TORC
Oil & Gas Ltd

PRESS RELEASE

December 11, 2017

TORC OIL & GAS LTD. ANNOUNCES 2018 CAPITAL BUDGET AND PRODUCTION GUIDANCE; A SERIES OF TUCK-IN ACQUISITIONS; AND INCREASED 2017 GUIDANCE

CALGARY, ALBERTA - TORC Oil & Gas Ltd. ("TORC" or the "Company") (TSX: TOG) is pleased to announce the Company's Board of Directors has approved a 2018 capital budget of $165 million. TORC's strategic objectives associated with the 2018 capital budget are consistent with the Company's long term objectives of delivering disciplined per share growth in combination with maintaining financial flexibility while paying a sustainable dividend.

TORC's 2018 capital budget is specifically focused on:

- Investing in higher rate of return, lower risk light oil opportunities across the Company's extensive development drilling inventory;
- Achieving per share production growth and maximizing free cash flow through an efficient capital program focused on high graded development drilling opportunities while also testing select delineation opportunities to organically expand the Company's development drilling inventory;
- Maintaining the Company's decline profile;
- Directing the pace of the capital program to maintain spending flexibility throughout the year; and
- Maintaining TORC's strong financial position and flexibility to take advantage of additional growth opportunities as they arise.

TORC's capital program in 2018 is focused on light oil development projects, with the majority of the capital directed to drilling, completions and tie-ins (over 80%), and the remainder allocated to operational and facility optimization to maximize production efficiency. The capital program is concentrated on the Company's primary core areas in southeast Saskatchewan, focused on both conventional and unconventional opportunities, along with the Cardium play in central Alberta.

2018 BUDGET HIGHLIGHTS

<u>SOUTHEAST SASKATCHEWAN</u>

TORC's asset base in southeast Saskatchewan is comprised of both conventional assets and unconventional light oil resource plays. TORC's primary focus on the conventional asset base is to maintain production and maximize free cash flow through the efficient exploitation of identified conventional light oil pools. TORC's unconventional light oil resource plays provide current and future organic growth opportunities for the Company.

In 2018, TORC plans to drill 44 gross (37.2 net) conventional wells. With more than 400 net undrilled conventional locations identified, the 2018 budget represents less than 10% of TORC's conventional development locations. These locations are characterized by their lower risk nature and high rates of return driven by their lower capital costs, high netbacks and the attractive royalty regime in Saskatchewan. Southeast Saskatchewan conventional activity will comprise approximately 30% of the Company's 2018 drilling, completion and tie-in capital budget.

On the Company's unconventional asset base in southeast Saskatchewan, TORC has been active on the Torquay/Three Forks light oil resource play. During 2017, TORC executed on a development program drilling 13 gross (10.0 net) successful wells in the play. Based on the Company's results from this program, TORC will continue to increase capital allocated to this resource play with plans to drill 17 gross (13.5 net) wells during 2018 representing less than 10% of the 150 net identified Torquay/Three Forks development locations on the Company's land base. The Torquay/Three Forks activity in southeast Saskatchewan will comprise approximately 30% of the 2018 drilling, completion and tie-in capital budget.

TORC has also established prospective land positions in a number of areas that have the potential for unconventional Midale exploitation. Based on detailed technical analysis, as well as competitor offset well results, TORC has been active on the emerging unconventional Midale light oil resource play in the fourth quarter of 2017 drilling six gross (4.6 net) wells. TORC plans to increase capital allocated to this light oil resource play in 2018 with plans to drill 12 gross (11.0 net) wells spread across the Company's land position for both the development and further delineation of this play.

Together, the conventional and unconventional southeast Saskatchewan capital allocation represents approximately 77% of the overall drilling, completion and tie-in capital budget during 2018.

CARDIUM

In 2018, TORC plans to drill 12 gross (10.5 net) wells across the Company's land position in the Cardium to maintain production. With a decline profile of less than 25%, the Cardium play continues to generate substantial free flow in the current commodity price environment supporting the sustainability and repeatability of the Company's business objectives.

TORC has currently identified over 290 net light oil focused development locations on the Company's asset base for future growth. TORC's development plans for the Cardium represents approximately 23% of the drilling, completion and tie-in activity in 2018.

ACQUISITION AND DISPOSITION ACTIVITY

During the fourth quarter of 2017, TORC completed three asset acquisitions along with two minor non-core asset dispositions. The net production addition was 900 boepd (greater than 90% light oil and liquids) (the "Acquired Assets") for aggregate consideration comprised of the issuance of 5.8 million TORC common shares and $25.0 million in cash.

The majority of the Acquired Assets are located in TORC's core operating area in southeast Saskatchewan and include high quality inventory of both conventional (26 net) and unconventional (32 net) locations. The Acquired Assets also included a strategic top-up acquisition in the Cardium play. Year to date, TORC has replaced more than 100% of the 2017 drill program in both southeast Saskatchewan and in the Cardium play through strategic acquisitions.

PRODUCTION GUIDANCE

With TORC's strong performance of the Company's underlying production base, continued drilling success along with the recent net acquisition activity, TORC is increasing 2017 average production guidance to 20,800 boepd (88% light oil & liquids) from 20,600 boepd and exit guidance to 22,500 boepd (87% light oil & liquids) from 21,500 boepd.

TORC anticipates that the $165 million 2018 capital budget will result in 2018 average production of 23,000 boepd (87% light oil & liquids) and exit production of 23,800 boepd (87% light oil and liquids) while continuing to maintain a decline profile below 25%.

