TORC Oil & Gas Ltd

Financial Statements

As at March 31, 2017

and for the three months ended

March 31, 2017 and 2016

TORC Oil & Gas Ltd.
Statements of Financial Position
(unaudited)
(in $000's of Canadian dollars)

	Note	As at March 31, 2017	As at December 31, 2016
Assets			
Trade and other receivables		**$36,956**	$34,386
Deposits and prepaid expenses		**3,305**	2,408
Financial derivative asset	9	**117**	-
Total current assets		**40,378**	36,794
Property, plant and equipment	3	**1,883,946**	1,893,631
Deferred tax asset		**15,427**	17,193
Total non-current assets		**1,899,373**	1,910,824
Total assets		**$1,939,751**	$1,947,618
Liabilities			
Trade and other payables		**$77,122**	$85,289
Dividends payable	5	**3,677**	3,662
Financial derivative liability	9	**-**	1,112
Total current liabilities		**80,799**	90,063
Bank debt	8	**218,044**	218,743
Decommissioning obligations	4	**290,020**	289,493
Total non-current liabilities		**508,064**	508,236
Total liabilities		**$588,863**	$598,299
Equity			
Share capital		**$1,776,619**	$1,771,238
Contributed surplus		**19,317**	14,858
Deficit		**(445,048)**	(436,777)
Total equity		**1,350,888**	1,349,319
Total liabilities and equity		**$1,939,751**	$1,947,618

Commitment (note 10)
Subsequent event (note 11)

See accompanying notes to the condensed interim financial statements.

FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.

Statements of Income (Loss) and Comprehensive Income (Loss)
(unaudited)
(in $000's of Canadian dollars, except per share amounts)

	Note	**Three months ended Mar 31, 2017**	Three months ended Mar 31, 2016
Revenues			
Petroleum and natural gas sales		**$93,629**	$52,118
Royalties		**(15,645)**	(9,135)
		77,984	42,983
Unrealized gain on financial derivatives		**1,229**	-
		79,213	42,983
Expenses			
Operating		**19,915**	21,320
Transportation		**2,112**	2,959
General and administrative		**2,297**	2,416
Finance costs		**3,797**	3,419
Stock-based compensation	6	**2,768**	3,549
Depletion and depreciation	3	**43,814**	42,572
		74,703	76,235
Income (loss) before income taxes		**4,510**	(33,252)
Deferred income tax expense (recovery)		**1,766**	(7,992)
Income (loss) and comprehensive income (loss)		**$2,744**	($25,260)
Income (loss) per share:			
Basic and diluted	7	**$0.01**	($0.16)

See accompanying notes to the condensed interim financial statements.

TORC Oil & Gas Ltd.

Statements of Changes in Equity
(unaudited)
(in $000's of Canadian dollars, unless otherwise noted)

	Number of common shares (000's)	Share capital	Contributed surplus	Deficit	Total equity
Balance at December 31, 2015	161,242	$1,621,035	$19,992	($341,280)	$1,299,747
Stock-based compensation	-	-	6,730	-	6,730
Issued on vesting of: Share Awards and incentive shares	10	-	-	-	-
Transfer of stock-based compensation on vesting of: Share Awards and incentive shares	-	414	(414)	-	-
Dividends to shareholders	-	-	-	(13,787)	(13,787)
Issued pursuant to the share dividend program	1,419	6,720	-	-	6,720
Loss for the period	-	-	-	(25,260)	(25,260)
Balance at March 31, 2016	**162,671**	**$1,628,169**	**$26,308**	**($380,327)**	**$1,274,150**
Balance at December 31, 2016	183,099	$1,771,238	$14,858	($436,777)	$1,349,319
Stock-based compensation	-	-	5,233	-	5,233
Issued on vesting of: Share Awards and incentive shares	112	-	-	-	-
Transfer of stock-based compensation on vesting of: Share Awards and incentive shares	-	774	(774)	-	-
Dividends to shareholders	-	-	-	(11,015)	(11,015)
Issued pursuant to the share dividend program (note 5)	651	4,607	-	-	4,607
Income for the period	-	-	-	2,744	2,744
Balance at March 31, 2017	**183,862**	**$1,776,619**	**$19,317**	**($445,048)**	**$1,350,888**

See accompanying notes to the condensed interim financial statements.

