TORC Oil & Gas Ltd

Management's Discussion and Analysis

For the three months ended

March 31, 2020 and 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("the MD&A") is dated May 5, 2020. The MD&A should be read in conjunction with TORC Oil & Gas Ltd.'s ("TORC" or the "Company") unaudited financial statements as at and for the three months ended March 31, 2020 and the audited financial statements as at and for the year ended December 31, 2019. 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.

Production

Throughout this MD&A, crude oil refers to light crude oil, medium crude oil and heavy crude oil as defined by National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). TORC does not have any heavy oil production. Throughout this MD&A, NGLs comprise all natural gas liquids as defined by NI 51-101, and natural gas refers to conventional natural gas as defined by NI 51-101.

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 Mar 31, 2020**	Three months ended Mar 31, 2019
Net cash from operating activities (defined by IFRS)	**$57,955**	$53,930
Changes in non-cash operating working capital	**(11,358)**	21,281
Funds flow	**$46,597**	$75,211
Settlement of decommissioning obligations	**549**	856
Adjusted funds flow, including transaction related costs	**$47,146**	$76,067
Transaction related costs	**20**	-
Adjusted funds flow, excluding transaction related costs	**$47,166**	$76,067

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

	As at March 31, 2020	As at December 31, 2019
Current assets (excluding financial derivative assets)	**$32,872**	$54,063
Less: current liabilities (excluding financial derivative liabilities)	**(106,239)**	(99,752)
Less: bank debt	**(309,329)**	(304,000)
Net debt	**($382,696)**	($349,689)

The reconciliation for operating netback is found on page 5 of this MD&A.

Geopolitical crude oil supply volatility and COVID-19

In March 2020, the World Health Organization declared COVID-19 to be a pandemic. Global responses to combat the spread of COVID-19 have resulted in a sudden decline in economic activity and resulted in a significant decrease in global crude oil demand. In addition, global crude oil supply increased significantly due to a geopolitically driven crude oil price war. These events have resulted in an unprecedented decline in crude oil prices, creating an uncertain and volatile economic environment which adversely affects the Company's operating results and financial position.

In response to this situation, TORC has initiated various cost cutting measures including, but not limited to: i) the reduction of its monthly dividend from $0.025 per common share to $0.005 per common share for the dividend paid on April 15, 2020, and a subsequent suspension of the dividend commencing with the dividend paid in June 2020, ii) the reduction of its 2020 capital budget from $190 million to $75 million as current business conditions persist, iii) the curtailment of uneconomic production, and iv) the reduction of various general & administrative costs, including the reduction of personnel salary and wages. TORC is the operator for the majority of its assets, and will act prudently through this situation.

This volatile economic environment continues to be uncertain, and as a result the Company's credit facility renewal, originally scheduled for April 30, 2020, has been extended to May 29, 2020 (see page 12 for *Liquidity and Capital Resources*) to permit TORC and the bank syndicate the necessary time to assess rapidly changing market dynamics. TORC will also continue to monitor the Government of Canada's financial support through Export Development Canada and the Business Development Bank of Canada, which was announced on April 17, 2020.

Forward-Looking Statements

This MD&A contains forward-looking statements. More specifically, it contains forward-looking statements respecting: (i) TORC's plans to reduce the impact of the effect of COVID-19 pandemic and the decline in oil prices on its business, operations and financial position and to monitor the availability of financial support; (ii) the anticipated sources of funding for the Company's capital program, (iii) the sufficiency of liquidity and capital resources to fund the Company's capital program, ongoing operations, and execution of its business plan, (iv) planned 2020 annual exploration and development expenditures, the source of funding and the allocation thereof, and (v) 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 (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) our supply chain, including our ability to obtain the equipment and services we require, and (iii) our ability to produce, transport and/or sell our crude oil, NGLs and natural gas; the ability of OPEC+ nations and other major producers of crude oil to reduce crude oil production and thereby arrest and reverse the steep decline in world crude oil prices, 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 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, the impact of the COVID-19 pandemic on us and the ability of TORC to carry on operations as contemplated in light of the COVID-19 pandemic; determinations by OPEC and other countries as to production levels, 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 Mar 31, 2020	Three months ended Mar 31, 2019
Crude oil (Bbl per day) (1)	**23,672**	23,700
NGL (Bbl per day) (1) (2)	**1,582**	1,459
Natural gas (Mcf per day) (3)	**19,568**	18,646
Total (Boe per day)	**28,515**	28,267
Production mix:		
Crude oil	**83%**	84%
NGL	**6%**	5%
Crude oil and NGL ("Liquids")	**89%**	89%
Natural gas	**11%**	11%