DISCIPLINED BUDGET

TORC's priorities are to act prudently to protect the financial flexibility of the Corporation while positioning the Company to continue to achieve per share growth over the long term while paying out a sustainable dividend.

TORC's year-end 2017 net debt is estimated to be approximately $285 million on a bank line of $400 million, positioning TORC with financial flexibility and a strong balance sheet. In the current commodity price environment, the Company expects to achieve free cash flow after delivering organic per share growth and paying the current dividend. This free cash flow continues to position the Company to take advantage of opportunities as they arise.

TORC has budgeted for a modest increase to service costs due to increasing industry activity levels. TORC has initiated a 2018 commodity hedging program to further protect our core capital spending requirements and dividend policy and currently has 1,500 bopd hedged in calendar 2018.

Consistent with previous capital expenditure programs, TORC's 2018 capital budget is weighted to the second half of the year providing flexibility to adjust capital spending in response to fluctuations in the commodity price environment.

OUTLOOK

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

TORC has the following key operational and financial attributes:

High Netback Production (1)	2017E Average: 20,800 boepd 2017E Exit: 22,500 boepd 2018E Average: 23,000 boepd 2018E Exit: 23,800 boepd
Total Proved plus Probable Reserves (2)	Greater than 107 mmboe (~83% light oil & liquids)
Southeast Saskatchewan Conventional Light Oil Development Inventory	Greater than 400 net undrilled locations
Torquay/Three Forks Light Oil Development Inventory	Greater than 150 net undrilled locations
Cardium Light Oil Development Inventory	Greater than 290 net undrilled locations
Sustainability Assumptions (3)	Corporate decline ~23% Capital Efficiency ~$26,000/boepd (IP 365)
2018 Capital Program	$165 million
Annual Dividend (paid monthly)	$0.02 per share $47 million $33 million (net of assumed 30% SDP participation)
Net Debt & Bank Debt (4)	~$285 million (2017 year-end estimate)
Shares Outstanding	196.2 million (basic) (2017 year-end estimate)

Tax Pools	Approximately $1.6 billion

Notes:

(1) ~87/88% light oil & NGLs.

(2) All reserves information in this press release are gross reserves. The reserve information in the foregoing outlook table is derived from the independent engineering report effective December 31, 2016 prepared by Sproule & Associates Limited ("Sproule") evaluating the oil, NGL and natural gas reserves attributable to all of our properties (the "TORC Reserve Report"). The reserves associated with net acquisitions completed in 2017 are based on TORC's internal evaluation prepared by a qualified reserves evaluator in accordance NI-51-101 and COGE Handbook.

(3) Refers to full cycle capital efficiency which is the all-in corporate capital budget divided by the IP365 of the associated wells. Corporate decline refers to TORC's estimated oil and gas production decline rate in the normal life cycle of a well.

(4) See "Non-GAAP Measures".

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READER ADVISORIES

Forward Looking Statements

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to the Company's plans, strategy, business model, focus, objectives and other aspects of TORC's anticipated future operations and financial, operating and drilling and development plans and results, including, expected future production, production mix, drilling inventory, net debt, free cash flow, operating netbacks, decline rate and decline profile, capital expenditure program, capital efficiencies, commodity prices, targeted growth, tax pools, operating, drilling and development plans and the timing thereof, and expected SDP participation. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding: anticipated service cost increases; the focus and allocation of TORC's 2018 capital budget; anticipated average and exit production rates, management's view of the characteristics and quality of the opportunities available to the Company; TORC's dividend policy and plans; and other matters ancillary or incidental to the foregoing.

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

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

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

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect TORC's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

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

Dividends

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

Non-GAAP Measures

This document contains the terms "adjusted funds flow from operations, including transaction related costs", "adjusted funds flow from operations, excluding transaction related costs", "net debt", "adjusted funds flow netback" and "operating netback" which are defined in the Company's Management's Discussion and Analysis ("the MD&A") for the three and nine months ended September 30, 2017. Management uses these financial measures to analyze operating performance and leverage. These measures do not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable with the calculation of similar measures for other companies.

This press release also contains the terms "cash flow" and "payout ratio", which do not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other companies. TORC uses cash flow and net debt to analyze financial, operating performance, and liquidity and leverage. TORC feels these benchmarks are key measures of profitability and overall sustainability for TORC. Both of these terms are commonly used in the oil and gas industry. Cash flow and net debt are not intended to represent operating profits nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. Cash flows are calculated as cash flows from operating activities less changes in non-cash working capital. Net debt is calculated as bank debt plus working capital deficiency or minus working capital surplus (adjusted for fair value of financial instruments and the current portion of decommissioning obligation). TORC calculates cash flow per share using the same method and shares outstanding that are used in the determination of earnings per share. Payout ratio is a non-GAAP measure and is calculated as cash dividends plus exploration and development expenditures, divided by cash flow. The Company considers this to be a key measure of sustainability.

Oil and Gas Disclosures

Our oil and gas reserves statement for the year ended December 31, 2016, which includes complete disclosure of our oil and gas reserves and other oil and gas information in accordance with NI 51-101, is contained within our Annual Information Form which is available on our SEDAR profile at www.sedar.com. The recovery and reserve estimates contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered.

Management uses oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare TORC's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

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

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the reserves evaluation prepared by Sproule as of December 31, 2016 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on TORC's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. Of the 850 drilling locations identified herein, 213 are proved locations, 83 are probable locations and 554 are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that TORC will drill all unbooked drilling locations and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and, if drilled, there is more uncertainty that such wells will result in additional oil and gas reserves or production.