TORC Oil & Gas Ltd. Announces Second Quarter 2020 Financial & Operational Results; Reinstates Production Guidance

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CALGARY, July 29, 2020 - TORC Oil & Gas Ltd. ("TORC" or the "Company") (TSX: TOG) is pleased to announce its financial and operating results for the three and six months ended June 30, 2020. The associated management's discussion and analysis ("MD&A") and unaudited interim financial statements as at and for the three and six months ended June 30, 2020 can be found at www.sedar.com and www.torcoil.com.

Highlights	Three months ended			Six months ended	
(in thousands, except per share data)	June 30 2020	March 31 2020	June 30 2019	June 30 2020	June 30 2019
Financial					
Adjusted funds flow, including transaction related costs [1]	$5,694	$47,146	$81,125	$52,840	$157,192
Per share basic	$0.03	$0.21	$0.37	$0.24	$0.72
Per share diluted	$0.03	$0.21	$0.37	$0.23	$0.71
Adjusted funds flow, excluding transaction related costs [1]	$5,704	$47,166	$81,125	$52,870	$157,192
Per share basic [2]	$0.03	$0.21	$0.37	$0.24	$0.72
Per share diluted	$0.03	$0.21	$0.37	$0.23	$0.71
Net cash from operating activities	$619	$57,955	$100,765	$58,574	$154,695
Net income (loss)	($41,023)	($879,895)	$11,464	($920,918)	$17,799
Per share basic	($0.18)	($3.96)	$0.05	($4.15)	$0.08
Per share diluted	($0.18)	($3.96)	$0.05	($4.15)	$0.08
Exploration and development expenditures [1]	$31,602	$34,700	$34,854	$66,302	$88,962
Property acquisitions, net of					

Dispositions
(1)

$1,083 $3,891 $688 $4,974 $834

Net debt (1)	$382,115	$382,696	$363,895	$382,115	$363,895
Cash dividends	$1,112	$12,222	$10,930	$13,334	$20,691
Dividends declared per common share (3)	$0.005	$0.055	$0.072	$0.060	$0.138
Common shares					
Shares outstanding, end of period	222,445	222,315	218,912	222,445	218,912
Weighted average shares (basic)	222,172	222,146	218,279	222,157	217,713
Weighted average shares (diluted)	226,654	227,093	221,752	226,877	221,195
Operations					
Production					
Crude oil (Bbls per day)	21,039	23,672	23,534	22,356	23,617
NGL (Bbls per day)	1,316	1,582	1,559	1,449	1,509
Natural gas (Mcf per day)	15,301	19,568	19,397	17,434	19,023
Barrels of oil equivalent (Boe per day, 6:1)	24,605	28,515	28,326	26,711	28,297
Average realized prices					
Crude oil ($ per Bbl)	$26.33	$47.87	$70.03	$36.33	$67.44
NGL ($ per Bbl)	$4.24	$9.66	$12.28	$7.20	$16.14
Natural gas ($ per Mcf)	$0.72	$1.60	$0.67	$1.65	$1.41
Barrels of oil equivalent ($ per Boe, 6:1)	$20.99	$41.37	$59.32	$31.87	$58.10
Operating netback					
Operating netback per Boe (6:1)	$4.55	$20.75	$34.35	$13.20	$33.51
Operating netback (prior to hedging)	$3.24	$20.00	$34.35	$12.19	$33.51
Adjusted funds flow netback per Boe (6:1) (1)					
Including transaction related costs	$2.51	$18.17	$31.47	$10.87	$30.69
Excluding transaction related costs (1)	$2.52	$18.18	$31.47	$10.88	$30.69
Wells drilled:					
Gross	–	33	13	33	47
Net	–	28.2	9.8	28.2	37.7

Success (%)	100	100	100	100

(1) Management uses these non-GAAP financial measures to analyze operating performance, leverage and investing activity. These measures do not have a standardized meaning under GAAP and therefore may not be comparable with the calculation of similar measures for other companies. See Non-GAAP Measurements within this document for additional information.