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

Production in the three months ended March 31, 2020 remained relatively consistent, compared to the three months ended March 31, 2019 (the "Corresponding Period").

Pricing

	Three months ended Mar 31, 2020	Three months ended Mar 31, 2019
Average realized prices:		
Crude oil ($ per Bbl)	**$47.87**	$64.85
NGL ($ per Bbl)	**9.66**	20.32
Crude oil and NGL ($ per Bbl)	**$45.48**	$62.27
Natural gas ($ per Mcf)	**1.60**	2.18
Boe ($ per Boe)	**$41.37**	$56.86

During the three months ended March 31, 2020, TORC realized a crude oil price of $47.87 per Bbl (Corresponding Period: $64.85 per Bbl).

During the three months ended March 31, 2020, TORC's crude oil discount to WTI converted to Canadian dollars approximated $14.53 per Bbl (Corresponding Period: $8.14 per Bbl). In the three months ended March 31, 2020, TORC's crude oil discount to Edmonton Par averaged approximately $3.65 per Bbl (Corresponding Period: $1.52 per Bbl). The crude oil pricing differentials are largely a function of supply/demand fundamentals (including the initial impacts of recent geopolitically driven crude oil supply volatility, and the COVID-19 pandemic) as well as crude oil quality, transportation and inventories.

(continued)

In the three months ended March 31, 2020, the Company realized gas prices of $1.60 per Mcf (Corresponding Period: $2.18 per Mcf). In the three months ended March 31, 2020, the Company's realized gas price was 21% below AECO benchmark (Corresponding Period: 16% below AECO benchmark). 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 months ended March 31, 2020, the average realized price across all products was $41.37 per Boe. For the three months ended March 31, 2020, the average realized price was lower by $15.49 per Boe, compared to the Corresponding Period, primarily due to the steep decline in the price of crude oil in March 2020 as a result of the initial impacts of the geopolitical global oil price war combined with the initial demand impact of the COVID-19 pandemic.

	Three months ended Mar 31, 2020	Three months ended Mar 31, 2019
Average Benchmark Prices:		
Crude oil – WTI *(US$ per Bbl)*	**$46.08**	$54.90
Crude oil – Edmonton Par *(CDN$ per Bbl)*	**$51.52**	$66.37
Natural gas – AECO Daily Spot *($ per Mcf)*	**$2.03**	$2.60
Natural gas – AECO Monthly Spot *($ per Mcf)*	**$1.92**	$1.94
Exchange rate – *(CDN$/US$)*	**1.35**	1.33

Revenues

($ thousands)	**Three months ended Mar 31, 2020**	Three months ended Mar 31, 2019
Crude oil	**$103,222**	$138,433
NGL	**1,343**	2,591
Natural gas	**2,795**	3,632
	$107,360	$144,656

Revenues in the three months ended March 31, 2020 decreased 26%, compared to the Corresponding Period. In the three months ended March 31, 2020, the decrease in revenues, compared to the Corresponding Period, was largely due to lower realized crude oil prices as a result of recent geopolitically driven crude oil supply volatility, as well as the COVID-19 pandemic.

