

# **TORC Oil & Gas Ltd. Announces 2017 Fourth Quarter and Year-End Financial & Operating Results; and 2017 Year-End Reserves**

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CALGARY, Feb. 28, 2018 /CNW/ - TORC Oil & Gas Ltd. ("TORC" or the "Company") (TSX: TOG) is pleased to announce its fourth quarter and operating results for the three month periods and years ended December 31, 2017 and 2016 and to provide 2017 year-end reserves information as evaluated by Sproule Associates Limited ("Sproule").

The associated Management's Discussion and Analysis ("MD&A") dated February 28, 2018 and audited financial statements for the year ended December 31, 2017 can be found at [www.sedar.com](http://www.sedar.com) and [www.torcoil.com](http://www.torcoil.com).

Highlights (in thousands, except per share data)	Three months ended			Year ended	
	December 31 2017	September 30 2017	December 31 2016	December 31 2017	December 31 2016
<b>Financial</b>					
Adjusted funds flow, including					
transaction related costs <sup>(1)</sup>	\$59,973	\$44,404	\$51,255	\$208,331	\$124,464
Per share basic	\$0.31	\$0.24	\$0.28	\$1.11	\$0.73
Per share diluted	\$0.31	\$0.24	\$0.28	\$1.10	\$0.73
Adjusted funds flow, excluding					
transaction related costs <sup>(1)</sup>	\$60,589	\$44,404	\$51,255	\$208,947	\$125,137
Per share basic	\$0.32	\$0.24	\$0.28	\$1.11	\$0.74
Per share diluted	\$0.31	\$0.24	\$0.28	\$1.11	\$0.73
Net income (loss)	(\$9,431)	(\$6,335)	\$2,530	(\$10,490)	(\$50,443)
Per share basic	(\$0.05)	(\$0.03)	\$0.01	(\$0.06)	(\$0.30)
Per share diluted	(\$0.05)	(\$0.03)	\$0.01	(\$0.06)	(\$0.30)
Exploration and development					
expenditures	\$32,734	\$47,302	\$27,934	\$129,421	\$82,345
Property acquisitions, net of					
dispositions	\$79,775	\$5,956	\$212	\$114,709	\$94,990
Net debt <sup>(2)</sup>	\$280,138	\$259,116	\$270,900	\$280,138	\$270,900
Cash dividends declared <sup>(3)</sup>	\$7,710	\$7,527	\$5,296	\$29,764	\$23,948
Dividends declared per common share	\$0.060	\$0.060	\$0.060	\$0.240	\$0.265
Common shares					
Shares outstanding, end of period	196,061	189,689	183,099	196,061	183,099
Weighted average shares (basic)	191,240	187,987	182,698	187,417	169,923
Weighted average shares (diluted)	192,946	188,913	184,416	189,025	171,605

## Operations

## Production

Crude oil (Bbls per day)	18,350	17,803	16,440	17,642	15,588
NGL (Bbls per day)	985	846	640	790	607
Natural gas (Mcf per day)	15,306	14,059	15,245	14,634	14,755
Barrels of oil equivalent (Boepd, 6:1)	21,886	20,992	19,621	20,871	18,654

## Average realized price

Crude oil (\$ per Bbl)	\$64.58	\$53.10	\$56.42	\$58.55	\$47.92
NGL (\$ per Bbl)	\$30.30	\$20.28	\$21.46	\$24.64	\$15.60
Natural gas (\$ per Mcf)	\$1.40	\$1.15	\$2.68	\$1.81	\$1.88
Barrels of oil equivalent (\$ per Boe, 6:1)	\$56.49	\$46.62	\$50.05	\$51.70	\$42.04

## Operating netback per Boe (6:1)

\$32.65	\$25.30	\$30.93	\$29.91	\$21.10
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## Adjusted funds flow netback per Boe (6:1)

Including transaction related costs <sup>(1)</sup>	\$29.79	\$22.99	\$28.39	\$27.35	\$18.23
Excluding transaction related costs <sup>(1)</sup>	\$30.09	\$22.99	\$28.39	\$27.43	\$18.33

## Wells drilled:

Gross	15	23	12	63	39
Net	12.8	16.7	10.9	47.4	35.7
Success (%)	100	100	100	100	100

<sup>(1)</sup> 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 and year ended December 31, 2017. 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.

## PRESIDENT'S MESSAGE

<sup>(2)</sup> Net debt is calculated as current assets (excluding financial derivative assets) less: i) current liabilities (excluding financial derivative liabilities), and ii) bank debt.

