TORC Oil & Gas Ltd

PRESS RELEASE

July 16, 2013

TORC OIL & GAS ANNOUNCES STRATEGIC ACQUISITION, TRANSITION TO SUSTAINABLE DIVIDEND PLUS GROWTH ENTITY, BOUGHT DEAL FINANCING AND ESTABLISHMENT OF A STRONG RELATIONSHIP WITH A CORNERSTONE INVESTOR

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CALGARY, ALBERTA - TORC Oil & Gas Ltd. ("TORC" or the "Company") (TSX:TOG) is pleased to announce a $510 million acquisition of low decline, high netback, light oil producing assets (the "Acquired Assets") in southeast Saskatchewan (the "Acquisition") and a strategic transition of the Company's business model to an intermediate light oil producer paying sustainable dividends while also delivering disciplined per share production growth. In conjunction with the Acquisition, TORC has secured a cornerstone equity investment by the Canada Pension Plan Investment Board ("CPPIB") for $170 million through a private placement of subscription receipts (the "CPPIB Investment") and has entered into an agreement for a $210 million bought deal prospectus offering of subscription receipts (the "Bought Deal Financing") (together with the CPPIB Investment, the "Financings") offered through a syndicate of underwriters (the "Underwriters") as described below, for total gross equity proceeds of $380 million.

With the Acquisition and Financings, TORC will be positioned to deliver a sustainable dividend to shareholders, underpinned by free cash flow generated from the acquired high netback, low decline, light oil production assets in southeast Saskatchewan and will be well capitalized to pursue future growth. Future growth per share will be driven by the Acquired Assets, TORC's existing large portfolio of low risk Cardium light oil development locations, exposure to the emerging Monarch light oil resource play and through strategic acquisitions.

The management of TORC believes that the pro forma entity will provide significant benefits to shareholders and will have the following key characteristics:

- High netback, low decline assets that underpin the dividend plus growth business model;
- Proven management track record with significant southeast Saskatchewan experience and extensive experience in managing oil and gas assets in a yield oriented business model;
- Experienced technical team that has drilled over 350 horizontal, multi-stage frac wells into light oil targets and over 500 conventional horizontal wells in southeast Saskatchewan;
- Scalable upside potential from a large inventory of Cardium development locations, significant unbooked upside in the Acquired Assets and exposure to a significant oil resource at Monarch;
- Strong balance sheet with sufficient liquidity to support future capital spending and/or accretive acquisitions; and
- A strong strategic and financial investor in CPPIB.

Acquisition of High Quality Free Cash Flowing Asset Underpins Transition to New Business Strategy

Pursuant to a purchase and sale agreement (the "Agreement") with an independent intermediate Canadian oil and gas company, dated July 16, 2013, TORC has agreed to acquire more than 5,700 boe/d of ~93 percent light oil and liquids weighted, low decline, high netback production in southeast Saskatchewan for a purchase price of $510 million, prior to customary closing adjustments. Certain portions of the Acquired Assets, which represent approximately ten percent of the total value, are subject to rights of first refusal in favour of third parties, whereby such parties may elect to acquire those assets. The effective date of the Acquisition is June 1, 2013 with closing expected in mid-September.

The Acquired Assets have a long term average decline rate of less than 15 percent that provides a dependable free cash flow stream to underpin the strategic decision to pay a regular monthly dividend to shareholders.

The Acquisition has the following characteristics:

Total Transaction Price (1)	$510 million
Production (2)	Greater than 5,700 boe/d (~93 percent oil and liquids)
Total Proved Developed Producing Reserves (3)	14.5 mmboe (~93 percent oil and liquids)
Total Proved Reserves (3)	15.4 mmboe (~93 percent oil and liquids)
Proved plus Probable Reserves (3)	21.3 mmboe (~93 percent oil and liquids)
Average Crude Oil Quality	36 degree API
Operating Netback (4)	~$50/boe
Undeveloped Land	Greater than 100,000 net acres
Development Locations	Greater than 130 net undrilled locations
Seismic	Ownership of >1500 sq km of 3D seismic data
Tax Pools	$510 million
Reserve Life Index (P+P) (2)	~10 years
Recycle Ratio (1)(3)(4)(5)	2.3x
Long-Term Average Decline Rate	Less than 15%

(1) Assuming total purchase price for the Acquisition of $510 million prior to any purchase price adjustments.
(2) Field estimate.
(3) Company gross reserves before deduction of royalties. Based on independent reserve report effective December 31, 2012 prepared by GLJ Petroleum Consultants in accordance with NI 51-101 and the COGE Handbook.
(4) Calculated by subtracting royalties and operating costs from revenues and assumes a commodity price of $90.00/bbl for Edmonton Light.
(5) Net of $20 million of acquired seismic and $20 million of undeveloped land based on 100,000 net undeveloped acres valued at $200 per acre.