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 Mar 31, 2020**	Three months ended Mar 31, 2019
Royalties	**$17,717**	$25,530
$ per Boe	**$6.83**	$10.04
Percentage of revenue	**17%**	18%

The Company's corporate royalty rate (as a percentage of revenue) for the three months ended March 31, 2020 remained consistent, compared to the Corresponding Period.

Operating and Transportation Expenses

($ thousands, unless otherwise noted)	**Three months ended Mar 31, 2020**	Three months ended Mar 31, 2019
Operating expenses	**$34,882**	$32,876
$ per Boe	**$13.44**	$12.92
Transportation expenses	**$2,866**	$3,194
$ per Boe	**$1.10**	$1.26
Operating and transportation expenses	**$37,748**	$36,070
$ per Boe	**$14.54**	$14.18

For the three months ended March 31, 2020, the Company's combined operating and transportation expenses were $14.54 per Boe, an increase of 3%, compared to the Corresponding Period. These increases reflect a general inflationary operating cost environment.

Operating Netbacks [(1)]

($ per Boe, unless otherwise noted)	**Three months ended Mar 31, 2020**	Three months ended Mar 31, 2019
Average daily production (Boepd)	**28,515**	28,267
Crude oil ($ per Bbl)	**$47.87**	$64.85
NGL ($ per Bbl)	**$9.66**	$20.32
Natural gas ($ per Mcf)	**$1.60**	$2.18
Average price	**$41.37**	$56.86
Realized gain on financial derivatives (hedging)	**$0.75**	-
Royalties	**($6.83)**	($10.04)
Operating	**($13.44)**	($12.92)
Transportation	**($1.10)**	($1.26)
Operating netback	**$20.75**	$32.64
Operating netback (prior to hedging)	**$20.00**	$32.64

(1) See Non-GAAP Measurements.

General and Administrative Expenses

During the three months ended March 31, 2020, the Company incurred the following general and administrative expenses ("G&A"):

($ thousands)	**Three months ended Mar 31, 2020**	Three months ended Mar 31, 2019
General and administrative expenses	**$4,219**	$4,150
Capitalized general and administrative expenses [1]	**(876)**	(912)
Total general and administrative	**$3,343**	$3,238
$ per Boe	**$1.29**	$1.27

[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 months ended March 31, 2020, total general and administrative expenses and general and administrative expenses on a per Boe basis remained consistent, compared to the Corresponding Period.

Finance Costs

($ thousands)	**Three months ended Mar 31, 2020**	Three months ended Mar 31, 2019
Interest expense and financing charges	**$3,319**	$3,751
$ per Boe	**$1.28**	$1.47
Accretion on decommissioning obligations	**$1,174**	$2,088
$ per Boe	**$0.45**	$0.82
Total	**$4,493**	$5,839
$ per Boe	**$1.73**	$2.29

For the three months ended March 31, 2020, interest expense and financing charges decreased 12%, compared to the Corresponding Period. On a per Boe basis, interest expense and financing charges for the three months ended March 31, 2020 decreased 13%, compared to the Corresponding Period. The decrease was largely due to lower average bank debt in the three months ended March 31, 2020, compared to the Corresponding Period.

For the three months ended March 31, 2020, accretion on decommissioning obligations decreased 44%, compared to the Corresponding Period. On a per Boe basis, for the three months ended March 31, 2020, accretion on decommissioning obligations decreased 45%, compared to the Corresponding Period. This decrease was largely due to lower decommissioning obligations, resulting from estimate changes recognized in 2019.

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 Mar 31, 2020**	Three months ended Mar 31, 2019
Stock-based compensation expenses	**$6,760**	$7,895
Capitalized stock-based compensation expenses	**(3,177)**	(3,710)
Total	**$3,583**	$4,185
$ per Boe	**$1.38**	$1.64

For the three months ended March 31, 2020, stock-based compensation expenses decreased 14%, compared to the Corresponding Period.

On a per Boe basis, for the three months ended March 31, 2020, stock-based compensation expenses decreased 16%, compared to the Corresponding Period.

