



NOTICES OF SPECIAL MEETINGS

- and -

NOTICE OF ORIGINATING APPLICATION TO THE COURT OF QUEEN'S BENCH OF ALBERTA

- and -

JOINT INFORMATION CIRCULAR

FOR A SPECIAL MEETING OF THE SHAREHOLDERS OF

TORC OIL & GAS LTD.

AND A SPECIAL MEETING OF THE SHAREHOLDERS OF

VERO ENERGY INC.

EACH TO BE HELD NOVEMBER 16, 2012

WITH RESPECT TO A PROPOSED PLAN OF ARRANGEMENT INVOLVING

VERO ENERGY INC., 1688763 ALBERTA LTD., TORC OIL & GAS LTD.

AND THE TORC SHAREHOLDERS AND RELATED MATTERS

October 19, 2012

Unless otherwise stated, the information herein is current as of October 19, 2012.

This document is important and requires your immediate attention. Please read this joint information circular, including all appendices, carefully. It contains detailed information relating to, among other things, the plan of arrangement and related matters on which the shareholders of each of TORC Oil & Gas Ltd. and Vero Energy Inc. will be voting on at the respective shareholder meetings. If you have any questions as to how to deal with this document, you should consult your investment dealer, broker, bank manager, lawyer or other professional advisor. No securities regulatory authority has expressed an opinion about, or passed upon the fairness or merits of the transaction described in this document, the securities offered pursuant to such transaction or the adequacy of the information contained in this document and it is an offense to claim otherwise.

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LETTER TO SHAREHOLDERS

October 19, 2012

Dear TORC Shareholders:

You are invited to attend a special meeting (the "**TORC Meeting**") of the holders ("**TORC Shareholders**") of class "A" common shares (the "**TORC Shares**") of TORC Oil & Gas Ltd. ("**TORC**") to be held in the Conference Centre at Eighth Avenue Place, 4th Floor, 525 – 8th Avenue S.W., Calgary, Alberta at 9:00 a.m. (Calgary time) on Friday, November 16, 2012 for the following purposes:

1. to consider, pursuant to the interim order made by the Court of Queen's Bench of Alberta and dated October 19, 2012 and, if thought advisable, to approve, with or without amendment, a special resolution (the "**TORC Resolution**"), the full text of which is set forth in Appendix A-1 to the accompanying joint information circular of TORC and Vero Energy Inc. ("**Vero**") dated October 19, 2012 (the "**Information Circular**"), approving a plan of arrangement involving Vero, TORC and the TORC Shareholders (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta), all as more particularly described below and in the Information Circular and in accordance with the terms of the Arrangement; and
2. to transact such other business as may properly come before the TORC Meeting or any adjournment thereof.

Further particulars of the matters referred to above are set forth in the accompanying Information Circular.

If you are unable to attend the TORC Meeting in person we request that you date and sign the enclosed form of proxy and mail it to or deposit it with Olympia Trust Company, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta T2G 0P6 or by Facsimile to (403) 265-1455. In order to be valid and acted upon at the TORC Meeting, forms of proxy must be received at the aforesaid address not later than 9:00 a.m. (Calgary time) on Wednesday, November 14, 2012 or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to any adjournment of the TORC Meeting. For information regarding the voting or appointing a proxy by internet or facsimile, see the form of proxy for TORC Shareholders and the Information Circular under the heading "*General Proxy Matters – TORC – Voting by Internet*".

TORC and Vero entered into an arrangement agreement dated as of September 12, 2012 (the "**Arrangement Agreement**") pursuant to which TORC and Vero are proposing to complete a business combination to create a new publicly listed light oil focused company with operations in the Cardium light oil resource trend in central Alberta and in the southern Alberta Bakken petroleum system. The combined entity will be financially strong and well positioned with a large inventory of lower risk, high netback Cardium light oil development assets, complemented by significant exposure to TORC's emerging Monarch light oil resource play in the southern Alberta Bakken petroleum system.

Pursuant to the Arrangement, Vero will, directly or indirectly, acquire all of the outstanding TORC Shares and holders of TORC Shares will receive, through a series of steps under the Arrangement, 0.87 of a common share ("**New TORC Shares**") of the combined entity to be formed upon the amalgamation of Vero and TORC under the Arrangement and to be named "TORC Oil & Gas Ltd." ("**New TORC**") for each one (1) TORC Share held. Holders of the common shares of Vero ("**Vero Shares**") will continue to hold one (1) New TORC Share for each one (1) Vero Share held. Immediately following completion of the Arrangement, based upon certain assumptions, current TORC Shareholders and current shareholders of Vero are anticipated to own approximately 75.12% and 24.88%, respectively, of the outstanding New TORC Shares on a non-diluted basis. It is a condition to completion

of the Arrangement that the New TORC Shares be listed and posted for trading on the Toronto Stock Exchange in substitution of the currently listed Vero Shares.

Upon completion of the Arrangement, New TORC will be led by the existing management team of TORC and the board of directors of New TORC shall be comprised of the current members of the board of directors of TORC.

After considering, among other things, the fairness opinion of Macquarie Capital Markets Canada Ltd. that, as of September 13, 2012 and based upon and subject to the various assumptions, explanations, qualifications and limitations set forth therein, the consideration to be received by the TORC Shareholders under the Arrangement is fair, from a financial point of view, to the TORC Shareholders, the board of directors of TORC (the "**TORC Board**") has determined that the Arrangement is in the best interests of TORC.

<p>The TORC Board unanimously recommends that the TORC Shareholders vote FOR the TORC Resolution.</p>
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All of the directors and officers of TORC holding in aggregate approximately 22% of the outstanding TORC Shares (on a non-diluted basis) have entered into support agreements with Vero pursuant to which they have agreed, among other things, to vote their TORC Shares in favour of the TORC Resolution and to otherwise support the Arrangement.

The TORC Resolution must be approved by not less than 66⅔% of the votes cast by the TORC Shareholders, present in person or by proxy at the TORC Meeting.

Completion of the Arrangement is also conditional upon satisfaction or waiver of various other conditions as more particularly set forth in the Arrangement Agreement including, without limitation, approval of certain matters related to the Arrangement by holders of Vero Shares, approval of the Arrangement by the Court of Queen's Bench of Alberta and the receipt of all necessary regulatory, stock exchange and third party approvals.

If the requisite shareholder and regulatory approvals are obtained and if the other conditions to the Arrangement are satisfied or waived, it is expected that the Arrangement will become effective on or about November 16, 2012.

If you are a registered TORC Shareholder, please complete the enclosed Letter of Transmittal in accordance with the instructions included, sign and return it to the depositary, Olympia Trust Company, in the envelope provided, together with the share certificates representing your TORC Shares and any other required documents. The Letter of Transmittal contains complete instructions on how to exchange the share certificate(s) representing your TORC Shares and receive a physical share certificate(s) representing your New TORC Shares. You will not receive your physical share certificate(s) representing your New TORC Shares until after the Arrangement is completed and you have returned your properly completed documents, including the Letter of Transmittal, and the share certificate(s) representing your TORC Shares to Olympia Trust Company. If your TORC Shares are not registered in your name but are held by a nominee, please contact your nominee for instructions.

The Information Circular contains a detailed description of the Arrangement as well as detailed information regarding TORC and Vero and certain pro forma and other combined information after giving effect to the Arrangement. It also includes certain risk factors relating to the completion of the Arrangement. Please give this material your careful consideration and, if you require assistance, consult your financial, tax or other professional advisors.

We look forward to receiving your support at the TORC Meeting.

Yours very truly,

(signed) "*Brett Herman*"

Brett Herman
President and Chief Executive Officer
TORC Oil & Gas Ltd.



LETTER TO SHAREHOLDERS

October 19, 2012

Dear Vero Shareholders:

You are invited to attend a special meeting (the "**Vero Meeting**") of the holders ("**Vero Shareholders**") of common shares ("**Vero Shares**") of Vero Energy Inc. ("**Vero**") to be held at the Centennial Place West Tower, 3rd Floor 250 – 5th Street S.W., Calgary, Alberta at 9:00 a.m. (Calgary time) on Friday, November 16, 2012 for the following purposes:

1. to consider and, if thought advisable, to approve, with or without amendment, an ordinary resolution (the "**Vero Share Issuance Resolution**"), the full text of which is set forth in Appendix A-2 to the accompanying joint information circular of Vero and TORC Oil & Gas Ltd. ("**TORC**") dated October 19, 2012 (the "**Information Circular**") to approve the issuance of such number of Vero Shares as are required to be issued in connection with a plan of arrangement involving Vero, TORC and the shareholders of TORC (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta), all as more particularly described in the Information Circular and in accordance with the terms of the Arrangement;
2. to consider and, if thought advisable, to approve, with or without amendment, an ordinary resolution (the "**New TORC Incentive Plans Resolution**"), the full text of which is set forth in Appendix A-2 to the accompanying Information Circular to approve, subject to completion of the Arrangement, the adoption by New TORC of a stock option plan and a stock incentive plan (the "**Incentive Plans**"), all as more particularly described in the Information Circular; and
3. to transact such other business as may properly come before the Vero Meeting or any adjournment thereof.

Further particulars of the matters referred to above are set forth in the accompanying Information Circular.

If you are unable to attend the Vero Meeting in person we request that you date and sign the enclosed form of proxy and mail it to, or deposit it with, Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1. In order to be valid and acted upon at the Vero Meeting, forms of proxy must be received at the aforesaid address not later than 9:00 a.m. (Calgary time) on Wednesday, November 14, 2012 or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to any adjournment of the Vero Meeting. For information regarding the voting or appointing a proxy by internet or facsimile, see the form of proxy for Vero Shareholders and the Information Circular under the heading "General Proxy Matters – Vero – Voting by Internet".

TORC and Vero entered into an arrangement agreement dated as of September 12, 2012 (the "**Arrangement Agreement**") pursuant to which TORC and Vero are proposing to complete a business combination to create a new publicly listed light oil focused company with operations in the Cardium light oil resource trend in central Alberta and in the southern Alberta Bakken petroleum system. The combined entity will be financially strong and well positioned with a large inventory of lower risk, high netback Cardium light oil development assets, complemented by significant exposure to TORC's emerging Monarch light oil resource play in the southern Alberta Bakken petroleum system.

Pursuant to the Arrangement, Vero will, directly or indirectly, acquire all of the outstanding TORC Shares and holders of TORC Shares will receive, through a series of steps under the Arrangement, 0.87 of a common share ("**New TORC Shares**") of the combined entity to be formed upon the amalgamation of Vero and TORC under the Arrangement and to be named "TORC Oil & Gas Ltd." ("**New TORC**") for each one (1) TORC Share held.

Holders of the common shares of Vero ("**Vero Shares**") will continue to hold one (1) New TORC Share for each one (1) Vero Share held. Immediately following completion of the Arrangement, based upon certain assumptions, current shareholders of TORC and current Vero Shareholders are anticipated to own approximately 75.12% and 24.88%, respectively, of the outstanding New TORC Shares on a non-diluted basis. It is a condition to completion of the Arrangement that the New TORC Shares be listed and posted for trading on the Toronto Stock Exchange in substitution of the currently listed Vero Shares.

Upon completion of the Arrangement, New TORC will be led by the existing management team of TORC and the board of directors of New TORC shall be comprised of the current members of the board of directors of TORC.

After considering, among other things, the fairness opinion of FirstEnergy Capital Corp. that, as of October 18, 2012, and based upon and subject to the various assumptions, explanations, qualifications and limitations set forth therein, the consideration to be paid by Vero pursuant to the Arrangement is fair, from a financial point of view, to the Vero Shareholders, and the recommendation of the special committee of the board of directors of Vero (the "**Vero Board**") to the Vero Board, the Vero Board has determined that the Arrangement is in the best interests of Vero.

<p>The Vero Board unanimously recommends that the Vero Shareholders vote FOR the Vero Resolutions.</p>

All of the directors and officers of Vero holding in aggregate approximately 6.5% of the outstanding Vero Shares have entered into support agreements with TORC pursuant to which they have agreed, among other things, to vote their Vero Shares in favour of the Vero Resolutions and to otherwise support the Arrangement.

While the Arrangement itself does not require the approval of Vero Shareholders, the rules of the Toronto Stock Exchange provide that a listed issuer must obtain approval of its Shareholders for any transaction pursuant to which the issuer will be required to issue in excess of 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis. As Vero will be required to issue in excess of 25% of the number of Vero Shares currently outstanding in exchange for the outstanding TORC Shares pursuant to the Arrangement, Vero Shareholders are being asked to consider and vote upon the Vero Share Issuance Resolution, among other matters at the Vero Meeting.

It is a condition to the completion of the Arrangement that the Vero Share Issuance Resolution be approved by a majority of the votes cast by the Vero Shareholders present in person or by proxy at the Vero Meeting.

Completion of the Arrangement is also conditional upon satisfaction or waiver of various other conditions as more particularly set forth in the Arrangement Agreement including, without limitation, approval of the Arrangement by not less than 66⅔% of the votes cast by the holders of TORC Shares, present in person or by proxy at a meeting of such holders, approval of the Arrangement by the Court of Queen's Bench of Alberta and the receipt of all necessary regulatory, stock exchange and third party approvals.

The Information Circular contains a detailed description of the Arrangement as well as detailed information regarding Vero and TORC and certain pro forma and other combined information after giving effect to the Arrangement. It also includes certain risk factors relating to the completion of the Arrangement. Please give this material your careful consideration and, if you require assistance, consult your financial, tax or other professional advisors.

We look forward to receiving your support at the Vero Meeting.

Yours very truly,

(signed) "*Douglas J. Bartole*"

Douglas J. Bartole
President and Chief Executive Officer
Vero Energy Inc.

NOTICE OF SPECIAL MEETING OF TORC OIL & GAS LTD. SHAREHOLDERS

TO BE HELD ON FRIDAY, NOVEMBER 16, 2012

NOTICE IS HEREBY GIVEN that, pursuant to an order of the Court of Queen's Bench of Alberta dated October 19, 2012 (the "**Interim Order**"), a special meeting (the "**TORC Meeting**") of the holders ("**TORC Shareholders**") of class "A" common shares ("**TORC Shares**") of TORC Oil & Gas Ltd. ("**TORC**") will be held in the Conference Centre at Eighth Avenue Place, 4th Floor, 525 – 8th Avenue S.W., Calgary, Alberta at 9:00 a.m. (Calgary time) on Friday, November 16, 2012, for the following purposes:

1. to consider, pursuant to the Interim Order and, if thought advisable, to approve, with or without amendment, a special resolution (the "**TORC Resolution**"), the full text of which is set forth in Appendix A-1 to the accompanying joint information circular of TORC and Vero Energy Inc. ("**Vero**") dated October 19, 2012 (the "**Information Circular**"), approving a plan of arrangement involving Vero, TORC and the TORC Shareholders (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta), all as more particularly described in the Information Circular; and
2. to transact such other business as may properly come before the TORC Meeting or any adjournment thereof.

Specific details of the matters to be put before the TORC Meeting are set forth in the Information Circular.

The record date (the "**Record Date**") for the determination of TORC Shareholders entitled to receive notice of, and to vote at, the TORC Meeting is October 12, 2012. Only TORC Shareholders whose names have been entered in the register of TORC Shareholders at the close of business on the Record Date will be entitled to receive notice of and to vote at the TORC Meeting. **To the extent a TORC Shareholder transfers the ownership of any of its TORC Shares after the Record Date and the transferee of those TORC Shares establishes that it owns such TORC Shares and requests, at least ten (10) days before the TORC Meeting, to be included in the list of TORC Shareholders eligible to vote at the TORC Meeting, in which case such transferee will be entitled to vote those TORC Shares at the TORC Meeting.**

Registered TORC Shareholders may attend the TORC Meeting in person or may be represented by proxy. TORC Shareholders who are unable to attend the TORC Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the TORC Meeting or any adjournment thereof. To be effective, the proxy must be received by Olympia Trust Company, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta T2G 0P6 or by Facsimile to (403) 265-1455. In order to be valid and acted upon at the TORC Meeting, forms of proxy must be received at the aforesaid address by 9:00 a.m. (Calgary time) on Wednesday, November 14, 2012 or not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the TORC Meeting or any adjournment of the TORC Meeting. For information regarding voting or appointing a proxy by internet, see the form of proxy for TORC Shareholders and/or the section entitled "*General Proxy Matters – TORC – Voting by Internet*" in the Information Circular.

Pursuant to the Interim Order, registered TORC Shareholders (other than certain TORC Shareholders that have entered into support agreements with Vero in relation to the Arrangement) have a right to dissent in respect of the TORC Resolution and to be paid an amount equal to the fair value of their TORC Shares. This dissent right and the dissent procedures are described in the Information Circular. The dissent procedures require that a registered TORC Shareholder who wishes to dissent send a written notice of objection to the TORC Resolution to TORC, c/o Heenan Blaikie LLP, Suite 1900, 215 - 9th Avenue S.W., Calgary, Alberta T2P 1K3, Attention: Tom Cotter, to be received by no later than 4:00 p.m. (Calgary time) on the second Business Day immediately preceding the date of the TORC Meeting, and must otherwise strictly comply with the dissent procedures described in the Information Circular. Failure to strictly comply with the dissent procedures will result in loss of the right to dissent. Persons who are beneficial owners of TORC Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only registered holders of TORC Shares are entitled to dissent. Accordingly, a beneficial owner of TORC Shares who desires to exercise the right of dissent must make arrangement for the TORC Shares beneficially owned by such holder to be registered in the holder's name prior to the time written objection to the TORC Resolution is required to be received by TORC or, alternatively, make

arrangements for the registered holder of such TORC Shares to dissent on the holder's behalf. See the section entitled "*The Arrangement – Dissent Rights – TORC Dissent Right*" in the Information Circular.

The form of proxy confers discretionary authority with respect to: (i) amendments or variations to the matters of business to be considered at the TORC Meeting; and (ii) other matters that may properly come before the TORC Meeting. As of the date hereof, management of TORC knows of no amendments, variations or other matters to come before the TORC Meeting other than the matters set forth in this Notice of Meeting. TORC Shareholders who are planning on returning the accompanying form of proxy are encouraged to review the Information Circular carefully before submitting the proxy form.

It is the intention of the persons named in the enclosed instrument of proxy, if not expressly directed to the contrary in such instrument of proxy, to vote in favour of the TORC Resolution.

Dated at the City of Calgary, in the Province of Alberta, this 19th day of October, 2012.

**BY ORDER OF THE BOARD OF DIRECTORS OF
TORC OIL & GAS LTD.**

(signed) "*Brett Herman*"

Brett Herman
President and Chief Executive Officer
TORC Oil & Gas Ltd.

