Management's Discussion and Analysis

For the three and nine months ended

September 30, 2015 and 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("the MD&A") is dated November 9, 2015 and 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, 2015 and the audited financial statements as at and for the year ended December 31, 2014. 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, including transaction related costs"*, *"funds flow from operations, excluding transaction related costs"*, *"net debt"* 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, including transaction related costs represents cash flow from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations. Funds flow from operations, excluding transaction related costs represents cash flow from operating activities prior to changes in non-cash working capital, settlement of decommissioning obligations and transaction related costs. Working capital (net debt) is calculated as current assets (excluding financial derivative assets) less: i) current liabilities (excluding financial derivative liabilities), ii) bank debt, and iii) non-current deferred lease incentives. 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, the aforementioned non-IFRS measurements 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 September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Net cash from operating activities (defined by IFRS)	**$45,937**	$46,236	**$100,338**	$126,791
Settlement of decommissioning obligations	**4**	59	**73**	122
Changes in non-cash working capital	**(10,721)**	2,710	**(6,244)**	19,954
Funds flow from operations, including transaction related costs	**$35,220**	$49,005	**$94,167**	$146,867
Transaction related costs	**-**	24	**4,855**	104
Funds flow from operations, excluding transaction related costs	**$35,220**	$49,029	**$99,022**	$146,971

The reconciliation of net debt, as defined above, is as follows:

	As at Sept 30, 2015	As at Dec 31, 2014
Current assets (excluding financial derivative assets)	**$34,200**	$24,754
Less: current liabilities (excluding financial derivative liabilities)	**(95,573)**	(89,459)
Less: bank debt	**(224,308)**	(179,849)
Less: non-current deferred lease incentives	**-**	(104)
Net debt	**($285,681)**	($244,658)

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. More specifically, it contains forward-looking statements respecting: (i) the anticipated sources of funding for the Company's capital program, (ii) the sufficiency of liquidity and capital resources to fund the Company's capital program, ongoing operations, and execution of its business plan, and (iii) the Company's risk management activities and the benefits to be obtained therefrom.

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, 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.

Asset Transactions

<u>Southeast Saskatchewan and Manitoba asset acquisitions</u>

On June 15, 2015, the Company closed an acquisition of various properties and working interests in and around its core southeast Saskatchewan area. The strategic acquisition included 4,750 boe/d (approximately 98% light oil and liquids) of low decline, high netback, light oil producing assets in southeast Saskatchewan and Manitoba (the "June Acquisition"). In addition, the June Acquisition included ownership of freehold mineral title on more than 80 net sections of land in southeast Saskatchewan. Net consideration paid was $429.6 million.

On February 25, 2015, the Company closed an acquisition of various properties and working interests in its core southeast Saskatchewan area (the "February Acquisition"). Consideration paid was $146.7 million which included the issuance of 16,000,000 common shares valued at $9.17 per share based on TORC's trading price on February 25, 2015 (the closing date of the February Acquisition).

The acquisition of these assets increases and consolidates the Company's exposure to light oil in southeast Saskatchewan where the Company continues to achieve drilling and operational success.

<u>Asset swap</u>

On March 31, 2015, the Company closed a swap of certain petroleum and natural gas properties in southeast Saskatchewan (the "Asset Swap"). In the Asset Swap, the Company swapped properties with a carrying value of $50.2 million and received properties with an equivalent fair value.

Results of Operations

Production

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Crude oil (Bbl per day) [(1)]	**15,181**	9,148	**12,385**	8,836
NGL (Bbl per day) [(1) (2)]	**466**	440	**480**	446
Natural gas (Mcf per day) [(3)]	**12,371**	11,085	**11,240**	10,488
Total (Boe per day)	**17,709**	11,436	**14,738**	11,030
Production mix:				
Crude oil	**86%**	80%	**84%**	80%
NGL	**2%**	4%	**3%**	4%
Crude oil and NGL ("Liquids")	**88%**	84%	**87%**	84%
Natural gas	**12%**	16%	**13%**	16%

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

Production in the three and nine months ended September 30, 2015 increased 55% and 34%, respectively, compared to the three and nine months ended September 30, 2014 (the "Corresponding Periods"). In addition to the Company's ongoing drilling activities, the increase includes production from the June Acquisition (adding approximately 4,750 boe/d effective June 15, 2015), as well as the February Acquisition (adding approximately 1,550 boe/d effective February 25, 2015).

Pricing

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Average realized prices:				
Crude oil ($ per Bbl)	**$50.88**	$91.94	**$53.30**	$95.14
NGL ($ per Bbl)	**12.31**	49.32	**17.79**	56.96
Crude oil and NGL ($ per Bbl)	**$49.74**	$89.99	**$51.98**	$93.30
Natural gas ($ per Mcf)	**2.47**	4.33	**2.64**	4.90
Boe ($ per Boe)	**$45.67**	$79.64	**$47.38**	$83.18

During the three and nine months ended September 30, 2015, TORC realized oil prices of $50.88 per Bbl and $53.30 per Bbl, respectively (Corresponding periods: $91.94 per Bbl and $95.14 per Bbl, respectively).

During the three and nine months ended September 30, 2015, TORC's crude oil discount to WTI converted to Canadian dollars approximated $9.95 per Bbl and $10.94 per Bbl, respectively (Corresponding Periods: $13.94 per Bbl and $13.85 per Bbl, respectively). In the three and nine months ended September 30, 2015, TORC's crude oil discount to Edmonton Par averaged approximately $5.34 per Bbl and $5.24 per Bbl, respectively (Corresponding Periods: $5.13 per Bbl and $5.67 per Bbl, respectively). The crude oil pricing differentials are a function of North American refinery supply/demand fundamentals as well as crude quality.

(continued)

In the three and nine months ended September 30, 2015, the Company realized gas prices of $2.47 per Mcf and $2.64 per Mcf, respectively (Corresponding Periods: $4.33 per Mcf and $4.90 per Mcf, respectively). In the three and nine months ended September 30, 2015, the Company's realized gas prices were 15% and 4% below AECO benchmarks, respectively (Corresponding Periods: 8% and 3% above AECO benchmarks, respectively).

In the three and nine months ended September 30, 2015, the average realized price across all products was $45.67 per Boe and $47.38 per Boe, respectively. For the three and nine months ended September 30, 2015, the average realized price was lower by $33.97 per Boe and $35.80 per Boe, respectively, compared to the Corresponding Periods.

	Three months ended September 30, 2015	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Average Benchmark Prices:				
Crude oil – WTI *(US$ per Bbl)*	**$46.47**	$97.21	**$50.99**	$99.60
Crude oil – Edmonton Par *(CDN$ per Bbl)*	**$56.23**	$97.08	**$58.55**	$100.81
Natural gas – AECO Daily Spot *($ per Mcf)*	**$2.90**	$4.01	**$2.76**	$4.77
Natural gas – AECO Monthly Spot *($ per Mcf)*	**$2.79**	$4.21	**$2.80**	$4.54
Exchange rate – *(CDN$/US$)*	**1.31**	1.09	**1.26**	1.09

Revenues

($ thousands)	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Crude oil	**$71,084**	$78,031	**$180,266**	$227,697
NGL	**523**	1,368	**2,318**	8,758
Natural gas	**2,806**	4,399	**8,069**	14,020
	$74,413	$83,798	**$190,653**	$250,475

Revenues in the three and nine months ended September 30, 2015 decreased 11% and 24%, respectively, compared to the Corresponding Periods, largely due to significant decreases in crude oil prices in both the three and nine months ended September 30, 2015, compared to the Corresponding Periods. The decrease in revenues is somewhat offset by increased volumes.

Revenues from the sale of crude oil and NGL continue to be greater than 90% of all revenues.