TORC Oil & Gas Ltd.

Statements of Cash Flows
(unaudited)
(in $000's of Canadian dollars)

	Three months ended Mar 31, 2017	Three months ended Mar 31, 2016
Cash flows from operating activities:		
Income (loss) for the period	**$2,744**	($25,260)
Depletion and depreciation	**43,814**	42,572
Stock-based compensation	**2,768**	3,549
Deferred income tax expense (recovery)	**1,766**	(7,992)
Accretion on decommissioning obligations	**1,620**	1,213
Unrealized gain on financial derivatives	**(1,229)**	-
Settlement of decommissioning obligations	**(175)**	-
Change in non-cash working capital	**(11,912)**	6,661
Net cash from operating activities	**39,396**	20,743
Cash flows used in investing activities:		
Additions to property, plant and equipment	**(32,709)**	(17,473)
Proceeds from property dispositions, net of acquisitions	**127**	1,714
Change in non-cash working capital	**278**	(15,092)
Net cash used in investing activities	**(32,304)**	(30,851)
Cash flows from (used in) financing activities:		
Proceeds from (repayment of) bank debt	**(699)**	21,178
Dividends	**(6,393)**	(11,070)
Net cash from (used in) financing activities	**(7,092)**	10,108
Change in cash and cash equivalents	**-**	-
Cash and cash equivalents, beginning of period	**-**	-
Cash and cash equivalents, end of period	**-**	-

See accompanying notes to the condensed interim financial statements.

TORC Oil & Gas Ltd.

Notes to the Financial Statements
As at March 31, 2017 and for the three months ended March 31, 2017 and 2016
(unaudited)
(in $000's of Canadian dollars, unless otherwise noted)

1. Reporting entity

TORC Oil & Gas Ltd. (the “Company” or "TORC") was incorporated pursuant to the Business Corporations Act (Alberta) on March 23, 2010 as 1525893 Alberta Ltd. The Company's name was changed to TORC Oil & Gas Ltd. on December 17, 2010. The Company's principal business activity is the exploration for and production of petroleum and natural gas in the Western Canadian Sedimentary Basin.

The Company's principal place of business is located at Suite 1800, Eighth Avenue Place, 525 - 8th Avenue SW, Calgary, Alberta, Canada T2P 1G1.

2. Basis of preparation

These condensed interim financial statements and the notes thereto should be read in conjunction with TORC's audited financial statements as at and for the year ended December 31, 2016, and do not include all of the information required for full annual financial statements.

These condensed interim financial statements are unaudited and have been prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies applied for the condensed interim financial statements as at and for the three months ended March 31, 2017 are consistent with those applied in the financial statements as at and for the year ended December 31, 2016 which have been prepared on the basis of IFRS issued by the IASB and interpretations of the IFRIC.

These condensed interim financial statements were approved by the Company's Board of Directors on May 8, 2017.

Future accounting pronouncements

The following accounting standards and amendments, issued by the International Accounting Standards Board (“IASB”), become effective January 1, 2018: IAS 38 (amendments to Clarification of Acceptable Methods of Depreciation and Amortization), IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. IFRS 16 Leases comes effective January 1, 2019. The impact of these accounting standards and amendments are not expected to have a material impact on the Company's financial statements, although the Company is still finalizing its assessment.

TORC Oil & Gas Ltd.

Notes to the Financial Statements
As at March 31, 2017 and for the three months ended March 31, 2017 and 2016
(unaudited)
(in $000's of Canadian dollars, unless otherwise noted)

3. Property, plant and equipment

Cost:	
Balance at December 31, 2015	$2,309,434
Property acquisitions	105,384
Property dispositions	(740)
Capital expenditures	93,526
Change in decommissioning obligations	10,835
Balance at December 31, 2016	$2,518,439
Property dispositions, net of acquisitions	(127)
Capital expenditures	35,174
Change in decommissioning obligations	(918)
Balance at March 31, 2017	**$2,552,568**

Accumulated depletion, depreciation and impairment:	
Balance at December 31, 2015	$450,689
Depletion and depreciation	174,119
Balance at December 31, 2016	$624,808
Depletion and depreciation	43,814
Balance at March 31, 2017	**$668,622**

Net amount:	
As at December 31, 2016	$1,893,631
As at March 31, 2017	**$1,883,946**

At March 31, 2017, the Company had $124.1 million of property, plant and equipment which was excluded from depletion at the time and largely related to undeveloped land (December 31, 2016: $132.2 million). Estimated future development costs of $608.2 million were included in the depletion calculation (December 31, 2016: $617.6 million).

