

CALGARY, May 8, 2017 /CNW/ - TORC Oil & Gas Ltd. ("TORC" or the "Company") (TSX: TOG) is pleased to announce its financial and operating results for the three month period ended March 31, 2017. The associated management's discussion and analysis ("MD&A") and unaudited interim financial statements as at and for the quarter ended March 31, 2017 can be found at www.sedar.com and www.torcoil.com.

Highlights	Three months ended	
(in thousands, except per share data)	December 31 2016 2017	March 31 2016
Financial		
Adjusted funds flow from operations, excluding transaction related costs ⁽¹⁾	\$51,255	\$14,082
Per share basic	\$0.28	\$0.09
Per share diluted	\$0.28	\$0.09
Net income (loss)	\$2,530	(\$25,260)
Per share basic	\$0.01	(\$0.16)
Per share diluted	\$0.01	(\$0.16)
Exploration and development expenditures	\$22,230	\$16,448
Property acquisitions, net of dispositions	(\$2127)	(\$1,714)
Net debt ⁽²⁾	\$250,900	\$305,824
Cash dividends declared ⁽³⁾	\$6,208	\$8,345
Dividends declared per common share	\$0.060	\$0.085
Common shares		
Shares outstanding, end of period	183,002	162,671
Weighted average shares (basic)	182,699	162,100
Weighted average shares (diluted)	185,036	164,157
Operations		
Production		
Crude oil (Bbls per day)	16,740	15,334
NGL (Bbls per day)	686	462
Natural gas (Mcf per day)	15,026	14,197
Barrels of oil equivalent (Boepd, 6:1)	19,806	18,162
Average realized price		

Crude oil (\$ per Bbl)	\$50.02	\$35.44
NGL (\$ per Bbl)	\$29.66	\$15.90
Natural gas (\$ per Mcf)	\$2.69	\$1.54
Barrels of oil equivalent (\$ per Boe, 6:1)	\$50.65	\$31.53

Operating netback per Boe (6:1)

Operating netback ⁽¹⁾	\$30.99	\$11.31
Operating netback (prior to hedging) ⁽¹⁾	\$30.96	\$11.31

Adjusted funds flow netback per Boe (6:1)

Excluding transaction related costs ⁽¹⁾	\$28.89	\$8.52
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Wells drilled:

Gross	22	12
Net	16.9	11.3
Success (%)	100	100

⁽¹⁾ Management uses these financial measures to analyze operating performance and leverage. The definitions of these measures are found in the Company's Management's Discussion and Analysis ("the MD&A") for the three months ended March 31, 2017 and 2016. These measures do not have any standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable with the calculation of similar measures for other companies.

⁽²⁾ 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.

⁽³⁾ Cash dividends declared are net of the share dividend program participation.

PRESIDENT'S MESSAGE

The operational momentum from 2016 was maintained in the first quarter of 2017 with a continued focus on the Company's long term objectives of delivering disciplined growth in combination with maintaining financial flexibility and providing a sustainable dividend. TORC's active drilling program was focused in both the southeast Saskatchewan and Cardium core areas where the Company continued to achieve strong results.

The Company's key achievements in the first quarter of 2017 included the following:

- Achieved record quarterly production of 19,806 boepd, up from 19,621 boepd in the fourth quarter of 2016 and 18,162 boepd in the first quarter of 2016;
- Generated cash flow of \$51.5 million relative to \$51.3 million in the fourth quarter of 2016 and \$14.1 million in the first quarter of 2016;
- Generated cash flow per share of \$0.28 per share as compared to \$0.28 in the fourth quarter of 2016 and \$0.09 per share in the first quarter of 2016;
- Successfully drilled 22 (16.0 net) wells spending \$32.2 million;
- During the first quarter, TORC declared dividends of \$11.0 million of which \$4.0 million was paid under the share dividend program;
- Achieved a payout ratio in the quarter of 75% while organically growing production;

- Subsequent to the end of the first quarter, TORC completed two complementary light oil asset acquisitions while also divesting of minor non-core assets in the Company's southeast Saskatchewan core area (the "Net Acquisitions"). Net of the non-core disposition, total consideration paid was \$9.8 million in cash and the issuance of 2.8 million TORC common shares, valued at \$6.88 per common share at the closing date, for total net consideration of \$28.9 million. The Net Acquisitions added approximately 650 boepd (90 percent light oil) of high netback, low decline production and 2.0 mmboe of P+P reserves while also adding attractive future drilling locations; and
- At quarter end, the Company's net debt was approximately \$258.6 million with \$218.0 million drawn on the credit facility. Subsequent to quarter end, TORC's credit facility was reconfirmed at \$400 million, providing the Company with significant financial flexibility and liquidity.

OPERATIONAL UPDATE

TORC's first quarter production averaged 19,806 boepd (87% light oil and NGLs). Strong new well results and solid performance of the Company's existing low decline production across all of TORC's core areas contributed to the continued quarter over quarter growth of the Company's production base.

During the first quarter, TORC executed on a successful lower risk development program, drilling 22 (16.0 net wells) focused on the conventional and Torquay/Three Forks assets in southeast Saskatchewan and the Cardium in central Alberta. TORC spent \$32 million in the first quarter representing 25% of the Company's 2017 \$130 million capital budget. TORC expects to spend approximately \$50 million in the first half. With \$80 million of the \$130 million capital program planned for the second half of the year, TORC remains well positioned to continue to grow the Company's low decline production base.

