# TORC Oil & Gas Ltd. Announces Third Quarter 2018 Financial & Operational Results; Increased 2018 Production Guidance; and Appoints New Member to Board of Directors

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CALGARY, Nov. 5, 2018 - TORC Oil & Gas Ltd. ("TORC" or the "Company") (TSX: TOG) is pleased to announce its financial and operating results for the three and nine months ended September 30, 2018. The associated management's discussion and analysis ("MD&A") and unaudited interim financial statements as at and for the three and nine months ended September 30, 2018 can be found at www.sedar.com and www.torcoil.com.

| Highlights | Three months ended | | | Nine months ended | |
|---|---|---|---|---|---|
| (in thousands, except per share data) | September 30 | June 30 | September 30 | September 30 | September 30 |
| | 2018 | 2018 | 2017 | 2018 | 2017 |
| Financial | | | | | |
| Adjusted funds flow, including | | | | | |
| transaction related costs (1) | $94,036 | $74,637 | $44,404 | $232,685 | $148,358 |
| Per share basic | $0.44 | $0.38 | $0.24 | $1.15 | $0.80 |
| Per share diluted | $0.44 | $0.37 | $0.24 | $1.14 | $0.79 |
| Adjusted funds flow, excluding | | | | | |
| transaction related costs (1) | $95,086 | $75,337 | $44,404 | $234,435 | $148,358 |
| Per share basic | $0.45 | $0.38 | $0.24 | $1.16 | $0.80 |
| Per share diluted | $0.44 | $0.38 | $0.24 | $1.15 | $0.79 |
| Net income | $22,747 | $13,321 | ($6,335) | $41,292 | ($1,059) |
| Per share basic | $0.11 | $0.07 | ($0.03) | $0.20 | ($0.01) |
| Per share diluted | $0.11 | $0.07 | ($0.03) | $0.20 | ($0.01) |
| Exploration and development | | | | | |
| expenditures | $59,027 | $30,004 | $47,302 | $130,701 | $96,687 |
| Property acquisitions, net of | | | | | |
| dispositions | $58,366 | $227,214 | $5,956 | $288,274 | $34,934 |
| Net debt (2) | $391,101 | $367,035 | $259,116 | $391,101 | $259,116 |
| Cash dividends declared (3) | $9,434 | $9,071 | $7,527 | $26,414 | $22,053 |
| Dividends declared per common share | $0.066 | $0.064 | $0.060 | $0.190 | $0.180 |
| Common shares | | | | | |
| Shares outstanding, end of period | 215,647 | 210,812 | 189,689 | 215,647 | 189,689 |
| Weighted average shares (basic) | 212,913 | 197,423 | 187,987 | 202,289 | 186,150 |
| Weighted average shares (diluted) | 215,405 | 200,787 | 188,913 | 204,740 | 187,358 |

| | | | | | |
|---|---|---|---|---|---|
| Operations | | | | | |
| Production | | | | | |
| Crude oil (Bbls per day) | 22,480 | 18,850 | 17,803 | 20,066 | 17,403 |
| NGL (Bbls per day) | 1,459 | 1,282 | 846 | 1,301 | 724 |
| Natural gas (Mcf per day) | 19,327 | 17,560 | 14,059 | 18,116 | 14,408 |
| Barrels of oil equivalent (Boepd, 6:1) | 27,160 | 23,059 | 20,992 | 24,386 | 20,528 |
| Average realized price | | | | | |
| Crude oil ($ per Bbl) | $77.88 | $75.44 | $53.10 | $73.89 | $56.41 |
| NGL ($ per Bbl) | $31.10 | $31.13 | $20.28 | $29.79 | $22.05 |
| Natural gas ($ per Mcf) | $0.98 | $0.84 | $1.15 | $1.17 | $1.96 |
| Barrels of oil equivalent | | | | | |
| ($ per Boe, 6:1) | $66.83 | $64.04 | $46.62 | $63.26 | $49.98 |
| Operating netback per Boe (6:1) | | | | | |
| Operating netback (1) | $40.71 | $38.82 | $25.30 | $37.93 | $28.94 |
| Operating netback (prior to hedging) (1) | $41.34 | $39.28 | $25.30 | $38.33 | $28.94 |
| Adjusted funds flow netback per Boe (6:1) | | | | | |
| Including transaction related costs (1) | $37.63 | $35.57 | $22.99 | $34.95 | $26.47 |
| Excluding transaction related costs (1) | $38.05 | $35.90 | $22.99 | $35.21 | $26.47 |
| Wells drilled: | | | | | |
| Gross | 36 | 8 | 23 | 70 | 48 |
| Net | 30.8 | 7.0 | 16.7 | 56.4 | 34.6 |
| Success (%) | 100 | 100 | 100 | 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 and nine months ended September 30, 2018 and 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.

