257,346	\$ 86,453
Equity			
Share capital	7	\$ 955,420	\$ 558,630
Contributed surplus		7,694	6,165
Deficit		(19,832)	(23,791)
Total equity		943,282	541,004
Total liabilities and equity		\$ 1,200,628	\$ 627,457

Commitments (note 13)

Subsequent events (note 14)

See accompanying notes to the condensed interim financial statements.

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 Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Revenues					
Petroleum and natural gas sales		\$ 41,717	\$ 6,237	\$ 95,868	\$ 18,144
Royalties		(6,077)	(747)	(13,623)	(1,737)
		35,640	5,490	82,245	16,407
Realized loss on financial derivatives		(1,207)	-	(1,171)	-
Unrealized gain on financial derivatives		3,236	-	1,505	-
		37,669	5,490	82,579	16,407
Expenses					
Operating		6,543	1,111	14,045	3,237
Transportation		1,693	590	6,002	1,738
General and administrative		1,970	887	4,872	2,606
Transaction related costs	3	7,665	-	7,665	-
Finance costs (income)		434	(20)	666	(307)
Stock-based compensation	9	295	472	1,200	1,407
Depletion and depreciation		14,097	4,488	34,489	11,504
		32,697	7,528	68,939	20,185
Income (loss) before income taxes		4,972	(2,038)	13,640	(3,778)
Deferred income tax (recovery)		1,685	(379)	5,883	1,312
Income (loss) and comprehensive income (loss)		\$ 3,287	\$ (1,659)	\$ 7,757	\$ (5,090)
Income (loss) per share:					
Basic	10	\$ 0.06	\$ (0.08)	\$ 0.18	\$ (0.24)
Diluted	10	\$ 0.06	\$ (0.08)	\$ 0.18	\$ (0.24)

See accompanying notes to the condensed interim financial statements.

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	21,129	3,480	\$ 329,836	\$ 3,106	\$ (5,024)	\$ 327,918
Stock-based compensation	-	-	-	3,125	-	3,125
Issued on vesting of incentive shares	49	-	-	-	-	-
Transfer of stock-based compensation on vesting of incentive shares	-	-	848	(848)	-	-
Share issue cost recovery, net of tax of \$0.005 million	-	-	(8)	-	-	(8)
Loss for the period	-	-	-	-	(5,090)	(5,090)
Balance at September 30, 2012	21,178	3,480	\$ 330,676	\$ 5,383	\$ (10,114)	\$ 325,945
Balance at December 31, 2012	38,586	3,480	\$ 558,630	\$ 6,165	\$ (23,791)	\$ 541,004
Issue of common shares (note 7)	52,434	-	411,607	-	-	411,607
Stock-based compensation	-	-	-	2,398	-	2,398
Issued on vesting of incentive shares	49	-	-	-	-	-
Transfer of stock-based compensation on vesting of incentive shares	-	-	869	(869)	-	-
Share issue cost recovery, net of tax of \$5.2 million	-	-	(15,686)	-	-	(15,686)
Dividends (note 8)	-	-	-	-	(3,798)	(3,798)
Income for the period	-	-	-	-	7,757	7,757
Balance at September 30, 2013	91,069	3,480	\$ 955,420	\$ 7,694	\$ (19,832)	\$ 943,282

See accompanying notes to the condensed interim financial statements.

FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.

Condensed Interim Statements of Cash Flows

(unaudited)

(in \$000's of Canadian dollars)

	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Cash flows from (used in) operating activities:				
Income (loss) for the period	\$ 3,287	\$ (1,659)	\$ 7,757	\$ (5,090)
Depletion and depreciation	14,097	4,488	34,489	11,504
Stock-based compensation	295	472	1,200	1,407
Deferred income tax (recovery)	1,685	(379)	5,883	1,312
Accretion on decommissioning obligations	95	10	254	21
Unrealized gain on financial derivatives	(3,236)	-	(1,505)	-
Settlement of decommissioning obligations	(85)	-	(262)	(98)
Change in non-cash working capital	(10,083)	(3,104)	(15,943)	(3,618)
Net cash from (used in) operating activities	6,055	(172)	31,873	5,438
Cash flows from investing activities:				
Additions to exploration and evaluation assets	(7,162)	(14,049)	(32,774)	(67,316)
Additions to property, plant and equipment	(22,152)	(7,163)	(66,390)	(27,767)
Property acquisitions	(488,889)	-	(488,889)	-
Disposal of exploration and evaluation assets	-	1,506	752	1,506
Change in non-cash working capital	10,230	4,340	(6,550)	(9,424)
Net cash used in investing activities	(507,973)	(15,366)	(593,851)	(103,001)
Cash flows from financing activities:				
Proceeds from bank loan	91,572	-	91,572	-
Proceeds from issue of share capital	411,607	-	411,607	-
Share issue costs	(21,171)	(14)	(20,916)	(9)
Net cash from (used in) financing activities	482,008	(14)	482,263	(9)
Change in cash and cash equivalents	(19,910)	(15,552)	(79,715)	(97,572)
Cash and cash equivalents, beginning of period	19,910	28,727	79,715	110,747
Cash and cash equivalents, end of period	\$ -	\$ 13,175	\$ -	\$ 13,175