Royalties

($ thousands, unless otherwise noted)	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Royalties	**$13,624**	$14,408	**$34,576**	$41,201
$ per Boe	**$8.36**	$13.69	**$8.59**	$13.68
Percentage of revenue	**18%**	17%	**18%**	16%

Compared to the Corresponding Periods, the Company's corporate royalty rate (as a percentage of revenue) for the three and nine months ended September 30, 2015, increased approximately 1% and 2%, respectively, due to the integration of the Saskatchewan properties associated with the June Acquisition and the February Acquisition (described above). Royalty rates associated with properties in Saskatchewan includes the Saskatchewan Resource Tax. The increase in royalties is also due to Alberta Crown royalty incentives that have expired for certain wells, as well as certain wells that were drilled which did not qualify for the Alberta Crown royalty incentives.

Operating and Transportation Expenses

($ thousands, unless otherwise noted)	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Operating expenses	**$21,974**	$13,440	**$54,732**	$38,545
$ per Boe	**$13.49**	$12.77	**$13.60**	$12.80
Transportation expenses	**$3,430**	$2,704	**$8,007**	$7,787
$ per Boe	**$2.11**	$2.57	**$1.99**	$2.59
Operating and transportation expenses	**$25,404**	$16,144	**$62,739**	$46,332
$ per Boe	**$15.60**	$15.34	**$15.59**	$15.39

For the three and nine months ended September 30, 2015, the Company's operating expenses on a per Boe basis increased 6%, compared to the Corresponding Periods. This increase primarily reflects the relatively higher operating costs associated with certain properties acquired in Saskatchewan.

For the three and nine months ended September 30, 2015, the Company's transportation expenses on a per Boe basis decreased 18% and 23%, respectively, compared to the Corresponding Periods. This largely reflects the benefits associated with further development of infrastructure, economies of scale associated with greater volumes, and lower transportation costs associated with certain Saskatchewan properties.

For the three and nine months ended September 30, 2015, the Company's combined operating and transportation expenses on a per Boe basis remained relatively the same, increasing 2% and 1%, respectively, compared to the Corresponding Periods.

Operating Netbacks

($ per Boe, unless otherwise noted)	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Average daily production *(Boepd)*	**17,709**	11,436	**14,738**	11,030
Crude oil ($ per Bbl)	**$50.88**	$91.94	**$53.30**	$95.14
NGL ($ per Bbl)	**$12.31**	$49.32	**$17.79**	$56.96
Natural gas *($ per Mcf)*	**$2.47**	$4.33	**$2.64**	$4.90
Average price prior to hedging	**$45.67**	$79.64	**$47.38**	$83.18
Realized gain (loss) on financial derivatives (hedging)	**$2.89**	($0.46)	**$5.10**	($1.49)
Royalties	**($8.36)**	($13.69)	**($8.59)**	($13.68)
Operating	**($13.49)**	($12.77)	**($13.60)**	($12.80)
Transportation	**($2.11)**	($2.57)	**($1.99)**	($2.59)
Operating netback	**$24.60**	$50.15	**$28.30**	$52.62
Operating netback (prior to hedging)	**$21.71**	$50.61	**$23.20**	$54.11

General and Administrative Expenses

During the three and nine months ended September 30, 2015, the Company incurred the following general and administrative expenses ("G&A"):

($ thousands)	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Gross general and administrative expenses	**$5,329**	$4,202	**$16,166**	$13,002
Recoveries [1]	**(1,301)**	(532)	**(2,559)**	(1,470)
Capitalized general and administrative expenses [2]	**(1,212)**	(1,454)	**(5,081)**	(4,605)
Total general and administrative	**$2,816**	$2,216	**$8,526**	$6,927
$ per Boe	**$1.73**	$2.11	**$2.12**	$2.30

(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, 2015 increased 27% and 23%, respectively, compared to the Corresponding Periods. These increases were due to additional employees (resulting in additional employee compensation costs) and other administrative costs largely associated with the Company's growing operations. However, on a per Boe basis, G&A in the three and nine months ended September 30, 2015, decreased 18% and 8%, respectively, compared to the Corresponding Periods.

Transaction Related Costs

($ thousands, unless otherwise noted)	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Transaction related costs	**-**	$24	**$4,855**	$104
$ per Boe	**-**	$0.02	**$1.21**	$0.03

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, regulatory and administrative integration expenses.

The transaction related costs in the three and nine months ended September 30, 2015 are associated with the June Acquisition and February Acquisition (described above) and reflect less than 1% of the total acquisition costs of these acquisitions.

Finance Costs

($ thousands)	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Interest expense and financing charges	**$2,063**	$1,514	**$6,310**	$4,551
$ per Boe	**$1.27**	$1.44	**$1.57**	$1.51
Accretion on decommissioning obligations	**$1,371**	$716	**$2,714**	$2,068
$ per Boe	**$0.84**	$0.68	**$0.67**	$0.69
Total	**$3,434**	$2,230	**$9,024**	$6,619
$ per Boe	**$2.11**	$2.12	**$2.24**	$2.20

For the three and nine months ended September 30, 2015, interest expense and financing charges, on a dollar basis, increased 36% and 39%, respectively, compared to the Corresponding Periods, due to higher outstanding bank debt levels associated with asset acquisitions which closed in the second half of 2014, as well as ongoing business operations. On a per Boe basis, interest expense and financing charges remained relatively similar for the three and nine months ended September 30, 2015, compared to the Corresponding Periods.

For the three and nine months ended September 30, 2015, accretion on decommissioning obligations increased 91% and 31%, on a dollar basis, compared to the Corresponding Periods, as a result of the addition of properties acquired in Saskatchewan.

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

Average bank debt was as follows:

($ thousands)	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Bank debt	**$224,566**	$131,824	**$226,960**	$121,579

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 September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Stock-based compensation expenses	**$4,463**	$5,663	**$13,583**	$17,468
Capitalized stock-based compensation expenses	**(2,097)**	(2,766)	**(6,384)**	(8,669)
Total	**$2,366**	$2,897	**$7,199**	$8,799
$ per Boe	**$1.45**	$2.75	**$1.79**	$2.92

For the three and nine months ended September 30, 2015, stock-based compensation expenses, net of capitalized amounts, decreased compared to the Corresponding Periods, both on a dollar value and on a per Boe basis. This decrease in the current period primarily reflects the initially higher stock-based compensation expenses in previous periods related to the initial grant of restricted awards and performance awards to the Company's directors, officers and employees in 2013 (the "Share Awards"), which was part of the Company's business model transition to a dividend plus growth company, and reflected a three year grant of Share Awards with corresponding vesting and expensing periods. Each additional grant of Share Awards in following years reflects a one year compensation amount.

Depletion and Depreciation Expenses

($ thousands)	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Depletion and depreciation expenses	**$42,566**	$30,287	**$108,197**	$85,143
$ per Boe	**$26.13**	$28.79	**$26.89**	$28.27

For the three and nine months ended September 30, 2015, the depletion and depreciation expenses on a total dollar basis increased 41% and 27%, respectively, compared to the Corresponding Periods. This increase is largely due to depletable base additions, primarily from acquisitions (including the June Acquisition and February Acquisition), as well as ongoing drilling operations. On a per Boe basis, for the three and nine months ended September 30, 2015, the depletion and depreciation expenses remained consistent compared to the Corresponding Periods.

Impairment

Exploration and Evaluation Assets

For the three and nine months ended September 30, 2015, the Company recognized impairment of $16.0 million on E&E assets related to certain southern Alberta projects with carrying values estimated to exceed the recoverable amounts. As at September 30, 2015, the Company determined there to be indicators of impairment regarding these E&E assets, based on the prolonged decline of crude oil prices, upcoming land expiries and near term reallocations of future capital spending. As a result, the Company impaired these E&E assets principally comprised of historic land acquisition costs.

