TORC Oil & Gas Ltd

Management's Discussion and Analysis

For the three and nine months ended

September 30, 2019 and 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("the MD&A") is dated November 6, 2019. The MD&A should be read in conjunction with TORC Oil & Gas Ltd.'s ("TORC" or the "Company") unaudited condensed interim financial statements as at and for the three and nine months ended September 30, 2019 and the audited financial statements as at and for the year ended December 31, 2018. The reader should be aware that historical results are not necessarily indicative of future performance.

The financial data presented below has been prepared in accordance with International Financial Reporting Standards ("IFRS"), unless otherwise indicated.

TORC's reporting and measurement currency is the Canadian dollar. Amounts in this MD&A are in Canadian dollars unless otherwise stated.

Barrel of Oil Equivalent

Where amounts are expressed on a barrel of oil equivalent ("Boe") basis, natural gas volumes have been converted to Boe using a ratio of 6,000 cubic feet of natural gas to one barrel of oil equivalent. This conversion ratio is based upon an energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. Boe figures may be misleading, particularly if used in isolation.

Non-GAAP Measurements

The MD&A contains the terms *"funds flow", "adjusted funds flow, including transaction related costs", "adjusted funds flow, excluding transaction related costs", "net debt"* and *"operating netback"*, which are commonly used in the oil and natural gas industry, but not defined by IFRS and therefore may not be comparable to performance measures presented by others. Investors should be cautioned, however, that these measures should not be construed as an alternative to both net income and net cash from operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

Funds flow represents cash flow from operating activities prior to change in non-cash operating working capital. *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.

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 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. In addition to *operating netback*, the Company also discloses *operating netback (prior to hedging)*, which is calculated as *operating netback* excluding realized gain or loss on financial derivatives. Management believes that in addition to net income, *operating netback* and *operating netback (prior to hedging)* are useful measures as they assist in the determination of the Company's operating performance and profitability.

(continued)

The reconciliation between funds flow and adjusted funds flow, as defined above, and net cash from operating activities, as defined by IFRS, is as follows:

($ thousands)	**Three months ended Sep 30, 2019**	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Net cash from operating activities (defined by IFRS)	**$62,559**	$87,364	**$217,254**	$220,694
Changes in non-cash operating working capital	**10,777**	6,418	**11,873**	11,618
Funds flow	**$73,336**	$93,782	**$229,127**	$232,312
Settlement of decommissioning obligations	**432**	254	**1,833**	373
Adjusted funds flow, including transaction related costs	**$73,768**	$94,036	**$230,960**	$232,685
Transaction related costs	**-**	1,050	**-**	1,750
Adjusted funds flow, excluding transaction related costs	**$73,768**	$95,086	**$230,960**	$234,435

The reconciliation of net debt, as defined above, is as follows:

	As at September 30, 2019	As at December 31, 2018
Current assets (excluding financial derivative assets)	**$51,748**	$33,613
Less: current liabilities (excluding financial derivative liabilities)	**(125,879)**	(103,418)
Less: bank debt	**(295,440)**	(335,488)
Net debt	**($369,571)**	($405,293)

The reconciliation for operating netback is found within this MD&A.

Forward-Looking Statements

This MD&A contains forward-looking statements. More specifically, it contains forward-looking statements respecting: (i) the anticipated sources of funding for the Company's capital program, (ii) the sufficiency of liquidity and capital resources to fund the Company's capital program, ongoing operations, and execution of its business plan, (iii) planned 2019 annual exploration and development expenditures and the allocation thereof, and (iv) the Company's risk management activities and the benefits to be obtained therefrom.

The forward-looking statements contained in this MD&A are based on certain key expectations and assumptions made by TORC, including expectations and assumptions concerning the impact of increasing competition, the general stability of the economic and political environment in which TORC operates, the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner, drilling results, the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner, TORC's ability to obtain financing on acceptable terms, changes in the Company's banking facility, field production rates and decline rates, changes in operating and transportation costs, the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration, the timing and costs of pipeline, storage and facility construction and expansion, the ability of the Company to secure adequate product transportation, future petroleum and natural gas prices, currency, exchange and interest rates, the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates and TORC's ability to successfully market its petroleum and natural gas products. Readers are cautioned that the foregoing list of factors is not exhaustive.

Although TORC believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because TORC can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks, including, without limitation, factors and risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, changes in royalty rates and other governmental regulations, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, the inability to fully realize the benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and inability to access sufficient capital from internal and external sources. Additional information on these and other factors and risks that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or at the Company's website (www.torcoil.com). Furthermore, the forward looking statements contained in this document are made as at the date of this document and the Company does not undertake any obligation to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Results of Operations

Production

	Three months ended Sep 30, 2019	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Crude oil (Bbl per day) [(1)]	**23,382**	22,480	**23,538**	20,066
NGL (Bbl per day) [(1) (2)]	**1,587**	1,459	**1,536**	1,301
Natural gas (Mcf per day) [(3)]	**20,206**	19,327	**19,422**	18,116
Total (Boe per day)	**28,337**	27,160	**28,311**	24,386
Production mix:				
Crude oil	**83%**	83%	**83%**	82%
NGL	**5%**	5%	**6%**	6%
Crude oil and NGL ("Liquids")	**88%**	88%	**89%**	88%
Natural gas	**12%**	12%	**11%**	12%

(1) "Bbl" refers to barrels.
(2) "NGL" refers to natural gas liquids.
(3) "Mcf" refers to thousand cubic feet.