See accompanying notes to the condensed interim financial statements.

FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.

Notes to the Condensed Interim Financial Statements

As at September 30, 2013 and for the three and nine months ended September 30, 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") in November 2012 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.

In addition, in September 2013, the Company consolidated its outstanding common shares, stock options, incentive shares and warrants on a 1 for 5 basis (the "Share Consolidation"). 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 five, 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 and nine months ended September 30, 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 November 11, 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.

FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.

Notes to the Condensed Interim Financial Statements

As at September 30, 2013 and for the three and nine months ended September 30, 2013 and 2012

(unaudited)

(in \$000's of Canadian dollars, unless otherwise noted)

3. Southeast Saskatchewan asset acquisition

On September 9, 2013, the Company closed an acquisition of assets (the "Acquired Assets") located in southeast Saskatchewan (the "SE Saskatchewan Acquisition").

The Company believes the low decline, high netback, light oil producing characteristics of the Acquired Assets are complementary to TORC's light oil focused strategy.

Transaction costs incurred by the Company totaling \$7.7 million related to the SE Saskatchewan Acquisition were expensed in the statement of income (loss) and comprehensive income (loss).

The SE Saskatchewan Acquisition has been accounted for using the acquisition method of accounting, with the results of the Acquired Assets' operations included in the Company's financial and operating results beginning September 9, 2013.

Consideration paid ⁽¹⁾	\$	493,889
Net assets acquired, at estimated fair value		
Property, plant and equipment	\$	571,684
Working capital		1,029
Derivative contracts		(1,560)
Decommissioning obligations		(77,264)
	\$	493,889

⁽¹⁾ Consideration paid includes \$488.9 million of cash paid and an additional \$5.0 million of expected purchase price adjustments.

The above amounts are estimates, which were made by management at the time of the preparation of these financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

The fair value of property, plant and equipment has been determined with reference to an independent reserve report with consideration also given for land and seismic values that have been included based on estimated market value.

Included in the statement of income (loss) and comprehensive income (loss) for the nine months ended September 30, 2013 are the following amounts relating to the Acquired Assets from September 9, 2013 to September 30, 2013:

Petroleum and natural gas sales	\$	11,366
Net income and comprehensive income	\$	6,881

If the SE Saskatchewan Acquisition had occurred on January 1, 2013, the pro forma results of petroleum and natural gas sales and net income and comprehensive income for the nine months ended September 30, 2013 would have been as follows:

Nine months ended September 30, 2013	Acquired Assets		(Unaudited)
	As stated	Jan 1 to Sep 8, 2013	
Petroleum and natural gas sales	\$ 95,868	\$ 121,140	\$ 217,008
Net income and comprehensive income	\$ 7,757	72,156	\$ 79,913

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4. 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		1,657
Property dispositions		(2,250)
Capital expenditures		31,117
Balance at September 30, 2013	\$	181,635

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.

5. 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 acquisition		571,684
Capital expenditures		68,979
Change in decommissioning obligations		4,599
Balance at September 30, 2013	\$	1,039,254
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		34,489
Balance at September 30, 2013	\$	54,841
Net amount:		
As at December 31, 2012	\$	373,640
As at September 30, 2013	\$	984,413

Included in the net amount of property, plant and equipment at September 30, 2013 is office equipment of \$0.3 million, net of accumulated depreciation of \$0.2 million (December 31, 2012: \$0.2 million, net of accumulated depreciation of \$0.1 million).

At September 30, 2013, the Company had \$95.0 million of property, plant and equipment which was excluded from depletion at the time and largely related to undeveloped land (December 31, 2012: \$117.8 million). Estimated future development costs of \$211.3 million were included in the depletion calculation (December 31, 2012: \$199.6 million).