Property, Plant and Equipment

For the three and nine months ended September 30, 2015, the Company recognized impairment of $43.0 million on PP&E assets related to certain southern Alberta projects (the “Impaired PP&E Assets”) with carrying values exceeding the recoverable amounts. As at September 30, 2015, the Company determined there to be indicators of impairment regarding these PP&E assets, based on the prolonged decline of crude oil prices, upcoming land expiries and near term reallocations of future capital spending. The recoverable amount of a CGU is the greater of (i) its value in use, and (ii) its fair value less selling costs. The recoverable amounts for the Impaired PP&E Assets were internally estimated to be $44.0 million, reflecting the 10-12% pre-tax present value of future cash flows from proved and probable reserves.

In determining the future cash flows, the Company utilized the following benchmark pricing forecasts from its independent reserves evaluator:

Year	Canadian Light Sweet Crude ($/Bbl)	Western Canada Select ($/Bbl)	Alberta AECO - C Spot ($/MMBtu)	Edmonton Pentanes Plus ($/Bbl)	Edmonton Butane ($/Bbl)	Edmonton Propane ($/Bbl)	Exchange Rate ($US/$CAD)
2015	55.68	40.09	2.92	59.62	35.28	11.01	0.76
2016	64.87	54.49	3.10	69.46	43.52	12.82	0.78
2017	75.76	63.64	3.32	81.12	56.47	19.97	0.85
2018	83.82	70.41	3.91	89.75	62.48	33.14	0.85
2019	89.41	75.11	4.49	95.73	66.64	41.24	0.85
2020	91.71	77.03	4.79	98.19	68.35	42.30	0.85
2021	93.08	78.19	4.87	99.66	69.38	42.94	0.85
2022	94.48	79.36	4.96	101.16	70.42	43.58	0.85
2023	95.90	80.55	5.04	102.68	71.48	44.24	0.85
2024	97.34	81.76	5.13	104.22	72.55	44.90	0.85
2025	98.80	82.99	5.22	105.78	73.64	45.57	0.85

Management has internally updated reserves as at September 30, 2015 to reflect current commodity price decks, operating costs, future development costs and other parameters that can impact reserve volumes. The reserve process is inherently subjective and involves considerable estimate uncertainty.

Taxes

For the three and nine months ended September 30, 2015, the Company recorded deferred income tax recoveries of $17.4 million and $19.8 million, respectively (Corresponding Periods: deferred income tax expenses of $6.3 million and $15.3 million, respectively).

In the three and nine months ended September 30, 2015 the deferred income tax recoveries were consistent with the Company's pre-tax losses.

Net Loss

Net loss for the three and nine months ended September 30, 2015 were $52.9 million and $83.1 million, respectively (Corresponding Periods: net income of $15.1 million and $36.7 million, respectively), largely due to the impairments of property, plant and equipment of $43.0 million and exploration and evaluation assets of $16.0 million, combined with significantly reduced crude oil prices.

Basic net loss per share for the three and nine months ended September 30, 2015 were $0.33 and $0.65, respectively (Corresponding Periods: net income per share of $0.16 and $0.40, respectively).

Diluted net loss per share for the three and nine months ended September 30, 2015 were $0.33 and $0.65, respectively (Corresponding Periods: net income per share of $0.16 and $0.39, respectively).

Funds Flow from Operations

($ thousands)	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Funds flow from operations, including transaction related costs	**$35,220**	$49,004	**$94,167**	$146,867
Transaction related costs	**-**	24	**4,855**	104
Funds flow from operations, excluding transaction related costs	**$35,220**	$49,028	**$99,022**	$146,971
On a weighted average basic common share basis:				
Funds flow from operations, including transaction related costs	**$0.22**	$0.52	**$0.74**	$1.59
Funds flow from operations, excluding transaction related costs	**$0.22**	$0.52	**$0.78**	$1.59
On a weighted average diluted common share basis:				
Funds flow from operations, including transaction related costs	**$0.22**	$0.51	**$0.73**	$1.55
Funds flow from operations, excluding transaction related costs	**$0.22**	$0.51	**$0.76**	$1.56

In the three and nine months ended September 30, 2015, funds flow from operations, excluding transaction related costs decreased 28% and 33%, respectively, compared to the Corresponding Periods. This decrease reflects the lower US$ WTI and Edmonton Par oil prices, somewhat offset by funds flow gained from increased production related to ongoing drilling operations and asset acquisitions.

Net Cash from Operating Activities

($ thousands)	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Net cash from operating activities	**$45,937**	$46,236	**$100,338**	$126,791
Basic net cash from operating activities per share	**$0.29**	$0.50	**$0.78**	$1.59
Diluted net cash from operating activities per share	**$0.29**	$0.48	**$0.77**	$1.56

In the three and nine months ended September 30, 2015, net cash from operating activities decreased compared to the Corresponding Periods which reflects the decrease in crude oil prices.

Capital Expenditures

Capital expenditures are summarized as follows:

($ thousands)	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Cash:				
Land retention costs	**$117**	$117	**$444**	$456
Geological and geophysical	**626**	(70)	**1,064**	137
Drilling and completions	**19,558**	40,948	**58,071**	85,080
Equipment and facilities	**6,835**	8,550	**14,059**	14,421
Administrative assets	**62**	10	**257**	106
Exploration and development expenditures	**27,198**	49,555	**73,895**	100,200
Capitalized general and administrative expenses	**1,212**	1,454	**5,081**	4,605
Exploration and development expenditures, including capitalized G&A	**28,410**	51,009	**78,976**	104,805
Property acquisitions, net of dispositions	**8,003**	21,540	**439,015**	92,130
Total capital expenditures - cash items	**$36,413**	$72,549	**$517,991**	$196,935
Non-cash:				
Property acquisitions, net of dispositions	**-**	(64)	**187,045**	(64)
Decommissioning obligations	**1,804**	2,265	**145,756**	8,064
Capitalized stock-based compensation	**2,097**	2,766	**6,384**	8,669
Total capital expenditures	**$40,314**	$77,516	**$857,176**	$213,604

In the three and nine months ended September 30, 2015, the Company drilled 19 (14.4 net) wells and 28 (22.4 net) wells, respectively. In the Corresponding Periods, the Company drilled 16 (10.9 net) wells and 33 (22.2 net) wells, respectively.

The Company anticipates that the remainder of its 2015 exploration and development capital program (excluding acquisitions and dispositions) will be financed primarily through funds flow from operations, bank debt and proceeds from equity issuances, if any.

During the nine months ended September 30, 2015, the Company closed the June Acquisition and February Acquisition.

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 September 30, 2015	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Weighted average outstanding common shares:				
Basic	**157,857,132**	93,397,228	**127,387,211**	92,387,869
Diluted	**157,857,132**	95,794,079	**127,387,211**	94,484,509
Outstanding Securities:				
Common shares	**159,789,809**	94,839,563	**159,789,809**	94,839,563
Stock options	**1,531,555**	1,631,686	**1,531,555**	1,631,686
Incentive shares	**9,640**	74,345	**9,640**	74,345
Restricted awards	**1,270,509**	944,921	**1,270,509**	944,921
Performance awards	**2,182,545**	1,366,314	**2,182,545**	1,366,314
Warrants	**2,341,116**	2,345,756	**2,341,116**	2,345,756

In conjunction with the June Acquisition, TORC secured an equity investment by the Canada Pension Plan Investment Board ("CPPIB") for gross proceeds of $150.0 million through a private placement of 14.85 million common shares. In addition, TORC also closed a bought deal prospectus offering of 28.52 million common shares for gross proceeds of $288.0 million. The combined gross proceeds were $438.0 million.

In the nine months ended September 30, 2015, 4,640 warrants were exercised for total cash proceeds of $0.03 million. At September 30, 2015, there were 2.3 million warrants outstanding of which 1.2 million of the warrants were exercisable. The warrants expire on December 16, 2015, five years from the date of grant.

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 9, 2015, the Company had 160,243,912 common shares issued and outstanding, 1,531,555 stock options outstanding, 9,640 incentive shares outstanding, 2,163,677 performance awards outstanding, 1,259,102 restricted awards outstanding, and 2,341,116 warrants outstanding.