TORC has consistently focused on providing shareholders with disciplined growth and a sustainable dividend while preserving financial flexibility and ensuring the underlying business maintains a consistent decline profile. 2017 was another strong year in executing this strategy as TORC was successful in achieving per share growth in reserves, production and cash flow along with paying a stable monthly dividend to shareholders while strengthening the repeatability of the business strategy.

Through the execution of a \$129.4 million capital expenditure program in 2017, TORC successfully achieved several strategic operational objectives, including maintaining production levels and maximizing free cash

flow from the Company's conventional southeast Saskatchewan assets while growing and further delineating the Company's unconventional assets in Saskatchewan. In central Alberta, the Company continued consolidating the Cardium play which remains a core asset built to generate free cash flow.

TORC's focus on high quality, light oil weighted assets along with disciplined financial management continued to be rewarded in 2017. During the year, free cash flow generated from the Company's core business was used to execute on several strategic tuck-in acquisitions to further enhance the Company's asset base. The strategic acquisitions included approximately 1,850 boepd (greater than 90% light oil) of operated, low decline, high netback light oil producing assets, adding to the Company's significant position in southeast Saskatchewan and central Alberta. The identified locations from these strategic acquisitions more than replaced the capital program of wells drilled by the Company in 2017. In aggregate, these strategic transactions improved the Company's decline profile, strengthened TORC's operating netback and added high quality light oil drilling inventory.

The integrated approach of organic growth complemented by strategic lower decline acquisitions drove the Company's growth in reserves, production and cash flow above original guidance while maintaining a decline profile of less than 25%.

TORC's disciplined approach, focused on an efficient capital program, prudent financial management and an emphasis on maintaining a low underlying decline profile, positions TORC to take advantage of strategic opportunities as they arise. The Company will continue to be disciplined and focused while being proactive to further position and complement the Company's asset base and business model.

## HIGHLIGHTS

The Company's achievements in the fourth quarter and year ended 2017 include the following:

- Achieved record production of 21,886 boepd in the fourth quarter of 2017, a 12% increase (7% per share) from 19,540 boepd in the fourth quarter of 2016;
- Average production increased to 20,871 boepd in 2017, up from 18,654 boepd in 2016;
- Production growth was achieved while maintaining the Company's decline rate at approximately 23%;
- Successfully drilled 15 (12.8 net) wells in the fourth quarter; in 2017, the Company drilled 63 (47.4 net) successful wells;
- Generated cash flow of \$60.6 million in the fourth quarter and \$208.9 million for 2017;
- Cash flow per share was \$0.32 per share in the fourth quarter and \$1.11 per share for 2017 relative to \$0.28 in the fourth quarter of 2016 and \$0.74 in 2016;
- Paid dividends of \$0.06 per share in the fourth quarter; paid dividends of \$0.24 per share in 2017;
- Achieved a payout ratio of 76% while organically growing production;
- Exited 2017 with a strong balance sheet with net debt of \$280.1 million (\$242.7 million drawn on an available credit facility of \$400 million);
- Increased the Company's high quality light oil development drilling inventory through organic delineation and strategic acquisitions;
- Increased the Company's light oil asset base through value accretive strategic acquisitions adding over 1,850 boepd (greater than 90% light oil), improving the corporate decline profile, operating netbacks and light oil drilling inventory;
- Proved Developed Producing reserves increased to 46.0 mmboc from 40.9 mmboc at year-end 2016, representing growth of 12% (6% per share);
- Proved reserves increased to 74.0 mmboc from 64.4 mmboc at year-end 2016, representing growth of 15% (8% per share);
- Proved plus Probable reserves increased to 114.1 mmboc from 99.6 mmboc at year-end 2016, representing growth of 15% (8% per share);
- Proved plus probable reserve life index remained at 13.9 years at year-end 2017; and
- Generated a Proved plus Probable reserve replacement ratio on production of approximately 175%, excluding the strategic acquisitions.

TORC demonstrated cost effective reserves growth while focusing on a combination of development drilling along with the continued strategic delineation of the Company's asset base. In 2017, TORC's capital spending was focused on development operations in the southeast Saskatchewan conventional core area while also further delineating and developing the Torquay/Three Forks resource play in southeast Saskatchewan and the Cardium play in Alberta. TORC's capital spending program in 2017 resulted in the following:

- Proved plus probable F&D (including future development costs) of \$15.09/boe resulting in a recycle ratio of 2.0x (excluding operating netback); and

- Proved plus Probable FD&A (including future development costs) of \$16.96/boe resulting in a recycle ratio of 1.8x operating netback).