Production in the three and nine months ended September 30, 2019 increased 4% and 16%, respectively, compared to the three and nine months ended September 30, 2018 (the "Corresponding Periods"). In addition to the Company's ongoing successful drilling activities, the increase includes production from various acquisitions in 2018, which at the time of the acquisitions totalled approximately 4,200 boepd of low decline, high netback, light oil producing assets (the "2018 Acquisitions").

Pricing

	Three months ended Sep 30, 2019	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Average realized prices:				
Crude oil ($ per Bbl)	**$64.65**	$77.88	**$66.51**	$73.89
NGL ($ per Bbl)	**11.91**	31.10	**14.67**	29.79
Crude oil and NGL ($ per Bbl)	**$61.29**	$75.03	**$63.33**	$71.20
Natural gas ($ per Mcf)	**0.75**	0.98	**1.18**	1.17
Boe ($ per Boe)	**$54.55**	$66.83	**$56.90**	$63.26

During the three and nine months ended September 30, 2019, TORC realized crude oil prices of $64.65 per Bbl and $66.51 per Bbl, respectively (Corresponding Periods: $77.88 per Bbl and $73.89 per Bbl, respectively).

During the three and nine months ended September 30, 2019, TORC's crude oil discount to WTI converted to Canadian dollars approximated $9.90 per Bbl and $9.34 per Bbl, respectively (Corresponding Periods: $12.96 per Bbl and $12.13 per Bbl, respectively). In the three and nine months ended September 30, 2019, TORC's crude oil discount to Edmonton Par averaged approximately $3.51 per Bbl and $2.88 per Bbl, respectively (Corresponding Periods: $4.08 per Bbl and $4.46 per Bbl, respectively). The crude oil pricing differentials are largely a function of North American refinery supply/demand fundamentals as well as crude oil quality and transportation.

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In the three and nine months ended September 30, 2019, the Company realized gas prices of $0.75 per Mcf and $1.18 per Mcf, respectively (Corresponding Periods: $0.98 per Mcf and $1.17 per Mcf, respectively). In the three and nine months ended September 30, 2019, the Company's realized gas price was 18% and 22% below AECO benchmarks, respectively (Corresponding Periods: 17% and 21% below AECO benchmarks, respectively). Gas price differentials are a function of North American and localized supply/demand fundamentals, heat content of gas, gas processing arrangements, as well as available pipeline capacity.

In the three and nine months ended September 30, 2019, the average realized prices across all products were $54.55 per Boe and $56.90 per Boe, respectively. For the three and nine months ended September 30, 2019, the average realized prices were lower by $12.28 per Boe and $6.36 per Boe, respectively, compared to the Corresponding Periods.

	Three months ended Sep 30, 2019	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Average Benchmark Prices:				
Crude oil – WTI *(US$ per Bbl)*	**$56.45**	$69.50	**$57.06**	$66.79
Crude oil – Edmonton Par *(CDN$ per Bbl)*	**$68.16**	$81.96	**$69.39**	$78.35
Natural gas – AECO Daily Spot *($ per Mcf)*	**$0.91**	$1.19	**$1.51**	$1.48
Natural gas – AECO Monthly Spot *($ per Mcf)*	**$1.23**	$1.35	**$1.44**	$1.40
Exchange rate – *(CDN$/US$)*	**1.32**	1.31	**1.33**	1.29

Revenues

($ thousands)	**Three months ended Sep 30, 2019**	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Crude oil	**$139,115**	$161,138	**$427,636**	$405,035
NGL	**1,706**	4,102	**5,961**	10,366
Natural gas	**1,381**	1,737	**6,174**	5,745
	$142,202	$166,977	**$439,771**	$421,146

Revenues in the three and nine months ended September 30, 2019 decreased 15% and increased 4%, respectively, compared to the Corresponding Periods. In the three months ended September 30, 2019, the decrease in revenues, compared to the Corresponding Period, was largely due to lower crude oil prices, somewhat offset by higher production volumes from drilling activities. In the nine months ended September 30, 2019, the increase in revenues, compared to the Corresponding Period, was due to higher production volumes from drilling activities as well as a full nine months of production volumes from the 2018 Acquisitions, offset by lower crude oil prices.

Revenues from the sale of crude oil and NGL continued to be greater than 95% of all revenues.