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6. Decommissioning obligations

	As at September 30, 2013	As at December 31, 2012
Balance, beginning of period	\$ 11,408	\$ 877
Obligations incurred	1,670	1,808
Obligations acquired	77,264	8,762
Obligations settled	(262)	(98)
Change in estimated future cash outflows	2,929	-
Accretion	254	59
Balance, end of period	\$ 93,263	\$ 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 \$102.5 million as at September 30, 2013 (at December 31, 2012: \$15.3 million) to be incurred over the next 25 years. For the period ended September 30, 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 \$2.9 million relating to a change in the Company's well abandonment and reclamation cost estimates. These estimates were revised using industry parameters established by regulatory organizations that estimate regional abandonment and reclamation costs.

7. Share capital

In August 2013, in connection with the SE Saskatchewan Acquisition, the Company completed two equity financings by issuing 52,434,000 subscription receipts at \$7.85 per subscription receipt for gross proceeds of \$411.6 million, before share issue costs (the number of subscription receipts and price per subscription receipt indicated here reflect amounts after the Share Consolidation). In September 2013, these subscription receipts were converted into common shares of TORC on a one-for-one basis.

8. Dividends

In September 2013, the Company's shareholders approved TORC's plan to transition its business model to an intermediate dividend plus growth company. Pursuant to this transition, TORC announced a plan to pay an annual dividend of \$0.50 per common share. The Company's dividend plan enables common shareholders to elect to receive dividends in common shares rather than cash, calculated at 95% of the weighted average trading price for the five days immediately prior to the payment date (the "Share Dividend Program"). TORC declared its first monthly dividend of \$0.0417 per common share (for a total of \$3.8 million), paid on October 15, 2013 to common shareholders of record on September 30, 2013.

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9. 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 in November 2012 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.

In addition, in September 2013, the Company consolidated its outstanding common shares, stock options, incentive shares and warrants on a 1 for 5 basis (the "Share Consolidation"). 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 five, in order for the comparative common share, stock options, incentive shares and warrants to be equivalent.

The following table summarizes Stock Option activity:

<i>(thousands, except exercise prices)</i>	Number of Stock Options	Weighted average exercise price
Balance at December 31, 2011	1,096	\$ 17.60
Granted	495	14.95
Forfeited	(10)	17.25
Balance at December 31, 2012	1,581	\$ 16.75
Granted	119	9.70
Forfeited	(33)	13.05
Balance at September 30, 2013	1,667	\$ 16.40
Exercisable at September 30, 2013	838	\$ 17.10

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:

	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Risk free interest rate	-	1.7%	1.4%	1.7%
Expected life (years)	-	4.0	3.0	3.9
Expected volatility (%)	-	40.0%	40.0%	40.0%
Forfeiture rate (%)	-	0.0%	0.0%	0.0%
Weighted average fair value of options	-	\$5.00	\$3.00	\$5.10

(continued)

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The following table summarizes Incentive Share activity:

<i>(thousands)</i>	Number of Incentive Shares
Balance at December 31, 2011	157
Granted	73
Forfeited	(1)
Common shares issued upon vesting	(52)
Balance at December 31, 2012	177
Granted	15
Forfeited	(5)
Common shares issued upon vesting	(49)
Balance at September 30, 2013	138
Convertible into Common Shares at September 30, 2013	-

10. 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.

<i>(thousands, except number of Common Shares and per share amounts)</i>	Three months ended Sept. 30, 2013	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Income (loss) for the period	\$ 3,287	\$ (1,659)	\$ 7,757	\$ (5,090)
Basic weighted average number of Common Shares	50,604,132	21,178,477	42,647,935	21,157,229
Diluted weighted average number of Common Shares	51,091,329	21,178,477	43,383,284	21,157,229
Basic income (loss) per Common Share	\$ 0.06	\$ (0.08)	\$ 0.18	\$ (0.24)
Diluted income (loss) per Common Share	\$ 0.06	\$ (0.08)	\$ 0.18	\$ (0.24)

In computing diluted earnings per share for the three months ended September 30, 2013, 421,391 warrants, 23,935 stock options and 41,870 Incentive Shares were added to the basic weighted average Common Shares outstanding. In computing diluted earnings per share for the nine months ended September 30, 2013, 661,477 warrants, 24,424 stock options and 49,448 Incentive Shares were added to the basic weighted average Common Shares outstanding.

For the three and nine months ended September 30, 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.