## RESERVES

In this press release, all references to reserves are to gross Company reserves, meaning TORC's working interest reserves before deductions of royalties and before consideration of TORC's royalty interests. The reserves were evaluated by Sproule in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101") effective December 31, 2017. TORC's annual information form for the year ended December 31, 2017 (the "AIF") will contain TORC's reserves data and other oil and natural gas information as mandated by NI 51-101. TORC expects to file the AIF on SEDAR by March 31, 2018.

The following tables are a summary of TORC's petroleum and natural gas reserves, as evaluated by Sproule, effective December 31, 2017, using Sproule's year end forecast prices and costs. It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of our crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. It is important to note that the recovery and reserves estimates provided herein are estimates only. Actual reserves may be greater or less than the estimates provided herein. Reserves information may not add due to rounding.

### Reserves Summary

	Light and Medium	Conventional Natural Gas (mmcf)	NGLs (mmbbl)	Total Oil Equivalent (mboe)
Proved				
Developed Producing	36,259	40,984	2,860	45,950
Developed Non-Producing	1,330	2,718	147	1,930
Undeveloped	19,761	28,866	1,593	26,165
Total Proved	57,350	72,569	4,600	74,045
Probable	30,430	43,064	2,434	40,041
Total Proved plus Probable	87,780	115,632	7,034	114,086

### Net Present Value of Future Net Revenue

	Before Future Income Tax Expenses and Discounted at				
	0%	5%	10%	15%	20%
	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(\$mm)
Proved					
Developed Producing	1,420	1,118	925	792	695
Developed Non-Producing	43	34	27	23	19
Undeveloped	592	398	273	190	133
Total Proved	2,055	1,550	1,225	1,005	847
Probable	1,430	867	592	434	334
Total Proved plus Probable	3,485	2,417	1,817	1,439	1,182

#### Future Development Costs

	Proved Reserves (\$mm)	Proved Plus Probable Reserves (\$mm)
2018	138.5	188.1
2019	141.7	205.1
2020	151.7	212.0
2021	63.7	140.4
Total Undiscounted	496.2	746.3

#### Capital Expenditures and Finding, Development, and Acquisition Costs

Excluding Change in	Capital Expenditures	Reserves Additions			F&D and FD&A	
		Proved	Total Proved	Proved Plus Probable	Proved	Total Proved Plus Probable
Future Development Costs	(\$mm)	Developed (mmboe)	(mmboe)		Developed (\$/boe)	
		Producing			Producing	
		(mmboe)			(\$/boe)	
Exploration & Development <sup>(1)</sup>	125.5	8.8	11.1	12.9	14.25	11.30
Acquisitions (net) <sup>(2)</sup>	121.1	3.9	6.2	9.2	31.00	19.58
Total	246.6	12.7	17.3	22.1	19.40	14.26

Including Change in	Capital Expenditures		Reserves Additions		F&D and FD&A	
	Total Proved	Proved Plus Probable	Total Proved	Proved Plus Probable	Total Proved	Proved Plus Probable
Future Development Costs	(\$mm)	(\$mm)	(mmboe)	(mmboe)	(\$/boe)	(\$/boe)
Exploration & Development <sup>(1)</sup>	172.1	195.0	<b>12.9</b>	<b>15.69</b>	<b>15.69</b>	<b>15.69</b>
Acquisitions (net) <sup>(2)</sup>	162.1	180.2	<b>0.2</b>	<b>20.27</b>	<b>20.27</b>	<b>20.27</b>
Total	334.2	375.2	<b>22.3</b>	<b>10.96</b>	<b>10.96</b>	<b>10.96</b>

1. Excludes Capitalized G&A of \$3.4mm; excludes capital of \$4.0mm spent on acquired properties.

2. Includes \$4.0mm of capital spent on acquired properties from the date of acquisition to period end.

#### Net Asset Value per Share as at December 31, 2017

(\$millions except share and per share amounts)

Proved Plus Probable Reserve Value NPV10 BT 1,817

Undeveloped Land and Seismic <sup>(1)</sup> 128

Net Debt (280)

Total Net Assets (basic) 1,665

Basic Common Share Outstanding (mm) 196

Estimated NAV per Basic Common Share \$8.49

1. Includes management estimates of \$106mm of the value of approximately 315,000 net acres of undeveloped land and \$22mm to seismic.