4. Decommissioning obligations

	As at March 31, 2017	As at December 31, 2016
Balance, beginning of period	**$289,493**	$264,703
Obligations incurred	**1,377**	3,559
Obligations acquired	**-**	9,652
Obligations settled	**(175)**	(365)
Change in discount rate, pursuant to asset acquisitions	**-**	20,479
Change in estimates	**(2,295)**	(13,203)
Accretion	**1,620**	4,668
Balance, end of period	**$290,020**	$289,493

The total future decommissioning obligations are based on the Company's net ownership in wells and facilities, estimated costs to reclaim and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The Company has estimated an undiscounted and uninflated total future liability of $312.9 million as at March 31, 2017 (at December 31, 2016: $314.0 million) to be incurred on average in 25 years.

For the period ended March 31, 2017, the Company used a risk free rate of 2.31 percent and an inflation rate of 1.8 percent to calculate the net present value of the decommissioning obligations, which were consistent with the rates used at December 31, 2016. Actual costs may differ from estimated costs due to changes in laws and regulations, timing of costs, changes in technology and market conditions.

TORC Oil & Gas Ltd.

Notes to the Financial Statements
As at March 31, 2017 and for the three months ended March 31, 2017 and 2016
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5. Dividends

(thousands, except per share amounts)	**Three months ended Mar 31, 2017**	Three months ended Mar 31, 2016
Dividends declared per share	**$0.060**	$0.085
Cash dividends paid	**$6,393**	$11,070
Dollar value of common shares issued under the Share Dividend Program	**4,607**	6,720
Total dividends	**$11,000**	$17,790

In 2016, the Company's dividend plan enabled common shareholders to elect to receive dividends in common shares rather than cash (the "Share Dividend Program"), calculated at 95% of the weighted average trading price for the five days immediately prior to the payment date (the "SDP Discount"). On December 15, 2016, TORC announced the elimination of the SDP Discount, beginning with the January 2017 dividend, which was paid in February 2017.

During the period between April 1, 2017 and May 8, 2017, $3.7 million of dividends have been declared.

6. Stock-based compensation

In September 2013, the Company's shareholders approved an award plan (the ''Share Award Plan'') whereby restricted awards and performance awards (collectively, ''Share Awards'') may be granted to the directors, officers and employees of the Company. The maximum number of common shares issuable under the Share Award Plan, combined with the Company's existing stock option and incentive share plans, cannot exceed ten percent of the outstanding common shares. In addition, the combined number of restricted and performance awards cannot exceed 3.75 percent of the outstanding common shares. Share Awards are earned over various periods, generally up to three years from the date of grant. Upon being earned, a holder of restricted awards is entitled to a notional payment equal to the equivalent number of common shares (plus accrued dividend equivalents). A holder of performance awards is entitled to a similar payment equal to the equivalent number of common shares, converted using a multiplier between zero and two (plus accrued dividend equivalents), dependent on the Company's performance on a set criteria as determined by the Board of Directors. The Corporation has the discretion to settle the awards in common shares, cash or a combination thereof.

Stock options

Stock options granted have a term of five years to expiry and have various vesting periods up to three years. The following table summarizes the Company's stock option activity:

(thousands, except exercise prices)	Number of stock options	Weighted average exercise price
Balance at December 31, 2015	1,532	$16.42
Expired	(994)	17.61
Forfeited	(36)	14.08
Balance at December 31, 2016	**502**	**$14.22**
Expired	(27)	22.99
Balance and exercisable at March 31, 2017	**475**	**$13.73**

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TORC Oil & Gas Ltd.