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11. Credit facility

In connection with the SE Saskatchewan Acquisition, the Company increased its syndicated reserves-based revolving credit facility from \$125 million to \$350 million effective September 9, 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 credit facility is available on a revolving basis until April 29, 2014. On April 29, 2014, at the request of the Company and subject to the approval of the bank syndicate, the credit facility may be extended for an additional 364 day period. The borrowing base is subject to semi-annual review by the bank syndicate and was reconfirmed at \$350 million on October 31, 2013. The borrowing base is primarily based on reserves and commodity prices estimated by the lenders. In the normal course, the Company's next semi-annual credit facility evaluation is due to be completed by April 29, 2014.

12. Financial derivatives

Commodity contracts outstanding as at September 30, 2013:

Remaining term	Reference	Type	Volume (Bbl/d)	Price (per Bbl in Canadian dollars)	Fair value at Sept. 30, 2013 (\$000s)
Oct 1, 2013 - Dec 31, 2013	C\$WTI	Costless Collar	250	\$95.00 - \$106.00	\$ (35)
Oct 1, 2013 - Dec 31, 2013	C\$WTI	Costless Collar	250	\$95.00 - \$106.00	(35)
Oct 1, 2013 - Dec 31, 2013	C\$WTI	Costless Collar	500	\$90.00 - \$100.00	(258)
Oct 1, 2013 - Dec 31, 2013	C\$WTI	Oil Swap	1,000	\$111.15	547
Oct 1, 2013 - Dec 31, 2013	C\$WTI	Oil Swap	500	\$107.50	126
Oct 1, 2013 - Jun 30, 2014	C\$WTI	Costless Collar	500	\$100.00 - \$107.00	229
Oct 1, 2013 - Jun 30, 2014	C\$WTI	Costless Collar	500	\$95.00 - \$109.30	107
Oct 1, 2013 - Jun 30, 2014	C\$WTI	Oil Swap	500	\$103.75	208
Oct 1, 2013 - Dec 31, 2014	C\$WTI	Costless Collar	500	\$95.00 - \$104.60	107
Oct 1, 2013 - Dec 31, 2014	C\$WTI	Costless Collar	250	\$90.00 - \$107.25	57
Oct 1, 2013 - Dec 31, 2014	C\$WTI	Costless Collar	250	\$90.00 - \$107.55	65
Jan 1, 2014 - Jun 30, 2014	C\$WTI	Costless Collar	1,000	\$90.00 - \$107.00	(83)
Jan 1, 2014 - Dec 31, 2014	C\$WTI	Costless Collar	500	\$95.00 - \$108.50	436
					\$ 1,471

As at September 30, 2013, a 10% decrease in the market price detailed in the commodity contracts above would result in a \$9.1 million increase in income.

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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13. Commitments

Flow-through shares issued in November 2012

In November 2012, the Company issued 2,246,340 flow-through shares at a price of \$17.80 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 \$8.7 million as at September 30, 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 September 30, 2013, the remaining flow-through share liability was \$1.4 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 September 30, 2013, the Company's required future commitments are estimated to be \$12.7 million, which are expected to be completed by the end of 2013 and form part of the Company's on-going capital program.

14. Subsequent events

Performance Awards and Restricted Awards

In September 2013, the Company's shareholders approved an award plan (the "Share Award Plan") whereby restricted awards and performance awards (collectively, "Share Awards") may be granted to the directors, officers and employees of the Company. The maximum number of common shares issuable under the Share Award Plan, along with the Company's existing stock option and incentive share plans, cannot exceed ten percent of the outstanding Common Shares. It is expected that Share Awards will be used as the Company's stock-based compensation going forward. In October 2013, pursuant to the Share Award Plan, the Company granted 1,766,331 performance awards and 1,203,214 restricted awards. Share Awards are earned over various periods, up to three years from the date of grant. Upon being earned, the restricted awards are converted into Common Shares and issued from treasury at no cost to the recipient. The performance awards are converted into Common Shares using a multiplier between zero and two, dependent on the Company's relative performance on a set criteria as determined by the Board of Directors.

Financial derivatives

Subsequent to September 30, 2013, the Company entered into the following commodity contract:

Term	Type	Volume (Bbl/d)	Price (per Bbl in Canadian dollars)	Reference
Jan 1, 2014 - Dec 31, 2014	Costless Collar	250	\$95.00 - \$105.00	C\$WTI

Dividends declared

On October 15, 2013, the Company confirmed that a dividend of \$0.0417 per Common Share will be paid on November 15, 2013 to common shareholders of record on October 31, 2013. The dividend payment will be made in cash or common shares at the election of the shareholder.