(2) For ease of readability, Cash dividends declared are net of the share dividend program participation. On May 5, 2020 TORC announced the temporary suspension of its monthly dividend.

(3) In this press release, adjusted funds flow, excluding transaction related costs will be referred to as "cash flow".

PRESIDENT'S MESSAGE

During the first quarter, the World Health Organization declared COVID-19 to be a global pandemic. TORC's top priority remains the health and safety of the Company's employees, contractors, partners, service providers and the communities in which we operate. Accordingly, throughout the first and second quarters, the Company implemented measures to protect the well-being of all stakeholders and follow guidance of public health officials, while maintaining safe operations and business continuity.

To combat the spread of COVID-19, global responses to the pandemic caused a significant decline in economic activity, resulting in a substantial decrease in global crude oil demand and unprecedented volatility to oil prices. With the continued volatility in commodity prices and TORC's focus on efficient operations, the Company identified and implemented various measures to preserve shareholder value, and maintain financial flexibility and a strong position.

TORC's proactive responses to these events demonstrated the focus on the long-term objectives of delivering disciplined growth while displaying the resilience and flexibility of the Company's business strategy and asset base. Under some very difficult circumstances over the past several months, TORC's employees, consultants and contract operators performed exceptionally to protect all stakeholders' interests.

The Company's key achievements in the second quarter of 2020 included the following:

- Proactively responded to coinciding events of the global pandemic and rapid decline in commodity prices:
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    - Significantly reduced the 2020 capital program;
    - Suspension of the dividend;
    - Identified and implemented various cost cutting measures in operating and general and administrative costs, including company-wide compensation and Director fee reductions;
    - Shut-in production to preserve value for a stronger commodity price environment;
- Due to voluntary shut-in volumes, quarterly production averaged 24,905 boepd, from 28,515 boepd in the first quarter of 2020 and 28,326 boepd in the second quarter of 2019;
- Generated cash flow of $5.7 million relative to $47.2 million in the first quarter of 2020 and $81.1 million in the second quarter of 2019;
- Generated cash flow per share of $0.03 as compared to $0.21 in the first quarter of 2020 and $0.37 in the second quarter of 2019;
- Achieved a payout ratio of 67% in the second quarter despite significant commodity price volatility;
- Exited the second quarter with net debt of approximately $382.1 million with $367.2 million drawn on the Company's credit facility; and
- Received formal lender commitments from all syndicate members confirming the Company's credit facility at $425 million providing ample liquidity to continue to execute TORC's business strategy going forward.

OPERATIONAL UPDATE

As a result of voluntarily shutting in production volumes, TORC's second quarter production averaged 24,905 boepd.

TORC spent a total of $1.6 million of exploration and development capital in the second quarter bringing total spending for the first six months of 2020 to $66 million.

TORC's production base continued with strong performance resulting from the Company's successful first quarter drilling program and the long history of managing the production decline profile.

SOUTHEAST SASKATCHEWAN

TORC's second quarter capital expenditures on the southeast Saskatchewan's conventional assets were focused on well optimizations and maintenance capital. TORC has identified more than 400 net conventional light oil drilling locations in southeast Saskatchewan, providing multiple years of high quality drilling inventory.

As planned, TORC did not drill wells in the Torquay/Three Forks resource play during the second quarter of 2020. TORC maintains an inventory of 5 (4.0 net) drilled but uncompleted wells associated with the Company's first quarter drilling program. Additionally, TORC has identified over 150 net development locations in the Torquay/Three Forks play providing multiple years of drilling inventory.

On the unconventional Midale light oil resource play in southeast Saskatchewan, TORC did not drill wells during the second quarter following successfully drilling a total of 6 (5.7 net) wells in the first quarter. TORC has identified 175 net future unconventional Midale drilling locations on the Company's land base to add value in future years.

CARDIUM

As budgeted, no Cardium wells were drilled in the second quarter. During the first quarter, TORC drilled 3 (3.0 net) Cardium development wells.