Royalties

($ thousands, unless otherwise noted)	**Three months ended Sep 30, 2019**	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Royalties	**$24,124**	$29,124	**$76,695**	$73,507
$ per Boe	**$9.25**	$11.66	**$9.92**	$11.04
Percentage of revenue	**17%**	17%	**17%**	17%

The Company's corporate royalty rate (as a percentage of revenue) for the three and nine months ended September 30, 2019 remained consistent, compared to the Corresponding Periods.

Operating and Transportation Expenses

($ thousands, unless otherwise noted)	**Three months ended Sep 30, 2019**	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Operating expenses	**$33,843**	$31,310	**$100,621**	$83,643
$ per Boe	**$12.98**	$12.53	**$13.02**	$12.56
Transportation expenses	**$3,707**	$3,250	**$10,331**	$8,844
$ per Boe	**$1.42**	$1.30	**$1.34**	$1.33
Operating and transportation expenses	**$37,550**	$34,560	**$110,952**	$92,487
$ per Boe	**$14.40**	$13.83	**$14.36**	$13.89

For the three and nine months ended September 30, 2019, the Company's combined operating and transportation expenses were $14.40 per Boe and $14.36 per Boe, respectively, an increase of 4% and 3%, respectively, compared to the Corresponding Periods. These increases reflect a general inflationary operating cost environment, including the implementation of the federal carbon tax in Saskatchewan, effective April 1, 2019, which impacted approximately 80% of TORC's corporate production.

Operating Netbacks (1)

($ per Boe, unless otherwise noted)	**Three months ended Sep 30, 2019**	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Average daily production (Boepd)	**28,337**	27,160	**28,311**	24,386
Crude oil ($ per Bbl)	**$64.65**	$77.88	**$66.51**	$73.89
NGL ($ per Bbl)	**$11.91**	$31.10	**$14.67**	$29.79
Natural gas ($ per Mcf)	**$0.75**	$0.98	**$1.18**	$1.17
Average price	**$54.55**	$66.83	**$56.90**	$63.26
Realized loss on financial derivatives (hedging)	**-**	($0.63)	**-**	($0.40)
Royalties	**($9.25)**	($11.66)	**($9.92)**	($11.04)
Operating	**($12.98)**	($12.53)	**($13.02)**	($12.56)
Transportation	**($1.42)**	($1.30)	**($1.34)**	($1.33)
Operating netback	**$30.90**	$40.71	**$32.62**	$37.93
Operating netback (prior to hedging)	**$30.90**	$41.34	**$32.62**	$38.33

(1) See Non-GAAP Measurements.

General and Administrative Expenses

During the three and nine months ended September 30, 2019, the Company incurred the following general and administrative expenses ("G&A"):

($ thousands)	**Three months ended Sep 30, 2019**	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
General and administrative expenses	**$4,628**	$4,795	**$14,076**	$13,414
Capitalized general and administrative expenses [(1)]	**(1,296)**	(1,527)	**(4,139)**	(4,246)
Total general and administrative	**$3,332**	$3,268	**$9,937**	$9,168
$ per Boe	**$1.28**	$1.31	**$1.29**	$1.38

(1) Capitalized general and administrative expenses are those G&A expenditures which are directly attributable to the acquisition or exploration activities of the Company, and are therefore reclassified to property, plant and equipment, dependent on their nature.

In the three and nine months ended September 30, 2019, total general and administrative expenses increased 2% and 8%, respectively, compared to the Corresponding Periods. The modest increases are due to increases in staffing and administrative costs associated with the continued growth of the Company.

On a per Boe basis, in the three and nine months ended September 30, 2019, G&A decreased 2% and 7%, respectively, compared to the Corresponding Periods, as the Company continues to realize administrative efficiencies on a larger production base.

Finance Costs

($ thousands)	**Three months ended Sep 30, 2019**	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Interest expense and financing charges	**$3,428**	$3,371	**$11,227**	$8,917
$ per Boe	**$1.32**	$1.35	**$1.45**	$1.34
Accretion on decommissioning obligations	**$1,902**	$2,098	**$5,956**	$5,951
$ per Boe	**$0.73**	$0.84	**$0.77**	$0.89
Total	**$5,330**	$5,469	**$17,183**	$14,868
$ per Boe	**$2.05**	$2.19	**$2.22**	$2.23

For the three and nine months ended September 30, 2019, interest expense and financing charges increased 2% and 26%, respectively, compared to the Corresponding Periods. On a per Boe basis, interest expense and financing charges for the three and nine months ended September 30, 2019 decreased 2% and increased 8%, respectively, compared to the Corresponding Periods. The increase in the nine months ended September 30, 2019 relative to the nine months ended September 30, 2018, was largely the result of increased average bank debt incurred in June and July of 2018, related to the 2018 Acquisitions.

For the three and nine months ended September 30, 2019, accretion on decommissioning obligations remained relatively consistent compared to the Corresponding Periods. On a per Boe basis, for both the three and nine months ended September 30, 2019, accretion on decommissioning obligations decreased 13% as the accretion on a dollar basis remained consistent on a larger production base, compared to the Corresponding Periods.