The Acquired Assets include a number of the original large oil-in-place pools in southeast Saskatchewan discovered in the 1950's and 1960's. The extensive light oil infrastructure in southeast Saskatchewan was developed for these pools and therefore the proximity to infrastructure provides production certainty and stability through traditional periods of weather related downtime. Many of these high quality assets have long established decline profiles providing stable, predictable cash flows. TORC management has identified over 130 net undrilled development locations on the Acquired Assets, only 41 of which are booked in the reserve report. Total Proved Developed Producing reserves make up 68 percent of total Proved Plus Probable reserves highlighting the conservative nature of the reserve report. The Acquisition is accretive on a cash flow, production and producing reserves per share basis and the assets include interests in strategic area infrastructure.

Brett Herman, President and CEO stated, "Our team has significant experience in southeast Saskatchewan from previous entities. An asset of this quality rarely comes to market. We know the area very well and we are very excited to have the opportunity to be back in southeast Saskatchewan. This acquisition complements our current light oil platform and provides a strong and stable cash flow base to pay a sustainable dividend while growing on a per share basis."

Acquisition Metrics

Production (1)(2)	$82,500/boe/d
Total Proved Reserves (1)(3)	$30.48/boe
Proved plus Probable Reserves (1)(3)	$22.03/boe
Recycle Ratio (1)(3)(4)	2.3x

Notes:

(1) All metrics calculated net of $20 million of acquired seismic and $20 million of undeveloped based on 100,000 net undeveloped acres valued at $200 per acre.

(2) Based on current field estimate.

(3) Company gross reserves before deduction of royalties. Based on independent reserve report effective December 31, 2012 prepared by GLJ Petroleum Consultants in accordance with NI 51-101 and the COGE Handbook.

(4) Calculated by subtracting royalties and operating costs from revenues and assumes a commodity price of $90.00/bbl for Edmonton Light.

Upon signing of the Agreement, TORC has paid a non-refundable deposit of $40 million in cash. The Acquisition is expected to close in mid-September, subject to shareholder approval as described below, as well as customary conditions and regulatory approvals including the approval of the Toronto Stock Exchange (the "TSX") and the required approval under the Competition Act (Canada).

RBC Capital Markets and TD Securities Inc. are acting as financial advisors to TORC with respect to the Acquisition. FirstEnergy Capital Corp. is acting as strategic advisor to TORC with respect to the Acquisition.

Acquisition Financing

Financing of the Acquisition is expected to be funded partially through the combination of the Financings, described more fully below, for total gross proceeds of $380 million and the remainder drawn on the Company's revolving credit facility, which upon closing of the Acquisition will be increased to $350 million reflecting the low decline, high netback nature of the Acquired Assets. TORC expects to be approximately 45 percent undrawn on its credit facility at year-end 2013.

Strategic Relationship with CPPIB

Concurrent with the Acquisition, TORC has entered into a subscription agreement with CPPIB for a subscription receipt private placement of $170 million on similar financial terms as the Bought Deal Financing. Net proceeds from the CPPIB Investment will be used to partially fund the purchase price for the Acquisition. Completion of the CPPIB Investment is conditional on TORC shareholder approval as described below, successful completion of the Acquisition and closing of the Bought Deal Financing.

Scott Lawrence, Vice-President and Head of Relationship Investments, said: "We are excited to be partnered with the management team and board of TORC as they execute their strategic business model focused on light oil opportunities. We believe the pro forma asset base of TORC and the track record of the management team create a compelling total return opportunity for all shareholders. CPPIB's investment aligns with our Relationship Investments strategy to provide strategic, long-term capital to leading public companies where CPPIB can participate in the future success of the issuer and help create greater value through ongoing partnership with the company."

CPPIB intends to enroll in the planned Dividend Reinvestment Program ("DRIP") for all dividends that will accrue to their shares, for at least 18 months, and will be entitled to fund its pro rata share of any future equity or equity-linked capital raises to support TORC's growth.