Also in the second quarter, the Company continued to consolidate land in the operating area of Kaybob with a small strategic working interest tuck-in acquisition. TORC has identified more than 290 net Cardium drilling locations for future development.

CAPITAL PROGRAM

In the first quarter of 2020, TORC's capital spending was $65 million. On March 16, 2020, the Company announced the undertaking of a thorough review of the remaining 2020 capital program due to the ongoing uncertainty related to the significant decline in economic activity resulting from COVID-19 and the resulting volatility in global oil prices. The Company elected to significantly reduce total 2020 capital spending to $75 million from the original budget of $190 million. During the first six months of 2020, the Company has spent $66 million.

TORC now expects to spend $80 million in 2020 with the incremental $5 million to be spent primarily on optimizations and asset maintenance programs.

TORC's 2020 $80 million capital budget exhibits a measured approach to the current uncertainty in world oil prices and reflects a balance between managing long-term growth and protecting the Company's strong financial position.

REINSTATED PRODUCTION GUIDANCE

TORC anticipates that the revised $80 million 2020 capital budget will result in 2020 exit production of 25,000 boepd (83% light oil; 5% NGLs). Based on this production profile and the Company's long term focus on production decline management, TORC expects that the Company's production decline will decrease to approximately 20% by year-end 2020.

Based on current commodity prices and budgeted costs, the Company expects to achieve free cash flow above the current capital program during the remainder of 2020. The free cash flow will continue to position the Company to reduce debt and take advantage of opportunities to enhance the growth, sustainability and repeatability of the Company's business model.

TORC's asset base provides flexibility in volatile commodity price environments due to the following key characteristics: greater than 90% operated capital program to dictate capital spending, low decline rate, year-round access, low capital costs per well, no drilling commitments, limited take-or-pay contracts, and no land expiry concerns.

DIVIDEND

TORC's dividend is reviewed regularly with the Board of Directors and is an important component of TORC's overall long-term strategy. With the crude oil market experiencing a significant and rapid decline in world prices resulting from severe dynamics coinciding with significant impacts to both supply and demand uncertainty, TORC elected to temporarily suspend the monthly dividend during the second quarter.

TORC will continue to assess the free cash flow profile and dividend policy of the Company following an increase in economic activity and stability of oil market dynamics.

CREDIT FACILITY

TORC's credit facility was confirmed at $425 million, with the borrowing base determination dates under the credit agreement amended to May and November, annually. The Company's net debt position at the end of the second quarter was $382.1 million with $367.2 million drawn on the credit facility providing TORC with significant liquidity to execute on the Company's business plan.

OUTLOOK

TORC has developed significant trust and credibility as a corporate citizen, which provides a solid foundation for the long-term success of the business. Sustainability of the business includes focusing on overall social responsibility to support strong values and relationships in the workplace, and communities where TORC operates.

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.

TORC has the following key operational and financial attributes:

Production	2020E Exit: 25,000 boepd (83% light oil 5% NGLs)
Total Proved plus Probable Reserves (1)	Greater than 139 mmboe (78% light oil; 6% NGLs)
Southeast Saskatchewan Light Oil Development Inventory	Greater than 400 net undrilled conventional locations
	Greater than 150 net undrilled Torquay/Three Forks locatior
	Greater than 175 net undrilled unconventional Midale locatic
Cardium Light Oil Development Inventory	Greater than 290 net undrilled locations
2020 Capital Program	$80 million
Monthly Dividend	Suspended
Net Debt as at June 30, 2020 (2)	$382 million; $367 million drawn on a bank line of $425 milli
Shares Outstanding	222 million (basic)
Tax Pools	Approximately $1.8 billion

Notes:

1. All reserves information in this press release are gross reserves. The reserve information for TORC in the foregoing table is derived from the independent engineering report effective December 31, 2019 prepared by Sproule & Associates Limited ("Sproule") evaluating the oil, NGL and natural gas reserves attributable to all of our properties (the "TORC Reserve Report").
2. See "Non-GAAP Measures".