## OPERATIONAL UPDATE

With continued success of the 2017 capital program and the Company's solid underlying production profile, TORC achieved record production of 21,886 boepd during the fourth quarter while exiting the year more than 22,500 boepd. TORC spent a total of \$129.4 million of exploration and development capital, including drilling 63 (47.4 net) wells with 100% success.

## SOUTHEAST SASKATCHEWAN

TORC's southeast Saskatchewan conventional assets are characterized by their lower risk nature and high rates of return driven by lower capital costs, high operating netbacks and an attractive royalty regime in Saskatchewan. With a long term production decline profile of less than 20% and high operating netbacks, the southeast Saskatchewan conventional assets yield significant free cash flow in the current commodity price environment.

TORC drilled 31 (22.3 net) southeast Saskatchewan conventional wells in 2017, with 13 (10.8 net) wells drilled in the fourth quarter. In 2017, TORC was successful in maintaining a low cost structure in drilling, completion and equipping costs on conventional wells through both operational efficiencies and managing oilfield service costs. In addition to effective cost management, outperformance of wells relative to expectations further enhanced the already attractive capital efficiencies and economics.

TORC continues to identify more than 400 net undrilled conventional locations in southeast Saskatchewan providing numerous years of high quality drilling inventory. In 2018, TORC plans to drill 44 (37.2 net) conventional wells. The focus on TORC's southeast Saskatchewan conventional properties is to generally maintain a flat production profile and maximize free cash flow from the assets.

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, including 6 gross (4.0 net) wells in the first quarter. TORC has currently identified more than 150 net undrilled locations for future growth.

TORC has established prospective land positions in a number of areas that have the potential for unconventional Midale exploitation. TORC has been active on the emerging unconventional Midale light oil resource play drilling six gross (4.7 net) wells in the fourth quarter of 2017 and an additional 5 (3.3 net) wells in the first quarter of 2018. To date the Company has been very encouraged with the initial results from this delineation activity. The Company 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 in 2018.

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

TORC has greater than 95 net light oil sections in the Cardium trend where the Company continues to identify more than 290 net undrilled locations on the Company's asset base. During 2017, the Cardium continued to deliver solid results in this established light oil resource play. TORC drilled a total of 11 (9.7 net) Cardium wells which includes drilling 2 (2.0 net) Cardium wells in the fourth quarter.

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.

In 2018, TORC plans to drill 12 gross (10.5 net) wells across the Company's land position in the Cardium.

## CAPITAL PROGRAM AND PRODUCTION GUIDANCE

TORC's \$165 million capital expenditure budget for 2018 is consistent with the Company's long term strategic objectives of delivering disciplined per share growth in combination with maintaining financial flexibility while providing a sustainable dividend. The focus of the 2018 program is to provide 5-7% organic production growth while sustaining the Company's decline profile to maintain repeatability of this growth profile.

TORC continuously focuses on initiatives to preserve financial flexibility and improve capital efficiencies and operating costs. Significant oilfield service cost savings were achieved over the past few years of industry downturn. TORC has budgeted for a modest increase in service costs due to increasing industry activity with budgeted full cycle capital efficiencies of approximately \$26,000 per boepd in 2018, up from 2017 budget levels of \$24,000 per boepd. Although service costs are anticipated to increase, TORC will continue to focus on operational efficiencies with a goal of achieving results that exceed budget expectations.

The 2018 capital program remains concentrated on the Company's primary core area in southeast Saskatchewan, focused on both conventional opportunities and unconventional opportunities, as well as the Cardium play in central Alberta. The Company remains well positioned to achieve the previously announced 2018 average and exit production guidance of approximately 23,000 boepd and 23,800 boepd respectively, while again maintaining a corporate decline profile of approximately 23%, which is essential to the ongoing sustainability of TORC's long term growth model.

TORC has the operational flexibility to adjust the current 2018 budget depending on the prevailing commodity price environment. Based on current commodity prices and budgeted cost structure, TORC is expected to achieve significant free cash flow in 2018 after organically growing production 5-7% and paying the current dividend. This free cash flow positions the Company to take advantage of opportunities as they arise to enhance debt adjusted returns to investors beyond the current dividend and organic growth targets. In 2017, free cash flow was used to execute on a number of strategic tuck-in acquisitions on a value accretive basis that not only provided additional accretive growth, but also enhanced the underlying business. TORC continues to focus on business and value accretive acquisitions as the primary use of free cash flow in the current environment.