Stock-Based Compensation Expenses

Stock-based compensation expenses reflect the value ascribed to the non-cash compensation provided by the Company, and are calculated utilizing a fair value assessment methodology. These amounts are net of stock-based compensation costs capitalized to property, plant and equipment when they are related to exploration or acquisition activities (in the same manner that G&A expenses are capitalized).

($ thousands)	**Three months ended Sep 30, 2019**	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Stock-based compensation expenses	**$4,065**	$3,995	**$16,481**	$14,291
Capitalized stock-based compensation expenses	**(1,903)**	(1,883)	**(7,746)**	(6,722)
Total	**$2,162**	$2,112	**$8,735**	$7,569
$ per Boe	**$0.83**	$0.85	**$1.13**	$1.14

For the three and nine months ended September 30, 2019, stock-based compensation expenses increased to $2.2 million and $8.7 million, respectively, which are increases of 2% and 15%, respectively, compared to the Corresponding Periods. These increases are primarily due to the continued growth of the Company.

On a per Boe basis, for the three and nine months ended September 30, 2019, stock-based compensation expenses decreased 2% and 1%, respectively, compared to the Corresponding Periods.

Depletion and Depreciation Expenses

($ thousands)	**Three months ended Sep 30, 2019**	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Depletion and depreciation expenses	**$62,476**	$59,862	**$184,014**	$158,323
$ per Boe	**$23.97**	$23.96	**$23.81**	$23.78

For the three and nine months ended September 30, 2019, depletion and depreciation expenses increased to $62.5 million and $184.0 million, respectively, which are increases of 4% and 16%, respectively, compared to the Corresponding Periods. The increases are largely due to depletable base additions from the 2018 Acquisitions, as well as ongoing drilling operations. On a per Boe basis, for the three and nine months ended September 30, 2019, depletion and depreciation expenses remained consistent compared to the Corresponding Periods.

Taxes

For the three and nine months ended September 30, 2019, the Company recorded deferred income tax expenses of $1.5 million and $9.0 million, respectively (Corresponding Periods: deferred income tax expenses of $9.5 million and $17.1 million, respectively), which is consistent with the Company’s pre-tax incomes during these periods.

Net Income

Net income for the three and nine months ended September 30, 2019 was $5.6 million and $23.4 million, respectively (Corresponding Periods: net income of $22.7 million and $41.3 million, respectively). The decrease in net income in the three and nine months ended September 30, 2019 is largely due to a lower crude oil price environment.

Basic and diluted net income per share for the three and nine months ended September 30, 2019 was $0.03 and $0.11, respectively (Corresponding Periods: basic and diluted net income per share of $0.11 and $0.20, respectively).

Adjusted Funds Flow [1]

($ thousands)	**Three months ended Sep 30, 2019**	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Adjusted funds flow, including transaction related costs	**$73,768**	$94,036	**$230,960**	$232,685
Transaction related costs	**-**	1,050	**-**	1,750
Adjusted funds flow, excluding transaction related costs	**$73,768**	$95,086	**$230,960**	$234,435
On a weighted average basic common share basis:				
Adjusted funds flow, including transaction related costs	**$0.34**	$0.44	**$1.06**	$1.15
Adjusted funds flow, excluding transaction related costs	**$0.34**	$0.45	**$1.06**	$1.16
On a weighted average diluted common share basis:				
Adjusted funds flow, including transaction related costs	**$0.33**	$0.44	**$1.04**	$1.14
Adjusted funds flow, excluding transaction related costs	**$0.33**	$0.44	**$1.04**	$1.15

(1) See Non-GAAP Measurements.

In the three and nine months ended September 30, 2019, adjusted funds flow, excluding transaction related costs, decreased to $73.8 million and $231.0 million, respectively, which represent decreases of 22% and 1%, respectively, compared to the Corresponding Periods. The decreases in the three and nine months ended September 30, 2019 reflect decreased funds flow from a lower crude oil price environment, offset by higher production volumes related to ongoing drilling operations and acquisitions in 2018.

Net Cash from Operating Activities

($ thousands)	**Three months ended Sep 30, 2019**	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Net cash from operating activities	**$62,559**	$87,364	**$217,254**	$220,694
Net cash from operating activities per basic share	**$0.28**	$0.41	**$0.99**	$1.09
Net cash from operating activities per diluted share	**$0.28**	$0.41	**$0.98**	$1.08

Capital Expenditures

Capital expenditures are summarized as follows:

($ thousands)	**Three months ended Sep 30, 2019**	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Cash:				
Land retention costs	**$247**	$149	**$551**	$515
Geological and geophysical	**85**	593	**145**	492
Drilling and completions	**39,846**	43,103	**106,081**	98,518
Equipment and facilities	**16,814**	15,068	**38,681**	30,943
Administrative assets	**14**	114	**509**	233
Exploration and development expenditures	**57,006**	59,027	**145,967**	130,701
Capitalized general and administrative expenses	**1,296**	1,527	**4,139**	4,246
Exploration and development expenditures, including capitalized G&A	**58,302**	60,554	**150,106**	134,947
Acquisitions, net of dispositions	**(565)**	46,458	**270**	180,507
Total capital expenditures - cash items	**$57,737**	$107,012	**$150,376**	$315,454
Non-cash:				
Acquisitions	**-**	11,908	**-**	107,767
Decommissioning obligations	**(1,715)**	(7,527)	**32,375**	36,247
Capitalized stock-based compensation	**1,903**	1,883	**7,746**	6,722
Total capital expenditures	**$57,925**	$113,276	**$190,497**	$466,190

In the three and nine months ended September 30, 2019, the Company drilled 25 (19.0 net) wells and 72 (56.7 net) wells, respectively, compared to 36 (30.8 net) wells and 71 (56.4 net) wells, respectively, in the Corresponding Periods.

The Company anticipates that its 2019 exploration and development capital program (excluding acquisitions) will be financed primarily through funds flow. The 2019 exploration and development expenditures continue to be concentrated on the Company's primary core areas in southeast Saskatchewan, focused on both conventional and unconventional opportunities, as well as the Cardium play in central Alberta.

The Company does not set a budget for acquisitions. When making acquisitions, the Company considers opportunities that align with strategic parameters and evaluates and finances each prospect on a case-by-case basis.

Share Capital

	Three months ended Sep 30, 2019	Three months ended Sep 30, 2018	**Nine months ended Sep 30, 2019**	Nine months ended Sep 30, 2018
Weighted average outstanding common shares:				
Basic	**219,621,940**	212,912,593	**218,356,050**	202,289,284
Diluted	**221,952,113**	215,404,621	**221,115,207**	204,740,052
Outstanding Securities:				
Common shares	**220,338,295**	215,647,092	**220,338,295**	215,647,092
Restricted awards	**1,756,982**	1,252,883	**1,756,982**	1,252,883
Performance awards	**3,231,855**	2,276,213	**3,231,855**	2,276,213

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

As at November 6, 2019, the Company had 220,835,901 common shares issued and outstanding, 3,214,423 performance awards outstanding and 1,739,618 restricted awards outstanding.

Liquidity and Capital Resources

The Company's net debt, as defined previously in *Non-GAAP Measurements* , is as follows:

	As at Sep 30, 2019	As at Dec 31, 2018
Current assets (excluding financial derivative assets)	**$51,748**	$33,613
Less: current liabilities (excluding financial derivative liabilities)	**(125,879)**	(103,418)
Less: bank debt	**(295,440)**	(335,488)
Net debt	**($369,571)**	($405,293)

Despite the Company's net debt position, it believes that funds flow, combined with the undrawn portion of its credit facility and its ability to access additional funding from capital markets, will provide sufficient resources for it to execute its business plans for the foreseeable future.

The Company may access the following capital resources:

Bank debt

At September 30, 2019, the Company had a reserves-based revolving credit facility of $500 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 $445 million syndicated facility with a syndicate of banks (the "Syndicated Facility"). As at September 30, 2019 the amount drawn from the Credit Facility was $295.4 million. On November 5, 2019, the Credit Facility was renewed at $500 million, comprised of a $55 million operating facility and a $445 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 30, 2020. On or before April 30, 2020, 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 30, 2021. The Credit Facility is secured by a fixed and floating charge debenture on all of the Company's assets.

(continued)

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 April 27, 2020.

Significant investor

The Company has a significant investor, the Canada Pension Plan Investment Board ("CPPIB"), with approximately 29% ownership in the outstanding common shares of the Company. As long as CPPIB owns greater than 10% of the outstanding common shares of the Company, it has the right to participate in future offerings of securities by the Company, whether by way of public offering or private placement. This includes any offering of common shares and securities convertible or exchangeable into common shares, up to its pro rata ownership interest immediately prior to such offering in the case of a public offering or a private placement to five or more investors, in order to maintain its pro rata percentage ownership interest in the Company, and up to all of the offering in the case of a private placement to less than five investors.

Risk Management - Financial Derivatives

From time to time, the Company may enter into commodity price, interest rate and foreign exchange rate derivative contracts (also known as hedges) in order to protect acquisition economics and provide some stability of cash flows for capital spending planning purposes. Commodity prices, interest rates and foreign exchange rates fluctuate due to economic and political events. As well, commodity prices may fluctuate due to weather conditions and changes in supply and demand. The Company’s risk management activities are conducted pursuant to the Company’s risk management policies approved by the Board of Directors.