Pro forma the CPPIB Investment and the Bought Deal Financing, CPPIB will own approximately 25 percent of the outstanding common shares of TORC and will be entitled to two board of directors nominees as long as they own 20 percent or greater of the outstanding common shares of TORC.

As per securities regulations, the CPPIB Investment is subject to approval by a majority of shareholders of TORC. An information circular is expected to be mailed to shareholders of TORC in early August and a shareholder meeting is expected to be scheduled for early September.

BMO Capital Markets is acting as exclusive financial advisor to TORC with respect to the CPPIB Investment.

Bought Deal Financing

In connection with the Acquisition, TORC has entered into an agreement on a "bought deal" basis for a prospectus offering with a syndicate of underwriters led jointly by BMO Capital Markets, Macquarie Capital Markets Canada Ltd. and RBC Capital Markets (together "Lead Underwriters"), and including FirstEnergy Capital Corp., GMP Securities L.P., TD Securities Inc., National Bank Financial Inc., Canaccord Genuity Corp., CIBC, Cormark Securities Inc. and Scotiabank for an offering of 133,800,000 subscription receipts ("Subscription Receipts") at $1.57 per Subscription Receipt to raise gross proceeds of

$210,066,000 ("Bought Deal Financing"). TORC will grant the Underwriters an option to purchase from treasury an additional 20,070,000 Subscription Receipts, on the same terms, exercisable in whole or in part at any time up to the 30th day following closing of the Bought Deal Financing. Closing of the Bought Deal Financing is expected to occur on or about August 6, 2013 and is subject to customary conditions and regulatory approvals. The net proceeds from the Subscription Receipts will be used to partially fund the purchase price for the Acquisition.

The gross proceeds from the Bought Deal Financing will be held in escrow pending the receipt by the escrow agent and the Lead Underwriters of a notice from TORC that all conditions precedent to the completion of the Acquisition have been satisfied or waived. If the Acquisition is completed on or before November 12, 2013, the proceeds will be released to TORC and each Subscription Receipt will be exchanged for one common share of TORC for no additional consideration as a step to the Acquisition closing procedures. If the Acquisition is not completed on or before November 12, 2013 or the Acquisition is terminated at an earlier time, holders of the Subscription Receipts will receive a cash payment equal to the offering price of the Subscription Receipts and any interest that was earned thereon during the time of escrow. It is anticipated that the subscription receipts issued as part of the Bought Deal Financing will be listed and posted for trading on the Toronto Stock Exchange for the period until the conversion of the Subscription Receipts into Common Shares is completed.

Subject to shareholder and regulatory approval, TORC intends to effect a share consolidation on a 1 for 5 basis effective on the close of the Acquisition.

Members of the TORC management and board of directors will be participating in the Bought Deal Financing and will directly or indirectly own approximately 7 percent of the pro forma outstanding common shares of TORC.

Strategic Rationale of Dividend Plus Growth Transition

"This transaction represents an important step in the continuing evolution of TORC." stated Brett Herman. "Over the past two years we have built a substantial growth platform of light oil focused assets. The stability of the high quality, low decline, light oil assets in southeast Saskatchewan, combined with our low risk, repeatable light oil Cardium development inventory in central Alberta and our exposure to the emerging large oil in place resource play at Monarch in southern Alberta will create an opportunity for our shareholders to receive a sustainable dividend along with value creation through a disciplined growth strategy. We believe this modified business strategy will appeal to the broadest universe of investors possible."

TORC management expects the Acquisition will provide the essential elements required to support a go-forward sustainable dividend and attractive growth business model:

- Moderate capital requirement to maintain production supported by a low decline rate (~25 percent) and strong full cycle light oil capital efficiencies of $40,000 per flowing barrel (IP365);

- Capital to maintain production plus dividend payment is less than 100 percent of cash flow resulting in free cash flow that can be used for disciplined growth;
- Light oil production that underpins top decile operating netbacks of ~$50 per boe;
- Strong balance sheet with total debt to cash flow of 1.2x and approximately 45 percent undrawn on the credit facility by year-end;
- Significant development inventory with greater than 130 net undrilled locations in southeast Saskatchewan and greater than 300 net undrilled Cardium locations; and
- Increased operating scale.