Depletion and Depreciation Expenses

($ thousands)	**Three months ended Mar 31, 2020**	Three months ended Mar 31, 2019
Depletion and depreciation expenses	**$56,846**	$59,924
$ per Boe	**$21.91**	$23.56

For the three months ended March 31, 2020, depletion and depreciation expenses were $56.8 million, which was a decrease of 5% compared to the Corresponding Period. On a per Boe basis, for the three months ended March 31, 2020, depletion and depreciation expenses decreased 7%, compared to the Corresponding Period. These decreases were largely due to impairment charges recorded on property, plant and equipment in 2019.

Impairment

Property, Plant and Equipment ("PP&E")

At March 31, 2020, the Company determined there to be indicators of impairment in each of its CGUs, due to a sudden and significant decline in forecasted forward commodity benchmark prices due to the combination of the global oil price war and the potential long-term impact of the COVID-19 pandemic. In the three months ended March 31, 2020, the Company recognized impairment charges of $704.0 million (no impairment at December 31, 2019) related to its Saskatchewan CGU, $132.0 million ($93 million at December 31, 2019) related to its Cardium CGU and $17.0 million (no impairment at December 31, 2019) related to its Monarch CGU due to the carrying values exceeding the recoverable amounts.

The recoverable amount of a CGU is the greater of (i) its value in use, and (ii) its fair value less costs to sell. At March 31, 2020, the recoverable amount of the Saskatchewan CGU (determined using value in use) was $746.0 million, the recoverable amount of the Cardium CGU (determined using value in use) was $135.0 million (at December 31, 2019: $257.0 million) and the recoverable amount of the Monarch CGU (determined using value in use) was $8.0 million. The recoverable amounts of the impaired PP&E Assets were internally estimated, based on proved plus probable reserve values using before-tax discount rates specific to the underlying composition of reserve categories and risk profile residing within the CGU and values for undeveloped land. The discount rates used in the valuation range from 8% to 15% (at December 31, 2019: 8% to 15%).

In determining the future cash flows, the Company utilized the following average benchmark pricing forecasts from independent reserves evaluators:

Year	Canadian Light Sweet Crude ($/Bbl)	Western Canada Select ($/Bbl)	Alberta AECO - C Spot ($/MMBtu)	Edmonton Pentanes Plus ($/Bbl)	Edmonton Butane ($/Bbl)	Edmonton Propane ($/Bbl)	Exchange Rate ($US/$CAD)
2020	29.22	19.21	1.74	34.35	18.27	10.04	0.71
2021	46.85	34.65	2.20	50.72	29.70	17.08	0.73
2022	59.27	46.34	2.38	62.80	37.87	23.55	0.75
2023	65.02	51.25	2.45	68.49	41.80	26.03	0.75
2024	68.43	54.28	2.53	71.73	44.14	27.57	0.75
2025	69.81	55.72	2.60	73.16	45.02	28.19	0.75
2026	71.24	56.96	2.66	74.66	45.95	28.83	0.75
2027	72.70	58.22	2.72	76.19	46.89	29.49	0.75
2028	74.19	59.51	2.79	77.75	47.86	30.17	0.75
2029	75.67	60.70	2.84	79.31	48.81	30.77	0.75
2030	77.18	61.92	2.90	80.89	49.79	31.39	0.75

Management has internally updated reserves as at March 31, 2020 (using the Company's December 31, 2019 reserve report prepared by its independent reserve engineer) to reflect current commodity price decks, operating costs, future development costs and other parameters that can impact reserve volumes. The reserve process is inherently subjective and involves considerable estimate uncertainty.

Taxes

Pursuant to the impairment charges recognized at March 31, 2020, and the associated commodity price forecasts, the Company assessed the probability that future taxable profits will be available, against which the Company can utilize the benefits of its tax pools in excess of the carrying amount of assets, and has not recognized a deferred tax asset (deferred income tax asset at December 31, 2019: $19.5 million).