Notes to the Financial Statements
As at March 31, 2017 and for the three months ended March 31, 2017 and 2016
(unaudited)
(in $000's of Canadian dollars, unless otherwise noted)

The following table summarizes stock options outstanding and exercisable at March 31, 2017:

(thousands, unless otherwise noted)	Number outstanding and exercisable	Weighted average remaining term (years)
Exercise price:		
$7.15 to $9.85	30	1.1
$11.65 to $13.05	140	0.7
$14.94 to $22.99	305	0.5
$7.15 to $22.99	475	0.6

When the outstanding stock options expire per the remaining terms summarized above, the Company does not expect to issue any additional stock options at this time.

Restricted awards

The following table summarizes restricted award activity:

(thousands)	Number of restricted awards
Balance at December 31, 2015	1,264
Granted	572
Adjustment for payment of dividends	45
Forfeited	(20)
Vested	(858)
Balance at December 31, 2016	1,003
Granted	483
Adjustment for payment of dividends	9
Vested	(107)
Balance at March 31, 2017	**1,388**

Restricted awards are earned over various periods, generally up to three years from the date of grant. Upon being earned, a holder of restricted awards is entitled to a notional payment equal to the equivalent number of common shares (plus accrued dividend equivalents). The Corporation has the discretion to settle the awards in common shares, cash or a combination thereof. The fair value of restricted awards is deemed to equal the stock price on the date of grant. For the period ended March 31, 2017, the weighted average fair value of restricted awards granted was $6.83 per restricted award. There is no forfeiture rate included in the calculation of fair values of restricted awards granted.

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TORC Oil & Gas Ltd.

Notes to the Financial Statements
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Performance awards

The following table summarizes performance award activity:

(thousands)	Number of performance awards
Balance at December 31, 2015	2,159
Granted	739
Granted pursuant to performance multiplier [1]	565
Adjustment for payment of dividends	73
Forfeited	(42)
Vested	(1,827)
Balance at December 31, 2016	1,667
Granted	970
Granted pursuant to performance multiplier [1]	335
Adjustment for payment of dividends	14
Vested	(5)
Balance at March 31, 2017	**2,981**

[1] Performance awards granted pursuant to performance multipliers are not further increased or decreased by future performance multipliers.

Performance awards are earned over various periods, generally up to three years from the date of grant. Upon being earned, a holder of performance awards is entitled to a notional payment equal to the equivalent number of common shares, converted using a multiplier between zero and two (plus accrued dividend equivalents), dependent on the Company's performance on a set criteria as determined by the Board of Directors. The Corporation has the discretion to settle the awards in common shares, cash or a combination thereof. The multiplier, which was determined during the earning period, is considered to have been applied at the grant date. As performance multipliers are known, past grants are adjusted to reflect the multiplier. The fair value of performance awards is deemed to equal the stock price on the date of grant. For the period ended March 31, 2017, the weighted average fair value of performance awards granted was $7.21 per performance award. There is no forfeiture rate included in the calculation of fair values of performance awards granted.

Stock-based compensation

The following table summarizes the stock-based compensation:

(thousands)	**Three months ended Mar 31, 2017**	Three months ended Mar 31, 2016
Stock-based compensation on options	**-**	$3
Stock-based compensation on incentive awards	**-**	2
Stock-based compensation on restricted awards	**1,146**	1,196
Stock-based compensation on performance awards	**4,087**	5,529
Capitalized stock-based compensation	**(2,465)**	(3,181)
Total stock-based compensation	**$2,768**	$3,549

TORC Oil & Gas Ltd.

Notes to the Financial Statements
As at March 31, 2017 and for the three months ended March 31, 2017 and 2016
(unaudited)
(in $000's of Canadian dollars, unless otherwise noted)

7. Income (loss) per share

Income (loss) per share amounts are calculated by dividing the net income (loss) for the period attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

(thousands, except number of common shares and per share amounts)	**Three months ended Mar 31, 2017**	Three months ended Mar 31, 2016
Income (loss) for the period	**$2,744**	($25,260)
Basic weighted average number of common shares	**183,519,477**	162,100,122
Basic and diluted weighted average number of common shares	**185,080,621**	162,100,122
Basic loss per common share	**$0.01**	($0.16)
Basic and diluted loss per common share	**$0.01**	($0.16)

For the three months ended March 31, 2016, the diluted number of shares is equivalent to the basic number of shares due to antidilutive stock options, incentive shares, performance and restricted awards. Therefore, the diluted per share amounts for net loss are equivalent to the basic per share amounts.