## DIVIDEND

TORC's dividend is reviewed regularly with the Board of Directors and is an important component of TORC's overall strategy. TORC paid dividends of \$0.24 per share in 2017, of which \$0.06 was paid in the fourth quarter of 2017.

During 2017, TORC declared dividends of \$45.1 million of which \$15.3 million was paid under the share dividend program (SDP).

The Board of Directors has confirmed a dividend of \$0.02 per common share will be paid on March 15, 2018 to shareholders of record on February 28, 2018.

## 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 unconventional light oil resource plays in southeast Saskatchewan, positions TORC to provide value creation through a disciplined

long term focused growth strategy with a sustainable dividend.

TORC has the following key operational and financial attributes:

High Netback Production <sup>(1)</sup>	2018E Average: 23,000 boepd 2018E Exit: 23,800 boepd
Total Proved plus Probable Reserves <sup>(2)</sup>	Greater than 114 mmboe (~83% light oil & liquids)
Cardium Light Oil Development Inventory	Greater than 290 net undrilled locations
Southeast Saskatchewan Light Oil Development Inventory	Greater than 400 net undrilled conventional locations Greater than 150 net undrilled Torquay/Three Forks locations
Sustainability Assumptions <sup>(3)</sup>	Corporate decline ~23% Capital Efficiency ~\$26,000 per 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 <sup>(4)</sup>	\$280 million \$242 million drawn on a bank line of \$400 million
Shares Outstanding	196 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, 2017 prepared by Sproule & Associates Limited ("Sproule") evaluating the oil, NGL and natural gas reserves attributable to all of our properties (the "TORC Reserve Report").
- (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".

An updated corporate presentation can be found at [www.torcoil.com](http://www.torcoil.com).

## 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, reserves, drilling inventory, net debt, cash flow, operating netbacks, decline rate and decline profile, product mix, capital expenditure program, capital efficiencies, commodity prices, tax pools and targeted growth. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding: anticipated cost savings and operational efficiencies; anticipated capital cost reductions; the focus and allocation of TORC's 2018 capital budget; anticipated average and exit production rates, available free cash flow, 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](http://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, funds from operations, 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 costs", "net debt", "operating netback", "operating netback (prior to hedging)", "adjusted funds flow netback, including transaction related costs" and "adjusted funds flow netback, excluding transaction related costs" which are defined in the Company's Management's Discussion and Analysis ("the MD&A") for the three months and year ended December 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 "free cash flow", "net debt", "net debt to fourth quarter run rate 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 free 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. Free 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. Free 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 development capital, divided by funds 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, 2017, which will include complete disclosure of our oil and gas reserves and other oil and gas information in accordance with NI 51-101, will be contained within our Annual Information Form which will be available on our SEDAR profile at [www.sedar.com](http://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.

This press release contains metrics commonly used in the oil and natural gas industry, such as "recycle ratio", "finding and development costs" or "F&D", "finding, development and acquisition costs" or "FD&A", "reserve replacement ratio", "reserve life index", "operating netbacks", "reserves replacement", "net asset value" and "reserve life index". These terms do not have standardized meanings or standardized methods of calculation and therefore may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Such metrics have been included herein to provide readers with additional information to evaluate the Company's performance, however such metrics should not be unduly relied upon.

Both F&D and FD&A costs take into account reserves revisions during the year on a per boe basis. The aggregate of the costs incurred in the financial year and changes during that year in estimated F&D may not reflect total F&D related to reserves additions for that year. Finding and development costs both including and excluding acquisitions and dispositions have been presented in this press release because acquisitions and dispositions can have a significant impact on our ongoing reserves replacement costs and excluding these amounts could result in an inaccurate portrayal of our cost structure.

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 please contact [press@torc.com](mailto:press@torc.com) or call [403-930-4159](tel:+14039304159) or visit [www.torc.com](http://www.torc.com) for more information. TORC Oil & Gas Ltd. Telephone: (403) 930-4120, Facsimile: (403) 930-4159, or visit [www.torc.com](http://www.torc.com) for more information. TORC Oil & Gas Ltd. Telephone: (403) 930-4120, Facsimile: (403) 930-4159 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.

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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, 2017 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, 280 are proved locations, 120 are probable locations and 440 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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