Commodity contracts outstanding as at September 30, 2019:

Remaining term	Type	Volume (Bbl/d)	Price (per Bbl in Canadian dollars)	Reference
Oct 1, 2019 - Dec 31, 2019	Costless Collar	500	$60.00 - $92.00	C$WTI
Oct 1, 2019 - Dec 31, 2019	Costless Collar	250	$60.00 - $93.00	C$WTI
Oct 1, 2019 - Dec 31, 2019	Costless Collar	500	$60.00 - $95.80	C$WTI
Oct 1, 2019 - Dec 31, 2019	Costless Collar	500	$60.00 - $98.00	C$WTI
Oct 1, 2019 - Dec 31, 2019	Costless Collar	500	$60.00 - $100.00	C$WTI
Oct 1, 2019 - Dec 31, 2019	Costless Collar	500	$60.00 - $105.00	C$WTI
Oct 1, 2019 - Dec 31, 2019	Costless Collar	500	$60.00 - $105.00	C$WTI
Oct 1, 2019 - Mar 31, 2020	Costless Collar	500	$60.00 - $92.95	C$WTI

At September 30, 2019, the mark-to-market value of these commodity contracts totalled a current asset of $0.2 million.

Contractual Obligations

The following table lists the Company's contractual obligations as at September 30, 2019 and the expected timing of these obligations:

($ thousands)	**Total**	Less than 1 year	1-3 years	3-5 years	Thereafter
Trade and other payables	**$120,371**	$120,371	-	-	-
Dividends payable	**5,508**	5,508	-	-	-
Lease obligations	**8,517**	1,654	1,163	985	4,715
Bank debt	**295,440**	-	295,440	-	-
Total	**$429,836**	$127,533	$296,603	$985	$4,715

Operating commitments

The Company is, or will be, obligated to pay various costs associated with operations incurred in the normal course of business. These costs include royalties paid to provincial governments, surface and mineral lease rentals and royalties on mineral rights to various landowners, abandonment and reclamation costs, farm-in commitments and office leases. These costs are highly dependent on the future operating environment and are subject to changes in commodity prices, ownership, production volumes and government policies.

Working capital

The Company manages the pace of its capital spending related to drilling operations by continuously monitoring production, commodity prices and resulting cash flows. When circumstances affect cash flow in a detrimental way, the Company is capable of reducing its capital spending levels.

The industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of crude oil, NGL and natural gas. This occurs on the 25th day following the month of sale. As a result, the Company's production revenues are collected in an orderly fashion. To the extent that the Company has joint venture partners in its activities it collects the partners' share of capital and operating expenses on a monthly basis. These are subject to normal collection risk.

Accounts payable consist of amounts payable to suppliers relating to capital spending, field operating activities and office expenses. These invoices are processed within the Company's normal payment cycle.

Business Conditions and Risks

The Company is engaged in the acquisition, exploration, development and production of crude oil and natural gas assets. TORC's business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates, and the ability to access debt and equity financing at reasonable cost. Operational risks include competition, environmental factors, reservoir performance uncertainties, a complex regulatory environment and safety concerns.

TORC uses its technical, technological and industry knowledge to evaluate potential hydrocarbon plays in order to pay what it believes are economically sound prices that benefit shareholders. The Company's focus is on areas in which the prospects are understood by management.

The Company minimizes its business risks by operating a large number of its properties. This enables TORC to control the timing, direction and costs related to exploration and development opportunities. TORC's geological focus is on areas in which the prospects are understood by management. Technological tools are regularly used to reduce risk and increase the probability of success.

The Company complies with all government regulations and has an up-to-date emergency response plan that has been communicated to field operations by management. The Company also carries insurance coverage to protect itself against potential losses. Maintaining a highly motivated and talented staff of petroleum and natural gas professionals further minimizes the business risk.

(continued)

TORC relies on appropriate sources of funding to support the various stages of its business strategy:

- Internally-generated funds flow from production is used to fund business activities;
- New equity, if available on favourable terms, may be utilized to fund acquisitions and to expand capital programs, when appropriate; and
- Debt may be utilized to fund acquisitions and to expand capital programs.

The Company is exposed to commodity price and market risk for its principal products of crude oil and natural gas. Commodity prices are influenced by a wide variety of factors, most of which are beyond TORC's control. To manage this risk, from time to time, the Company may enter into a number of financial derivative contracts for hedging purposes. These derivative contracts may include contracts related to crude oil and natural gas prices, as well as foreign exchange and interest rates. The Company may also, from time to time, enter into fixed physical contracts. The Company monitors the cost and associated benefit of these instruments and contracts as well as any debt levels and utilization rates on bank lines, and utilizes these derivatives and contracts when warranted.

Inflation risks subject the Company to potential erosion of product netbacks. For example, increasing domestic prices for oil and natural gas production equipment and services can inflate the costs of operations. In addition, increasing costs of undeveloped land can inflate costs of both asset and corporate acquisitions.

The supply of service and production equipment at competitive prices is critical to the ability to add reserves at a reasonable cost and produce them in an economic and timely fashion. In periods of increased activity, these services and supplies can become difficult to obtain. The Company attempts to mitigate this risk by developing strong long-term relationships with suppliers and contractors and maintaining an appropriate inventory of production equipment.