In computing diluted earnings per share for the three months ended March 31, 2017, 1,079,587 performance awards, 464,319 restricted awards and 17,018 stock options were added to the basic weighted average common shares outstanding.

8. Bank debt

At March 31, 2017, the Company had a reserves-based revolving credit facility of $400 million with a syndicate of banks (the "Credit Facility"), comprised of a $55 million operating facility from the operating lender (the "Operating Facility") and a $345 million syndicated facility with a syndicate of banks (the "Syndicated Facility"). As at March 31, 2017 the amount drawn from the Credit Facility was $218.0 million. On April 18, 2017, the Credit Facility was renewed at $400 million, comprised of a $55 million operating facility and a $345 million syndicated facility. Advances under the Credit Facility are available by way of direct advances, bankers' acceptances and standby letters of credit/guarantees. Direct advances bear interest at the prime rate, U.S. base rate or LIBOR rate, as applicable, plus a margin which is dependent on the Company's debt to trailing funds flow ratio. The bankers' acceptances bear interest at the applicable bankers' acceptance rate plus a stamping fee, based on the Company's debt to trailing funds flow ratio.

Both the Syndicated Facility and the Operating Facility are available on a revolving basis until April 27, 2018. On or before April 27, 2018, at TORC's request and subject to the approval of the lending syndicate, the Credit Facility may be extended for an additional 364 day period. In the event of non-extension, the undrawn portion of the Credit Facility will be cancelled and the amount outstanding will convert to a 364 day non-revolving term facility with repayment of the Credit Facility due on April 28, 2019. The Credit Facility is secured by a fixed and floating charge debenture on all of the Company's assets.

The borrowing base is primarily based on reserves and commodity prices estimated by the lenders. The borrowing base of the Company's Credit Facility is subject to review and redetermination by the lenders on a semi-annual basis and in the event of a change in the Company's borrowing base properties (including due to a disposition of assets beyond certain defined limits or a change which results in a material adverse effect, as determined by the lenders). In the normal course, the Company's next credit facility evaluation is due to be completed by October 31, 2017.

TORC Oil & Gas Ltd.

Notes to the Financial Statements
As at March 31, 2017 and for the three months ended March 31, 2017 and 2016
(unaudited)
(in $000's of Canadian dollars, unless otherwise noted)

9. Financial derivatives

Commodity contracts outstanding as at March 31, 2017:

Remaining term	Reference	Type	Volume (Bbl/d)	Price (per Bbl in Canadian dollars)	Fair value at Mar 31, 2017 ($000s)
Apr 1, 2017 - Dec 31, 2017	C$WTI	Costless Collar	250	$55.00 - $77.50	($33)
Apr 1, 2017 - Dec 31, 2017	C$WTI	Costless Collar	250	$55.00 - $80.25	(3)
Apr 1, 2017 - Dec 31, 2017	C$WTI	Costless Collar	250	$55.00 - $82.00	5
Apr 1, 2017 - Dec 31, 2017	C$WTI	Costless Collar	250	$55.00 - $83.10	19
Apr 1, 2017 - Dec 31, 2017	C$WTI	Costless Collar	250	$55.00 - $84.00	22
Apr 1, 2017 - Dec 31, 2017	C$WTI	Costless Collar	250	$55.00 - $85.00	24
Apr 1, 2017 - Dec 31, 2017	C$WTI	Costless Collar	500	$55.00 - $85.75	51
Apr 1, 2017 - Dec 31, 2017	C$WTI	Costless Collar	250	$55.00 - $90.75	32
					$117

10. Commitment

Operating lease commitment

Future minimum lease payments for the Company's office space as at March 31, 2017 are as follows:

2017	$1,447
2018	1,970
2019	2,018
2020	1,193
Total	$6,628

11. Subsequent event

Subsequent to March 31, 2017, the Company closed two acquisitions of complementary light oil assets, as well as dispose of certain non-core assets within TORC's existing southeast Saskatchewan area (together, the "Net Asset Acquisitions"). Total consideration (net of the proceeds from the non-core disposition) for the Net Asset Acquisitions included cash of $9.8 million as well as the issuance of 2.8 million common shares of TORC, valued at $6.88 per common share on the closing date, for total net consideration of $28.9 million before customary adjustments.