Liquidity and Capital Resources

The Company's net debt, as defined above in *Non-IFRS Measurements* , is as follows:

	As at September 30, 2015	As at December 31, 2014
Current assets (excluding financial derivative assets)	**$34,200**	$24,754
Less: current liabilities (excluding financial derivative liabilities)	**(95,573)**	(89,459)
Less: bank debt	**(224,308)**	(179,849)
Less: non-current deferred lease incentives	**-**	(104)
Net debt	**($285,681)**	($244,658)

Despite the Company's net debt position, it believes that cash flow from operations, combined with undrawn credit facility and its ability to access additional funding from capital markets, will provide sufficient resources for it to execute its business plans for the foreseeable future.

(continued)

The Company may access the following capital resources:

Credit facility

At September 30, 2015, the Company had a reserves-based revolving credit facility of $550 million with a syndicate of banks (the "Credit Facility"), comprised of a $55 million operating facility from the operating lender (the "Operating Facility") and a $495 million syndicated facility with a syndicate of banks (the "Syndicated Facility"). As at September 30, 2015 the amount drawn from the Credit Facility was $224.3 million. On October 31, 2015, the Credit Facility was renewed and the Company elected to reduce the facility to $450 million, comprised of a $55 million operating facility and a $395 million syndicated facility. Advances under the Credit Facility are available by way of direct advances, bankers' acceptances and standby letters of credit/guarantees. Direct advances bear interest at the prime rate, U.S. base rate or Libor rate, as applicable, plus a margin which is dependent on the Company's debt to trailing funds flow ratio. The bankers' acceptances bear interest at the applicable bankers' acceptance rate plus a stamping fee, based on the Company's debt to trailing funds flow ratio.

Both the Syndicated Facility and the Operating Facility are available on a revolving basis until April 28, 2016. On or before April 28, 2016, at TORC's request and subject to the approval of the lending syndicate, the Credit Facility may be extended for an additional 364 day period. In the event of non-extension, the undrawn portion of the Credit Facility will be cancelled and the amount outstanding will convert to a 364 day non-revolving term facility with repayment of the Credit Facility due on April 28, 2017. The Credit Facility is secured by a fixed and floating charge debenture on all of the Company's assets.

The borrowing base is primarily based on reserves and commodity prices estimated by the lenders. The borrowing base of the Company's Credit Facility is subject to review and redetermination by the lenders on a semi-annual basis and in the event of a change in the Company's borrowing base properties (including due to a disposition of assets beyond certain defined limits or a change which results in a material adverse effect, as determined by the lenders). In the normal course, the Company's next credit facility evaluation is due to be completed by April 28, 2016.

Significant investor

The Company has a significant investor, CPPIB. For so long as CPPIB owns greater than 10% of the outstanding common shares of the Company, it has the right to participate in future offerings of securities by the Company, whether by way of public offering or private placement. This includes any offering of common shares and securities convertible or exchangeable into common shares, up to its pro rata ownership interest immediately prior to such offering in the case of a public offering or a private placement to five or more investors, in order to maintain its pro rata percentage ownership interest in the Company, and up to all of the offering in the case of a private placement to less than five investors.

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, 2015, the Company had the following commodity contracts outstanding:

Remaining term	Type	Volume (Bbl/d)	Price (per Bbl in Canadian dollars)	Reference
Oct 1, 2015 - Dec 31, 2015	Costless Collar	250	$90.00 - $110.55	C$WTI
Oct 1, 2015 - Dec 31, 2015	Costless Collar	250	$90.00 - $112.00	C$WTI
Oct 1, 2015 - Dec 31, 2015	Costless Collar	250	$90.00 - $108.15	C$WTI
Oct 1, 2015 - Dec 31, 2015	Costless Collar	250	$90.00 - $111.75	C$WTI
Oct 1, 2015 - Dec 31, 2015	Costless Collar	250	$90.00 - $111.75	C$WTI
Oct 1, 2015 - Dec 31, 2015	Costless Collar	250	$90.00 - $113.75	C$WTI
Oct 1, 2015 - Dec 31, 2015	Costless Collar	250	$90.00 - $115.85	C$WTI

At September 30, 2015, the mark-to-market value of these commodity contracts totalled an asset of $4.6 million.

Contractual Obligations

The following table lists the Company's contractual obligations as at September 30, 2015 and the expected timing of these obligations:

($ thousands)	Total	Less than 1 year	1-2 years	3-5 years	Thereafter
Trade and other payables	**$88,237**	$88,237	-	-	-
Dividends payable	**7,189**	7,189	-	-	-
Operating leases (office rent)	**1,676**	1,676	-	-	-
Bank debt	**224,308**	-	224,308	-	-
Total	**$321,410**	$97,102	$224,308	-	-

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, farm-in commitments 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.

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.

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.

(continued)

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.

(continued)

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 Company's estimate of stock-based compensation is dependent upon estimates of historic volatility, forfeiture rates and an assessment of achieving performance conditions. 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.

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. 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)	**Q3 2015 (1)**	Q2 2015 (1)	Q1 2015 (1)	Q4 2014 (1)	Q3 2014	Q2 2014	Q1 2014	Q4 2013 (1)
Petroleum and natural gas sales	**74,413**	68,964	47,276	70,854	83,798	87,509	79,168	68,206
Net income (loss)	**(52,882)**	(14,925)	(15,258)	(30,411)	15,146	13,494	8,029	(17,841)
Per share – basic	**(0.33)**	(0.12)	(0.15)	(0.32)	0.16	0.15	0.09	(0.20)
Per share – diluted	**(0.33)**	(0.12)	(0.15)	(0.32)	0.16	0.14	0.09	(0.20)
Funds flow from operations, including transaction related costs (2)	**35,220**	33,332	25,615	41,710	49,005	50,655	47,207	41,458
Per share – basic	**0.22**	0.28	0.25	0.43	0.52	0.55	0.52	0.45
Per share – diluted	**0.22**	0.27	0.24	0.43	0.51	0.53	0.50	0.45
Funds flow from operations, excluding transaction related costs (2)	**35,220**	37,434	26,368	41,748	49,029	50,735	47,207	40,769
Per share – basic	**0.22**	0.31	0.26	0.43	0.52	0.55	0.52	0.45
Per share – diluted	**0.22**	0.30	0.25	0.43	0.51	0.53	0.50	0.44
Net cash from operating activities (3)	**45,937**	30,346	24,055	72,191	46,236	42,436	38,119	46,912
Per share – basic	**0.29**	0.25	0.23	0.50	0.50	0.46	0.42	0.51
Per share – diluted	**0.29**	0.25	0.23	0.48	0.48	0.45	0.40	0.50
Total assets	**2,006,363**	2,070,641	1,568,736	1,326,891	1,325,007	1,273,256	1,214,575	1,215,153
Total long-term financial liabilities	**510,809**	528,555	429,966	301,176	265,212	252,502	198,189	183,725
Dividends declared per share	**0.1350**	0.1350	0.1350	0.1350	0.1350	0.1350	0.1350	0.1283
Net debt (4)	**(285,681)**	(269,933)	(266,581)	(244,658)	(213,391)	(181,169)	(145,528)	(145,183)

(footnotes on next page)

(in $000's of dollars, except per share amounts)	Year ended Dec 2014 (1)	Year ended Dec 2013 (1)	Year ended Dec 2012 (1)
Petroleum and natural gas sales	321,329	164,074	32,711
Net loss	6,258	(10,084)	(18,767)
Per share – basic	0.07	(0.18)	(0.81)
Per share – diluted	0.07	(0.18)	(0.81)
Funds flow from operations, including transaction related costs (2)	188,577	89,536	13,396
Per share – basic	2.02	1.63	0.58
Per share – diluted	1.97	1.60	0.54
Funds flow from operations, excluding transaction related costs (2)	188,719	96,512	17,193
Per share – basic	2.02	1.76	0.74
Per share – diluted	1.97	1.72	0.69
Net cash from operating activities (3)	198,982	78,785	8,514
Per share – basic	2.13	1.44	0.37
Per share – diluted	2.08	1.40	0.34
Total assets	1,326,891	1,215,153	627,457
Total long-term financial liabilities	301,176	183,725	20,806
Dividends declared per share	0.5400	0.1700	-
Net working capital (net debt) (4)	(244,658)	(145,183)	35,077