NOTICE OF SPECIAL MEETING OF VERO ENERGY INC. SHAREHOLDERS

TO BE HELD ON FRIDAY, NOVEMBER 16, 2012

NOTICE IS HEREBY GIVEN that in connection with the proposed business combination of Vero Energy Inc. ("**Vero**") and TORC Oil & Gas Ltd. ("**TORC**") by way of a plan of arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**") involving Vero, TORC and holders ("**TORC Shareholders**") of class "A" common shares ("**TORC Shares**") of TORC, a special meeting (the "**Vero Meeting**") of the holders ("**Vero Shareholders**") of common shares ("**Vero Shares**") of Vero held at the Centennial Place West Tower, 3rd Floor 250 – 5th Street S.W., Calgary, Alberta, at 9:00 a.m. (Calgary time) on Friday, November 16, 2012, for the following purposes:

1. to consider and, if thought advisable, to approve, with or without amendment, an ordinary resolution (the "**Vero Share Issuance Resolution**"), the full text of which is set forth in Appendix A-2 to the accompanying joint information circular of Vero and TORC dated October 19, 2012 (the "**Information Circular**") to approve the issuance of such number of Vero Shares as are required to be issued pursuant to and in connection with the Arrangement, all as more particularly described in the Information Circular;
2. to consider and, if thought advisable, to approve, with or without amendment, an ordinary resolution (the "**New TORC Incentive Plans Resolution**"), the full text of which is set forth in Appendix A-2 to the accompanying information circular to approve, subject to completion of the Arrangement, the adoption by New TORC of a stock option plan and a stock incentive plan (the "**Incentive Plans**"), all as more particularly described in the Information Circular; and
3. to transact such other business as may properly come before the Vero Meeting or any adjournment thereof.

Specific details of the matters to be put before the Vero Meeting are set forth in the Information Circular.

The record date (the "**Record Date**") for the determination of Vero Shareholders entitled to receive notice of, and to vote at, the Vero Meeting is October 12, 2012. Only Vero Shareholders whose names have been entered in the register of Vero Shareholders at the close of business on the Record Date will be entitled to receive notice of and to vote at the Vero Meeting. **To the extent a Vero Shareholder transfers the ownership of any of its Vero Shares after the Record Date and the transferee of those Vero Shares establishes that it owns such Vero Shares and requests, at least ten (10) days before the Vero Meeting, to be included in the list of Vero Shareholders eligible to vote at the Vero Meeting, in which case such transferee will be entitled to vote those Vero Shares at the Vero Meeting.**

Registered Vero Shareholders may attend the Vero Meeting in person or may be represented by proxy. Vero Shareholders who are unable to attend the Vero Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Vero Meeting or any adjournment thereof. To be effective, the proxy must be received by Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1. In order to be valid and acted upon at the Vero Meeting, forms of proxy must be received at the aforesaid address as soon as possible but not later than 9:00 a.m. (Calgary time) on Wednesday, November 14, 2012 or not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Vero Meeting or any adjournment thereof. For information regarding voting or appointing a proxy by internet, see the form of proxy for Vero Shareholders and/or the section entitled "*General Proxy Matters – Vero – Voting by Internet*" in the Information Circular.

The form of proxy confers discretionary authority with respect to: (i) amendments or variations to the matters of business to be considered at the Vero Meeting; and (ii) other matters that may properly come before the Vero Meeting. As of the date hereof, management of Vero knows of no amendments, variations or other matters to come before the Vero Meeting other than the matters set forth in this Notice of Meeting. Vero Shareholders who are planning on returning the accompanying form of proxy are encouraged to review the Information Circular carefully before submitting the proxy form.

It is the intention of the persons named in the enclosed instrument of proxy, if not expressly directed to the contrary in such instrument of proxy, to vote in favour of the Vero Resolutions.

Dated at the City of Calgary, in the Province of Alberta, this 19th day of October, 2012.

**BY ORDER OF THE BOARD OF DIRECTORS OF
VERO ENERGY INC.**

(signed) "*Douglas J. Bartole*"

Douglas J. Bartole
President and Chief Executive Officer
Vero Energy Inc.

TORC SHAREHOLDERS – QUESTIONS AND ANSWERS

See "*Glossary of Terms*" in the Information Circular for the meaning assigned to certain terms which are capitalized below and not otherwise defined.

The enclosed Information Circular is furnished in connection with the solicitation by or on behalf of management of TORC of proxies to be used at the TORC Meeting to be held in the Conference Centre at Eighth Avenue Place, 4th Floor, 525 – 8th Avenue S.W., Calgary, Alberta at 9:00 a.m. (Calgary time) on November 16, 2012, for the purposes indicated in the Notice of Special Meeting of TORC Oil & Gas Ltd. Shareholders.

It is expected that the solicitation of proxies will be primarily by mail, but proxies may also be solicited by newspaper publication, personally, by telephone or facsimile or other similar means by TORC employees or agents. Custodians and fiduciaries will be supplied with proxy materials to forward to beneficial owners of TORC Shares and normal handling charges will be paid for such forwarding services. The Record Date to determine the TORC Shareholders entitled to receive notice of, and vote at, the TORC Meeting is October 12, 2012.

Your vote is very important. TORC encourages you to exercise your vote by using any of the voting methods described below. Your completed form of proxy must be received by Olympia Trust Company, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta T2G 0P6 by 9:00 a.m. (Calgary time) on Wednesday, November 14, 2012 or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of any adjournment of the TORC Meeting. Please read the following for commonly asked questions and answers regarding general guidance on voting and proxies and receiving shares of New TORC upon completion of the Arrangement. For information regarding the voting or appointing a proxy by internet, see the form of proxy for TORC Shareholders and the Information Circular under the heading "*General Proxy Matters – TORC – Voting by Internet*".

Q. What am I being asked to vote on?

- A. TORC Shareholders will be asked to vote on the TORC Resolution, the full text of which is set forth in Appendix A-1 of the Information Circular, approving the proposed business combination of Vero and TORC by way of a plan of arrangement under the ABCA.

Approval of the TORC Resolution at the TORC Meeting is a condition to completion of the Arrangement.

Q. Why should I vote for the TORC Resolution?

- A. TORC Shareholders should consider the following factors and potential benefits in making their decision to vote for or against the TORC Resolution:
- the TORC Board has unanimously determined that the Arrangement is fair to TORC Shareholders and is in the best interests of TORC and TORC Shareholders and it unanimously recommends that TORC Shareholders vote FOR the TORC Resolution;
 - the TORC Board received a fairness opinion from Macquarie to the effect that, as of September 13, 2012, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the consideration to be received by TORC Shareholders pursuant to the Arrangement is fair, from a financial point of view, to TORC Shareholders;
 - all of the directors and officers of TORC have entered into the TORC Support Agreements pursuant to which they have agreed, among other things, to vote their TORC Shares in favour of the TORC Resolution and to otherwise support the Arrangement;
 - TORC Shareholders (other than the TORC Shareholders who have entered into TORC Support Agreements) have the ability to exercise TORC Dissent Rights;

- TORC Shareholders and Vero Shareholders will have the opportunity to participate in a significantly larger company that will have higher production, reserves and market capitalization that is anticipated to receive increased market attention, resulting in enhanced liquidity and an ability to secure financing at a lower cost of capital;
- increased size and diversity of combined assets bring an extensive inventory of development drilling locations and enhanced future growth opportunities in a light oil focused exploration and development company;
- complementary nature of combined, highly economic Cardium light oil asset base provides significant development upside and the potential for improved efficiencies;
- exposure to a significant exploration platform in the emerging southern Alberta Bakken petroleum system;
- New TORC will have a strong balance sheet and significant capital resources and bank facilities to pursue an accelerated development drilling and exploration program and strategic acquisitions;
- completion of the TORC Private Placement results in increased capital flexibility for the combined entity;
- top-tier management team and board of directors with expertise in successfully growing intermediate oil and gas companies through strategic consolidation and drilling;
- estimated 2012 year-end, high netback production in excess of approximately 3,900 BOE/d, of which approximately 75% is light oil and natural gas liquids;
- proved reserves of approximately 5.1 MMBOE (68% oil and natural gas liquids) and proved plus probable reserves of approximately 10.0 MMBOE (65% oil and natural gas liquids), estimated as of December 31, 2011 based on the independent engineering evaluations for each of TORC and Vero;
- in excess of an estimated 75 net unbooked sections and 300 net unbooked locations of Cardium light oil development inventory;
- in excess of an estimated 350 net sections of emerging light oil resource exposure, including in excess of an estimated 150 net sections at Monarch;
- net cash position, estimated at closing, of more than \$50 million;
- a large tax pool position estimated at \$410 million (June 30, 2012);
- the implied value of the Arrangement to Vero Shareholders, being \$3.00 per share based upon the arm's length pricing of the TORC Private Placement and corresponding 0.87 exchange ratio, represents a premium of approximately 48% to the 10 day volume weighted average trading price of the Vero Shares on the TSX immediately preceding announcement of the Arrangement; and
- the Arrangement is structured as a tax deferred roll-over for TORC Shareholders and Vero Shareholders, respectively.

Q. Am I entitled to vote?

- A. You are entitled to vote if you were a registered or non-registered TORC Shareholder as of the close of business on October 12, 2012, the Record Date for the TORC Meeting. Each TORC Share is entitled to one vote. **To the extent a TORC Shareholder transfers the ownership of any of its TORC Shares after the Record Date and the transferee of those TORC Shares establishes that it owns such TORC Shares and requests, at least ten (10) days before the TORC Meeting, to be included in the list of TORC Shareholders eligible to vote at the TORC Meeting, such transferee will be entitled to vote those TORC Shares at the TORC Meeting.**

Q. Am I a registered TORC Shareholder?

- A. You are a registered TORC Shareholder if your TORC Shares are represented by a share certificate registered in your own name.

Q. Am I a non-registered TORC Shareholder?

- A. You are a non-registered TORC Shareholder if your TORC Shares are held in an account in the name of a nominee (bank, trust company, securities broker or other financial institution).

Q. Who is soliciting my proxy?

- A. The management of TORC is soliciting your proxy. Solicitation of proxies is being done primarily by mail and may be supplemented by telephone, internet, newspaper publication or other contact, and all of the costs associated with such solicitations will be paid by TORC.

Q. How can I vote?

- A. If you are eligible to vote and your TORC Shares are registered in your name, you can vote your TORC Shares in person at the TORC Meeting or by signing and returning your proxy form in the prepaid envelope provided or by voting using the internet. See "*General Proxy Matters – TORC – Voting by Internet*" in the Information Circular.

Q. How can a non-registered TORC Shareholder vote?

- A. If your TORC Shares are not registered in your name, but are held in the name of a nominee (usually a bank, trust company, securities broker or other financial institution), your nominee is required to seek your instructions as to how to vote your TORC Shares. Your nominee will have provided you with a package of information, including these meeting materials and either a proxy or a voting instruction form. Carefully follow the instructions accompanying the proxy or voting instruction form.

Q. How can a non-registered TORC Shareholder vote in person at the TORC Meeting?

- A. TORC does not have access to all the names of its non-registered TORC Shareholders. Therefore, if you are a non-registered TORC Shareholder and attend the TORC Meeting, TORC will have no record of your shareholdings or of your entitlement to vote unless your nominee has appointed you as a proxyholder. If you wish to vote in person at the TORC Meeting, strike out the names that appear on the proxy form and insert your name in the space provided on the proxy form or voting instruction form sent to you by your nominee. In doing so you are instructing your nominee to appoint you as a proxyholder. Complete the form by following the return instructions provided by your nominee. You should report to a representative of Olympia Trust Company upon arrival at the TORC Meeting.

Q. Who votes my TORC Shares and how will they be voted if I return a proxy?

- A. By properly completing and returning a proxy, you are authorizing the person named in the proxy to attend the TORC Meeting and vote your TORC Shares. You can use the enclosed proxy form, or any other proper form of proxy, to appoint your proxyholder.

The TORC Shares represented by your proxy must be voted according to your instructions in the proxy. If you properly complete and return your proxy but do not specify how you wish the votes to be cast, your TORC Shares will be voted as your proxyholder sees fit. Unless contrary instructions are provided, TORC Shares represented by proxies received by management will be voted **FOR** the TORC Resolution.

Q. Can I appoint someone other than the individuals named in the enclosed proxy form to vote my TORC Shares?

- A. Yes, you have the right to appoint the person of your choice, who does not need to be a TORC Shareholder, to attend and act on your behalf at the TORC Meeting. If you wish to appoint a person other than the names that appear, then strike out the names that appear on the proxy form and insert the name of your chosen proxyholder in the space provided on the proxy form or voting instruction form sent to you by your nominee or Olympia Trust Company.

NOTE: It is important to ensure that any other person you appoint attends the TORC Meeting and is aware that its appointment to vote your TORC Shares has been made. Proxyholders should, on arrival at the TORC Meeting, present themselves to a representative of Olympia Trust Company.

Q. What if my TORC Shares are registered in more than one name or in the name of my company?

- A. If the TORC Shares are registered in more than one name, each registered TORC Shareholder must sign and return a form of proxy. If the TORC Shares are registered in the name of your company or any name other than yours, you may require documentation that proves you are authorized to sign the proxy form on behalf of the registered TORC Shareholder.

Q. Can I revoke a proxy or voting instruction?

- A. If you are a registered TORC Shareholder and have returned a proxy, you may revoke it by:
- completing and signing a proxy bearing a later date, and delivering it to Olympia Trust Company;
 - delivering a written statement, signed by you or your authorized attorney to:
 - the registered office of TORC at any time up to and including the last Business Day preceding the day of the TORC Meeting, or an adjournment of the TORC Meeting, at which the proxy is to be used; or
 - the chair of the TORC Meeting on the day of the TORC Meeting or an adjournment of the TORC Meeting; or
 - any other manner permitted by law.

If you are a non-registered TORC Shareholder, contact your nominee.

Q. What if an amendment is made to the TORC Resolution or if other matters are brought before the TORC Meeting?

- A. If you attend the TORC Meeting in person and are eligible to vote, you may vote on such matters as you choose. If you have completed and returned a proxy, the person named in the proxy form will have discretionary authority with respect to amendments or variations to matters identified in the Notice of Special Meeting and to other matters that may properly come before the TORC Meeting. As of the date of the Information Circular that is enclosed herewith, TORC's management knows of no such amendment, variation or other matter expected to come before the TORC Meeting. If any other matters properly come before the TORC Meeting, the persons named in the proxy form will vote on them in accordance with their best judgment.

Q. How do I receive Vero Shares in exchange for my TORC Share certificates?

- A. Registered TORC Shareholders have been provided with a Letter of Transmittal along with the Information Circular. Registered TORC Shareholders must carefully follow the instructions to complete the Letter of Transmittal and return it with the certificate(s) representing their TORC Shares and any other required documents to Olympia Trust Company, the Depositary, at any of the offices set forth in such Letter of Transmittal. If your TORC Shares are not registered in your name but are held by a nominee, please contact your nominee for instructions.

Q. Will the New TORC Shares be listed on a stock exchange?

- A. The Vero Shares currently trade on the TSX under the symbol "VRO" and the New TORC Shares issuable in connection with the Arrangement have been conditionally approved for listing on the TSX, subject to the satisfaction of the applicable listing requirements of the TSX and will trade under the symbol "TOG".

Q. What if I have other questions?

- A. If you have any questions regarding the TORC Meeting, please contact Brian Purdy of TORC at (403) 930-4129.

VERO SHAREHOLDERS – QUESTIONS AND ANSWERS

See "*Glossary of Terms*" in the Information Circular for the meaning assigned to certain terms which are capitalized below and not otherwise defined.

The enclosed Information Circular is furnished in connection with the solicitation by or on behalf of management of Vero, of proxies to be used at the Vero Meeting to be held at the Centennial Place West Tower, 3rd Floor 250 – 5th Street S.W., Calgary, Alberta at 9:00 a.m. (Calgary time) on Friday, November 16, 2012 for the purposes indicated in the Notice of Special Meeting of Vero Energy Inc. Shareholders.

It is expected that the solicitation of proxies will be primarily by mail, but proxies may also be solicited by newspaper publication, personally, by telephone or facsimile or other similar means by Vero employees or agents. Custodians and fiduciaries will be supplied with proxy materials to forward to beneficial owners of Vero Shares and normal handling charges will be paid for such forwarding services. The record date to determine the Vero Shareholders entitled to receive notice of, and vote at, the Vero Meeting is October 12, 2012.

Your vote is very important. Vero encourages you to exercise your vote by using any of the voting methods described below. Your completed form of proxy must be received by Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 by 9:00 a.m. (Calgary time) on Wednesday, November 14, 2012 or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of any adjournment of the Vero Meeting. Please read the following for commonly asked questions and answers regarding general guidance on voting and proxies. For information regarding the voting or appointing a proxy by internet or telephone, see the form of proxy for Vero Shareholders and the Information Circular under the heading "*General Proxy Matters – Vero – Voting by Internet*".

Q. What am I being asked to vote on?

- A. Vero Shareholders will be asked to vote on the Vero Resolutions, the full text of which are set forth in Appendix A-2 of the Information Circular.

Approval of the Vero Share Issuance Resolution at the Vero Meeting is a condition to the completion of the Arrangement.

Q. Why should I vote for the Vero Resolutions?

- A. Vero Shareholders should consider the following factors and potential benefits in making their decision to vote for or against the Vero Resolutions:

- the Vero Board has unanimously determined that the Arrangement is fair to Vero Shareholders and is in the best interests of Vero and Vero Shareholders and the it unanimously recommends that Vero Shareholders vote FOR the Vero Share Issuance Resolutions;
- the Vero Board received a fairness opinion from FirstEnergy to the effect that, as of October 18, 2012, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the consideration to be paid by Vero pursuant to the Arrangement is fair, from a financial point of view, to Vero Shareholders;
- all of the directors and officers of Vero have entered into the Vero Support Agreements pursuant to which they have agreed, among other things, to vote their Vero Shares in favour of the Vero Resolutions and to otherwise support the Arrangement;

- TORC Shareholders and Vero Shareholders will have the opportunity to participate in a significantly larger company that will have higher production, reserves and market capitalization that is anticipated to receive increased market attention, resulting in enhanced liquidity and an ability to secure financing at a lower cost of capital;
- increased size and diversity of combined assets bring an extensive inventory of development drilling locations and enhanced future growth opportunities in a light oil focused exploration and development company;
- complementary nature of combined, highly economic Cardium light oil asset base provides significant development upside and the potential for improved efficiencies;
- exposure to a significant exploration platform in the emerging southern Alberta Bakken petroleum system;
- New TORC will have a strong balance sheet and significant capital resources and bank facilities to pursue an accelerated development drilling and exploration program and strategic acquisitions;
- completion of the TORC Private Placement results in increased capital flexibility for the combined entity;
- top-tier management team and board of directors with expertise in successfully growing intermediate oil and gas companies through strategic consolidation and drilling;
- estimated 2012 year-end, high netback production in excess of approximately 3,900 BOE/d, of which approximately 75% is light oil and natural gas liquids;
- proved reserves of approximately 5.1 MMBOE (68% oil and natural gas liquids) and proved plus probable reserves of approximately 10.0 MMBOE (65% oil and natural gas liquids), estimated as of December 31, 2011 based on the independent engineering evaluations for each of TORC and Vero;
- in excess of an estimated 75 net unbooked sections and 300 net unbooked locations of Cardium light oil development inventory;
- in excess of an estimated 350 net sections of emerging light oil resource exposure, including in excess of an estimated 150 net sections at Monarch;
- net cash position, estimated at closing, of more than \$50 million;
- a large tax pool position estimated at \$410 million (June 30, 2012);
- the implied value of the Arrangement to Vero Shareholders, being \$3.00 per share based upon the arm's length pricing of the TORC Private Placement and corresponding 0.87 exchange ratio, represents a premium of approximately 48% to the 10 day volume weighted average trading price of the Vero Shares on the TSX immediately preceding announcement of the Arrangement; and
- the Arrangement is structured as a tax deferred roll-over for TORC Shareholders and Vero Shareholders, respectively.