For the three months ended March 31, 2020, the Company recorded a deferred income tax expense of $19.5 million (Corresponding Period: deferred income tax expense of $3.4 million).

Net Income (Loss)

Net loss for the three months ended March 31, 2020 was $879.9 million (Corresponding Period: net income of $6.3 million). The net loss in the three months ended March 31, 2020 was largely due to the impairment recorded at March 31, 2020.

Basic and diluted net loss per share for the three months ended March 31, 2020 was $3.96 (Corresponding Period: basic and diluted net income per share of $0.03).

Adjusted Funds Flow [(1)]

($ thousands)	**Three months ended Mar 31, 2020**	Three months ended Mar 31, 2019
Adjusted funds flow, including transaction related costs	**$47,146**	$76,067
Transaction related costs	**20**	-
Adjusted funds flow, excluding transaction related costs	**$47,166**	$76,067
On a weighted average basic common share basis:		
Adjusted funds flow, including transaction related costs	**$0.21**	$0.35
Adjusted funds flow, excluding transaction related costs	**$0.21**	$0.35
On a weighted average diluted common share basis:		
Adjusted funds flow, including transaction related costs	**$0.21**	$0.34
Adjusted funds flow, excluding transaction related costs	**$0.21**	$0.34

(1) See Non-GAAP Measurements.

In the three months ended March 31, 2020, adjusted funds flow, excluding transaction related costs, decreased to $47.2 million, which represented a decrease of 38%, compared to the Corresponding Period. The decrease in the three months ended March 31, 2020 reflects a lower realized crude oil price environment, resulting from the initial impacts of recent geopolitically driven crude oil supply volatility, as well as the COVID-19 pandemic.

Net Cash from Operating Activities

($ thousands)	**Three months ended Mar 31, 2020**	Three months ended Mar 31, 2019
Net cash from operating activities	**$57,955**	$53,930
Net cash from operating activities per basic share	**$0.26**	$0.25
Net cash from operating activities per diluted share	**$0.26**	$0.24

Capital Expenditures

Capital expenditures are summarized as follows:

($ thousands)	**Three months ended Mar 31, 2020**	Three months ended Mar 31, 2019
Cash:		
Land retention costs	**$92**	$97
Geological and geophysical	**66**	(84)
Drilling and completions	**47,341**	43,737
Equipment and facilities	**17,117**	10,069
Administrative assets	**84**	290
Exploration and development expenditures	**64,700**	54,109
Capitalized general and administrative expenses	**876**	912
Exploration and development expenditures, including capitalized G&A	**65,576**	55,021
Acquisitions, net of dispositions	**3,891**	146
Total capital expenditures - cash items	**$69,467**	$55,167
Non-cash:		
Decommissioning obligations	**(639)**	24,741
Capitalized stock-based compensation	**3,177**	3,710
Total capital expenditures	**$72,005**	$83,618

In the three months ended March 31, 2020, the Company drilled 33 (28.2 net) wells, compared to 34 (27.9 net) wells in the Corresponding Period.

On March 26, 2020, the Company closed an acquisition of various properties and working interests in its core southeast Saskatchewan area for cash consideration of $3.0 million, adding more than 200 Boepd (greater than 90% light oil).

Share Capital

	Three months ended Mar 31, 2020	Three months ended Mar 31, 2019
Weighted average outstanding common shares:		
Basic	**222,146,284**	217,140,160
Diluted	**222,146,284**	220,530,389
Outstanding Securities:		
Common shares	**222,315,065**	217,675,999
Restricted awards	**2,832,645**	2,148,442
Performance awards	**6,244,551**	5,069,146

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

As at May 5, 2020, the Company had 222,358,876 common shares issued and outstanding, 6,232,929 performance awards outstanding and 2,821,762 restricted awards outstanding.