The dividend will initially be set at $0.10 per share per annum (pre consolidation), payable monthly. TORC expects to pay the first dividend to shareholders of record as at September 30, 2013 on October 15, 2013 assuming the Acquisition closes by mid-September 2013. TORC has performed extensive financial modeling to stress test the sustainability of the dividend under various commodity and operational assumptions. The low decline nature of the southeast Saskatchewan assets supports a sustainable "all-in" payout ratio below 100 percent based on conservative operating and pricing assumptions.

Subject to approval of the TSX, TORC intends to establish a DRIP to allow shareholders to automatically reinvest their dividend proceeds into additional shares of TORC at a five percent discount to the prevailing market price. Participation in the DRIP will allow shareholders to increase their leverage to the ongoing growth of the business. CPPIB intends to enrol 100 percent of their shares in the DRIP program for at least 18 months.

TORC intends to maintain conservative debt levels to ensure dividend sustainability and future flexibility for opportunistic acquisitions. Pro forma the Acquisition and the Financings, TORC expects to have a total debt to cash flow ratio of approximately 1.2 times by year-end 2013. TORC intends to implement a prudent hedging program of up to 50% of production volumes to protect cash flows for maintenance capital and dividend stability.

Macquarie Capital Markets Canada Ltd. is acting as financial advisor with respect to the strategic conversion to a dividend plus growth model. GMP Securities L.P. is acting as strategic advisor to TORC with respect to the strategic conversion.

Key Attributes of Pro Forma TORC

TORC has undertaken a rigorous due diligence exercise with respect to the proposed transition to a dividend plus growth model. As part of the extensive due diligence process, management has high-graded TORC's high netback, light oil drilling locations and developed a conservative, methodical, and strategic allocation of go-forward capital expenditures with a focus on supporting long-term sustainability of the dividend plus growth model. Pro forma the Acquisition TORC has the following key operational and financial attributes:

High Netback Production	Q2 2013E: greater than 4,200 boe/d (field estimates) 2013E Exit: greater than 9,500 boe/d (greater than 85 percent light oil & NGLs)
Reserves (1)	25.9 mmboe (85 percent light oil & NGLs) Total Proved 40.3 mmboe (84 percent light oil & NGLs) Total Proved plus Probable
Southeast Saskatchewan Light Oil Development Inventory	Greater than 130 net undrilled locations
Cardium Light Oil Development Inventory	Greater than 300 net undrilled locations
Emerging Light Oil Resource Exposure	Greater than 150 net sections at Monarch
Sustainability Assumptions	Corporate decline ~25 percent Light Oil Full Cycle Capital Efficiency ~$40,000/boe/d (IP 365) $45 per boe cash netback ($90 Edm light)
Run Rate Cash Flow (2)	~$155 million
Maintenance Capex	~$95 million
Annual Dividend (paid monthly)	$0.10 per share $44 million $33 million (net of CPPIB DRIP participation)
Run Rate Free Cash Flow (2)	~$25 million
Targeted Growth	~5 percent ($90 Edm light)
Targeted All-in Payout Ratio	Less than 100%
Bank Line	$350 million, 45 percent undrawn at year-end
Debt/Cash Flow	1.2x (year-end 2013)
Pro Forma Shares Outstanding (3)	435 million (basic) 462 million (fully-diluted)
Tax Pools (4)	Greater than $1 billion

Notes:

(1) Company gross reserves being pro forma TORC's working interest share before deduction of royalties and without including any royalty interests of pro forma TORC. Based on the respective independent reserve reports of the Acquisition and TORC, prepared by GLJ Petroleum Consultants and Sproule Associates Limited respectively and each effective as of December 31, 2012 and prepared in accordance with NI 51-101 and the COGE Handbook.

(2) Based on $90 Edmonton Light and $3.50 AECO.

(3) Assuming completion of the Financings and pre consolidation.

(4) Pro forma the Acquisition.

Significant Upside Potential: Cardium, Acquired Assets & Monarch

Management believes TORC is positioned for long term growth through a substantial upside inventory in the Cardium, the Acquired Assets and at Monarch.

The Company has over 90 net light oil focused sections of land targeting the Cardium in the Brazeau, Kaybob, Rosevear and West Pembina areas in central Alberta. Industry activities as well as a large portion of TORC's previous development spending have been focused on the Cardium trend, substantially de-risking future development drilling. The Company has identified more than 300 undrilled upside development locations that it will target as part of a disciplined growth strategy within the new dividend paying TORC.