Q. Am I entitled to vote?

- A. You are entitled to vote if you were a registered or non-registered holder of Vero Shares as of the close of business on October 12, 2012, the Record Date for the Vero Meeting. Each Vero Share is entitled to one vote. **To the extent a Vero Shareholder transfers the ownership of any of its Vero Shares after the Record Date and the transferee of those Vero Shares establishes that it owns such Vero Shares and requests, at least ten (10) days before the Vero Meeting, to be included in the list of Vero Shareholders eligible to vote at the Vero Meeting, such transferee will be entitled to vote those Vero Shares at the Vero Meeting.**

Q. Am I a registered Vero Shareholder?

- A. You are a registered Vero Shareholder if your Vero Shares are represented by a share certificate registered in your own name.

Q. Am I a non-registered Vero Shareholder?

- A. You are a non-registered Vero Shareholder if your Vero Shares are held in an account in the name of a nominee (bank, trust company, securities broker or other nominee).

Q. Who is soliciting my proxy?

- A. The management of Vero is soliciting your proxy. Solicitation of proxies is being done primarily by mail and may be supplemented by telephone, internet, newspaper publication or other contact, and all of the costs associated with such solicitations will be paid by Vero.

Q. How can I vote?

- A. If you are eligible to vote and your Vero Shares are registered in your name, you can vote your Vero Shares in person at the Vero Meeting or by signing and returning your proxy form in the envelope provided or by voting using the internet. See "*General Proxy Matters – Vero – Voting by Internet*" in the Information Circular.

Q. How can a non-registered Vero Shareholder vote?

- A. If your Vero Shares are not registered in your name, but are held in the name of a nominee (usually a bank, trust company, securities broker or other financial institution), your nominee is required to seek your instructions as to how to vote your Vero Shares. Your nominee will have provided you with a package of information, including these meeting materials and either a proxy or a voting instruction form. Carefully follow the instructions accompanying the proxy or voting instruction form.

Q. How can a non-registered Vero Shareholder vote in person at the Vero Meeting?

- A. Vero does not have access to all the names of its non-registered Vero Shareholders. Therefore, if you are a non-registered Vero Shareholder and attend the Vero Meeting, Vero will have no record of your shareholdings or of your entitlement to vote unless your nominee has appointed you as a proxyholder. If you wish to vote in person at the Vero Meeting, strike out the names that appear on the proxy form and insert your name in the space provided on the proxy form or voting instruction form sent to you by your nominee. In doing so you are instructing your nominee to appoint you as a proxyholder. Complete the form by following the return instructions provided by your nominee. You should report to a representative of Computershare Trust Company of Canada upon arrival at the Vero Meeting.

Q. Who votes my Vero Shares and how will they be voted if I return a proxy?

- A. By properly completing and returning a proxy, you are authorizing the person named in the proxy to attend the Vero Meeting and vote your Vero Shares. You can use the enclosed proxy form, or any other proper form of proxy, to appoint your proxyholder.

The Vero Shares represented by your proxy must be voted according to your instructions in the proxy. If you properly complete and return your proxy but do not specify how you wish the votes to be cast, your Vero Shares will be voted as your proxyholder sees fit. Unless contrary instructions are provided, Vero Shares represented by proxies received by management will be voted **FOR** the Vero Resolutions.

Q. Can I appoint someone other than the individuals named in the enclosed proxy form to vote my Vero Shares?

- A. Yes, you have the right to appoint the person of your choice, who does not need to be a Vero Shareholder, to attend and act on your behalf at the Vero Meeting. If you wish to appoint a person other than the names that appear, then strike out the names that appear on the proxy form and insert the name of your chosen proxyholder in the space provided on the proxy form or voting instruction form sent to you by your nominee or Computershare Trust Company of Canada.

NOTE: It is important to ensure that any other person you appoint attends the Vero Meeting and is aware that its appointment to vote your Vero Shares has been made. Proxyholders should, on arrival at the Vero Meeting, present themselves to a representative of Computershare Trust Company of Canada.

Q. What if my Vero Shares are registered in more than one name or in the name of my company?

- A. If the Vero Shares are registered in more than one name, each registered Vero Shareholder must sign and return a form of proxy. If the Vero Shares are registered in the name of your company or any name other than yours, you may require documentation that proves you are authorized to sign the proxy form on behalf of the registered Vero Shareholder.

Q. Can I revoke a proxy or voting instruction?

- A. If you are a registered Vero Shareholder and have returned a proxy, you may revoke it by:
- completing and signing a proxy bearing a later date, and delivering it to Computershare Trust Company of Canada;
 - delivering a written statement, signed by you or your authorized attorney to:
 - the registered office of Vero at any time up to and including the last Business Day preceding the day of the Vero Meeting, or an adjournment of the Vero Meeting, at which the proxy is to be used; or
 - the chair of the Vero Meeting on the day of the Vero Meeting or an adjournment of the Vero Meeting; or
 - any other manner permitted by law.

If you are a non-registered Vero Shareholder, contact your nominee.

Q. Do I have to surrender my current certificates representing Vero Shares if the Arrangement is approved?

A. No. Your certificates representing Vero Shares will continue to represent New TORC Shares on a one-for-one basis, without any action on your part. However, should you wish to obtain new share certificates in the name of "TORC Oil & Gas Ltd.", please contact TORC's registrar and transfer agent, Olympia Trust Company, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta T2G 0P6, Facsimile (403) 265-1455.

Q. What if an amendment is made to the Vero Resolutions or if other matters are brought before the Vero Meeting?

A. If you attend the Vero Meeting in person and are eligible to vote, you may vote on such matters as you choose. If you have completed and returned a proxy, the person named in the proxy form will have discretionary authority with respect to amendments or variations to matters identified in the Notice of Special Meeting and to other matters that may properly come before the meeting. As of the date of the Information Circular that is enclosed herewith, Vero's management knows of no such amendment, variation or other matter expected to come before the Vero Meeting. If any other matters properly come before the Vero Meeting, the persons named in the proxy form will vote on them in accordance with their best judgment.

Q. What if I have other questions?

A. If you have any questions regarding the Vero Meeting, please contact Doug Bartole, President and Chief Executive Officer of Vero at (403) 218-2063.

JOINT INFORMATION CIRCULAR

GENERAL INFORMATION

Introduction

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of TORC and Vero for use at the TORC Meeting and the Vero Meeting, respectively, and any adjournment(s) thereof. No person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the TORC Meeting or the Vero Meeting other than those contained in this Information Circular (or incorporated by reference herein) and, if given or made, any such information or representation must not be relied upon as having been authorized.

All summaries of, and references to, the Arrangement in this Information Circular are qualified in their entirety by reference to the complete text of the Arrangement Agreement and the Plan of Arrangement which are attached as Appendix D and Exhibit 1 to Appendix D, respectively, to this Information Circular. **You are urged to carefully read the full text of the Plan of Arrangement.**

Information Contained in this Information Circular

The information contained in this Information Circular is given as at October 19, 2012, except where otherwise noted, and information contained in documents incorporated by reference herein is given as of the dates noted in those documents.

The information concerning TORC contained in this Information Circular has been provided by TORC. Vero does not assume any responsibility for the accuracy or completeness of such information or the failure by TORC to disclose events which may have occurred or may affect the completeness of such information.

The information concerning Vero contained in this Information Circular has been provided by Vero. TORC does not assume any responsibility for the accuracy or completeness of such information or the failure by Vero to disclose events which may have occurred or may affect the completeness of such information.

This Information Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

TORC Shareholders and Vero Shareholders should consult with their own professional advisors in considering the relevant legal, tax, financial or other matters contained in this Information Circular.

If you hold TORC Shares and/or Vero Shares through a broker, investment dealer, bank, trust company, nominee or other intermediary (collectively, an **"Intermediary"**), you should contact your Intermediary for instructions and assistance in voting and exchanging the TORC Shares and voting the Vero Shares, as applicable, that you beneficially own.

Cautionary Notice Regarding Forward-Looking Statements and Information

This Information Circular, including documents incorporated by reference herein, contains forward-looking statements and information. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "potential", "pro forma" and similar expressions are intended to identify forward-looking statements or information. Forward-looking information presented in such statements or disclosures may, among other things, relate to: (i) the anticipated benefits from the Arrangement; (ii) the expected completion and implementation date of the Arrangement; (iii) certain combined operational, financial, production and reserve information; (iv) the nature of New TORC's operations following the Arrangement; (v) sources of income; (vi) forecasts of capital expenditures, including general and administrative

expenses; (vii) expectations regarding the ability to raise capital; (viii) fluctuations in currency exchange rates; (ix) anticipated income taxes; (x) New TORC's business outlook following the Arrangement; (xi) plans and objectives of management for future operations; (xii) forecast production rates and reserve estimates; and (xiii) anticipated operational and financial performance.

Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to TORC and Vero, as applicable, including information obtained from third-party industry analysts and other third party sources. In some instances, material assumptions and factors are presented or discussed elsewhere in this Information Circular in connection with the statements or disclosure containing the forward-looking information. You are cautioned that the following list of material factors and assumptions is not exhaustive. The factors and assumptions include, but are not limited to:

- the approval of the Arrangement by the Court;
- the approval of the TORC Resolution by the TORC Shareholders;
- the approval of the Vero Resolutions by the Vero Shareholders;
- satisfaction of the other conditions to completion of the Arrangement, including the receipt of all required regulatory and third party approvals to complete the Arrangement, including the TSX;
- the completion of the Arrangement;
- no material changes in the legislative and operating framework for the business of TORC and Vero, as applicable;
- no material adverse changes in the business of either or both of TORC and Vero; and
- no significant event occurring outside the ordinary course of business of TORC or Vero, as applicable such as a natural disaster or other calamity.

The forward-looking information in statements or disclosures in this Information Circular (including the documents incorporated by reference herein) is based (in whole or in part) upon factors which may cause actual results, performance or achievements of TORC or Vero, as applicable, to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information. Those factors are based on information currently available to TORC and Vero, as applicable, including information obtained from third-party industry analysts and other third party sources. Actual results or outcomes may differ materially from those predicted by such statements or disclosures. While TORC and Vero do not know what impact any of those differences may have, their business, results of operations, financial condition and credit stability may be materially adversely affected.

The reader is further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

Readers are cautioned that the foregoing lists are not exhaustive. Readers should carefully review and consider the risk factors described under "*The Arrangement – Risk Factors Related to the Arrangement*", "*Certain Canadian Federal Income Tax Considerations*" and other risks described elsewhere in this Information Circular and in the documents incorporated by reference herein. Additional information on these and other factors that could affect the operations or financial results of TORC or Vero are included in documents on file with applicable Canadian Securities Administrators and may be accessed, in Vero's case, on Vero's issuer profile through the System for Electronic Document Analysis and Retrieval (SEDAR) website (www.sedar.com) and, in the case of TORC, at TORC's website (www.torcoil.com). Such documents unless expressly incorporated by reference herein and websites, although referenced, do not form part of this Information Circular.

The forward-looking statements and information contained in this Information Circular (including the documents incorporated by reference herein) are made as of the date hereof and thereof and TORC and Vero undertake no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities laws. Because of the risks, uncertainties and assumptions contained herein and in the documents incorporated by reference herein, shareholders should not place undue reliance on forward-looking statements or disclosures. The forward-looking information and statements contained herein and the documents incorporated by reference herein are expressly qualified in their entirety by this cautionary statement.

Information for Beneficial Shareholders

Only those persons whose name appears on the register of TORC as the owner of TORC Shares or whose name appears on the register of Vero as the owner of Vero Shares (collectively, "Registered Holders") or duly appointed proxyholders are permitted to vote at the Meetings. Many shareholders are "non-registered" shareholders because the TORC Shares and Vero Shares (together, the "Shares") they own are not registered in their names but are instead registered in the name of an Intermediary through which they hold the Shares. More particularly, a person is not a Registered Holder in respect of Shares which are held on behalf of that person (the "**Beneficial Shareholder**") but which are registered either: (a) in the name of an Intermediary that the Beneficial Shareholder deals with in respect of the Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered education savings plans or tax free savings accounts and similar plans); or (b) in the name of a clearing agency (such as CDS or Cede & Co.) of which the Intermediary is a participant. In Canada, the vast majority of such shares are registered under the name of CDS, which company acts as nominee for many Canadian brokerage firms. Shares so held by Intermediaries can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting Shares held for Beneficial Shareholders. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Shares are communicated to the appropriate person or that the Shares are duly registered in their name well in advance of the Meetings.**

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meetings. Often, the voting instruction form supplied to a Beneficial Shareholder by its Intermediary is identical to the form of proxy provided to Registered Holders; however, its purpose is limited to instructing the registered shareholder how to vote on behalf of the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails its voting instruction form (a "**Voting Instruction Form**"), which may be scanned, in lieu of the form of proxy. The Beneficial Shareholders will be requested to complete and return the Voting Instruction Form to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can call a toll-free telephone number or access the internet to vote the Shares held by the Beneficial Shareholder. The toll-free number and website will be provided by Broadridge in its Voting Information Form. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meetings. A Beneficial Shareholder receiving a Voting Instruction Form from Broadridge cannot use that Voting Instruction Form to vote Shares directly at the TORC Meeting or the Vero Meeting, as the case may be, as the Voting Instruction Form must be returned as directed by Broadridge in advance of the TORC Meeting or the Vero Meeting, as the case may be, in order to have the Shares voted.

Although a Beneficial Shareholder may not be recognized directly at the TORC Meeting or the Vero Meeting, as the case may be, for the purposes of voting Shares registered in the name of its Intermediary, it may attend at the TORC Meeting or the Vero Meeting, as the case may be, as a proxyholder for the Registered Holder and vote its Shares in that capacity. Should a Beneficial Shareholder wish to vote at the TORC Meeting or the Vero Meeting, as the case may be, in person, it should enter its own name in the blank space on the form of proxy provided to the Beneficial Shareholder and return the document to its Intermediary (or the agent of such Intermediary) in accordance with the instructions provided by such Intermediary or agent well in advance of the applicable Meeting.

Beneficial Shareholders of TORC Shares should also instruct their Intermediary to complete the Letter of Transmittal regarding the Arrangement in order to receive the New TORC Shares issuable pursuant to and in connection with the Arrangement in exchange for such holder's TORC Shares.

See "*TORC Shareholders – Questions and Answers*" accompanying this Information Circular and "*General Proxy Matters – TORC*".

See "*Vero Shareholders – Questions and Answers*" accompanying this Information Circular and "*General Proxy Matters – Vero*".

Information for TORC Shareholders and Vero Shareholders in the United States

The Vero Shares issuable to TORC Shareholders in exchange for their TORC Shares under the Arrangement, and the New TORC Shares deemed to be subsequently issued to Vero Shareholders under the Arrangement, have not been and will not be registered under the U.S. Securities Act, and such securities (other than securities issued with respect to TORC Shares issued pursuant to TORC Subscription Receipts issued in the TORC Private Placement) will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof.

The solicitation of proxies for the Meetings is not subject to the requirements of Section 14(a) of the U.S. Exchange Act. Accordingly, the solicitations and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate laws and Canadian securities laws, and this Information Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. TORC Shareholders and Vero Shareholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and proxy statements under the U.S. Exchange Act. Therefore, information concerning assets and operations of Vero and TORC, and future assets and operations of New TORC included in or incorporated by reference into this Information Circular, has been prepared in accordance with Canadian standards and is not comparable in all respect to similar information for United States companies.

In particular, and without limiting the foregoing, information included in or incorporated by reference into this Information Circular regarding oil and gas operations and properties and estimates of oil and gas reserves have been prepared in accordance with Canadian disclosure standards, which differ in certain respects from the disclosure standards applicable to information included in reports and other materials filed with the United States Securities and Exchange Commission (the "SEC") by issuers subject to SEC reporting and disclosure requirements. The SEC generally permits U.S. reporting oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves and production, net of royalties and interest of others. The SEC generally does not permit reporting companies to disclose net present value of future net revenue from reserves based on forecast prices and costs. Canadian securities laws permit, among other things, the presentation of certain categories of resources and the disclosure of production on a gross basis before deducting royalties. Unless noted otherwise, all disclosures of reserves in this Information Circular and the documents incorporated herein by reference are made on a gross basis using forecast price and cost assumptions.

The financial statements of Vero and TORC and other financial information, including, without limitation, pro forma financial statements and other financial information, included in or incorporated by reference in this Information Circular have been prepared in Canadian dollars. The financial statements of Vero and TORC and other financial information including, without limitation, pro forma financial statements and other financial information, included in or incorporated by reference in this Information Circular have been prepared in accordance with IFRS, and are subject to Canadian auditing and auditor independence standards, which differ from United States generally accepted accounting principles and United States auditing and auditor independence standards in certain material respects, and thus are not directly comparable to financial statements of companies prepared in accordance with United States generally accepted accounting principles and that are subject to United States auditing and auditor independence standards.

The New TORC Shares to be received by TORC Shareholders upon completion of the Arrangement may be resold without restriction under the U.S. Securities Act, except by persons who are "affiliates" of New TORC after the

Effective Date or who have been affiliates of Vero or TORC within 90 days before the Effective Date. See "*The Arrangement – Securities Law Matters – United States*".

The enforcement by investors of civil liabilities under United States federal and state securities laws may be affected adversely by the fact that TORC and Vero are, and New TORC will be, incorporated under the laws of the Province of Alberta, Canada, that all of the officers and the majority of directors of TORC, Vero and New TORC are, or will be, residents of countries other than the United States, that most or all of the experts named in this Information Circular are residents of countries other than the United States, and that all of the assets of TORC, Vero and New TORC are, or will be, located outside the United States. You may not be able to sue a corporation organized under the ABCA in a Canadian court for violations of United States securities laws and it may be difficult to compel the forgoing persons to subject themselves to a judgment by a United States court.

TORC Shareholders should be aware that the exchange of their securities for Vero Shares (and New TORC Shares) as described herein, and the holding and disposition of such New TORC Shares, may have tax consequences in both the United States and Canada. The United States consequences for TORC Shareholders who are resident in, or citizens of, the United States are not described herein. All TORC Shareholders should seek their own tax advice with respect to the tax consequences to them under the laws of any relevant domestic or foreign, state, local or other taxing jurisdiction of the transactions contemplated by the Arrangement in light of their particular situation.

THE VERO SHARES (AND NEW TORC SHARES) ISSUABLE PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE SEC OR ANY SUCH STATE SECURITIES REGULATORY AUTHORITY PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Presentation of Oil and Gas Reserves and Production Information

All oil and natural gas reserve information contained or incorporated by reference in this Information Circular has been prepared and presented in accordance with NI 51-101. The actual oil and natural gas reserves and future production will be greater than or less than the estimates provided in this Information Circular. The estimated future net revenue from the production of the disclosed oil and natural gas reserves does not represent the fair market value of these reserves.