Liquidity and Capital Resources

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

	As at Mar 31, 2020	As at Dec 31, 2019
Current assets (excluding financial derivative assets)	**$32,872**	$54,063
Less: current liabilities (excluding financial derivative liabilities)	**(106,239)**	(99,752)
Less: bank debt	**(309,329)**	(304,000)
Net debt	**($382,696)**	($349,689)

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 March 31, 2020, 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 March 31, 2020, the amount drawn from the Credit Facility was $309.3 million. 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 May 29, 2020. On or before May 29, 2020, at TORC's request and subject to the approval of the lending syndicate, the Credit Facility may be extended for an additional 335 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 335 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.

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 May 29, 2020. There can be no assurance that the amount of the available credit facility will not be reduced at the next review.

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 March 31, 2020:

Remaining term	Type	Volume (Bbl/d)	Price (per Bbl in Canadian dollars)	Reference
Apr 1, 2020 - Jun 30, 2020	Costless Collar	500	$60.00 - $89.00	C$WTI
Apr 1, 2020 - Jun 30, 2020	Costless Collar	500	$60.00 - $90.00	C$WTI
Apr 1, 2020 - Jun 30, 2020	Costless Collar	500	$60.00 - $90.50	C$WTI
Apr 1, 2020 - Jun 30, 2020	Costless Collar	500	$60.00 - $92.60	C$WTI
Apr 1, 2020 - Dec 31, 2020	Costless Collar	500	$60.00 - $90.35	C$WTI

At March 31, 2020, the mark-to-market value of these commodity contracts totalled a current asset of $7.1 million.

Subsequent to March 31, 2020, the Company entered into the following commodity contracts:

Term	Type	Volume (Bbl/d)	Price (per Bbl in Canadian dollars)	Reference
May 1, 2020 - May 31, 2020	Swap	500	$37.75	C$WTI
May 1, 2020 - Jul 31, 2020	Swap	500	$31.70	C$WTI
Jun 1, 2020 - Jun 30, 2020	Swap	500	$35.75	C$WTI

Commitments

The following table lists the Company's contractual obligations as at March 31, 2020 and the expected timing of these obligations:

($ thousands)	**Total**	Less than 1 year	1-3 years	3-5 years	Thereafter
Trade and other payables	**$105,127**	$105,127	-	-	-
Dividends payable	**1,112**	1,112	-	-	-
Lease obligations [(1)]	**6,774**	-	1,287	1,018	4,469
Bank debt	**309,329**	-	309,329	-	-
Total	**$422,342**	$106,239	$310,616	$1,018	$4,469

[(1)] Excludes current portion of lease obligation already included in trade and other payables.

In July 2019, the Company entered into a new seven year lease for its Calgary head office space, commencing in August 2020. The total lease commitment is estimated to be $23.1 million. The associated right-of-use asset and corresponding lease liability will be recognized when the lease takes effect in August 2020.

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.

(continued)

Working capital

The Company manages the pace of its capital spending related to drilling operations by continuously monitoring production, commodity prices and resulting funds flow. When circumstances affect funds 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

In March 2020, the World Health Organization declared COVID-19 to be a pandemic. Global responses to combat the spread of COVID-19 have resulted in a sudden decline in economic activity and resulted in a significant decrease in global crude oil demand. In addition, global crude oil supply increased significantly due to a geopolitically driven crude oil price war. These events have resulted in an unprecedented decline in crude oil prices, creating an uncertain and volatile economic environment. The full extent and impact of these events are continually evolving and not fully known at this time. The following risks, as well as the risks disclosed in our Annual Information Form for the year ended December 31, 2019, may be exacerbated due to these events.

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.

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 prices for oil and natural gas production equipment and services can inflate the costs of operations.