Demand for crude oil, NGL and natural gas produced by the Company exists within Canada and the United States; however, crude oil prices are affected by worldwide supply and demand fundamentals while natural gas prices are currently primarily affected by North American supply and demand fundamentals. Demand for natural gas liquids is influenced mainly by the demand for petrochemicals in North American and off-shore markets. TORC mitigates these risks as follows:

- TORC attempts to explore for and produce crude oil that is of high quality, mitigating its exposure to adverse quality differentials;
- Natural gas production will generally be connected to established pipeline infrastructures that operate with minimal interruptions;
- Sale arrangements will vary in term and pricing structure creating a diverse portfolio that minimizes risk of exposure to any one market; and
- Financial derivative contracts may be used where appropriate to manage commodity price volatility.

Off Balance Sheet Arrangements

TORC is not involved with any contractual arrangement under which a non-consolidated entity may have an obligation under certain guarantee contracts, a retained or contingent interest in assets transferred to a non-consolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets. TORC has no obligation under financial instruments or a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Business combinations

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment, as well as exploration and evaluation assets acquired, generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates.

Reserves

The estimation of reserves is critical to various accounting estimates. It requires judgments based on available geophysical, geological, engineering and economic data. These estimates can change materially as information from ongoing exploratory, development and production activities becomes available. These estimates can also change as economic conditions impacting crude oil and natural gas prices, royalties and operating costs change. Reserve estimates can change net income through depletion expense, accretion expense from decommissioning obligations and the application of impairment tests. Revisions or changes in reserve estimates can have either a positive or a negative impact on net income.

Decommissioning obligations

The calculation of decommissioning obligations is based on estimated costs to abandon and reclaim its net ownership in all wells and facilities, the estimated timing of the costs to be incurred and economic inflation and discount rates. These estimates can change due to technological advances, governmental and regulatory laws and regulations or economic conditions and can impact the amount of the decommissioning obligations and net income.

Deferred income taxes

The calculation of deferred income taxes includes estimates of reversal of temporary differences, tax rates substantively enacted and likelihood of assets being realized. These estimates can impact net income and deferred tax liabilities.

Changes to Accounting Policies

IFRS 16

The Company adopted IFRS 16, *Leases*, on January 1, 2019. IFRS 16 introduces a single lease accounting model for leases which requires a right-of-use asset and lease obligation to be recognized on the balance sheet for contracts that are, or contain, a lease. The Company used the modified retrospective adoption approach to adopt the new standard. The modified retrospective approach does not require restatement of prior period financial information as it applies the standard prospectively.

On initial adoption, the Company has elected to record right-of-use assets based on the corresponding lease obligation. Right-of-use assets and lease obligations of $7.8 million were recorded as of January 1, 2019, with no impact on retained earnings. When measuring the present value of lease obligations, the Company discounted remaining lease payments using its incremental borrowing rate at January 1, 2019, which was a weighted-average rate of 4.0%. The recognition of the present value of the lease obligations, which were previously classified as operating leases, resulted in increases to assets, liabilities, depletion and depreciation and finance costs and decreases to operating and general and administrative costs.

The right-of-use assets and lease obligations recognized primarily relate to the Company's office leases, certain surface access rights, and certain equipment and vehicle leases.

The Company has elected to apply practical expedients to not recognize right-of-use assets and lease obligations for short term leases that have a lease term of 12 months or less, and leases of low-value assets.

Environmental Regulation and Risk

The oil and gas industry has various environmental risks subject to regulation by various governmental bodies. Environmental legislation includes, but is not limited to, operational controls, site restoration and abandonment requirements and restrictions on emissions of various substances related to the production of oil and natural gas. Compliance with this legislation may require additional costs and a failure to comply may result in fines and penalties.

TORC is committed to minimizing the environmental impact from its operations through an environmental program which includes stakeholder communication, resource conservation and site restoration.

Disclosure Controls and Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for the design of internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DCP") of the Company.

In accordance with National Instrument NI 52-109, TORC confirms that DCP and ICFR have been adequately designed, and that there have been no changes in ICFR that materially affected, or are reasonably likely to materially affect ICFR, during the quarter ended September 30, 2019.

Additional Information

Additional information can be obtained by contacting the Company at TORC Oil & Gas Ltd., Suite 1800, Eighth Avenue Place, 525 - 8th Avenue SW, Calgary, Alberta, Canada T2P 1G1. Additional information is also available on www.sedar.com and on the Company's website www.torcoil.com.