Abbreviations

Oil and Natural Gas Liquids

Bbl	barrel
Bbls	barrels
Mbbls	thousand barrels
MMbbls	million barrels
Mstb	thousand stock tank barrels
Bbls/d	barrels per day
BOPD	barrels of oil per day
NGLs	natural gas liquids
STB	standard tank barrels

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
Mmbtu	million British Thermal Units
Bcf	billion cubic feet
GJ	gigajoule

Other

AECO	The natural gas storage facility located at Suffield, Alberta.
API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API is generally referred to as light crude oil.
BOE	barrel of oil equivalent of natural gas and crude oil on the basis of 1 BOE for 6 Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices). Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.
BOE/d	barrel of oil equivalent per day
m ³	cubic metres
MBOE	thousand barrels of oil equivalent
\$M or \$000s	thousands of dollars
MM	Million
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

Where any disclosure of reserves data is made in this Information Circular or the documents incorporated by reference herein that does not reflect all reserves of Vero or TORC, as applicable, the reader should note that the estimates of reserves and future net revenue for individual properties or groups of properties may not reflect the same confidence level as estimates of the reserves and future net revenue for all properties, due to the effects of aggregation.

Conversions

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls oil	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

Conventions

Words importing the singular include the plural and vice versa.

In this Information Circular, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars and references to "**dollars**" or "\$" are to Canadian dollars, references to "**US\$**" are to United States dollars.

Currency Exchange Rates

The following table sets forth: (i) the rates of exchange for Canadian dollars, expressed in United States dollars, in effect at the end of each of the periods indicated; and (ii) the high, low and average exchange rates during each such period, in each case based on those rates published on the Bank of Canada's website as being in effect at approximately noon on each trading day (the "**Bank of Canada noon rate**"). On October 18, 2012, the Bank of Canada noon rate was US\$1.0196 equals \$1.00.

	Year Ended December 31,		Six Months Ended June 30,
	2011	2010	2012
	US\$	US\$	US\$
High	1.0583	1.0054	1.0197
Low	0.9430	0.9278	0.9599
Average ⁽¹⁾	1.0111	0.9709	0.9943
Closing	0.9833	1.0054	0.9813

Note:

- (1) Calculated as an average of the daily Bank of Canada noon rates for each day during the respective period.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular, including in the section entitled "Summary Information" and in Appendices I and J attached hereto.

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9 as amended including the regulations thereunder.

"**Acquisition Proposal**" in respect of a person, means any inquiry or the making of any proposal in respect of such person or any of its securityholders from any person or group of persons "acting jointly or in concert" (within the meaning of Multilateral Instrument 62-104 - Take-Over Bids and Issuer Bids), whether or not subject to due diligence or other conditions and whether oral or in writing, which constitutes or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions); (i) an acquisition of more than 20% (except that the reference to "20%" shall be replaced by "50%" for purposes of the definition of a Superior Proposal) of the voting securities of such person; (ii) any acquisition of more than 20% of the assets of such person (on a consolidated basis measured by the fair market value thereof as of the date of any such proposal or inquiry) (except that the reference to "20%" shall be replaced by "no less than 50% of the assets of Vero or TORC (on a consolidated basis), as the case may be" for purposes of the definition of a Superior Proposal); (iii) an amalgamation, arrangement, merger, or consolidation involving such person or any of its subsidiaries; (iv) any take-over bid (initiated by advertisement or circular), issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving such person or its subsidiaries; or (v) any other transaction, the consummation of which would reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement or which would reasonably be expected to materially reduce the benefits to TORC or Vero, as applicable, under this Agreement or the Arrangement.

"**AcquisitionCo**" means 1688763 Alberta Ltd., a corporation incorporated under the ABCA and a wholly owned subsidiary of Vero.

"**Amalgamation**" means the amalgamation of Vero and AmalCo1 pursuant to the Plan of Arrangement.

"**AmalCo**" means "TORC Oil & Gas Ltd.", the continuing corporation resulting from the amalgamation of Vero and AmalCo 1 pursuant to the Plan of Arrangement.

"**AmalCo Shares**" means the common shares in the capital of AmalCo.

"**AmalCo 1**" means "TORC Oil & Gas Ltd.", the continuing corporation resulting from the amalgamation of AcquisitionCo and TORC pursuant to the Plan of Arrangement.

"**Applicable Laws**" means applicable corporate, securities and other laws, regulations and rules and all policies and rules of the TSX.

"**Arrangement**" means the plan of arrangement under the provisions of Section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement.

"**Arrangement Agreement**" means the arrangement agreement dated as of September 12, 2012, between Vero and TORC, as amended or supplemented and/or restated from time to time.

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required by the ABCA to be filed with the Registrar after the Final Order has been made.

"**Beneficial Shareholder**" has the meaning set forth under the heading "General Information – Information for Beneficial Shareholders".

"**Business Day**" means, with respect to any action to be taken, any day, other than Saturday, Sunday or a statutory holiday, when banks are generally open in the City of Calgary for the transaction of banking business.

"CDS" means CDS Clearing and Depository Services Inc.

"Commissioner" means the Commissioner of Competition appointed under the Competition Act.

"Competition Act" means the *Competition Act*, R.S.C. 1985, c. C-34, including the rules and regulations promulgated thereunder, as amended from time to time.

"Court" means the Court of Queen's Bench of Alberta.

"Damages Event" has the meaning set forth under the heading "*The Arrangement – The Arrangement Agreement – Termination Fee*".

"Depository" means Olympia Trust Company or such other trust company that may be appointed by Vero and TORC for the purpose of receiving deposits of certificates formerly representing TORC Shares in connection with the Arrangement at its offices referred to in the Letter of Transmittal.

"Deposited Securities" has the meaning set forth under the heading "*The Arrangement - Procedure for Exchange of Securities - Letters of Transmittal – TORC Shareholders*".

"Depositing Shareholders" has the meaning set forth under the heading "*The Arrangement - Procedure for Exchange of Securities - Letters of Transmittal – TORC Shareholders*".

"Dissenting TORC Shareholders" means the registered TORC Shareholders that validly exercise the TORC Dissent Rights and "Dissenting TORC Shareholder" means any one of them.

"Effective Date" means the effective date of the Arrangement, being the date on which the Articles of Arrangement are filed with the Registrar giving effect to the Arrangement.

"Effective Time" means 12:01 a.m. (Calgary time) on the Effective Date.

"Final Order" means the final order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction.

"FirstEnergy" means FirstEnergy Capital Corp.

"Governmental Authority" means any: (a) multinational, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, court, tribunal, arbitral body, commission, board, bureau or agency; (b) any subdivision, agent, commission, board or authority of any of the foregoing; or (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

"IFRS" means Canadian generally accepted accounting principles for publicly accountable enterprises, being International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board effective for periods beginning on or after January 1, 2011.

"ITA" means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder.

"Information Circular" means the joint management information circular of Vero and TORC to be mailed to Vero Shareholders and TORC Shareholders in connection with the holding of the Meetings.

"Interim Order" means the interim order of the Court pursuant to subsection 193(4) of the ABCA ordering the TORC Meeting and setting out certain declarations and directions in respect of the Arrangement and the holding of the TORC Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction.

"Intermediary" has the meaning set forth under the heading *"General Information - Information Contained in this Information Circular"*.

"Letter of Transmittal" means the Letter of Transmittal provided to registered TORC Shareholders pursuant to which the TORC Shareholders are required to deliver certificates representing TORC Shares in exchange for their New TORC Shares pursuant to the Arrangement.

"Material Adverse Effect" means, in relation to any circumstance, event or change, an effect that is or would reasonably be expected to be materially adverse to the business, operations, results of operations, assets, capitalization, financial condition or liabilities, whether contractual or otherwise, of Vero or TORC (on a consolidated basis), as applicable, provided that a Material Adverse Effect shall not include an adverse effect: (i) that relates to or arises out of a matter that has been publicly disclosed or otherwise disclosed in writing to TORC or Vero, as applicable, prior to the date hereof; (ii) that relates to or arises out of conditions affecting the oil and gas industry as a whole; (iii) that relates to or arises out of general economic, financial, currency exchange, securities or commodity market conditions in Canada or elsewhere; (iv) that relates to any changes of Applicable Laws or the interpretation, application or non-application thereof; (v) that relates to the execution of this Agreement or the announcement of this Agreement or the transactions contemplated hereby, including any resulting loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of Vero or TORC, as the case may be, with any of their employees that are not executive officers; (vi) that relates to any change in IFRS or changes in regulatory accounting requirements applicable to Vero or TORC, as the case may be; (vii) that relates to any natural disaster; (viii) that arises out of any action taken by Vero or TORC, as the case may be, with the approval, consent or authority of the other Party; or (ix) that relates to any failure by Vero or TORC, as the case may be, to meet any internal or published financial or other projections or forecasts, including projections and forecasts provided to the other Party in connection with its due diligence inquiries or the negotiation of this Agreement (provided that this clause (ix) will not prevent a determination that any change giving rise to such a failure to meet projections or forecasts has resulted in a Material Adverse Effect to the extent it is not otherwise excluded from this definition); provided, however that: (a) the effect referred to in (ii), (iii), (iv), (vi) or (vii) or above does not primarily relate only to (or have the effect of primarily relating only to) TORC or Vero or disproportionately affects TORC or Vero, as the case may be, compared to other companies of similar size operating in the oil and gas industry, in which case, the relevant exclusion from this definition of Material Adverse Effect referred to above shall not be applicable, and that (b): (A) while a change in the market price or trading volume of a Party's equity securities will not itself be considered to have a Material Adverse Effect the underlying cause of such change may be considered in determining whether an event, development or circumstance has a Material Adverse Effect; and (B) references in this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretative for purposes of determining whether an event, development or circumstance has a Material Adverse Effect.

"Meetings" means, together, the Vero Meeting and the TORC Meeting.

"MI 61-101" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

"New TORC" means the resulting issuer following the Amalgamation pursuant to and upon completion of the Arrangement.

"New TORC Incentive Plans Resolution" means the ordinary resolution to approve the TORC Incentive Plans conditional upon completion of the Arrangement.

"Notice of Originating Application" means the Notice of Originating Application to the Court for the Final Order, which is attached as Appendix C to this Information Circular.

"other Party" means: (i) with respect to Vero, TORC; and (ii) with respect to TORC, Vero.

"Parties" means, collectively, Vero, TORC and AcquisitionCo, and **"Party"** means either one of them.

"Plan of Arrangement" means the plan of arrangement substantially in the form annexed to the Arrangement Agreement as Exhibit 1 and any amendment thereto or variation thereof.

"Registered Holder" has the meaning set forth under the heading "General Information – Information for Beneficial Shareholders".

"Registrar" means the Registrar of Corporations appointed pursuant to Section 263 of the ABCA.

"Sproule" means Sproule Associates Limited, a privately owned professional geological, geophysical, and petroleum engineering consulting company, who has been evaluating conventional and unconventional oil and natural gas assets, domestically and internationally, since 1951.

"Superior Proposal" means an unsolicited written bona fide Acquisition Proposal made by a third party regarding which the board of directors of Vero or TORC, as the case may be, determines in good faith: (i) that the funds or other consideration necessary for the Acquisition Proposal are or are likely to be available; (ii) after consultation with its financial advisors, such proposal would, or would be reasonably likely to, if consummated in accordance with its terms (but not assuming away any risks of non-completion), result in a transaction financially superior for shareholders of Vero or TORC, as the case may be, to the transaction contemplated by this Agreement in its current form; (iii) that the Acquisition Proposal is reasonably likely to be consummated within a time frame that is reasonable in the circumstances taking into account all financial, legal, regulatory and other aspects of such proposal and the person making such proposal; and (iv) after receiving the advice of outside legal counsel, as reflected in the minutes of the board of directors, that the taking of such action is necessary for the board of directors in the discharge of its fiduciary duties under Applicable Laws.

"Termination Fee" has the meaning set forth under the heading *"The Arrangement – The Arrangement Agreement – Termination Fee"*.

"TORC" means TORC Oil & Gas Ltd., a body corporate amalgamated under the ABCA.

"TORC Board" or **"Board of Directors of TORC"** means the board of directors of TORC, and following the Effective Date of New TORC, as it may be constituted from time to time.

"TORC Disclosure Letter" means the disclosure letter provided by TORC to Vero in conjunction with execution of the Arrangement Agreement.

"TORC Dissent Rights" means the right of a registered TORC Shareholder to dissent to the TORC Resolution and to be paid the fair value of the TORC Shares, in respect of which the holder dissents, all in accordance with Section 191 of the ABCA, the Interim Order and the Plan of Arrangement.

"TORC Exchange Ratio" means 0.87 of a New TORC Share for each one (1) TORC Share exchanged pursuant to the Arrangement.

"TORC Fairness Opinion" means the opinion of Macquarie provided to the TORC Board dated September 13, 2012, a copy of which is attached as Appendix F to this Information Circular.

"TORC Financial Advisors" means Macquarie and TD Securities Inc. as financial advisors, and RBC Dominion Securities Inc. and Dundee Securities Ltd. as strategic advisors.

"TORC Financial Statements" means (i) the audited consolidated comparative financial statements of TORC as at and for the fiscal years ended December 31, 2011 and 2010, together with the notes thereto and the auditor's report thereon; and (ii) the unaudited condensed consolidated interim financial statements of TORC as at June 30, 2012 and for the three and six months ended June 30, 2012 and 2011 together with the notes thereto.

"TORC Flow-Through Subscription Receipts" means those subscription receipts issued by TORC pursuant to the TORC Private Placement that are convertible for shares issued on a flow-through basis pursuant to the ITA.

"TORC Incentive Plans" means the TORC Stock Option Plan and the TORC Stock Incentive Plan.

"TORC Incentive Shares" means the outstanding entitlements for the issuance of TORC Shares which have been granted or have been approved for issuance by the TORC board of directors to certain directors, officers, employees and consultants of TORC pursuant to the TORC Stock Incentive Plan.

"TORC Meeting" means the special meeting of the TORC Shareholders, including any adjournment thereof, that is to be convened as provided by the Interim Order to consider and, if deemed advisable, approve the Arrangement.

"TORC Options" means the outstanding options, whether or not vested, to purchase TORC Shares issued to directors, officers and employees of, and consultants to, TORC.

"TORC Private Placement" means the issue and sale by TORC of: (i) up to 35,420,000 (or such other number as may be agreed upon by the parties) TORC Subscription Receipts, each of which shall automatically convert into one TORC Share as a step under the Plan of Arrangement; and (ii) up to 12,910,000 (or such other number as may be agreed upon by the parties) TORC Flow-Through Subscription Receipts, each of which shall automatically convert into 0.87 of an AmalCo Share to be issued on a "flow-through basis" as a step under the Plan of Arrangement, provided that, among other things, all the conditions to completion of the Arrangement have been satisfied or waived by the applicable party, as the case may be.

"TORC Resolution" means the resolution in respect of the Arrangement to be considered by the TORC Shareholders at the TORC Meeting.

"TORC Reserves Reports" means the reports of Sproule dated March 22, 2012 and September 26, 2012, both effective December 31, 2011, evaluating the developed crude oil, natural gas liquids and natural gas reserves of TORC's properties and the present value of the estimated future net revenues, before and after tax, associated with such reserves.

"TORC Shareholders" means the registered holders of TORC Shares.

"TORC Shares" means class "A" common shares in the capital of TORC.

"TORC Stock Incentive Plan" means the stock incentive plan of TORC as of the date hereof.

"TORC Stock Option Plan" means the stock option plan of TORC as of the date hereof.

"TORC Subscription Receipts" means the TORC Subscription Receipts issued by TORC pursuant to the TORC Private Placement other than the TORC Flow-Through Subscription Receipts.

"TORC Support Agreements" means the support agreements dated September 12, 2012, between Vero and the TORC Support Shareholders more particularly described under the heading "*The Arrangement —Support Agreements*".

"TORC Support Shareholders" means those TORC Shareholders that have entered into TORC Support Agreements with Vero.

"TORC Warrants" means the outstanding share purchase warrants of TORC, each of which entitles the holder to acquire one TORC Share at an exercise price of \$1.25 for a period of five years from the date of issuance.

"TSX" means the Toronto Stock Exchange.

"United States" means the United States of America, its territories and possessions, and states of the United States, and the District of Columbia.

"U.S. Exchange Act" means the United States *Securities Exchange Act of 1934*, as amended.

"U.S. Securities Act" means the United States *Securities Act of 1933*, as amended.

"Vero" means Vero Energy Inc., a body corporate amalgamated under the ABCA.

"Vero AIF" means the annual information form of Vero for the year ended December 31, 2011 dated March 30, 2012.

"Vero Annual Information Circular" means the information circular – proxy statement of Vero dated July 4, 2012 in connection with the annual meeting of Vero Shareholders held on August 8, 2012.

"Vero Board" or **"Board of Directors of Vero"** means the board of directors of Vero as it may be constituted from time to time.

"Vero DCU Plan" means Vero's cash-based directors compensation plan as of the date hereof.

"Vero DCUs" means the outstanding director compensation units issued to directors of Vero under the Vero DCU Plan.

"Vero Disclosure Letter" means the disclosure letter provided by Vero to TORC in conjunction with execution of the Arrangement Agreement.

"Vero Fairness Opinion" means the opinion of FirstEnergy provided to the Vero Board dated October 18, 2012, a copy of which is attached as Appendix E to this Information Circular.

"Vero Financial Advisors" means FirstEnergy Capital Corp. and GMP Securities L.P. as financial advisors, and CIBC World Markets Inc. and Raymond James Ltd. as strategic advisors.

"Vero Financial Statements" means (i) the audited comparative financial statements of Vero for the fiscal years ended December 31, 2011 and 2010 together with the notes thereto and the auditor's report thereto; and (ii) the unaudited comparative interim financial statements of Vero for the three and six month period ended June 30, 2012 and 2011 together with the notes thereto.

"Vero Meeting" means the special meeting of the Vero Shareholders, including any adjournment thereof, that is to be convened to consider and, if deemed advisable, approve the Vero Resolutions.

"Vero Options" means the outstanding options, whether or not vested, to purchase Vero Shares issued to directors, officers and employees of, and consultants to, Vero.

"Vero Optionholders" means the holders of Vero Options.

"Vero Option Exercise and Cancellation Agreements" means agreements to be entered into between Vero and each of the Vero Optionholders whereby each Vero Optionholder agrees to:

- (i) conditionally exercise all "in-the-money" Vero Options held by such holder in accordance with their terms immediately prior to the Effective Time; or
- (ii) surrender for cancellation, immediately prior to the Effective Time, all "in-the-money" Vero Options held by such Vero Optionholder as a cashless exercise for Vero Shares in accordance with Section 2.5 of the Arrangement Agreement; and
- (iii) surrender for cancellation all "out-of-the-money" Vero Options held by such Vero Optionholder not conditionally exercised or surrendered pursuant to subparagraph (i) or (ii) above, immediately prior to the Effective Time for consideration not to exceed \$0.01 per Vero Option.