(continued)

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 cost estimates consider: i) provincial regulatory guidance, ii) recent industry abandonment and reclamation practices, developments and experiences, and iii) specific well and infrastructure characteristics, including type, depth, age, and any site specific matters. 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 3 *Business Combinations*

The Company adopted IFRS 3, *Business Combinations* , on January 1, 2020. Ammendments to IFRS 3 were issued by the IASB in October 2018, that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments include an election to use an optional concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is not applied, or the test is failed, then the assessment focuses on the existence of a substantive process. The adoption of IFRS 3 had no impact to the Company's financial statements.

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 March 31, 2020.

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)	**Q1 2020 (1)**	Q4 2019 (1)	Q3 2019	Q2 2019	Q1 2019	Q4 2018 (1)	Q3 2018	Q2 2018
Petroleum and natural gas sales	**107,360**	141,542	142,202	152,913	144,656	119,861	166,977	134,387
Net income (loss)	**(879,895)**	(60,593)	5,664	11,464	6,335	(24,398)	22,747	13,321
Per share – basic	**(3.96)**	(0.27)	0.03	0.05	0.03	(0.11)	0.11	0.07
Per share – diluted	**(3.96)**	(0.27)	0.03	0.05	0.03	(0.11)	0.11	0.07
Adjusted funds flow, including transaction related costs (2)	**47,146**	74,037	73,768	81,125	76,067	54,389	94,036	74,637
Per share – basic	**0.21**	0.33	0.34	0.37	0.35	0.25	0.44	0.38
Per share – diluted	**0.21**	0.33	0.33	0.37	0.34	0.25	0.44	0.37
Adjusted funds flow, excluding transaction related costs (2)	**47,166**	74,037	73,768	81,125	76,067	54,389	95,086	75,337
Per share – basic	**0.21**	0.33	0.34	0.37	0.35	0.25	0.45	0.38
Per share – diluted	**0.21**	0.33	0.33	0.37	0.34	0.25	0.44	0.38
Net cash from operating activities (3)	**57,955**	67,933	62,559	100,765	53,930	73,653	87,364	75,036
Per share – basic	**0.26**	0.31	0.28	0.46	0.25	0.34	0.41	0.38
Per share – diluted	**0.26**	0.30	0.28	0.45	0.24	0.34	0.41	0.37
Total assets	**1,226,862**	2,098,337	2,342,423	2,339,718	2,373,767	2,318,356	2,347,029	2,293,102
Total long-term financial liabilities	**309,329**	304,000	295,440	300,609	355,000	335,488	337,289	333,000
Dividends declared per share	**0.0550**	0.0750	0.0750	0.0720	0.0660	0.0660	0.0660	0.0640
Net debt (2)	**382,696**	349,689	369,571	363,895	396,038	405,293	391,101	367,035

(footnotes on next page)

(in $000's of dollars, except per share amounts)	Year ended Dec 31, 2019 (1)	Year ended Dec 31, 2018	Year ended Dec 31, 2017 (1)
Petroleum and natural gas sales	581,313	541,007	393,840
Net income (loss)	(37,130)	16,894	(10,490)
Per share – basic	(0.17)	0.08	(0.06)
Per share – diluted	(0.17)	0.08	(0.06)
Adjusted funds flow, including transaction related costs (2)	304,997	287,074	208,331
Per share – basic	1.39	1.39	1.11
Per share – diluted	1.37	1.38	1.10
Adjusted funds flow, excluding transaction related costs (2)	304,997	288,824	208,947
Per share – basic	1.39	1.40	1.11
Per share – diluted	1.37	1.39	1.11
Net cash from operating activities (3)	285,187	294,347	187,815
Per share – basic	1.30	1.43	1.00
Per share – diluted	1.28	1.41	0.99
Total assets	2,098,337	2,318,356	2,036,212
Total long-term financial liabilities	304,000	335,488	242,684
Dividends declared per share	0.2880	0.2560	0.2400
Net debt (2)	349,689	405,293	280,138

(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.

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. In the fourth quarter of 2019, the Company recorded an impairment charge of $93.0 million related to its PP&E assets. In the first quarter of 2020, the Company recorded an impairment charge of $853 million related to its PP&E assets.