The TORC management team has an extensive history of owning and operating assets in the southeast Saskatchewan area and has drilled numerous wells in and around many of the pools being acquired. TORC management has identified over 130 net undrilled development locations on the Acquired Assets. In addition, with over 150 net sections of land, management has identified exposure to a number of emerging tight light oil plays in southeast Saskatchewan with future potential upside.

Southern Alberta provides optionality for a potential step-change in value for TORC through the 100 percent owned, large oil-in-place, light oil resource at Monarch. Based on significant progress made to date, TORC plans to drill its first development well into the Monarch play in the second half of 2013 while continuing to take a measured approach to de-risking the play.

TORC is uniquely positioned to execute a successful dividend plus growth model with a stable, high cash flow, low decline platform combined with a significant development inventory, large land position and acquisition focused management team. TORC is well positioned to take advantage of the current market environment to add value for shareholders as a result of its strategic relationship with CPPIB.

TORC Management / Board of Directors

The TORC management team has a proven track record of creating shareholder value through an integrated strategy of acquiring, exploiting and exploring. Management and staff have had great success in identifying, developing and consolidating light oil resource plays in Western Canada and have significant experience of operating within a disciplined dividend plus growth business model.

In addition to the experienced management team, the go forward TORC Board of Directors shall be comprised of John Brussa, Raymond Chan (Chairman), Bruce Chernoff, Brett Herman, Dave Johnson, Dale Shwed, Hank Swartout, and Scott Lawrence from CPPIB. All have a significant track record of building, financing and directing oil and gas companies operating under a dividend paying plus growth business model.

About TORC Oil & Gas

TORC was founded in December, 2010 and has employed a consistent strategy since inception to position the company for value creation by focusing on light oil opportunities. The TORC strategy has been to underpin future production growth with exposure to development focused light oil assets, while positioning the company for significant value upside through early identification and land capture in emerging light oil resource plays.

Further Information

For further information, please contact:

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Note Regarding Forward Looking Statements

This press release contains forward-looking statements. More particularly, this press release contains statements concerning anticipated: (i) timing and completion of the Acquisition, CPPIB Investment and Bought Deal Financing, expectations and assumptions concerning timing of receipt of required shareholder and regulatory approvals and the satisfaction of other conditions to the completion of the Acquisition, CPPIB Investment and Bought Deal Financing, (ii) potential development opportunities and drilling locations associated with the Acquisition, expectations and assumptions concerning the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the successful application of technology and the geological characteristics of the Acquisition, (iii) the timing and amount of future dividend payments, (iv) oil & natural gas production growth during 2013, (v) debt and bank facilities, (vi) cash flow, (vii) capital expenditures (viii) potential acquisitions, and (ix) realization of anticipated benefits of acquisitions.

The forward-looking statements are based on certain key expectations and assumptions made by TORC, including expectations and assumptions concerning the performance of existing wells and success obtained in drilling new wells, anticipated expenses, cash flow and capital expenditures and the application of regulatory and royalty regimes.

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. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in TORC's Annual Information Form which has been filed on SEDAR and can be accessed at www.sedar.com.

The forward-looking statements contained in this press release are made as of the date hereof and TORC undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

This press release contains Future Oriented Financial Information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management of TORC to provide an outlook of TORC's anticipated cash flows following completion of the Acquisition and the Financings and readers are cautioned that this information may not be appropriate for any other purpose. The FOFI has been prepared based on a number of assumptions including the assumptions discussed under the Note Regarding Forward Looking Statements and assumptions with respect to the operating costs to be incurred by the TORC, capital expenditures, general and administrative expenses, production levels, commodity prices, royalty rates and finding and development costs. Management does not have firm commitments for all of the costs, expenditures, prices or other financial assumptions used to prepare the FOFI or assurance that such operating results will be achieved and, accordingly, the complete financial effects of all of those costs, expenditures, prices and operating results are not objectively determinable. The actual results of operations of TORC and the resulting financial results will likely vary from the amounts set forth in this presentation, and such variation may be material.

TORC and its management believe that the FOFI has been prepared on a reasonable basis, reflecting the best estimates and judgments, and represent, to the best of management's knowledge and opinion, TORC's expected expenditures and results of operations following completion of the Acquisition and the Financings. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the Note Regarding Forward Looking Statements, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, TORC undertakes no obligation to update this information.

Note: Boe means barrel of oil equivalent on the basis of 1 boe to 6,000 cubic feet of natural gas. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6,000 cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boe/d means barrel of oil equivalent per day.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.