"Vero Reserves Report" means the report prepared by Sproule dated March 5, 2012 and effective December 31, 2011 evaluating the crude oil, natural gas liquids and natural gas reserves of Vero's properties and the present value of the estimated future net revenues associated with such reserves.

"Vero Resolutions" means, collectively, the Vero Share Issuance Resolution and the New TORC Incentive Plans Resolution to be considered by the Vero Shareholders at the Vero Meeting.

"Vero Share Issuance Resolution" means the ordinary resolution to approve the issuance of Vero Shares pursuant to the Arrangement (including AmalCo Shares that become issuable on the exercise and vesting of TORC Incentive Shares, TORC Options and TORC Warrants outstanding as the Effective Date).

"Vero Shareholders" means the registered holders of Vero Shares.

"Vero Shares" means the common shares in the capital of Vero.

"Vero Special Committee" means the special committee of the Vero Board consisting of all members of the Vero Board other than Mr. Bartole.

"Vero Support Agreements" means the support agreements dated September 12, 2012, between TORC and the Vero Support Shareholders more particularly described under the heading "*The Arrangement —Support Agreements*".

"Vero Support Shareholders" means those Vero Shareholders that have entered into Vero Support Agreements with TORC.

SUMMARY INFORMATION

The following is a summary of certain information contained elsewhere in this Information Circular, including the Appendices hereto, and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Information Circular or in the Appendices hereto. Capitalized terms not otherwise defined herein are defined in the "*Glossary of Terms*".

The Corporations

TORC Oil & Gas Ltd.

TORC is an oil and gas company engaged in the exploration for, and acquisition, development and production of petroleum and natural gas resources in Western Canada.

TORC is not a reporting issuer under the securities laws of any jurisdiction and none of its securities are currently listed for trading on any stock exchange. As a result, TORC does not file reports and other information with any securities regulatory authority in Canada.

TORC has no subsidiaries. The head and principal office of TORC is located at Suite 1800, 525 – 8th Avenue S.W., Calgary, Alberta T2P 1G1.

For a complete description of TORC's business see "*Appendix I — Information Concerning TORC*".

Vero Energy Inc.

Vero is an oil and gas company engaged in the exploration for, and acquisition, development and production of petroleum and natural gas in Western Canada.

Vero is a reporting issuer or the equivalent in each of the provinces of Canada, other than Quebec, and its securities are currently listed for trading on the Toronto Stock Exchange under the symbol "VRO".

Vero has no subsidiaries other than AcquisitionCo. AcquisitionCo, a direct wholly-owned subsidiary of Vero, was incorporated under the laws of the Province of Alberta for the sole purpose of participating in the Arrangement. AcquisitionCo has no material assets or liabilities and to date has not conducted any operations.

The head and principal office of Vero is located at Suite 900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

For a complete description of Vero's business see "*Appendix J — Information Concerning Vero*".

The TORC Meeting

The TORC Meeting will be held in the Conference Centre at Eighth Avenue Place, 4th Floor, 525 – 8th Avenue S.W., Calgary, Alberta at 9:00 a.m. (Calgary time) on Friday, November 16, 2012, for the purposes set forth in the accompanying Notice of Special Meeting of TORC Shareholders. The business of the TORC Meeting will be to consider and vote upon the TORC Resolution.

The Vero Meeting

The Vero Meeting will be held at the Centennial Place West Tower, 3rd Floor 250 – 5th Street S.W., Calgary, Alberta at 9:00 a.m. (Calgary time) on Friday, November 16, 2012, for the purposes set forth in the accompanying Notice of Special Meeting of Vero Shareholders. The business of the Vero Meeting will be to consider and vote upon the Vero Resolutions.

The Arrangement

General

The terms of the Arrangement are the result of arm's length negotiations between representatives of TORC and Vero and their respective advisors. On September 12, 2012, TORC and Vero agreed to combine their respective businesses and entered into the Arrangement Agreement.

The Arrangement Agreement provides for the implementation of the Plan of Arrangement pursuant to which, subject to satisfaction of certain conditions, TORC and Vero will complete a business combination to create a new and larger publicly traded light oil focused company with operations in the Cardium resource trend in central Alberta and in the southern Alberta Bakken petroleum system. The combined entity will be financially strong and well positioned with a large inventory of lower risk, high netback Cardium light oil development assets, complemented by significant exposure to TORC's emerging Monarch light oil resource play in the southern Alberta Bakken petroleum system. The combined entity to be formed pursuant to the Arrangement will operate under the name "TORC Oil & Gas Ltd."

Upon completion of the Arrangement, the New TORC Board and New TORC's executive management team will be comprised of the current members of the TORC Board and the current executive management team of TORC, led by Brett Herman as President and Chief Executive Officer. For further details regarding the members of the TORC Board and TORC executive management team, see "*Appendix I – Information Concerning TORC – Directors and Executive Officers*".

Immediately following completion of the Arrangement, based upon certain assumptions including completion of the TORC Private Placement, an aggregate of approximately 196,947,042 New TORC Shares will be issued and outstanding with the current TORC Shareholders and current Vero Shareholders anticipated to own, on a non-diluted basis, approximately 75.12% and 24.88% of the outstanding New TORC Shares, respectively. The Parties have received conditional approval of the TSX for the listing of the New TORC Shares on the TSX in substitution of the Vero Shares.

In connection with and prior to completion of the Arrangement, TORC will complete the TORC Private Placement of TORC Subscription Receipts and TORC Flow-Through Subscription Receipts for total gross proceeds of approximately \$132 million, assuming the underwriters' option is exercised in full. The gross proceeds from the TORC Private Placement will be held in escrow pending completion of the Arrangement, following which such proceeds will be released to New TORC. See "*The Arrangement – TORC Private Placement*".

Completion of the Arrangement is subject to a number of conditions which remain to be satisfied as of the date of this Information Circular and as more particularly set forth in the Arrangement Agreement including, among other things, approval of the Vero Share Issuance Resolution by Vero Shareholders, the approval of the TORC Resolution by TORC Shareholders, completion of the TORC Private Placement, the receipt of all necessary regulatory, stock exchange and third party approvals and the granting of the Final Order by the Court.

Subject to the satisfaction or waiver of all remaining conditions, TORC and Vero expect the Effective Date will occur on or about November 16, 2012.

The Arrangement involves a number of detailed steps which will be deemed to occur sequentially. See "*The Arrangement – Details of the Arrangement – Arrangement Steps*" for the detailed steps of the Arrangement.

Effect on Holders of Vero Shares

The Arrangement will have no effect on holders of Vero Shares other than the dilution to the current shareholdings of Vero Shareholders which will result from the Arrangement and related matters. Upon completion of the Arrangement, holders of Vero Shares will continue to hold one (1) New TORC Share for each one (1) Vero Share held without any action on their part. Holders of Vero Shares are not required to deposit or exchange certificates

representing Vero Shares for certificates representing New TORC Shares. Upon completion of the Arrangement, certificates representing Vero Shares will be deemed to represent New TORC Shares on a one for one basis.

See "*The Arrangement – Effect of the Arrangement*".

Effect on Holders of TORC Shares and Holders of TORC Subscription Receipts

Pursuant to the Arrangement, TORC Shareholders will receive 0.87 of a New TORC Share for each one (1) TORC Share held and holders of TORC Subscription Receipts will receive, through a series of steps under the Arrangement, 0.87 of a New TORC Share for each one (1) TORC Subscription Receipt held.

No fractional New TORC Shares will be issued pursuant to the Arrangement. Where the aggregate number of New TORC Shares to be issued to a former holder of TORC Shares would result in a fraction of a New TORC Share being issued, the number of New TORC Shares to be issued will be rounded to the nearest whole number of New TORC Shares (with fractions equal to exactly 0.5 to be rounded up).

See "*The Arrangement – Details of the Arrangement – Arrangement Steps*", "*The Arrangement – Procedure for Exchange of Securities – TORC Shares*" and "*Certain Canadian Federal Income Tax Considerations*".

Effect on Holders of Vero Options

In connection with the Arrangement and by approval of the Vero Board, all outstanding Vero Options will become fully vested immediately prior to the Effective Date. Vero has agreed to use its reasonable commercial efforts to cause all outstanding Vero Options to be duly exercised or surrendered for cancellation prior to the Effective Date. Pursuant to the Vero Option Exercise and Cancellation Arrangements entered into or anticipated to be entered into between Vero and each of the Vero Optionholders prior to the Effective Date, each Vero Optionholder will agree to: (i) conditionally exercise all "in-the-money" Vero Options held by such holder in accordance with their terms immediately prior to the Effective Time; or (ii) conditionally exercise and surrender for cancellation, immediately prior to the Effective Time, all "in-the-money" Vero Options held by such holder on a "cashless exercise" basis in accordance with the terms thereof; and (iii) surrender for cancellation all "out-of-the-money" Vero Options held by such holder immediately prior to the Effective Time for nominal consideration of \$0.01 per Vero Option so surrendered.

As at the date of this Information Circular, an aggregate of 3,960,534 Vero Options are outstanding, of which 242,000 are currently "in-the-money".

Effect on TORC Convertible Securities

In connection with completion of the Arrangement, all of the outstanding TORC Options, TORC Warrants and TORC Incentive Shares will "roll-over" in accordance with their terms and become obligations of New TORC, entitling all holders thereof, upon vesting and valid exercise, to New TORC Shares in lieu of TORC Shares, subject to an exercise price and share number adjustment to reflect the TORC Exchange Ratio.

As at the date hereof, an aggregate of 8,461,376 TORC Options, 20,000,000 TORC Warrants and 923,025 TORC Incentive Shares are outstanding. Following completion of the Arrangement, the TORC Convertible Securities will be exercisable, subject to the vesting and escrow terms thereof, for an aggregate of 25,564,429 New TORC Shares.

For a complete description of the TORC Convertible Securities, including particulars of vesting and escrow requirements, see "*Appendix I - Information Concerning TORC – Options to Purchase Securities and Escrowed Securities*".

The Arrangement Agreement

The Arrangement will be effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants, representations and warranties of and from each of TORC and Vero and various conditions precedent, both mutual and with respect to TORC and Vero.

This Information Circular contains a summary of certain provisions of the Arrangement Agreement and is qualified in its entirety by the full text of the Arrangement Agreement, a copy of which is attached as Appendix D and has been filed under Vero's profile on SEDAR at www.sedar.com.

See "*The Arrangement — The Arrangement Agreement*".

Anticipated Benefits of the Arrangement

The Arrangement allows both TORC Shareholders and Vero Shareholders to participate in a stronger, larger entity with a substantial inventory of focused, light oil development assets in the Cardium trend along with significant exposure to an emerging light oil resource play at Monarch in the southern Alberta Bakken petroleum system.

Management of each of TORC and Vero and their respective boards of directors, in recommending the Arrangement and related matters to TORC Shareholders and Vero Shareholders, respectively, believe that there are a number of benefits which are anticipated to result from the Arrangement including, without limitation, the following:

- TORC Shareholders and Vero Shareholders will have the opportunity to participate in a significantly larger company that will have higher production, reserves and market capitalization that is anticipated to receive increased market attention, resulting in enhanced liquidity and an ability to secure financing at a lower cost of capital;
- increased size and diversity of combined assets bring an extensive inventory of development drilling locations and enhanced future growth opportunities in a light oil focused exploration and development company;
- complementary nature of combined, highly economic Cardium light oil asset base provides significant development upside and the potential for improved efficiencies;
- exposure to a significant exploration platform in the emerging southern Alberta Bakken petroleum system;
- New TORC will have a strong balance sheet and significant capital resources and bank facilities to pursue an accelerated development drilling and exploration program and strategic acquisitions;
- completion of the TORC Private Placement results in increased capital flexibility for the combined entity;
- top-tier management team and board of directors with expertise in successfully growing intermediate oil and gas companies through strategic consolidation and drilling;
- estimated 2012 year-end, high netback production in excess of approximately 3,900 BOE/d, of which approximately 75% is light oil and natural gas liquids;
- proved reserves of approximately 5.1 MMBOE (68% oil and natural gas liquids) and proved plus probable reserves of approximately 10.0 MMBOE (65% oil and natural gas liquids), estimated as of December 31, 2011 based on the independent engineering evaluations for each of TORC and Vero;

- in excess of an estimated 75 net unbooked sections and 300 net unbooked locations of Cardium light oil development inventory;
- in excess of an estimated 350 net sections of emerging light oil resource exposure, including in excess of an estimated 150 net sections at Monarch;
- net cash position, estimated at closing, of more than \$50 million;
- a large tax pool position estimated at \$410 million (June 30, 2012);
- the implied value of the Arrangement to Vero Shareholders, being \$3.00 per share based upon the arm's length pricing of the TORC Private Placement and corresponding 0.87 exchange ratio, represents a premium of approximately 48% to the 10 day volume weighted average trading price of the Vero Shares on the TSX immediately preceding announcement of the Arrangement; and
- the Arrangement is structured as a tax deferred roll-over for TORC Shareholders and Vero Shareholders, respectively.

There is a risk that New TORC may not realize the anticipated benefits of the Arrangement. See "*The Arrangement – Risk Factors Related to the Arrangement*".

Fairness Opinions

TORC Fairness Opinion

TORC engaged Macquarie and TD Securities Inc. as financial advisors to the TORC Board with respect to the Arrangement. Macquarie has provided the TORC Fairness Opinion to the TORC Board to the effect that, as of September 13, 2012, and subject to the assumptions and limitations contained therein, the consideration to be received by TORC Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the TORC Shareholders.

The summary of the TORC Fairness Opinion in this Information Circular is qualified in its entirety by reference to the full text of the TORC Fairness Opinion. The TORC Fairness Opinion is subject to the assumptions and limitations contained therein and should be read in its entirety.

See Appendix E for the full text of the TORC Fairness Opinion and "*The Arrangement — Fairness Opinions – TORC Fairness Opinion*".

Vero Fairness Opinion

The Vero Special Committee engaged FirstEnergy and GMP Securities LP as financial advisors to the Vero Special Committee and the Vero Board with respect to the Arrangement. FirstEnergy has provided the Vero Fairness Opinion to the Vero Board to the effect that, as of October 18, 2012, and subject to the assumptions and limitations contained therein, the consideration to be paid by Vero pursuant to the Arrangement is fair, from a financial point of view, to the Vero Shareholders.

The summary of the Vero Fairness Opinion in this Information Circular is qualified in its entirety by reference to the full text of the Vero Fairness Opinion. The Vero Fairness Opinion is subject to the assumptions and limitations contained therein and should be read in its entirety.

See Appendix F for the full text of the Vero Fairness Opinion and "*The Arrangement — Fairness Opinions – Vero Fairness Opinion*".

Recommendations of the TORC Board

After considering, among other things, the TORC Fairness Opinion that, as of September 13, 2012 and based upon and subject to the various assumptions, qualifications and limitations set forth therein, the consideration to be received by the TORC Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the TORC Shareholders, the anticipated benefits of the Arrangement and the risks associated with completing the Arrangement, the TORC Board has determined that the Arrangement is fair to TORC Shareholders and is in the best interests of TORC and the TORC Shareholders and unanimously recommends that the TORC Shareholders vote **FOR** the TORC Resolution.

The discussion of the information and factors considered and given weight to by the TORC Board is not intended to be exhaustive. In reaching the determination to approve and recommend the TORC Resolution, the TORC Board did not assign any relative or specific weight to the factors that were considered, and individual directors may have given a different weight to each factor.

See "*The Arrangement – Recommendations of the TORC Board*".

Recommendations of the Vero Board

After considering, among other things, the Vero Fairness Opinion that, as of October 18, 2012, and based upon and subject to the various assumptions, qualifications and limitations set forth therein, the consideration to be paid by Vero pursuant to the Arrangement is fair, from a financial point of view, to the Vero Shareholders, and the recommendation of the Vero Special Committee to the Vero Board, the anticipated benefits of the Arrangement and the risks associated with completing the Arrangement, the Vero Board has determined that the Arrangement is fair to Vero Shareholders and is in the best interests of Vero and the Vero Shareholders and unanimously recommends that the Vero Shareholders vote FOR the Vero Resolutions.

The discussion of the information and factors considered and given weight to by the Vero Board is not intended to be exhaustive. In reaching the determination to approve and recommend the Vero Resolutions, the Vero Board did not assign any relative or specific weight to the factors that were considered, and individual directors may have given a different weight to each factor.

See "*The Arrangement – Recommendations of the Vero Board*".

Support Agreements

TORC Support Agreements

All of the directors and officers of TORC have entered into TORC Support Agreements, on terms similar to the Vero Support Agreements, pursuant to which the TORC Support Shareholders have agreed, among other things, to vote an aggregate of 26,860,321 TORC Shares, representing approximately 22% of the outstanding TORC Shares (on a non-diluted basis), in favour of the TORC Resolution and to otherwise support the Arrangement, subject to the provisions of the TORC Support Agreements.

See "*The Arrangement — Support Agreements — TORC Support Agreements*".

Vero Support Agreements

All of the directors and officers of Vero have entered into Vero Support Agreements, on terms similar to the TORC Support Agreements, pursuant to which the Vero Support Shareholders have agreed, among other things, to vote an aggregate of 3,201,214 Vero Shares, representing approximately 6.5% of the outstanding Vero Shares (on a non-diluted basis) in favour of the Vero Resolutions and to otherwise support the Arrangement, subject to the provisions of the Vero Support Agreements.

See "*The Arrangement — Support Agreements — Vero Support Agreements*".

Shareholder Approvals

TORC Shareholder Approval

Pursuant to the terms of the Interim Order, the TORC Resolution must, subject to further order of the Court, be approved by not less than two-thirds of the votes cast by the TORC Shareholders, voting in person or by proxy, at the TORC Meeting.

See Appendix A-1 to this Information Circular for the full text of the TORC Resolution. See also "*The Arrangement – Procedure for the Arrangement to Become Effective – Shareholder Approvals – TORC Shareholder Approval*".

Vero Shareholder Approval

The Vero Share Issuance Resolution and the New TORC Incentive Plans Resolution are ordinary resolutions and each must be approved by not less than 50% of the votes cast by the Vero Shareholders voting, in person or by proxy, at the Vero Meeting.

Under the terms of the Arrangement Agreement and the rules of the TSX, the Vero Share Issuance Resolution must be approved at the Vero Meeting in order for the Arrangement to be completed.

Completion of the Arrangement is not conditional on receipt of Vero Shareholder approval of the New TORC Incentive Plans Resolution.

See Appendix A-2 to this Information Circular for the full text of the Vero Resolutions. See also "*The Arrangement – Procedure for the Arrangement to Become Effective – Shareholder Approvals – Vero Shareholder Approval*".

Other Regulatory Conditions or Approvals

It is a condition precedent to the completion of the Arrangement that all requisite regulatory conditions to be satisfied and all requisite approvals be obtained, including the Competition Act approvals. See "*The Arrangement – Procedure for the Arrangement to become Effective – Regulatory Approvals*".

Procedure for the Arrangement to become Effective

The Arrangement is proposed to be carried out pursuant to Section 193 of the ABCA. For a description of the procedure steps that must be taken and certain approvals that must be obtained in order for the Arrangement to become effective, see "*The Arrangement — Procedure for the Arrangement Becoming Effective*".