An updated corporate presentation can be found at 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 and potential production curtailment, production mix, reserves, drilling inventory, net debt, cash flow and free cash flow, financial flexibility and liquidity, capital costs, operating netbacks, operational efficiencies, decline rate and decline profile, product mix, capital expenditure program, capital efficiencies, commodity prices, royalties, tax pools and future growth. In addition, and without limiting the generality of the foregoing, this press release contains forward–looking information regarding: the focus and allocation of TORC's 2019 capital budget, anticipated average and exit production rates, available free cash flow, management's view of the characteristics and quality of the Company's assets and the opportunities available to the Company, COVID-19 response plans, future capital efficiencies and operating costs, expectations regarding the renewal of TORC's credit facility. 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 the impact (and the duration thereof) that the COVID-19 pandemic will have on the demand for crude oil, NGLs and natural gas, our supply chain, including our ability to obtain the equipment and services we require, and our operations, 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, 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 Measurements

This press release includes non-GAAP measures commonly used in the oil and natural gas industry. These non-GAAP measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS", or alternatively, "GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. For details, descriptions and reconciliations of these non-GAAP measurements, see the Company's Management's Discussion and Analysis for the three months ended March 31, 2020.

"Adjusted funds flow, including transaction related costs" represents cash flow from operating activities prior to changes in non-cash operating working capital and settlement of decommissioning obligations. "Adjusted funds flow, excluding transaction related costs" represents cash flow from operating activities prior to changes in non-cash operating working capital, settlement of decommissioning obligations and transaction related costs. Management considers these measures to be useful as they assist in the determination of the Company's ability to generate liquidity necessary to finance capital expenditures, settlement of decommissioning obligations and funding of its dividend. Transaction related costs are incurred during asset and/or corporate acquisitions and are typically not considered a cost incurred in the normal course of business. As a result, excluding transaction related costs from adjusted funds flow further assists in the determination of the Company's ability to generate liquidity in the normal course of business. For ease of readability, in this press release, "adjusted funds flow, excluding transaction related costs" is also referred to as "cash flow". TORC calculates cash flow per share using the same method and shares outstanding that are used in the determination of earnings per share.

"Net debt" is calculated as current assets (excluding financial derivative assets) less: i) current liabilities (excluding financial derivative liabilities) and ii) bank debt. Management considers this measure to be useful in determining the Company's leverage.

"Operating netback" or "netback" represents revenue and realized gain or loss on financial derivatives, less royalties, operating expenses and transportation expenses and has been presented on a per Boe basis. Management believes that in addition to net income, operating netback is a useful measure as it assists in the determination of the Company's operating performance and profitability.

"Exploration and development expenditures" represents expenditures on property, plant and equipment ("PP&E") excluding: acquisitions, non-cash PP&E additions and capitalized general and administrative expenses. See Capital Expenditures in the MD&A for further details.

"Property acquisitions, net of dispositions" represents additions to PP&E related to the Company's asset and/or corporate acquisition and disposition activity.

"Free cash flow" represents adjusted funds flow, excluding transaction related costs, less i) exploration and development expenditures", and ii) cash dividends paid. Management considers this measure to be useful in determining its ability to finance capital expenditures and fund its dividend.

"Payout ratio" represents cash dividends paid, plus exploration and development expenditures, divided by adjusted funds flow, excluding transaction related costs. The Company considers this to be a key measure of sustainability.

Oil and Gas Disclosures

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, 2019 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates prepared by a qualified reserves evaluator 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 net drilling locations identified herein, 357 are proved locations, 133 are probable locations and 525 are unbooked locations. Of the 400 net conventional drilling locations identified herein, 161 are proved locations, 56 are probable locations and 183 are unbooked locations. Of the 150 net Torquay/Three Forks drilling locations identified herein, 51 are proved locations, 27 are probable locations and 72 are unbooked locations. Of the 175 net unconventional Midale drilling locations identified herein, 78 are proved locations, 17 are probable locations and 80 are unbooked locations. Of the 290 net Cardium drilling locations identified herein, 68 are proved locations, 33 are probable locations and 189 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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