(1) *The diluted number of shares is equivalent to the basic number of shares due to stock options, incentive shares, performance and restricted awards, and/or warrants being antidilutive in periods where the Company has a "net loss" 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) *"Funds flow from operations, including transaction related costs" and "funds flow from operations, excluding transaction related costs" 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 operations, including transaction related costs" represents net cash from (used in) operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations. "Funds flow from operations, excluding transaction related costs" represents net cash from (used in) operating activities prior to changes in non-cash working capital, settlement of decommissioning obligations and transaction related costs. TORC also presents "funds flow from operations, including transaction related costs" and "funds flow from operations, excluding transaction related costs" on a per share basis, whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.*

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

(4) *Net working capital (net debt) is calculated as current assets (excluding financial derivative assets) less: i) current liabilities (excluding financial derivative liabilities), ii) bank debt, and iii) non-current deferred lease incentives.*

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 Energy Inc. and completed an equity financing. In September 2013, the Company acquired significant assets in southeast Saskatchewan, along with another equity financing. In the second, third and fourth quarters of 2014, the Company acquired various properties and working interests in its core Cardium and southeast Saskatchewan areas. In the fourth quarters of 2012, 2013, and 2014, the Company recorded impairment charges of $13.3 million, $38.4 million, and $72.6 million, respectively, related to its exploration and evaluation assets, contributing to a net loss for these periods. In February 2015, the Company issued 16 million common shares to acquire assets in southeast Saskatchewan. In June 2015, the Company acquired additional assets in southeast Saskatchewan and southwest Manitoba for net consideration of $429.6 million; concurrently, the Company issued 43.4 million common shares for gross proceeds of $438.0 million. In the third quarter of 2015, the Company recorded impairment charges of $16.0 million and $43.0 million related to its E&E and PP&E assets, respectively, contributing to a net loss in this period. These events, along with organic drilling growth, 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.

Financial Statements

As at September 30, 2015

and for the three and nine months ended

September 30, 2015 and 2014

TORC Oil & Gas Ltd.

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

	Note	As at September 30, 2015	As at December 31, 2014
Assets			
Trade and other receivables		**$30,043**	$22,670
Deposits and prepaid expenses		**4,157**	2,084
Financial derivative asset	13	**4,643**	24,596
Total current assets		**38,843**	49,350
Exploration and evaluation assets	5	**38,652**	54,596
Property, plant and equipment	6	**1,928,868**	1,222,945
Total non-current assets		**1,967,520**	1,277,541
Total assets		**$2,006,363**	$1,326,891
Liabilities			
Trade and other payables		**$88,237**	$84,928
Dividends payable	9	**7,189**	4,354
Deferred lease incentives		**147**	177
Total current liabilities		**95,573**	89,459
Bank debt	12	**224,308**	179,849
Deferred premium on flow-through shares		**-**	1,925
Deferred lease incentives		**-**	104
Decommissioning obligations	7	**254,070**	105,670
Deferred tax liability		**32,431**	13,628
Total non-current liabilities		**510,809**	301,176
Total liabilities		**$606,382**	$390,635
Equity			
Share capital	8	**$1,610,053**	$1,010,428
Contributed surplus		**19,921**	19,543
Deficit		**(229,993)**	(93,715)
Total equity		**1,399,981**	936,256
Total liabilities and equity		**$2,006,363**	$1,326,891

See accompanying notes to the condensed interim financial statements.

TORC Oil & Gas Ltd.

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

	Note	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Revenues					
Petroleum and natural gas sales		**$74,413**	$83,798	**$190,653**	$250,475
Royalties		**(13,624)**	(14,408)	**(34,576)**	(41,201)
		60,789	69,390	**156,077**	209,274
Realized gain (loss) on financial derivatives		**4,714**	(487)	**20,520**	(4,493)
Unrealized gain (loss) on financial derivatives	13	**(171)**	6,305	**(19,953)**	1,121
		65,332	75,208	**156,644**	205,902
Expenses					
Operating		**21,974**	13,440	**54,732**	38,545
Transportation		**3,430**	2,704	**8,007**	7,787
General and administrative		**2,816**	2,216	**8,526**	6,927
Transaction related costs	3, 4	**-**	24	**4,855**	104
Finance costs		**3,434**	2,230	**9,024**	6,619
Stock-based compensation	10	**2,366**	2,897	**7,199**	8,799
Depletion and depreciation	6	**42,566**	30,287	**108,197**	85,143
Impairment	5, 6	**59,000**	-	**59,000**	-
		135,586	53,798	**259,540**	153,924
Income (loss) before income taxes		**(70,254)**	21,410	**(102,896)**	51,978
Deferred income tax (recovery)		**(17,372)**	6,264	**(19,831)**	15,309
Income (loss) and comprehensive income (loss)		**($52,882)**	$15,146	**($83,065)**	$36,669
Income (loss) per share:					
Basic	11	**($0.33)**	$0.16	**($0.65)**	$0.40
Diluted	11	**($0.33)**	$0.16	**($0.65)**	$0.39

See accompanying notes to the condensed interim financial statements.

TORC Oil & Gas Ltd.

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

	Number of common shares (000's)	Number of warrants (000's)	Share capital	Contributed surplus	Deficit	Total equity
Balance at December 31, 2013	91,423	3,480	$958,754	$11,881	($49,398)	$921,237
Stock-based compensation	-	-	-	17,468	-	17,468
Issued on vesting/exercise of:						
Incentive shares	55	-	-	-	-	-
Restricted shares	390	-	-	-	-	-
Performance shares	873	-	-	-	-	-
Stock options	8	-	61	-	-	61
Warrants	1,134	(1,134)	8,148	-	-	8,148
Transfer of stock-based compensation on vesting/exercise of:						
Incentive shares	-	-	878	(878)	-	-
Restricted awards	-	-	3,457	(3,457)	-	-
Performance awards	-	-	7,748	(7,748)	-	-
Stock options	-	-	130	(130)	-	-
Share issue costs, net of tax of $0.03 million	-	-	(98)	-	-	(98)
Dividends to shareholders	-	-	-	-	(37,531)	(37,531)
Issued pursuant to the share dividend program	957	-	11,372	-	-	11,372
Income for the period	-	-	-	-	36,669	36,669
Balance at September 30, 2014	**94,840**	**2,346**	**$990,450**	**$17,136**	**($50,260)**	**$957,326**
Balance at December 31, 2014	96,765	2,346	$1,010,428	$19,543	($93,715)	$936,256
Common shares issued (note 8)	59,370	-	582,805	-	-	582,805
Stock-based compensation	-	-	-	13,583	-	13,583
Issued on vesting/exercise of:						
Incentive shares	59	-	-	-	-	-
Restricted awards	483	-	-	-	-	-
Performance awards	1,115	-	-	-	-	-
Warrants	5	(5)	33	-	-	33
Transfer of stock-based compensation on vesting/exercise of:						
Incentive shares	-	-	856	(856)	-	-
Restricted awards	-	-	4,253	(4,253)	-	-
Performance awards	-	-	8,096	(8,096)	-	-
Share issue costs, net of tax of $3.9 million	-	-	(11,417)	-	-	(11,417)
Dividends to shareholders (note 9)	-	-	-	-	(53,213)	(53,213)
Issued pursuant to the share dividend program (note 9)	1,993	-	14,999	-	-	14,999
Loss for the period	-	-	-	-	(83,065)	(83,065)
Balance at September 30, 2015	**159,790**	**2,341**	**$1,610,053**	**$19,921**	**($229,993)**	**$1,399,981**

See accompanying notes to the condensed interim financial statements.