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

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

PRESIDENT'S MESSAGE

The steady execution of TORC's business plan continued during the third quarter of 2018. The Company executed the largest capital program in the Company's history while generating cash flow in excess of the capital program and dividend. Supported by free cash flow generated by the underlying business, TORC completed a complementary acquisition of unconventional Midale focused assets in the Company's southeast Saskatchewan core area further enhancing the Company's asset base and business model.

The Company's key achievements in the third quarter of 2018 included the following:

- Achieved record quarterly production of 27,160 boepd, up from 23,059 boepd in the second quarter of 2018 and 20,992 boepd in the third quarter of 2017;
- Generated cash flow of $95.1 million relative to $75.3 million in the second quarter of 2018 and $44.4 million in the third quarter of 2017;
- Generated cash flow per share of $0.45 compared to $0.38 in the second quarter of 2018 and $0.24 in the third quarter of 2017;
- Drilled 36 (30.8 net) successful wells;
- Paid dividends of $0.066 per share to shareholders;
- During the first nine months of 2018, the Company generated cash flow of $234.4 million, incurred $130.7 million on capital expenditures, and paid cash dividends of $25.9 million for a payout ratio of 67%;
- Completed the acquisition of a private company with complementary operations which are primarily focused on the unconventional Midale light oil play in southeast Saskatchewan. The strategic acquisition includes 4.0 mmboe of proven plus probable reserves and over 1,000 boepd of high quality, high netback, light oil producing assets for aggregate consideration comprised of the issuance of 2.1 million TORC common shares and $46.5 million in cash; and
- At quarter end, the Company had drawn $336 million on the credit facility, with net debt of approximately $391 million. Subsequent to the end of the third quarter, TORC's credit facility was reconfirmed at $500 million as part of the regular semi-annual review process.

OPERATIONAL UPDATE

With continued success of the 2018 capital program and the Company's solid underlying production profile, TORC achieved record production of 27,160 boepd during the third quarter.  TORC spent a total of $59.0 million of exploration and development capital, including drilling 36 (30.8 net) wells with 100% success.  Total exploration and development capital spending for the first nine months of 2018 was $130.7 million which included 70 (56.4 net) wells drilled with 100% success.

SOUTHEAST SASKATCHEWAN

During the third quarter, the Company drilled 33 (27.8 net) wells in southeast Saskatchewan including 25 (20.9 net) conventional wells, 3 (3.0 net) Torquay/Three Forks wells, 4 (2.9 net) unconventional Midale wells and 1 (1.0 net) salt water disposal well.

TORC drilled 40 (31.8 net) conventional wells in the first nine months of 2018 consistently achieving production results above type curves, further enhancing the already attractive capital efficiencies and economics.  TORC has identified more than 400 net undrilled conventional locations in southeast Saskatchewan providing years of high quality drilling inventory.

In the first nine months of 2018, TORC drilled 12 (10.0 net) southeast Saskatchewan Torquay/Three Forks wells.  Based on encouraging results from the program to date, TORC commenced the construction of a multi well facility which will serve to enhance the strong netbacks in this play due to reduced trucking costs of salt water and emulsion.  With more than 150 net undrilled Torquay/Three Forks locations identified on the southeast Saskatchewan land base, TORC expects to increase the allocation of development capital to the Torquay/Three Forks play in 2019.

In the first three quarters of 2018, TORC drilled 10 (7.2 net) horizontal unconventional Midale wells.  TORC has established prospective land positions in a number of areas that have the potential for unconventional

Midale exploitation. The Company has achieved success across the asset base continuing to expand and de-risk the Company's drilling inventory. In addition, the Company has had success exploiting more mature fields through the reentry and fracture stimulation of older unstimulated wells. The technical success serves to continue to expand and upgrade the Company's drilling inventory. The Company will be active in the fourth quarter of 2018 with 4 (3.4 net) wells planned. With the multiple successes to date in 2018, the Company expects to significantly increase capital allocation to this play in 2019.

CARDIUM

During the third quarter TORC drilled 3 (3.0 net) Cardium development wells. Combined with the 5 (4.4 net) wells drilled in the first quarter of the year, TORC has drilled 8 (7.4 net) wells in the first nine months of 2018. TORC successfully tested two higher intensity multi stage fracture stimulations in the Cardium play during the fourth quarter of 2017. Production from these initial two wells remains encouraging. TORC has plans for three additional higher intensity fracture stimulations in the fourth quarter of 2018. With continued success, TORC will continue to unlock opportunities on its large undeveloped land base.

TORC has identified more than 290 net undrilled locations on the Company's land base representing several years of high quality, lower risk drilling locations on a maturing asset which continues to support TORC's disciplined growth plus dividend model.