Summary of Quarterly and Annual Results

(in $000's of dollars, except per share amounts)	**Q3 2019**	Q2 2019	Q1 2019	Q4 2018 (1)	Q3 2018	Q2 2018	Q1 2018	Q4 2017 (1)
Petroleum and natural gas sales	**142,202**	152,913	144,656	119,861	166,977	134,387	119,782	113,741
Net income (loss)	**5,664**	11,464	6,335	(24,398)	22,747	13,321	5,224	(9,431)
Per share – basic	**0.03**	0.05	0.03	(0.11)	0.11	0.07	0.03	(0.05)
Per share – diluted	**0.03**	0.05	0.03	(0.11)	0.11	0.07	0.03	(0.05)
Adjusted funds flow, including transaction related costs (2)	**73,768**	81,125	76,067	54,389	94,036	74,637	64,012	59,973
Per share – basic	**0.34**	0.37	0.35	0.25	0.44	0.38	0.33	0.31
Per share – diluted	**0.33**	0.37	0.34	0.25	0.44	0.37	0.32	0.31
Adjusted funds flow, excluding transaction related costs (2)	**73,768**	81,125	76,067	54,389	95,086	75,337	64,012	60,589
Per share – basic	**0.34**	0.37	0.35	0.25	0.45	0.38	0.33	0.32
Per share – diluted	**0.33**	0.37	0.34	0.25	0.44	0.38	0.32	0.31
Net cash from operating activities (3)	**62,559**	100,765	53,930	73,653	87,364	75,036	58,294	55,611
Per share – basic	**0.28**	0.46	0.25	0.34	0.41	0.38	0.30	0.29
Per share – diluted	**0.28**	0.45	0.24	0.34	0.41	0.37	0.29	0.29
Total assets	**2,342,423**	2,339,718	2,373,767	2,318,356	2,347,029	2,293,102	2,036,851	2,036,212
Total long-term financial liabilities	**295,440**	300,609	355,000	335,488	337,289	333,000	233,088	242,684
Dividends declared per share	**0.0750**	0.0720	0.0660	0.0660	0.0660	0.0640	0.0600	0.0600
Net debt (2)	**369,571**	363,895	396,038	405,293	391,101	367,035	269,521	280,138

(footnotes on next page)

(in $000's of dollars, except per share amounts)	Year ended Dec 2018	Year ended Dec 2017 [(1)]	Year ended Dec 2016 [(1)]
Petroleum and natural gas sales	541,007	393,840	286,989
Net income (loss)	16,894	(10,490)	(50,443)
Per share – basic	0.08	(0.06)	(0.30)
Per share – diluted	0.08	(0.06)	(0.30)
Adjusted funds flow, including transaction related costs [(2)]	287,074	208,331	124,464
Per share – basic	1.39	1.11	0.73
Per share – diluted	1.38	1.10	0.73
Adjusted funds flow, excluding transaction related costs [(2)]	288,824	208,947	125,137
Per share – basic	1.40	1.11	0.74
Per share – diluted	1.39	1.11	0.73
Net cash from operating activities [(3)]	294,347	187,815	125,474
Per share – basic	1.43	1.00	0.74
Per share – diluted	1.41	0.99	0.73
Total assets	2,318,356	2,036,212	1,947,618
Total long-term financial liabilities	335,488	242,684	218,743
Dividends declared per share	0.2560	0.2400	0.2650
Net debt [(2)]	405,293	280,138	270,900

(1) The diluted number of shares is equivalent to the basic number of shares due to stock options, incentive shares, performance and restricted awards, and/or warrants being antidilutive in periods where the Company has a "net loss". Therefore, the diluted per share amounts in these periods are equivalent to the basic per share amounts.

(2) See Non-GAAP Measurements.

(3) Net cash from operating activities is determined in accordance with IFRS and includes changes in non-cash working capital.

From 2016 to 2017, the Company successfully closed numerous strategic asset acquisitions, and sustainably managed the business through a highly volatile commodity price environment. In September 2016, the Company acquired assets in southeast Saskatchewan for net consideration of $90.1 million; concurrently, the Company issued 15.8 million common shares for gross proceeds of $111.3 million. In the second quarter of 2017, the Company closed two asset acquisitions, as well as disposed of certain non-core assets within the Company's existing southeast Saskatchewan area. Total consideration paid, net of the proceeds from the non-core disposition, included cash of $9.8 million as well as the issuance of 2.8 million common shares of TORC. In the fourth quarter of 2017, the Company closed various asset acquisitions and dispositions within TORC's existing Cardium and southeast Saskatchewan area. Total consideration paid, net of the cash proceeds from the non-core dispositions, included cash of $39.0 million as well as the issuance of 5.8 million common shares. Also in the fourth quarter of 2017, the Company recorded an impairment charge of $23.0 million related to its PP&E assets, resulting in a net loss in this year. In the second quarter of 2018, the Company closed an asset acquisition in and around its existing core southeast Saskatchewan area; total consideration paid included cash of $120.2 million as well as the issuance of 13.5 million common shares. In the third quarter of 2018, the Company closed the acquisition of a private oil company; total consideration paid included cash of $51.2 million as well as the issuance of 2.08 million common shares. In the fourth quarter of 2018, the Company recorded an impairment charge of $26.0 million related to its PP&E assets. These notable events, along with organic drilling growth, have resulted in an increase in total assets, comprised largely of land and wells, as well as increased petroleum and natural gas sales, influenced by commodity prices and commodity mix.