TORC Oil & Gas Ltd.

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

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Cash flows from (used in) operating activities:				
Income (loss) for the period	$ (52,882)	$ 15,146	$ (83,065)	$ 36,669
Depletion and depreciation	42,566	30,287	108,197	85,143
Stock-based compensation	2,366	2,897	7,199	8,799
Deferred income tax (recovery)	(17,372)	6,264	(19,831)	15,309
Accretion on decommissioning obligations	1,371	716	2,714	2,068
Unrealized loss on financial derivatives	171	(6,305)	19,953	(1,121)
Impairment	59,000	-	59,000	-
Settlement of decommissioning obligations	(4)	(59)	(73)	(122)
Change in non-cash working capital	10,721	(2,710)	6,244	(19,954)
Net cash from operating activities	45,937	46,236	100,338	126,791
Cash flows from (used in) investing activities:				
Additions to exploration and evaluation assets	(17)	(20)	(56)	(257)
Additions to property, plant and equipment	(28,515)	(50,991)	(79,036)	(104,550)
Property acquisitions	(8,002)	(21,778)	(441,572)	(92,869)
Proceeds from disposition of oil and gas properties	-	304	104	805
Change in non-cash working capital	8,544	31,260	(9,670)	18,047
Net cash used in investing activities	(27,990)	(41,225)	(530,230)	(178,824)
Cash flows from (used in) financing activities:				
Proceeds from (repayment of) bank debt	(3,517)	3,599	44,459	56,334
Proceeds from issue of share capital	-	491	436,118	8,209
Share issue costs	(64)	(120)	(15,306)	(132)
Dividends	(14,366)	(8,981)	(35,379)	(26,004)
Net cash from (used in) financing activities	(17,947)	(5,011)	429,892	38,407
Change in cash and cash equivalents	-	-	-	(13,626)
Cash and cash equivalents, beginning of period	-	-	-	13,626
Cash and cash equivalents, end of period	$ -	$ -	$ -	$ -

See accompanying notes to the condensed interim financial statements.

TORC Oil & Gas Ltd.

Notes to the Financial Statements
As at September 30, 2015 and for the three and nine months ended September 30, 2015 and 2014
(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

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, 2014, 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, 2015 are consistent with those applied in the financial statements as at and for the year ended December 31, 2014 which have been prepared on the basis of IFRS issued by the IASB and interpretations of the IFRIC.

These condensed interim financial statements were approved by the Company's Board of Directors on November 9, 2015.

3. Southeast Saskatchewan and Manitoba asset acquisition

On June 15, 2015, the Company closed an acquisition of various properties and working interests in and around its core southeast Saskatchewan area (the "June Acquisition"). Cash consideration paid was $429.6 million, net of $2.5 million of working capital included in the purchase price.

The Company believes the nature and characteristics of the June Acquisition are complementary to TORC’s light oil focused strategy.

Transaction costs incurred by the Company totaling $4.1 million related to the June Acquisition were expensed.

(continued)

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The June Acquisition has been accounted for using the acquisition method of accounting, with the operating results included in the Company's financial and operating results commencing on the closing date of the acquisition.

Consideration paid [1]	$432,065
Net assets acquired, at estimated fair value	
Property, plant and equipment	$462,900
Working capital	2,457
Decommissioning obligations	(33,292)
	$432,065

[1] *In connection with the June Acquisition, the Company anticipates that approximately $5.0 million of additional property, plant and equipment costs will be incurred before the end of 2015, related to safety and environmental regulatory compliance. At September 30, 2015, these costs have yet to be incurred, therefore in accordance with IFRS, they were not recorded as a liability on September 30, 2015.*

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 a reserve report. The fair value of decommissioning obligations was initially estimated using a credit adjusted rate of 7%.

Included in the statement of loss and comprehensive loss are the following amounts relating to the June Acquisition, from the June 15, 2015 closing date to September 30, 2015:

Petroleum and natural gas sales	$30,126
Net income and comprehensive income	$9,038

If the June Acquisition had occurred on January 1, 2015, the Company's pro forma results of petroleum and natural gas sales and net loss and comprehensive loss for the nine months ended September 30, 2015 would have been as follows:

	TORC, as stated in the statement of income and comprehensive income	June Acquisition (from Jan 1, 2015 to closing date)	Pro forma (unaudited)
Petroleum and natural gas sales	$190,653	$40,830	$231,483
Net loss and comprehensive loss	($83,065)	$12,249	($70,816)

4. Southeast Saskatchewan asset acquisition

In February 2015, the Company closed an acquisition of various properties and working interests in its core southeast Saskatchewan area (the "February Acquisition"). Consideration paid was $146.7 million which included the issuance of 16,000,000 common shares valued at $9.17 per share based on TORC's trading price on February 25, 2015 (the date the February Acquisition closed).

The Company believes the nature and characteristics of the February Acquisition are complementary to TORC's light oil focused strategy.

Transaction costs incurred by the Company totaling $0.7 million related to the February Acquisition were expensed.

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TORC Oil & Gas Ltd.

Notes to the Financial Statements
As at September 30, 2015 and for the three and nine months ended September 30, 2015 and 2014
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The February Acquisition has been accounted for using the acquisition method of accounting, with the operating results included in the Company's financial and operating results commencing on the closing date of the acquisition.

Consideration paid	
16,000,000 common shares issued	$146,720
Net assets acquired, at estimated fair value	
Property, plant and equipment	$196,673
Deferred tax liability	(40,626)
Decommissioning obligations	(9,327)
	$146,720

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 a reserve report. The fair value of decommissioning obligations was initially estimated using a credit adjusted rate of 7%.

Included in the statement of loss and comprehensive loss are the following amounts relating to the February Acquisition, from the February 25, 2015 closing date to September 30, 2015.

Petroleum and natural gas sales	$15,136
Net income and comprehensive income	$4,541

If the February Acquisition had occurred on January 1, 2015, the Company's pro forma results of petroleum and natural gas sales and net loss and comprehensive loss for the nine months ended September 30, 2015 would have been as follows:

	TORC, as stated in the statement of income and comprehensive income	February Acquisition (from Jan 1, 2015 to closing date)	Pro forma (unaudited)
Petroleum and natural gas sales	$190,653	$3,836	$194,489
Net loss and comprehensive loss	($83,065)	$1,151	($81,914)

5. Exploration and evaluation assets

Balance at December 31, 2013	$129,093
Property acquisitions	707
Property dispositions	(100)
Capital expenditures	308
Impairment	(72,567)
Transferred to property, plant and equipment	(2,845)
Balance at December 31, 2014	$54,596
Capital expenditures	56
Impairment	(16,000)
Balance at September 30, 2015	**$38,652**

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.

(continued)

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

Impairment

For the three and nine months ended September 30, 2015, the Company recognized impairment of $16.0 million on E&E assets related to certain southern Alberta projects with carrying values estimated to exceed the recoverable amounts. As at September 30, 2015, the Company determined there to be indicators of impairment regarding these E&E assets, based on the prolonged decline of crude oil prices, upcoming land expiries and near term reallocations of future capital spending. As a result, the Company impaired these E&E assets principally comprised of historic land acquisition costs.

6. Property, plant and equipment

Cost:	
Balance at December 31, 2013	$1,116,245
Property acquisitions	144,797
Property dispositions	(760)
Capital expenditures	152,207
Change in decommissioning obligations	2,224
Transferred from exploration and evaluation assets	2,845
Balance at December 31, 2014	$1,417,558
Property acquisitions	718,943
Property dispositions	(58,620)
Capital expenditures	85,418
Change in decommissioning obligations	103,140
Balance at September 30, 2015	**$2,266,439**

Accumulated depletion and depreciation:	
Balance at December 31, 2013	$80,253
Depletion and depreciation for the year	114,360
Balance at December 31, 2014	$194,613
Depletion and depreciation for the period	108,197
Accumulated depletion pursuant to the Asset Swap	(8,238)
Impairment	43,000
Balance at September 30, 2015	**$337,572**

Net amount:	
As at December 31, 2014	$1,222,945
As at September 30, 2015	**$1,928,868**

Included in the net amount of property, plant and equipment ("PP&E assets") at September 30, 2015 is office equipment of $0.5 million, net of accumulated depreciation of $0.5 million (December 31, 2014: $0.3 million, net of accumulated depreciation of $0.4 million).