DIVIDEND

In the third quarter, TORC paid dividends totaling $0.066 per share or $14.0 million of which $4.4 million was issued under the Company's Stock Dividend Plan ("SDP"). In the first nine months of 2018, the Company has paid dividends totaling $39.0 million, of which $12.1 million was issued under the Company's SDP.

The Board of Directors has confirmed a dividend of $0.022 per common share to be paid on November 15, 2018 to common shareholders of record on October 31, 2018.

TORC's dividend is reviewed regularly with the Board of Directors and is an important component of TORC's overall strategy. TORC's current dividend policy is $0.022 per share per month. 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.

CAPITAL BUDGET AND PRODUCTION GUIDANCE

TORC's 2018 exploration and development capital budget of $185 million maintains TORC's balanced approach where the Company continues to focus on disciplined long term sustainable growth while protecting the Company's strong financial position.

TORC spent $130.7 million in the first three quarters of 2018. With approximately $54 million to be spent in the fourth quarter of 2018, TORC remains well positioned to achieve the Company's capital expenditure and production guidance for 2018.

The 2018 capital program remains concentrated on the Company's primary core areas in southeast Saskatchewan, focused on both conventional and unconventional opportunities, and the Cardium play in central Alberta.

Based on actual production to date and expected fourth quarter production rates, TORC is increasing 2018 average production guidance to 25,300 boepd from 25,100 boepd (87% light oil & liquids) while maintaining exit guidance of 28,000 boepd (88% light oil & liquids).

Overall, global crude oil prices have trended upwards in 2018, however, Western Canadian crude oil is currently trading at historically high differentials relative to global oil prices primarily due to take away capacity limitations and historically high PADD II refinery maintenance outages during October.

Approximately 85% of TORC's crude oil is produced in southeast Saskatchewan and sold at Cromer, Manitoba which is downstream of the crude oil delivery points that have experienced apportionments in the range of 30-45% since the second quarter of 2018. This has resulted in TORC receiving advantaged pricing relative to western Canadian crude oil sold upstream of Cromer during the third quarter. The relative advantaged pricing has widened further in the fourth quarter and is expected to continue until upstream crude oil apportionments ease. PADD II refining capacity has begun to be placed back on stream which is anticipated to provide some relief from the current upstream apportionment issues.

Based on current commodity prices and budgeted cost estimates, TORC expects to achieve free cash flow in the fourth quarter of 2018 after executing the remaining budgeted capital program and paying the dividend. To the end of the third quarter, TORC generated $78 million of free cash flow in 2018. This free cash flow continues to position the Company to take advantage of opportunities as they arise.

TORC anticipates announcing the 2019 capital budget and production guidance in mid-December.

BOARD APPOINTMENT

TORC is pleased to announce the appointment of Mr. John Gordon to the Company's Board effective November 5, 2018.

Mr. Gordon served as the Canadian Managing Partner, Quality and Risk Management, the Canadian Managing Partner, Audit and the Calgary Office Managing Partner for KPMG LLP prior to his retirement in 2018. Mr. Gordon has extensive experience in providing audit and other services to public oil and gas companies. Mr. Gordon is a Chartered Professional Accountant (FCPA), a Chartered Financial Analyst (CFA), and is a graduate of the University of Saskatchewan. Mr. Gordon serves on the Board of the CAMH Foundation, the Alberta Adolescent Recovery Centre, and is a lecturer for, and an active member of the Institute of Corporate Directors.

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 emerging 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] | 2018E Average: 25,300 boepd<br>2018E Exit: 28,000 boepd |
| Total Proved plus Probable Reserves [2] | Greater than 133 mmboe (~85% light oil & liquids) |
| Southeast Saskatchewan Light Oil Development Inventory | Greater than 400 net undrilled conventional locations<br>Greater than 150 net undrilled Torquay/Three Forks location<br>Greater than 175 net undrilled unconventional Midale locatio |
| Cardium Light Oil Development Inventory | Greater than 290 net undrilled locations |
| Sustainability Assumptions [3] | Corporate decline ~23%<br>Current Capital Efficiency ~$26,000 per boepd (IP 365) |
| 2018 Capital Program | $185 million |
| Monthly Dividend | $0.022 per share |
| Net Debt as at Sept 30, 2018 [4] | $391 million; $336 million drawn |
| Shares Outstanding | 216 million (basic) |
| Tax Pools | Approximately $1.9 billion |

| Notes: | |
|---|---|
| (1) | ~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, 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"). The reserves associated with net acquisitions completed in 2018 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 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", "operating netback" (prior to hedging) which are defined in the Company's Management's Discussion and Analysis ("the MD&A") for the three and nine months ended September 30, 2018. 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, 2017, 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, 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 1015 drilling locations identified herein, 280 are proved locations, 120 are probable locations and 615 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.

SOURCE TORC Oil & Gas Ltd.

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