Procedure for Exchange of Securities

Vero Shares

Holders of Vero Shares are not required to take any action to deposit or exchange certificates representing Vero Shares for certificates representing New TORC Shares. Upon completion of the Arrangement, certificates representing Vero Shares will represent New TORC Shares on a one for one basis. However, should a Vero Shareholder wish to obtain new share certificates in the name of "TORC Oil & Gas Ltd.", they may do so by contacting New TORC's registrar and transfer agent, Olympia Trust Company, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta T2G 0P6, by Telephone to (403) 261-0900 or by Facsimile to (403) 265-1455.

TORC Shares

A Letter of Transmittal has been sent to registered TORC Shareholders with this Information Circular. The Letter of Transmittal sets out the procedure to be followed by Depositing Shareholders to deposit their TORC Shares. If the Arrangement becomes effective, in order to receive a physical certificate(s) representing New TORC Shares in exchange for the deposited TORC Shares to which the Depositing Shareholder is entitled under the Plan of

Arrangement, a Depositing Shareholder must deliver the Letter of Transmittal, properly completed and duly executed, together with certificate(s) representing its Deposited Securities and all other required documents to the Depositary at the address set forth in the Letter of Transmittal. It is each Depositing Shareholder's responsibility to ensure that the Letter of Transmittal is received by the Depositary. If the Arrangement is not completed, the Letter of Transmittal will be of no effect and the Depositary will return all certificates representing the Deposited Securities to the holders thereof as soon as practicable at the address specified in the Letter of Transmittal. Depositing Shareholders whose TORC Shares are registered in the name of an Intermediary must contact their Intermediary to deposit their Deposited Securities.

Any certificate formerly representing TORC Shares that is not deposited with all other documents as required by the Plan of Arrangement on or prior to the Business Day prior to the third anniversary of the Effective Date will cease to represent a right or claim of any kind or nature including the right of the TORC Shareholder to receive New TORC Shares (and any dividend or other distributions thereon). In such case, such New TORC Shares (together with all dividends or other distributions thereon) will be returned to New TORC and will be cancelled.

Depositing Shareholders are encouraged to deliver a properly completed and duly executed Letter of Transmittal together with the relevant certificate(s) representing the Deposited Securities and any other required documents to the Depositary as soon as possible.

The use of mail to transmit certificates representing the Deposited Securities and the Letter of Transmittal is at each holder's risk. TORC recommends that such certificates and documents be delivered by hand to the Depositary and a receipt therefore be obtained or that registered mail be used and appropriate insurance be obtained.

The Depositary will receive reasonable and customary compensation from New TORC for its services in connection with the Arrangement, will be reimbursed for certain out-of-pocket expenses and will be indemnified against certain liabilities, including liability under securities laws and expenses in connection therewith.

For additional information, see "*The Arrangement — Procedure for Exchange of Securities*".

Stock Exchange Listings and Approval

TORC is not a reporting issuer under the securities laws of any jurisdiction and none of its securities, including the TORC Shares, are currently listed or posted for trading on any stock exchange. The outstanding Vero Shares are currently listed and posted for trading on the TSX under the symbol "VRO". On September 12, 2012, the last trading day prior to the date of announcement of the Arrangement, the closing price of the Vero Shares on the TSX was \$2.27. On October 18, 2012, the closing price of the Vero Shares on the TSX was \$2.80. For information with respect to trading history of the Vero Shares, see "*Information Concerning Vero Energy Inc. — Price Range and Trading Volumes of Vero Shares*".

It is a mutual condition to the completion of the Arrangement that the New TORC Shares continue to be listed and posted for trading on the TSX in substitution for the Vero Shares. The TSX has conditionally approved the listing of such New TORC Shares, which will trade under the symbol "TOG", subject to New TORC fulfilling all of the listing requirements of the TSX including, without limitation, obtaining the requisite approval of the Vero Shareholders for the Vero Share Issuance Resolution.

See "*The Arrangement — Stock Exchange Listing Approval*".

Dissent Rights

As the Vero Shareholders are not required to vote on the Arrangement itself, no dissent rights are afforded to Vero Shareholders under the provisions of the ABCA.

TORC Dissent Rights

Pursuant to the Interim Order, registered TORC Shareholders have the right to dissent with respect to the TORC Resolution by providing a written objection to the TORC Resolution to TORC, c/o Heenan Blaikie LLP, Suite 1900, 215 - 9th Avenue S.W., Calgary, Alberta T2P 1K3, Attention: Tom Cotter, by no later than 4:00 p.m. (Calgary time) on the second Business Day immediately preceding the date of the TORC Meeting.

In the event the Arrangement becomes effective, each TORC Shareholder who properly dissents and becomes a Dissenting TORC Shareholder will be entitled to be paid the fair value of the TORC Shares in respect of which such holder dissents in accordance with Section 191 of the ABCA, as modified by the Interim Order. A TORC Shareholder who votes in favour of the Arrangement shall not be entitled to dissent. A Dissenting TORC Shareholder may dissent only with respect to all of the TORC Shares held by such Dissenting TORC Shareholder. See Appendices B and H for a copy of the Interim Order and the provisions of Section 191 of the ABCA, respectively.

The statutory provisions covering the right to dissent are technical and complex. Failure to strictly comply with such requirements set forth in Section 191 of the ABCA, as modified by the Plan of Arrangement and the Interim Order, may result in the loss of any right to dissent. **A Beneficial Shareholder of TORC Shares registered in the name of an Intermediary who wishes to dissent should be aware that only the Registered Holder of such TORC Shares is entitled to dissent.** Accordingly, a Beneficial Shareholder of TORC Shares desiring to exercise TORC Dissent Rights must make arrangement for such beneficially owned TORC Shares to be registered in such holder's name prior to the time the written objection to the TORC Resolution is required to be received by TORC, or alternatively, make arrangements for the Registered Holder of such TORC Shares to dissent on such holder's behalf. Pursuant to Section 191 of the ABCA, a TORC Shareholder is only entitled to dissent in respect of all of the TORC Shares held by such Dissenting TORC Shareholder or on behalf of any one Beneficial Shareholder and registered in the name of the Dissenting TORC Shareholder.

It is a condition to completion of the Arrangement that TORC Shareholders holding not greater than 5% of the outstanding TORC Shares shall have exercised TORC Dissent Rights in respect of the Arrangement that have not been withdrawn as of the Effective Date.

See "*The Arrangement — Dissent Rights — TORC Dissent Rights*" and "*The Arrangement — The Arrangement Agreement — Conditions of Closing*" and Appendix H attached hereto.

Certain Canadian Federal Income Tax Considerations

This Information Circular contains a summary of the principal Canadian federal income tax consequences to a holder of TORC Subscription Receipts, a holder of TORC Flow-Through Subscription Receipts, a TORC Shareholder and a Vero Shareholder that receives New TORC Shares as a result of the Arrangement. The summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder of TORC Subscription Receipts, holder of TORC Flow-Through Subscription Receipts, TORC Shareholder or Vero Shareholder. Defined terms used in this summary have the meanings ascribed thereto under the section of this Information Circular entitled "*Certain Canadian Federal Income Tax Considerations*".

Residents of Canada

Neither the amalgamation of TORC and AcquisitionCo (to form AmalCo 1), nor the Amalgamation of Vero and AmalCo 1 (to form New TORC) pursuant to steps under the Arrangement will result in adverse tax consequences to Resident TORC Holders or Resident Vero Holders.

In general, Resident TORC Holders will dispose of their TORC Shares for proceeds of disposition equal to the aggregate adjusted cost base of such TORC Shares, and will acquire the New TORC Shares at a cost equal to such aggregate adjusted cost base. Resident Vero Holders will dispose of their Vero Shares for proceeds of disposition equal to the aggregate adjusted cost base of such Vero Shares, and will acquire the New TORC Shares at a cost equal to such aggregate adjusted cost base.

A Resident TORC Holder will not realize a capital gain or loss on the issuance of a TORC Share pursuant to a TORC Subscription Receipt or TORC Flow-Through Subscription Receipts.

Non-Residents of Canada

Neither the amalgamation of TORC and AcquisitionCo (to form AmalCo 1), nor the Amalgamation of Vero and AmalCo 1 (to form New TORC) pursuant to steps under the Arrangement will result in adverse tax consequences to Non-Resident TORC Holders or Non-Resident Vero Holders.

In general, Non-Resident TORC Holders will dispose of their TORC Shares for proceeds of disposition equal to the aggregate adjusted cost base of such TORC Shares, and will acquire the New TORC Shares at a cost equal to such aggregate adjusted cost base. The New TORC Shares received by a Non-Resident TORC Holder will be deemed to be "taxable Canadian property" to the Non-Resident TORC Holder for the 60-month period beginning on the Effective Date.

Non-Resident Vero Holders will dispose of their Vero Shares for proceeds of disposition equal to the aggregate adjusted cost base of such Vero Shares, and will acquire the New TORC Shares at a cost equal to such aggregate adjusted cost base.

A Non-Resident TORC Holder will not realize a capital gain or loss on the issuance of a TORC Share pursuant to a TORC Subscription Receipt or TORC Flow-Through Subscription Receipts.

See "*Certain Canadian Federal Income Tax Considerations*".

Certain Other Tax Considerations

This Information Circular does not address any tax considerations of the Arrangement other than certain Canadian income tax considerations applicable to a holder of TORC Subscription Receipts, a holder of TORC Flow-Through Subscription Receipts, TORC Shareholders and Vero Shareholders. Holders of TORC Subscription Receipts, holders of TORC Flow-Through Subscription Receipts, TORC Shareholders or Vero Shareholders who are resident in or otherwise subject to taxation in jurisdictions other than Canada should consult their tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of owning New TORC Shares after the completion of the Arrangement. Holders of TORC Subscription Receipts, holders of TORC Flow-Through Subscription Receipts, TORC Shareholders and Vero Shareholders should also consult their own tax advisors regarding provincial, state or territorial tax considerations of the Arrangement or of holding New TORC Shares.

Timing of Completion of the Arrangement

Subject to all conditions precedent to the Arrangement as set forth in the Arrangement Agreement being satisfied or waived by the appropriate Party, the Arrangement will become effective upon the filing with the Registrar of a copy of the Final Order and the Articles of Arrangement. If the Meetings are held on the date currently scheduled, the TORC Resolution and the Vero Share Issuance Resolution are approved by the TORC Shareholders and Vero Shareholders, respectively, the Final Order has been obtained in form and substance satisfactory to Vero and TORC and all other conditions specified in the Arrangement Agreement are satisfied or waived, the parties expect the Effective Date will occur on or about November 16, 2012. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be delayed, however, for a number of reasons.

Selected Pro Forma Financial and Operational Information for New TORC

The Information Circular contains tables which set out certain pro forma financial and operational information for New TORC after giving effect to the Arrangement and certain other adjustments as at and for the six months ended June 30, 2012 and for the year ended December 31, 2011.

These tables should be read in conjunction with the unaudited pro forma consolidated financial statements of TORC as at and for the six months ended June 30, 2012 and for the year ended December 31, 2011 and including the notes thereto, attached as Appendix G to this Information Circular. Reference should also be made to the Vero Financial Statements incorporated herein by reference and the TORC Financial Statements attached at Schedule "A" to Appendix I to this Information Circular.

See "*Pro Forma Information of New TORC After Giving Effect to the Arrangement*".

Risk Factors

TORC Shareholders voting in favour of the TORC Resolution and Vero Shareholders voting in favour of the Vero Resolutions will be choosing to combine the businesses of TORC and Vero. The Arrangement and an investment in New TORC Shares involves risks.

An investment in New TORC Shares is subject to certain risks, which are generally associated with an investment in shares of an oil and gas exploration and development company. **The following is a list of certain additional risk factors associated with the Arrangement and the investment in New TORC Shares which TORC Shareholders and Vero Shareholders should carefully consider before approving the Arrangement and related matters:**

- TORC and Vero may not realize the anticipated benefits of the Arrangement;
- actual production and ultimate reserves could be greater or lesser than the production forecasts and reserve estimates contained in the Vero Reserves Report and TORC Reserves Reports;
- risks related to the integration of TORC's and Vero's existing businesses;
- future reserves and production depend on success in exploring the current reserves and acquiring or discovering additional reserves;
- failure to realize anticipated benefits of acquisitions and dispositions;
- general economic conditions in Canada, the United States and globally;
- industry conditions, including commodity price volatilities and other factors that may affect the marketability of oil and natural gas;
- liabilities inherent in oil and natural gas operations;
- governmental regulation of the oil and gas industry, including environmental regulation;
- variation in foreign exchange rates and interest rates;
- geological, technical, drilling and processing problems and other difficulties in producing reserves;
- uncertainty in reserve estimates;
- unanticipated operating events which can reduce production or cause production to be shut in or delayed;
- failure to obtain industry partner and other third party consents and approvals, when required;
- stock market volatility and market valuations;

- competition for, among other things, capital, acquisitions or reserves, undeveloped land and skilled personnel;
- competition for and inability to retain drilling equipment and other services; and
- the inability to obtain required consents, permits or approvals to the Arrangement, including shareholder, Court or regulatory approvals.

The risk factors listed above are an abbreviated list of risk facts summarized elsewhere in this Information Circular, the Vero AIF and in the Vero Financial Statements, each of which are incorporated herein by reference. See "Pro Forma Information of New TORC After Giving Effect to the Arrangement – Risk Factors". For a description of TORC's risk factors, see "Information Concerning TORC – Risk Factors" at Appendix I to this Information Circular and TORC's management's discussion and analysis. TORC Shareholders and Vero Shareholders should carefully consider all such risk factors.

MATTERS TO BE ACTED UPON AT THE TORC MEETING

The Arrangement

The purpose of the TORC Meeting is for TORC Shareholders to consider and, if thought advisable, pass the TORC Resolution to approve the Arrangement. The full text of the TORC Resolution is set forth in Appendix A-1 of this Information Circular.

On any ballot that may be called for at the TORC Meeting, the persons named in the enclosed instrument of proxy, if named as proxy, intend to vote for the TORC Resolution, unless a TORC Shareholder has specified in its instrument of proxy that its TORC Shares are to be voted against the TORC Resolution. If no choice is specified by a TORC Shareholder to vote either for or against the TORC Resolution, the persons whose names are printed in the enclosed instrument of proxy intend to vote for the TORC Resolution.

For a full description of the Arrangement see "*The Arrangement*".

Interest of Certain Persons or Companies in Matters to be Acted Upon

Except as disclosed herein, management of TORC is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or proposed nominee for director, or executive officer or anyone who has held office or of any associate or affiliate of any of the foregoing in any matter to be acted on at the TORC Meeting.

See "*The Arrangement — Interests of Certain Persons or Companies in the Arrangement*".

MATTERS TO BE ACTED UPON AT THE VERO MEETING

The purpose of the Vero Meeting is for Vero Shareholders to consider and, if thought advisable, pass the Vero Resolutions. The full text of the Vero Resolutions is set forth in Appendix A-2 of this Information Circular.

For a full description of the Arrangement see "*The Arrangement*".

Vero Share Issuance Resolution

It is a condition to completion of the Arrangement that the Vero Share Issuance Resolution be approved by a majority of the votes cast by Vero Shareholders who vote in person or by proxy at the Vero Meeting.

The Arrangement, if completed, will result in the acquisition by Vero, directly or indirectly, of all of the issued and outstanding TORC Shares on the basis of 0.87 of a Vero Share for each TORC Share held, following which, upon the Amalgamation, the issued and outstanding Vero Shares shall continue to be the issued and outstanding shares of New TORC. Based upon the number of TORC Shares outstanding immediately preceding completion of the Arrangement, the number of Vero Shares (New TORC Shares) potentially issuable pursuant to the Arrangement is 147,954,563. In addition, an aggregate of 25,564,429 New TORC Shares will be reserved for issuance under outstanding TORC Options, TORC Incentive Shares and TORC Warrants. In order to ensure an adequate number of Vero Shares (New TORC Shares) are approved for issuance pursuant to and in connection with the Arrangement to account for clerical and administrative matters, including the rounding of fractional shares, approval will be sought to issue up to 175,000,000 Vero Shares (New TORC Shares) in connection with the transactions contemplated by the Arrangement.

The TSX requires shareholder approval in circumstances where an issuance of securities will result in the issuance of 25% or more of the listed issuer's outstanding securities on a non-diluted basis in connection with a business combination transaction. The Arrangement will, if completed, result in the issuance of in excess of approximately 302% of the current issued and outstanding Vero Shares on a non-diluted basis (or 354% after including the New TORC Shares to be reserved for issuance under the TORC Options, TORC Incentive Shares and TORC Warrants). Accordingly, in order for the Arrangement to be completed, Vero Shareholders are being asked to approve the Vero Share Issuance Resolution. **If the Vero Share Issuance Resolution is not approved by the requisite majority, the Arrangement cannot be completed.**

Accordingly, at the Vero Meeting, the Vero Share Issuance Resolution, the full text of which is set forth in Appendix A-2 of this Information Circular, will be considered and voted upon by the Vero Shareholders.

Unless otherwise directed, the persons named in the within Instrument of Proxy accompanying this Information Circular intend to vote FOR the Vero Share Issuance Resolution.

New TORC Incentive Plans Resolution

At the Vero Meeting, Vero Shareholders will also be asked to consider and, if thought advisable, pass the New TORC Incentive Plans Resolution, subject to completion of the Arrangement. The full text of the New TORC Incentive Plans Resolution is set forth in Appendix A-2 of this Information Circular.

The approval of the New TORC Incentive Plans Resolution is required by the TSX in order for New TORC to continue to utilize the TORC Stock Option Plan and the TORC Stock Incentive Plan, which plans are currently utilized by TORC.

The approval by Vero Shareholders of the New TORC Incentive Plans Resolution is not a condition to completion of the Arrangement.

The following sets forth a detailed description of the TORC Incentive Plans.

TORC Stock Incentive Plan

General

Subject to completion of the Arrangement, the TORC Board, on the recommendation of TORC's compensation committee has approved the adoption by New TORC of the TORC Stock Incentive Plan. Pursuant to the TORC Stock Incentive Plan, New TORC may grant TORC incentive shares to directors, officer, employees and consultants of New TORC and its subsidiaries ("**Participants**"). Subject to earlier vesting in accordance with the terms of the TORC Stock Incentive Plan or as may be determined by the TORC Board, TORC Incentive Shares will vest as to 1/3 on each of the first, second and third anniversaries of the date of grant. Upon vesting, TORC Incentive Shares shall be deemed to have been redeemed by the holder, without the payment of any additional consideration, in exchange for: (i) one New TORC Share and (ii) a cash payment equal to the cumulative amount of dividends per New TORC Share, if any, declared by New TORC with record dates after the date of grant and prior to the date of the vesting of the Incentive. A complete copy of the TORC Stock Incentive Plan is attached as Appendix L to this Information Circular.

Reasons for Adopting

The purpose of the TORC Stock Incentive Plan is to provide Participants with incentive bonus compensation in the form of New TORC Shares issuable after defined vesting periods. This will provide an increased incentive for Participants to contribute to the future success and prosperity of New TORC, thus enhancing the value of the New TORC Shares for the benefit of all the shareholders of New TORC and increasing the ability of New TORC to attract and retain individuals of exceptional skill.