SOUTHEAST SASKATCHEWAN

TORC drilled 11 (8.3 net) southeast Saskatchewan conventional wells in the first quarter. TORC's southeast Saskatchewan conventional assets are characterized by their lower risk nature and high rates of return driven by lower capital costs, high netbacks and the favorable royalty regime in the province. With a long term decline profile of less than 20% and strong operating netbacks, the southeast Saskatchewan assets yield significant free cash flow to support TORC's business model.

TORC has identified more than 400 net undrilled conventional light oil locations in southeast Saskatchewan providing years of high quality drilling inventory. In 2017, TORC plans to drill 38 (31.5 net) conventional wells. The focus in TORC's southeast Saskatchewan conventional properties is to maintain a reasonably flat production profile and maximize free cash flow from the assets.

Also in southeast Saskatchewan, TORC drilled 6 (4.0 net) wells during the first quarter in the Torquay/Three Forks geological zone. As expected, TORC completed 1 (0.5 net) of these wells in the quarter and plans to complete the remaining 5 (3.5 net) wells in the second and third quarters. In 2017, TORC plans to drill a total of 15 (12.5 net) wells in this light oil resource play continuing to drive growth in this high netback area. TORC has identified over 150 net development locations in the Torquay/Three Forks play providing multiple years of drilling inventory.

CARDIUM

TORC drilled 5 (3.7 net) successful Cardium development wells in the first quarter. For 2017, the Company has budgeted to drill 12 (10.7 net) Cardium wells representing less than 5% of TORC's identified undrilled inventory.

TORC controls more than 95 net light oil sections in the Cardium trend where the Company has identified more than 290 net undrilled locations. With a decline profile below 25% and a deep inventory of high quality development locations, the Cardium continues to contribute meaningfully to the Company's free cash flow growth strategy.

CAPITAL PROGRAM

TORC's 2017 capital budget of \$130 million maintains TORC's balanced approach to the current commodity price environment. The Company continues to focus on disciplined long term organic growth while protecting the Company's strong financial position.

TORC spent \$32.2 million in the first quarter and expects first half spending to be approximately \$50 million in total. With approximately \$80 million to be spent in the second half of 2017, TORC remains well positioned to grow the Company's production base while maintaining a consistent decline profile to maintain repeatability of the business plan.

The 2017 capital program remains concentrated on the Company's primary core areas in southeast Saskatchewan, focused on both conventional opportunities and the emerging Torquay/Three Forks play, and the Cardium play in central Alberta. TORC has the operational flexibility to adjust the current 2017 budget based on the commodity price environment. Although TORC has

budgeted for a modest increase in service costs in the second half of 2017 due to increasing industry activity, the Company continues to focus on operational efficiencies with a goal of achieving results that exceed budget expectations.

Based on current commodity prices and budgeted cost structure, TORC is expected to achieve significant free cash flow in 2017 after organically growing production and paying the current dividend. This free cash flow positions the Company to take advantage of opportunities as they arise.

INCREASED GUIDANCE

Subsequent to the end of the first quarter, the Company completed a number of transactions adding approximately 650 boepd (90 percent light oil) of low decline, high netback production in the Company's southeast Saskatchewan core area while also enhancing the Company's high quality drilling inventory.

With the completion of the Net Acquisitions, TORC is increasing 2017 average production guidance to greater than 20,400 boepd from 19,900 boepd previously and 2017 exit production guidance to 21,200 boepd from 20,600 boepd previously (87% liquids).

TORC continues to focus on growing free cash flow and utilizing that free cash flow to enhance the growth and sustainability of the Company's business model.

DIVIDEND

TORC's dividend is reviewed regularly with the Board of Directors and is an important component of TORC's overall strategy. During the first quarter, TORC declared dividends of \$11 million of which \$4 million was paid under the share dividend plan.

The Board of Directors has confirmed a dividend of \$0.02 per common share will be paid on May 15, 2017 to shareholders of record on April 30, 2017.

The Company is committed to maintaining a disciplined approach during the current volatility in world oil markets. TORC's priorities are to act prudently to protect TORC's financial flexibility while positioning the Company to continue to achieve per share growth over the long term while paying out a sustainable dividend.

OUTLOOK

TORC has built a sustainable growth platform of light oil focused assets and continues to enhance this platform. 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 play in the Torquay/Three Forks in southeast Saskatchewan, positions TORC to provide value creation through a disciplined long term strategy.

TORC has the following key operational and financial attributes:

High Netback Production ⁽¹⁾	2017E Average: 20,400 boepd
	2017E Exit: 21,200 boepd
Total Proved plus Probable Reserves ⁽²⁾	Greater than 101 mmboe (~83% light oil & liquids)
Southeast Saskatchewan Light Oil Development Inventory	Greater than 400 net undrilled conventional locations
	Greater than 150 net Torquay/Three Forks locations
Cardium Light Oil Development Inventory	Greater than 290 net undrilled locations
Sustainability Assumptions ⁽³⁾	Corporate decline ~23%
	Capital Efficiency ~\$24,000/boepd (IP 365)
2017 Capital Program	\$130 million
Annual Dividend (paid monthly)	\$0.02 per share
	\$45 million
	\$27 million (net of assumed 40% SDP participation)
Net Debt & Bank Debt ⁽⁴⁾	\$259 million (Q1 2017)
	Less than \$220 million drawn on a bank line of \$400 million
Shares Outstanding	187 million (basic)
Tax Pools	Approximately \$1.6 billion

Notes:

(1) ~87% light oil & NGLs.

(2) All reserves information in this press release are gross reserves. The reserve information in the foregoing 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 the Net Acquisitions 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".

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 2017 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 months ended March 31, 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 840 drilling locations identified herein, 213 are proved locations, 83 are probable locations and 544 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.

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