At September 30, 2015, the Company had $193.8 million of property, plant and equipment which was excluded from depletion at the time and largely related to undeveloped land (December 31, 2014: $104.2 million). Estimated future development costs of $420.3 million were included in the depletion calculation (December 31, 2014: $406.4 million).

On March 31, 2015, the Company closed a swap of certain petroleum and natural gas properties in southeast Saskatchewan (the “Asset Swap”). In the Asset Swap, the Company gave up properties with a carrying value of $50.2 million and received properties with an equivalent fair value, and therefore no gain or loss was recognized. The fair value was determined based on the properties given up.

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Impairment

For the three and nine months ended September 30, 2015, the Company recognized impairment of $43.0 million on PP&E assets related to certain southern Alberta projects (the "Impaired PP&E Assets") with carrying values exceeding the recoverable amounts principally due to the decline in crude oil prices. As at September 30, 2015, the Company determined there to be indicators of impairment regarding these PP&E assets, based on the prolonged decline of crude oil prices, upcoming land expiries and near term reallocations of future capital spending. The recoverable amount of a CGU is the greater of (i) its value in use, and (ii) its fair value less selling costs. The recoverable amounts for the Impaired PP&E Assets were internally estimated to be $44.0 million, reflecting the 10-12% pre-tax present value of future cash flows from proved and probable reserves.

In determining the future cash flows, the Company utilized the following benchmark pricing forecasts from its independent reserves evaluator:

Year	Canadian Light Sweet Crude ($/Bbl)	Western Canada Select ($/Bbl)	Alberta AECO - C Spot ($/MMBtu)	Edmonton Pentanes Plus ($/Bbl)	Edmonton Butane ($/Bbl)	Edmonton Propane ($/Bbl)	Exchange Rate ($US/$CAD)
2015	55.68	40.09	2.92	59.62	35.28	11.01	0.76
2016	64.87	54.49	3.10	69.46	43.52	12.82	0.78
2017	75.76	63.64	3.32	81.12	56.47	19.97	0.85
2018	83.82	70.41	3.91	89.75	62.48	33.14	0.85
2019	89.41	75.11	4.49	95.73	66.64	41.24	0.85
2020	91.71	77.03	4.79	98.19	68.35	42.30	0.85
2021	93.08	78.19	4.87	99.66	69.38	42.94	0.85
2022	94.48	79.36	4.96	101.16	70.42	43.58	0.85
2023	95.90	80.55	5.04	102.68	71.48	44.24	0.85
2024	97.34	81.76	5.13	104.22	72.55	44.90	0.85
2025	98.80	82.99	5.22	105.78	73.64	45.57	0.85

Management has internally updated reserves as at September 30, 2015 to reflect current commodity price decks, operating costs, future development costs and other parameters that can impact reserve volumes. The reserve process is inherently subjective and involves considerable estimate uncertainty.

7. Decommissioning obligations

	As at September 30, 2015	As at December 31, 2014
Balance, beginning of period	**$105,670**	$93,045
Obligations incurred	**3,307**	2,224
Obligations acquired	**42,619**	7,929
Obligations settled	**(73)**	(347)
Change in discount rate, pursuant to asset acquisitions	**85,482**	-
Change in estimates	**14,351**	-
Accretion	**2,714**	2,819
Balance, end of period	**$254,070**	$105,670

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 $279.3 million as at September 30, 2015 (at December 31, 2014: $131.4 million) to be incurred on average in 25 years.

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For the period ended September 30, 2015, the Company used a risk free rate of 2.3 percent and an inflation rate of 1.8 percent to calculate the net present value of the decommissioning obligations, compared to the year ended December 31, 2014 when the risk free rate was 2.85 percent and the inflation rate was 1.8 percent, resulting in a change in estimate of $14.4 million. Actual costs may differ from estimated costs due to changes in laws and regulations, timing of costs, changes in technology and market conditions.

The decommissioning obligations acquired pursuant to asset acquisitions, during the nine months ended September 30, 2015, were initially recognized using a fair value interest rate of 7 percent. They were subsequently revalued using the risk free rate of 2.3 percent resulting in a change of $85.5 million.

8. Share capital

Share capital - issued

In conjunction with the June Acquisition described in note 3, TORC secured an equity investment by the Canada Pension Plan Investment Board ("CPPIB") for gross proceeds of $150.0 million through a private placement of 14.85 million common shares. In addition, TORC also closed a bought deal prospectus offering of 28.52 million common shares for gross proceeds of $288.0 million. The combined gross proceeds were $438.0 million.

In February 2015, the Company closed an acquisition various properties and working interests in its core southeast Saskatchewan area (the "February Acquisition") described in note 4. Consideration paid was $146.7 million which included the issuance of 16,000,000 common shares valued at $9.17 per share based on TORC's trading price on February 25, 2015 (the date the February Acquisition closed).

Warrants

On December 17, 2010, the Company closed a private placement to insiders and service providers whereby 5 million units ("Units") were issued at $4.00 per Unit, for gross proceeds of $20.0 million. Each Unit is comprised of 0.52 common shares, 0.17 common shares issued on a flow-through basis and 0.7 common share purchase warrants ("Warrants"). Each Warrant entitles the holder to acquire one common share at a price of $7.18, subject to the following conditions:

- one-third of the Warrants may be exercised after the Company's stock price (the "Stock Price") exceeds $11.49;
- one-third of the Warrants may be exercised after the Company's Stock Price exceeds $14.37;
- one-third of the Warrants may be exercised after the Company's Stock Price exceeds $17.24; and
- the Stock Price is defined as the weighted average price per share for the 20 consecutive trading days ending immediately before such date on the Toronto Stock Exchange on which the Company's shares are listed.

In the nine months ended September 30, 2015, 4,640 Warrants were exercised for total cash proceeds of $0.03 million. At September 30, 2015, there were 2.3 million Warrants outstanding of which 1.2 million of the Warrants were exercisable. The Warrants expire on December 16, 2015, five years from the date of grant.

TORC Oil & Gas Ltd.

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9. Dividends

(thousands, except per share amounts)	**Three months ended September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Dividends declared per share	**$0.135**	$0.135	**$0.405**	$0.405
Cash dividends paid	**$14,366**	$8,981	**$35,379**	$26,004
Dollar value of common shares issued under the Share Dividend Program	**6,893**	3,619	**14,999**	11,372
Total dividends	**$21,259**	$12,600	**$50,378**	$37,376

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").

During the period between October 1, 2015 and November 9, 2015, $7.2 million of dividends have been declared.

10. Stock-based compensation

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, combined with the Company's existing stock option and incentive share plans, cannot exceed ten percent of the outstanding common shares. In addition, the combined number of restricted and performance awards cannot exceed 6.5 percent of the outstanding common shares. Share Awards are earned over various periods, generally 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 on a set criteria as determined by the Board of Directors. In the case of both restricted and performance awards, the number of common shares to be issued on the applicable issue date is adjusted to account for the payment of dividends from the grant date to the applicable issue date.