The TORC Stock Incentive Plan will, if approved by the Vero Shareholders at the Vero Meeting, provide New TORC with a share based long-term incentive that can be employed, where deemed appropriate by the TORC Board, as a supplement or alternative to the grant of TORC Options under the TORC Stock Option Plan. Incentives may provide a more effective and predictable employee retention mechanism as compared to TORC Options in certain circumstances due to the fact that the perceived value of an Incentive to its holder is not contingent on the current trading price of the New TORC Shares exceeding a pre-defined exercise price. Further, as the incentive, compensation and retention purposes of the grant of a specific number of TORC Options could generally be fulfilled by the grant of a much smaller number of TORC Incentive Shares, the granting of Incentives would be less dilutive to the share capital of New TORC.

Grants and Limits on Grants

The TORC Stock Incentive Plan will be administered by the TORC Board or the compensation committee of the TORC Board. The TORC Board may, from time to time, adopt such rules and regulations for administering the TORC Stock Incentive Plan as it may deem proper and in the best interests of New TORC.

Under the TORC Stock Incentive Plan, the TORC Board may, from time to time, grant TORC Incentives Shares to such Participants as it chooses and, subject to the restrictions described below, in such numbers as it chooses. No further Incentives will be granted under the TORC Stock Incentive Plan until such time as it has been approved by the Vero Shareholders and accepted by the TSX.

Any grant of TORC Incentive Shares under the TORC Stock Incentive Plan shall be subject to the following restrictions:

- the aggregate number of New TORC Shares reserved for issuance pursuant to Incentives granted to any one person, when combined with any other share compensation arrangement (including the TORC Stock Option Plan), may not exceed 5% of the outstanding New TORC Shares (on a non-diluted basis);
- the aggregate number of New TORC Shares reserved for issuance pursuant to TORC Incentive Shares granted to Insiders (as defined in the TSX Company Manual), when combined with any

other share compensation arrangement (including the TORC Stock Option Plan), may not exceed 10% of the outstanding New TORC Shares (on a non-diluted basis);

- the aggregate number of New TORC Shares issued within any one year period to Insiders pursuant to TORC Incentive Shares, when combined with any other share compensation arrangement (including the TORC Stock Option Plan), may not exceed 10% of the outstanding New TORC Shares (on a non-diluted basis); and
- the aggregate number of New TORC Shares reserved for issuance pursuant to TORC Incentive Shares granted to directors of New TORC that are not officers or employees of New TORC, when combined with any other share compensation arrangement (including the TORC Stock Option Plan), may not exceed 1% of the outstanding New TORC Shares (on a non-diluted basis).

Vesting

TORC Incentive Shares will vest as to 1/3 on each of the first, second and third anniversaries of the date of grant, subject to such other vesting period as may be determined by the TORC Board. The TORC Board may, in its sole discretion at any time, accelerate vesting of TORC Incentive Shares previously granted. In the event a change of control of New TORC, as defined in the TORC Stock Incentive Plan, is contemplated or has occurred, all TORC Incentive Shares which have not otherwise vested in accordance with their terms shall vest upon the occurrence of the change of control or such earlier or later time as is determined by the TORC Board.

Termination and Assignment

In the event of the resignation, retirement or death of a Participant, or the termination of the employment of a Participant, whether with or without cause or reasonable notice, all unvested TORC Incentive Shares held by the Participant shall immediately cease and terminate and thereafter shall be of no further force or effect whatsoever.

TORC Incentive Shares granted to Participants are non-assignable.

Amendment Provisions

The TORC Stock Incentive Plan provides that the TORC Board may amend the TORC Stock Incentive Plan and any TORC Incentive Shares granted thereunder in any manner, or discontinue it at any time, without the approval of the holders of a majority of the New TORC Shares, provided that:

- the consent of the applicable Participants must be obtained for any amendment that would adversely affect any outstanding TORC Incentive Shares;
- the approval of the holders of a majority of New TORC Shares present and voting in person or by proxy at a meeting of shareholders of New TORC must be obtained for any amendment that would have the effect of:
 - increasing the number of New TORC Shares that may be issued under the TORC Stock Incentive Plan;
 - increasing the maximum percentage of New TORC Shares that may be reserved for issuance under the TORC Stock Incentive Plan to non-employee directors, Insiders or any one person;
 - increasing the maximum percentage of New TORC Shares that may be issued under the TORC Stock Incentive Plan within any one year period to Insiders;
 - changing the amendment provisions of the TORC Stock Incentive Plan;

- changing the terms of any TORC Incentive Shares held by Insiders;
- amending the definition of Participants to expand the categories of individuals eligible for participation in the TORC Stock Incentive Plan; or
- amending the TORC Stock Incentive Plan to permit the transferability of TORC Incentive Shares.

Adjustments

The TORC Stock Incentive Plan provides that appropriate adjustments in the number of New TORC Shares subject to the TORC Stock Incentive Plan and issuable upon the vesting of a TORC Incentive Shares shall be made by the TORC Board to give effect to adjustments in the number of New TORC Shares resulting from subdivisions, consolidations or reclassifications of the New TORC Shares, the payment of stock dividends by New TORC (other than dividends in the ordinary course) or other relevant changes in the authorized or issued capital of New TORC, which changes occur subsequent to the approval of the TORC Stock Incentive Plan by the TORC Board.

TORC Stock Option Plan

General

Subject to completion of the Arrangement, the TORC Board, on the recommendation of TORC's compensation committee has approved the adoption by New TORC of the TORC Stock Option Plan. If approved, the TORC Stock Option Plan will effectively replace the use of Vero's current share option plan which will be cancelled on the Effective Date.

Pursuant to the TORC Stock Option Plan, New TORC may grant TORC Options to directors, officer, employees and consultants of New TORC and its subsidiaries ("**Participants**"). Subject to earlier vesting in accordance with the terms of the TORC Stock Option Plan, the vesting period of the TORC Options granted under the TORC Stock Option Plan shall be determined by the TORC Board at the time of grant. The TORC Board intends that the TORC Options shall be granted subject to vesting over a period of three years, with one-third vesting on each of the first, second and third anniversaries of the date of grant. The TORC Options shall expire after five years. A complete copy of the TORC Stock Option Plan is attached as Appendix K to this Information Circular.

If not approved, New TORC will continue to use Vero's current share option plan to govern the issuance of options in New TORC.

Reasons for Adopting

The purpose of the TORC Stock Option Plan is to provide Participants with incentive bonus compensation in the form of New TORC Shares issuable after defined vesting periods. This will provide an increased incentive for Participants to contribute to the future success and prosperity of New TORC, thus enhancing the value of the New TORC Shares for the benefit of all the shareholders of New TORC and increasing the ability of New TORC to attract and retain individuals of exceptional skill.

The TORC Stock Option Plan will, if approved by the Vero Shareholders at the Vero Meeting, provide New TORC with a share based long-term incentive that can be employed, where deemed appropriate by the TORC Board, as a supplement or alternative to the grant of TORC Incentive Shares under the TORC Stock Incentive Plan. TORC Options may provide a more effective and predictable employee retention mechanism as compared to TORC Incentive Shares in certain circumstances.

The TORC Option Plan will be administered by the TORC Board, but the TORC Board may delegate administration to a committee of the TORC Board consisting of not less than three directors. The TORC Board may, from time to time, adopt such rules and regulations for administering the TORC Option Plan as it may deem proper and in the best interests of New TORC.

Option Grants and Exercise Price

Under the TORC Option Plan, the TORC Board may, from time to time, grant options to purchase New TORC Shares to such Participants as it chooses and, subject to the restrictions described below, in such numbers as it chooses.

The exercise price of each TORC Option is fixed by the TORC Board when the TORC Option is granted, provided that such price shall not be less than the volume weighted average trading price per share for the New TORC Shares on the TSX for the five consecutive trading days ending on the last trading day preceding the date that the TORC Option is granted. TORC Options granted to Participants are non-assignable.

Limits on Option Grants

The aggregate number of New TORC Shares that may be reserved for issuance at any time under the TORC Option Plan, together with any New TORC Shares reserved for issuance under any other share compensation arrangement implemented by TORC after the date of the adoption of the TORC Option Plan (which would include the TORC Stock Incentive plan, if approved), shall be equal to 10% of outstanding New TORC Shares (on a non-diluted basis) outstanding at that time. In addition, any grant of TORC Options under the TORC Option Plan shall be subject to the following restrictions:

- the aggregate number of New TORC Shares reserved for issuance pursuant to TORC Options granted to any one person, when combined with any other share compensation arrangement (including the TORC Stock Incentive Plan, if approved), may not exceed 5% of the outstanding New TORC Shares (on a non-diluted basis);
- the aggregate number of New TORC Shares reserved for issuance pursuant to TORC Options granted to Insiders (as defined in the TSX Company Manual) pursuant to the TORC Stock Option Plan, when combined with any other share compensation arrangement (including the TORC Stock Incentive Plan, if approved), may not exceed 10% of the outstanding New TORC Shares (on a non-diluted basis);
- the aggregate number of New TORC Shares issued within any one year period to Insiders pursuant to TORC Options, when combined with any other share compensation arrangement (including the Incentive plan, if approved), may not exceed 10% of the outstanding New TORC Shares (on a non-diluted basis); and
- the aggregate number of New TORC Shares reserved for issuance pursuant to TORC Options granted to directors of New TORC that are not officers or employees of New TORC, when combined with any other share compensation arrangement (including the TORC Stock Incentive Plan, if approved), may not exceed 1% of the outstanding New TORC Shares (on a non-diluted basis).

Expiry

The expiry date of TORC Options granted pursuant to the TORC Stock Option Plan is set by the TORC Board, but must not be later than five years from the date of grant. In the event that any TORC Option expires during, or within two business days after, a self imposed blackout period on trading securities of New TORC, such expiry date will be deemed to be extended to the tenth day following the end of the blackout period.

In the event of the Participant ceasing to be a director, officer, employee or consultant of New TORC for any reason other than death (including the resignation or retirement of the Participant as a director, officer or employee of New TORC or the termination by New TORC of the employment of the Participant or the termination by New TORC or the Participant of the consulting arrangement with the Participant), TORC Options held by such Participant shall cease and terminate and be of no further force or effect the earlier of the expiry time of the TORC Option and the thirtieth day following: (i) the effective date of such resignation or retirement; (ii) the date the notice of termination

of employment is given by New TORC; or (iii) the date the notice of termination of the consulting agreement is given by New TORC to the Participant, as the case may be. Notwithstanding the foregoing, in the event of termination for cause, such TORC Option shall cease and terminate immediately upon the date notice of termination of employment for cause is given by New TORC and shall be of no further force or effect whatsoever as to the New TORC Shares in respect of which an TORC Option has not previously been exercised.

If a Participant dies, the legal representatives of the Participant may exercise the TORC Options held by the Participant within a period after the date of the Participant's death as determined by the TORC Board, provided that such period shall not extend beyond 12 months following the death of the Participant or exceed the expiry date of such TORC Option.

Vesting

The vesting period or periods of TORC Options granted under the TORC Stock Option Plan is determined by the TORC Board at the time of grant. Subject to earlier vesting in accordance with the terms of the TORC Stock Option Plan, the TORC Board intends that the TORC Options shall be granted subject to vesting over a period of three years, with vesting occurring as to one third of the TORC Options granted on each anniversary of the date of grant, subject to such other vesting period as may be determined by the TORC Board. The TORC Board may, in its sole discretion at any time, accelerate vesting of TORC Options previously granted. In the event a change of control of New TORC, as defined in the TORC Stock Option Plan, is contemplated or has occurred, all TORC Options which have not otherwise vested in accordance with their terms shall vest and be exercisable at such time as is determined by the Board for a period of time ending on the earlier of the expiry time of the TORC Option and the thirtieth (30th) day following the change of control.

Exercise

Participants may exercise vested TORC Options by providing a notice in writing signed by the Participant to New TORC together with payment in full of the exercise price for the New TORC Shares which are the subject of the exercise. TORC does not and New TORC will not provide Participants with financial assistance for the exercise of TORC Options.

A Participant may offer to dispose of vested TORC Options to New TORC for cash in an amount not to exceed the fair market value thereof and New TORC has the right, but not the obligation, to accept the Participant's offer.

Amendments to the Option Plan

The TORC Board may amend the TORC Option Plan and any TORC Options granted thereunder in any manner, or discontinue it at any time, without the approval of the holders of a majority of the New TORC Shares, provided that:

- the consent of the applicable Participants must be obtained for any amendment that would adversely affect any outstanding TORC Options;
- the approval of the holders of a majority of the New TORC Shares present and voting in person or by proxy at a meeting of shareholders of New TORC must be obtained for any amendment that would have the effect of:
 - increasing the maximum percentage of New TORC Shares that may be reserved for issuance under the TORC Stock Option Plan;
 - increasing the maximum percentage of New TORC Shares that may be reserved for issuance under the TORC Stock Option Plan to non-employee directors, Insiders or any one person;
 - increasing the maximum percentage of New TORC Shares that may be issued under the TORC Stock Option Plan within any one year period to Insiders;
 - changing the amendment provisions of the TORC Stock Option Plan;

- changing the terms of any TORC Options held by Insiders;
- reducing the exercise price of any outstanding TORC Option (including the reissue of a TORC Option within 90 days of cancellation which constitutes a reduction in the exercise price);
- amending the definition of Participants to expand the categories of individuals eligible for participation in the TORC Stock Option Plan;
- extending the expiry date of an outstanding TORC Option or amending the TORC Stock Option Plan to allow for the grant of a TORC Option with an expiry date of more than five years from the grant date; or
- amending the TORC Stock Option Plan to permit the transferability of TORC Options, except to permit a transfer to a family member, an entity controlled by the Participant or a family member, a charity or for estate planning or estate settlement purposes.

Adjustments

The TORC Stock Option Plan provides that appropriate adjustments in the number of New TORC Shares subject to the TORC Stock Option Plan, the number of New TORC Shares optioned and the exercise price shall be made by the TORC Board to give effect to adjustments in the number of New TORC Shares resulting from subdivisions, consolidations or reclassifications of the New TORC Shares, the payment of stock dividends by New TORC (other than dividends in the ordinary course) or other relevant changes in the authorized or issued capital of New TORC.

Required Approvals

The TORC Stock Incentive Plan and TORC Stock Option Plan are each subject to the approval of the Vero Shareholders and acceptance by the TSX. At the Vero Meeting, the Vero Shareholders will be asked to consider and, if thought fit, pass an ordinary resolution approving the TORC Stock Incentive Plan and the TORC Stock Option Plan.

In order for the New TORC Incentive Plans Resolution to be passed, it must be approved by a simple majority of the votes cast by Vero Shareholders who vote in person or by proxy at the Vero Meeting on such resolution.

Unless otherwise directed, the persons named in the within Instrument of Proxy accompanying this Information Circular intend to vote FOR the New TORC Incentive Plans Resolution.

On any ballot that may be called for at the Vero Meeting, the persons named in the enclosed instrument of proxy, if named as proxy, intend to vote for each resolution comprising the Vero Resolutions, unless a Vero Shareholder has specified in its instrument of proxy that its Vero Shares are to be voted against any resolution comprising the Vero Resolutions. If no choice is specified by a Vero Shareholder to vote either for or against any resolution comprising the Vero Resolutions, the persons whose names are printed in the enclosed instrument of proxy intend to vote for each resolution comprising the Vero Resolutions.

Interest of Certain Persons or Companies in Matters to be Acted Upon

Except as disclosed herein, management of Vero is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or proposed nominee for director, or executive officer or anyone who has held office or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Vero Meeting.

See "*The Arrangement — Interests of Certain Persons or Companies in the Arrangement*".

THE ARRANGEMENT

Effect of the Arrangement

General

The terms of the Arrangement are the result of arm's length negotiations between representatives of TORC and Vero and their respective advisors. On September 12, 2012, TORC and Vero agreed to combine their respective businesses and entered into the Arrangement Agreement.

The Arrangement Agreement provides for the implementation of the Plan of Arrangement pursuant to which, subject to satisfaction of certain conditions, TORC and Vero will complete a business combination to create a new and larger publicly traded light oil focused company with operations in the Cardium resource trend in central Alberta and in the southern Alberta Bakken petroleum system. The combined entity will be financially strong and well positioned with a large inventory of lower risk, high netback Cardium light oil development assets, complemented by significant exposure to TORC's emerging Monarch light oil resource play in the southern Alberta Bakken petroleum system. The combined entity to be formed pursuant to the Arrangement will operate under the name "TORC Oil & Gas Ltd.".

Upon completion of the Arrangement, the New TORC Board and New TORC's executive management team will be comprised of the current members of the TORC Board and the current executive management team of TORC, led by Brett Herman as President and Chief Executive Officer. For further details regarding the members of the TORC Board and TORC executive management team, see "*Appendix I – Information Concerning TORC – Directors and Executive Officers*".

Immediately following completion of the Arrangement, based upon certain assumptions including completion of the TORC Private Placement, an aggregate of approximately 196,947,042 New TORC Shares will be issued and outstanding with the current TORC Shareholders and current Vero Shareholders anticipated to own, on a non-diluted basis, approximately 75.12% and 24.88% of the outstanding New TORC Shares, respectively. The Parties have received conditional approval of the TSX for the listing of the New TORC Shares on the TSX in substitution of the Vero Shares.

In connection with and prior to completion of the Arrangement, TORC will complete the TORC Private Placement of TORC Subscription Receipts and TORC Flow-Through Subscription Receipts for total gross proceeds of approximately \$132 million, assuming the underwriters' option is exercised in full. The gross proceeds from the TORC Private Placement will be held in escrow pending completion of the Arrangement, following which such proceeds will be released to New TORC. See "*The Arrangement – TORC Private Placement*".

Completion of the Arrangement is subject to a number of conditions which remain to be satisfied as of the date of this Information Circular and as more particularly set forth in the Arrangement Agreement including, among other things, approval of the Vero Share Issuance Resolution by Vero Shareholders, the approval of the TORC Resolution by TORC Shareholders, completion of the TORC Private Placement, the receipt of all necessary regulatory, stock exchange and third party approvals and the granting of the Final Order by the Court.

Subject to the satisfaction or waiver of all remaining conditions, TORC and Vero expect the Effective Date will occur on or about November 16, 2012.

The Arrangement involves a number of detailed steps which will be deemed to occur sequentially. See "*The Arrangement – Details of the Arrangement – Arrangement Steps*" for the detailed steps of the Arrangement.

Effect on Holders of Vero Shares

The Arrangement will have no effect on holders of Vero Shares other than the dilution to the current shareholdings of Vero Shareholders which will result from the Arrangement and related matters. Upon completion of the Arrangement, holders of Vero Shares will continue to hold one (1) New TORC Share for each one (1) Vero Share

held without any action on their part. Holders of Vero Shares are not required to deposit or exchange certificates representing Vero Shares for certificates representing New TORC Shares. Upon completion of the Arrangement, certificates representing Vero Shares will be deemed to represent New TORC Shares on a one for one basis.