Stock options

Stock options granted have a term of five years to expiry and have various vesting periods up to three years. The following table summarizes the Company's stock option activity:

(thousands, except exercise prices)	Number of stock options	Weighted average exercise price
Balance at December 31, 2013	1,640	$16.38
Exercised	(8)	7.15
Balance at December 31, 2014	**1,632**	**$16.43**
Forfeited	(100)	16.66
Balance at September 30, 2015	**1,532**	**$16.42**
Exercisable at September 30, 2015	**1,465**	**$16.67**

(continued)

TORC Oil & Gas Ltd.
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The following table summarizes stock options outstanding and exercisable at September 30, 2015:

(thousands, unless otherwise noted)	Number outstanding	Number exercisable	Weighted average remaining term (years)
Exercise price:			
$7.15 to $9.85	31	18	2.3
$11.65 to $13.05	156	92	2.0
$14.94 to $22.99	1,345	1,355	0.6
$7.15 to $22.99	1,532	1,465	0.8

Incentive shares

The following table summarizes incentive share activity:

(thousands)	Number of incentive shares
Balance at December 31, 2013	129
Common shares issued upon vesting	(60)
Balance at December 31, 2014	69
Common shares issued upon vesting	(59)
Balance at September 30, 2015	**10**
Convertible into common shares at September 30, 2015	**-**

Incentive shares are earned over various periods, up to three years from the date of grant. Upon being earned, the incentive shares are converted into common shares and issued from treasury at no cost to the incentive shareholder. The fair value of incentive shares is deemed to equal the stock price on the date of grant.

Restricted awards

The following table summarizes restricted award activity:

(thousands)	Number of restricted awards
Balance at December 31, 2013	1,249
Granted	268
Adjustment for payment of dividends	60
Forfeited	(31)
Common shares issued upon vesting	(424)
Balance at December 31, 2014	1,122
Granted	622
Adjustment for payment of dividends	61
Forfeited	(51)
Common shares issued upon vesting	(483)
Balance at September 30, 2015	**1,271**
Convertible into common shares at September 30, 2015	**-**

(continued)

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

Restricted awards are earned over various periods, generally 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 restricted award holder. The fair value of restricted awards is deemed to equal the stock price on the date of grant. The number of common shares to be issued upon being earned is adjusted to account for the payment of dividends from the grant date to the earning date. For the nine months ended September 30, 2015, the weighted average fair value of restricted awards granted was $8.82 per restricted award. There is no forfeiture rate included in the calculation of fair values of restricted awards granted.

Performance awards

The following table summarizes performance award activity:

(thousands)	Number of performance awards
Balance at December 31, 2013	1,818
Granted	474
Granted pursuant to performance multiplier [1]	299
Adjustment for payment of dividends	103
Forfeited	(52)
Common shares issued upon vesting	(931)
Balance at December 31, 2014	1,711
Granted	1,190
Granted pursuant to performance multiplier [1]	388
Adjustment for payment of dividends	95
Forfeited	(86)
Common shares issued upon vesting	(1,115)
Balance at September 30, 2015	**2,183**
Convertible into common shares at September 30, 2015	**-**

(1) Performance awards granted pursuant to performance multipliers are not further increased or decreased by future performance multipliers.

Performance awards are earned over various periods, generally up to three years from the date of grant. On the earning date, the performance awards are converted into common shares and issued from treasury at no cost to the performance award holder, 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. The multiplier, which was determined during the earning period, is considered to have been applied at the grant date. The number of common shares to be issued upon being earned is adjusted to account for the payment of dividends from the grant date to the earning date. As performance multipliers are known, past grants are adjusted to reflect the multiplier. The fair value of performance awards is deemed to equal the stock price on the date of grant. For the nine months ended September 30, 2015, the weighted average fair value of performance awards granted was $7.13 per performance award. There is no forfeiture rate included in the calculation of fair values of performance awards granted.

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11. Earnings per share

Earnings per share amounts are calculated by dividing the net income 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 September 30, 2015**	Three months ended September 30, 2014	**Nine months ended September 30, 2015**	Nine months ended September 30, 2014
Income (loss) for the period	**($52,882)**	$15,146	**($83,065)**	$36,669
Basic weighted average number of common shares	**157,857,132**	93,397,228	**127,387,211**	92,387,869
Diluted weighted average number of common shares	**157,857,132**	95,794,079	**127,387,211**	94,484,509
Basic income (loss) per common share	**($0.33)**	$0.16	**($0.65)**	$0.40
Diluted income (loss) per common share	**($0.33)**	$0.16	**($0.65)**	$0.39

For the three and nine months ended September 30, 2015, the diluted number of shares is equivalent to the basic number of shares due to antidilutive stock options, incentive shares, performance and restricted awards, 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 September 30, 2014, 8,010 incentive shares, 952,478 performance awards and 373,726 restricted awards were added to the basic weighted average common shares outstanding. In computing diluted earnings per share for the nine months ended September 30, 2014, 352,819 warrants, 16,477 stock options, 8,367 incentive shares, 1,296,945 performance awards and 562,416 restricted awards were added to the basic weighted average common shares outstanding.

12. Credit facility

At September 30, 2015, the Company had a reserves-based revolving credit facility of $550 million with a syndicate of banks (the "Credit Facility"), comprised of a $55 million operating facility from the operating lender (the "Operating Facility") and a $495 million syndicated facility with a syndicate of banks (the "Syndicated Facility"). As at September 30, 2015 the amount drawn from the Credit Facility was $224.3 million. On October 31, 2015, the Credit Facility was renewed at $450 million, comprised of a $55 million operating facility and a $395 million syndicated facility. Advances under the Credit Facility are available by way of direct advances, bankers' acceptances and standby letters of credit/guarantees. Direct advances bear interest at the prime rate, U.S. base rate or Libor rate, as applicable, plus a margin which is dependent on the Company's debt to trailing funds flow ratio. The bankers' acceptances bear interest at the applicable bankers' acceptance rate plus a stamping fee, based on the Company's debt to trailing funds flow ratio.

Both the Syndicated Facility and the Operating Facility are available on a revolving basis until April 28, 2016. On or before April 28, 2016, at TORC's request and subject to the approval of the lending syndicate, the Credit Facility may be extended for an additional 364 day period. In the event of non-extension, the undrawn portion of the Credit Facility will be cancelled and the amount outstanding will convert to a 364 day non-revolving term facility with repayment of the Credit Facility due on April 28, 2017. The Credit Facility is secured by a fixed and floating charge debenture on all of the Company's assets.

The borrowing base is primarily based on reserves and commodity prices estimated by the lenders. The borrowing base of the Company's Credit Facility is subject to review and redetermination by the lenders on a semi-annual basis and in the event of a change in the Company's borrowing base properties (including due to a disposition of assets beyond certain defined limits or a change which results in a material adverse effect, as determined by the lenders). In the normal course, the Company's next credit facility evaluation is due to be completed by April 28, 2016.

TORC Oil & Gas Ltd.

Notes to the Financial Statements
As at September 30, 2015 and for the three and nine months ended September 30, 2015 and 2014
(unaudited)
(in $000's of Canadian dollars, unless otherwise noted)

13. Financial derivatives

Commodity contracts outstanding as at September 30, 2015:

Remaining term	Reference	Type	Volume (Bbl/d)	Price (per Bbl in Canadian dollars)	Fair value at September 30, 2015 ($000s)
Oct 1, 2015 - Dec 31, 2015	C$WTI	Costless Collar	250	$90.00 - $110.55	663
Oct 1, 2015 - Dec 31, 2015	C$WTI	Costless Collar	250	$90.00 - $112.00	663
Oct 1, 2015 - Dec 31, 2015	C$WTI	Costless Collar	250	$90.00 - $108.15	663
Oct 1, 2015 - Dec 31, 2015	C$WTI	Costless Collar	250	$90.00 - $111.75	664
Oct 1, 2015 - Dec 31, 2015	C$WTI	Costless Collar	250	$90.00 - $111.75	663
Oct 1, 2015 - Dec 31, 2015	C$WTI	Costless Collar	250	$90.00 - $113.75	664
Oct 1, 2015 - Dec 31, 2015	C$WTI	Costless Collar	250	$90.00 - $115.85	663
					$4,643

As at September 30, 2015, a 10% decrease in the market price detailed in the commodity contracts above would result in a $1.0 million unrealized gain on financial derivatives and a corresponding increase in income.