Effect on Holders of TORC Shares and Holders of TORC Subscription Receipts

Pursuant to the Arrangement, TORC Shareholders will receive 0.87 of a New TORC Share for each one (1) TORC Share held and holders of TORC Subscription Receipts will receive, through a series of steps under the Arrangement, 0.87 of a New TORC Share for each one (1) TORC Subscription Receipt held.

No fractional New TORC Shares will be issued pursuant to the Arrangement. Where the aggregate number of New TORC Shares to be issued to a former holder of TORC Shares would result in a fraction of a New TORC Share being issued, the number of New TORC Shares to be issued will be rounded to the nearest whole number of New TORC Shares (with fractions equal to exactly 0.5 to be rounded up).

See "*The Arrangement – Details of the Arrangement – Arrangement Steps*", "*The Arrangement – Procedure for Exchange of Securities – TORC Shares*" and "*Certain Canadian Federal Income Tax Considerations*".

Effect on Holders of Vero Options

In connection with the Arrangement and by approval of the Vero Board, all outstanding Vero Options will become fully vested immediately prior to the Effective Date. Vero has agreed to use its reasonable commercial efforts to cause all outstanding Vero Options to be duly exercised or surrendered for cancellation prior to the Effective Date. Pursuant to the Vero Option Exercise and Cancellation Arrangements entered into or anticipated to be entered into between Vero and each of the Vero Optionholders prior to the Effective Date, each Vero Optionholder will agree to: (i) conditionally exercise all "in-the-money" Vero Options held by such holder in accordance with their terms immediately prior to the Effective Time; or (ii) conditionally exercise and surrender for cancellation, immediately prior to the Effective Time, all "in-the-money" Vero Options held by such holder on a "cashless exercise" basis in accordance with the terms thereof; and (iii) surrender for cancellation all "out-of-the-money" Vero Options held by such holder immediately prior to the Effective Time for nominal consideration of \$0.01 per Vero Option so surrendered.

As at the date of this Information Circular, an aggregate of 3,960,534 Vero Options are outstanding, of which 242,000 are currently "in-the-money".

Effect on TORC Convertible Securities

In connection with completion of the Arrangement, all of the outstanding TORC Options, TORC Warrants and TORC Incentive Shares will "roll-over" in accordance with their terms and become obligations of New TORC, entitling all holders thereof, upon vesting and valid exercise, to New TORC Shares in lieu of TORC Shares, subject to an exercise price and share number adjustment to reflect the TORC Exchange Ratio.

As at the date hereof, an aggregate of 8,461,376 TORC Options, 20,000,000 TORC Warrants and 923,025 TORC Incentive Shares are outstanding. Following completion of the Arrangement, the TORC Convertible Securities will be exercisable, subject to the vesting and escrow terms thereof, for an aggregate of 25,564,429 New TORC Shares.

For a complete description of the TORC Convertible Securities, including particulars of vesting and escrow requirements, see "*Appendix I - Information Concerning TORC – Options to Purchase Securities and Escrowed Securities*".

Details of the Arrangement

Arrangement Steps

Commencing at the Effective Time, each of the events set out below will occur and will be deemed to occur in the following order without any further act or formality except as otherwise provided in the Plan of Arrangement:

- (a) each TORC Share held by a Dissenting TORC Shareholder shall be transferred to TORC and cancelled and become an entitlement to be paid the fair value of such TORC Share and the Dissenting TORC Shareholder shall cease to have any rights as a holder of such TORC Share other than the right to be paid the fair value of such TORC Share by AmalCo in accordance with Section 5.1 of the Plan of Arrangement;
- (b) each TORC Subscription Receipt will be converted and exchanged for one (1) TORC Share;
- (c) AcquisitionCo and TORC shall be amalgamated to form AmalCo 1 and continue as one corporation under the ABCA in accordance with the following:
 - (i) the name of AmalCo1 shall be "TORC Oil and Gas Ltd.";
 - (ii) except as otherwise provided in this Plan of Arrangement, the articles of AcquisitionCo shall be deemed to be the articles of AmalCo1;
 - (iii) the registered office of AmalCo1 shall be the registered office of AcquisitionCo;
 - (iv) AmalCo1 shall be authorized to issue an unlimited number of AmalCo1 Shares, without nominal or par value to which AmalCo1 Shares shall be attached the following rights: (A) to vote at any meeting of holders of AmalCo1 Shares; (ii) to receive any dividend declared by AmalCo1; and (iii) to receive the remaining property of AmalCo1 upon dissolution;
 - (v) there shall be no restrictions on the business that AmalCo1 is authorized to carry on;
 - (vi) the board of directors of AmalCo1 will consist of not less than one and not more than ten directors, the exact number of which shall be determined by the directors of AmalCo1 from time to time;
 - (vii) the first directors of AmalCo1 who shall hold office until the next annual meeting of shareholders of AmalCo1 or until their successors are elected or appointed, shall be the directors of TORC;
 - (viii) the by-laws of AmalCo1 shall be the by-laws of AcquisitionCo in effect prior to the Effective Time;
 - (ix) the property of each of AcquisitionCo and TORC continues to be the property of AmalCo1;
 - (x) AmalCo1 shall continue to be liable for the obligations of AcquisitionCo and TORC;
 - (xi) an existing cause of action, claim or liability to prosecution is unaffected;
 - (xii) a civil, criminal or administrative action or proceeding pending by or against AcquisitionCo or TORC may be continued to be prosecuted by or against AmalCo1;

- (xiii) a conviction against, or ruling, order or judgment in favour of or against, AcquisitionCo or TORC may be enforced by or against AmalCo1;
- (xiv) the Articles of Arrangement are deemed to be the articles of amalgamation of AmalCo1 and the Certificate of Arrangement is deemed to be the certificate of amalgamation of AmalCo1 referred to in Section 186 of the ABCA;
- (xv) On the amalgamation:
 - (A) each issued and outstanding TORC Share (other than TORC Shares held by Vero and AcquisitionCo) shall be cancelled and such holder's name shall be removed from the register of holders of TORC Shares as of the Effective Time and in consideration therefor the holder thereof shall receive 0.87 of a Vero Share in respect of each TORC Share so cancelled and the Vero Shares held by such holder shall be added to the register of holders of Vero Shares as of the Effective Date;
 - (B) the issued and outstanding AcquisitionCo Shares shall survive and continue to be shares of AmalCo1 without amendment;
 - (C) the issued and outstanding TORC Shares held by Vero shall be cancelled and in exchange therefor Vero shall receive an equal number of common shares of AmalCo1 and the common shares of AmalCo1 held by Vero shall be added to the register of holders of common shares of AmalCo1 as of the Effective Date;
- (d) the stated capital account with respect to the AmalCo1 Shares shall be reduced to \$1 without payment of consideration and Vero and AmalCo1 shall amalgamate pursuant to the provisions of Section 184(1) of the ABCA and continue as one corporation under the name "TORC Oil & Gas Ltd." with the same authorized share capital as Vero on the Effective Date and the authorized and issued share capital of AmalCo1 shall be cancelled in accordance with the following:
 - (i) the name of AmalCo shall be "TORC Oil & Gas Ltd.";
 - (ii) except as otherwise provided in this Plan of Arrangement, the articles of Vero shall be deemed to be the articles of AmalCo;
 - (iii) the registered office of AmalCo shall be 1900, 215 – 9th Avenue S.W., Calgary, Alberta T2P 1K3;
 - (iv) AmalCo shall be authorized to issue an unlimited number of AmalCo Shares, without nominal or par value to which AmalCo Shares shall be attached the following rights: (A) to vote at any meeting of holders of AmalCo Shares; (ii) to receive any dividend declared by AmalCo; and (iii) to receive the remaining property of AmalCo upon dissolution;
 - (v) there shall be no restrictions on the business that AmalCo is authorized to carry on;
 - (vi) the board of directors of AmalCo will consist of not less than one and not more than ten directors, the exact number of which shall be determined by the directors of AmalCo from time to time;
 - (vii) the first directors of AmalCo who shall hold office until the next annual meeting of shareholders of AmalCo or until their successors are elected or appointed, shall be the directors of AmalCo1;
 - (viii) the by-laws of AmalCo shall be the by-laws of Vero in effect prior to the Effective Time;

- (ix) the property of each of AmalCo 1 and Vero continues to be the property of AmalCo;
- (x) AmalCo shall continue to be liable for the obligations of AmalCo1 and Vero;
- (xi) an existing cause of action, claim or liability to prosecution is unaffected;
- (xii) a civil, criminal or administrative action or proceeding pending by or against AmalCo1 or Vero may be continued to be prosecuted by or against AmalCo;
- (xiii) a conviction against, or ruling, order or judgment in favour of or against, AmalCo1 or Vero may be enforced by or against AmalCo;
- (xiv) the Articles of Arrangement are deemed to be the articles of amalgamation of AmalCo and the Certificate of Arrangement is deemed to be the certificate of amalgamation of AmalCo referred to in Section 186 of the ABCA;
- (xv) On the amalgamation:
 - (A) each issued and outstanding AmalCo1 Share shall be cancelled without any repayment of capital, and such holder's name shall be removed from the register of holders of AmalCo1 Shares as of the Effective Time; and
 - (B) the issued and outstanding Vero Shares shall survive and continue to be shares of AmalCo without amendment; and
- (e) each TORC Flow-Through Subscription Receipt will be converted and exchanged for 0.87 of an AmalCo Share.

Background to and Anticipated Benefits of the Arrangement

Background

The following is a summary of the material events, meetings, negotiations and discussions among the parties that preceded the execution and public announcement of the Arrangement Agreement.

TORC Oil & Gas Ltd.

TORC management began a strategic review of oil resource plays in Alberta prior to inception in December 2010. The Cardium trend was identified as a primary area of focus as a core development asset providing a balanced fit with TORC's exploration strategy in the emerging southern Alberta Bakken petroleum system. Throughout 2011, TORC's focus was on resource capture which included numerous strategic land acquisitions. In late 2011, TORC transitioned into its delineation phase which involved allocating more capital to delineation drilling to further evaluate geological concepts, play economics and technology application. As TORC continued with the transition into drilling oil wells in its core areas, management began evaluating acquisition opportunities that met certain strategic criteria. Vero was identified as an attractive merger opportunity as Vero's oil production and undeveloped land base in the Cardium trend were considered highly complementary to TORC's Cardium undeveloped land base and emerging exploration portfolio in southern Alberta.

TORC initiated informal discussions with Vero in the spring of 2012 to further assess the merits and mutual interest in a potential transaction. These initial discussions led to more formal negotiations and due diligence including the signing of a confidentiality agreement in early June, 2012 with Vero pursuant to which Vero provided certain confidential information to TORC. On July 12, 2012, TORC provided Vero with a non-binding proposal letter which outlined the key business terms under which TORC was interested in proceeding with a potential transaction. On July 18, 2012 TORC signed a confidentiality agreement with Vero pursuant to which Vero would receive confidential information on TORC and its operations. At the TORC Board meeting held on August 23, 2012 to

review Q2 results, TORC management provided an update to the TORC Board regarding negotiations with Vero and received support from the TORC Board to continue to pursue a strategic transaction. Following further discussions with Vero and advice from TORC's legal and financial advisors on August 30, 2012, TORC and Vero entered into a non-binding letter of intent, which outlined the key business terms of the proposed transaction.

On September 12, 2012, the TORC Board convened with its legal and financial advisors and received the verbal TORC Fairness Opinion and a bought deal letter from Macquarie providing for the TORC Private Placement. Following its discussions and the advice and analysis provided by Macquarie including the TORC Fairness Opinion, and the bought deal letter providing for the TORC Private Placement, the TORC Board unanimously determined that the Arrangement is in the best interests of TORC and the TORC Shareholders, and that the Arrangement is fair to TORC Shareholders. Additionally, the TORC Board approved the Arrangement and the entering into of the Arrangement Agreement and resolved unanimously to recommend that TORC Shareholders vote in favour of the Arrangement by voting in favour of the TORC Resolution. The Arrangement Agreement and the Support Agreements were finalized and executed the evening of September 12, 2012. A joint news release announcing the Arrangement and the TORC Financing was issued prior to the opening of markets on September 13, 2012.

Macquarie delivered the written TORC Fairness Opinion and on October 18, 2012 the TORC Board approved the Information Circular and the mailing thereof to the TORC Shareholders and confirmed its determinations and recommendations as made at the September 12, 2012 TORC Board meeting.

Vero Energy Inc.

Management and the Vero Board regularly review Vero's strategic objectives and opportunities available to Vero in order to ensure that Vero Shareholder value is being maximized.

In early January, 2012, Vero announced that it had entered into an agreement providing for the divestiture of a substantial portion of its natural gas assets to a private oil and gas company for gross proceeds of approximately \$209 million, subject to closing adjustments. The gas asset sale transaction closed on January 31, 2012 and reflected a strategic move on the part of Vero to focus operations on its remaining assets, being its high netback, light oil focused Cardium resource play.

In early spring, 2012 Vero management was first contacted by representatives of TORC in regards to the possibility of considering a transaction involving Vero and TORC. At its regularly scheduled meeting of the Vero Board on March 9, 2012 the Vero Board discussed a number of possible strategic alternative transactions including, without limitation, the possibility of pursuing a business combination transaction with TORC.

At its regularly scheduled meeting of the Vero Board held on May 10, 2012 management provided the Vero Board with a detailed review of Vero's current operations and planned operations for the balance of the second quarter. As was customary for the quarterly Vero Board meetings, a lengthy discussion ensued in respect of near and long term strategic initiatives and possible transactions that Vero may consider moving forward. In conjunction therewith, management provided the Vero Board with an update regarding the discussions to date with TORC and a detailed overview of the history of TORC, its principal properties, trading metrics and other relevant analysis and strategic considerations. The Vero Board discussed at length the possible merits of pursuing a transaction with TORC. Initial discussions with TORC led to more negotiations and due diligence including the execution of a confidentiality agreement in early June, 2012 pursuant to which Vero provided certain confidential information to TORC.

On July 12, 2012 Vero received a non-binding proposal letter from TORC. Following receipt of this initial proposal, management and members of the Vero Board met on a number of occasions during the next weeks to evaluate the merits of TORC's initial proposal and to consider the process that would be followed by Vero in further evaluating TORC's proposal including the retention of legal and financial advisors in respect of same. On July 18, 2012 Vero executed a confidentiality agreement with TORC pursuant to which Vero would receive confidential information on TORC and its operations.

On July 23, 2012 Vero formally retained FirstEnergy as its financial advisor with a mandate to, among other things, review and provide analysis and financial advisory services related to the TORC proposal or any variation thereof, if requested by the Vero Board to assist in negotiating the terms and conditions of a possible transaction with TORC and to advise on the adequacy or fairness, from a financial point of view, of the consideration to Vero Shareholders pursuant to any TORC proposal and, in the event a transaction was agreed upon, to prepare and deliver a written fairness opinion.

Following further negotiations and exchange of information, on August 15, 2012 Vero received a further proposal from TORC which outlined, on a non-binding basis, the material terms and the manner in which TORC would consider implementing a transaction with Vero. On August 20, 2012 the Vero Board convened to discuss and consider the latest proposal. FirstEnergy presented a detailed overview of the terms and conditions of the latest proposal and their financial analysis in respect of same. Management provided the Vero Board with a detailed analysis in regards to its current asset base and reviewed certain other possible strategic alternatives including the merits of Vero continuing to pursue its present business plan on its own. After considering the financial aspects and other considerations relating to the latest proposal, including the advice of FirstEnergy, the Vero Board authorized management and FirstEnergy to pursue further negotiations with TORC to determine if an acceptable transaction could be negotiated.

Following negotiations, Vero received a revised proposal from TORC on August 24, 2012. Following further discussions with TORC and advice from Vero's legal and financial advisors, and the input of the Vero Special Committee, on August 30, 2012 TORC and Vero entered into a non-binding letter of intent which outlined the key business terms of the proposed transaction and provided for an exclusive dealing period (the "**Exclusivity Period**").

During the Exclusivity Period, Vero and TORC, with the assistance of their respective legal and financial advisors, finalized their due diligence in respect of one another and negotiated the definitive terms of the Arrangement Agreement.

On September 11 and 12, 2012, meetings of the Vero Special Committee, the Vero Board, management of Vero and its legal and financial advisors were convened to review, among other things, the terms of the proposed Arrangement and related matters. At such meetings, Vero's legal counsel reviewed the detailed terms and conditions of the Arrangement Agreement and Support Agreements and provided advice as to the fiduciary duties of the Vero Board in the context of the proposed Arrangement. FirstEnergy provided the Vero Special Committee and Vero Board with financial analysis and advice on the proposed Arrangement and related matters and delivered its verbal opinion that, subject to review of final documentation, FirstEnergy was of the opinion that the consideration to be paid by Vero pursuant to the proposed Arrangement is fair, from a financial point of view, to Vero Shareholders. After duly considering the financial aspects and various other considerations relating to the proposed transaction including, without limitation, the terms and conditions of the proposed Arrangement Agreement, the Vero Board's fiduciary duties and responsibilities to Vero Shareholders, receipt of the formal report and unanimous recommendation of the Vero Special Committee and delivery of the Vero Fairness Opinion, the Vero Board unanimously determined that the Arrangement is in the best interests of Vero and the Vero Shareholders, that the Arrangement is fair to Vero Shareholders and approved the Arrangement and the entering into of the Arrangement Agreement and resolved unanimously to recommend that Vero Shareholders vote in favour of the Vero Resolutions.

Later that day, the Arrangement Agreement and the Support Agreements were finalized and executed and a joint news release announcing the Arrangement and related matters was disseminated prior to the opening of markets on September 13, 2012.

FirstEnergy delivered the written Vero Fairness Opinion and on October 18, 2012 the Vero Board approved the Information Circular and the mailing thereof to the Vero Shareholders and confirmed its determinations and recommendations as made at the September 12, 2012 Vero Board meeting.

Anticipated Benefits of the Arrangement

The Arrangement allows both TORC Shareholders and Vero Shareholders to participate in a stronger, larger entity with a substantial inventory of focused, light oil development assets in the Cardium trend along with significant exposure to an emerging light oil resource play at Monarch in the southern Alberta Bakken petroleum system.

Management of each of TORC and Vero and their respective boards of directors, in recommending the Arrangement and related matters to TORC Shareholders and Vero Shareholders, respectively, believe that there are a number of benefits which are anticipated to result from the Arrangement including, without limitation, the following:

- TORC Shareholders and Vero Shareholders will have the opportunity to participate in a significantly larger company that will have higher production, reserves and market capitalization that is anticipated to receive increased market attention, resulting in enhanced liquidity and an ability to secure financing at a lower cost of capital;
- increased size and diversity of combined assets bring an extensive inventory of development drilling locations and enhanced future growth opportunities in a light oil focused exploration and development company;
- complementary nature of combined, highly economic Cardium light oil asset base provides significant development upside and the potential for improved efficiencies;
- exposure to a significant exploration platform in the emerging southern Alberta Bakken petroleum system;
- New TORC will have a strong balance sheet and significant capital resources and bank facilities to pursue an accelerated development drilling and exploration program and strategic acquisitions;
- completion of the TORC Private Placement results in increased capital flexibility for the combined entity;
- top-tier management team and board of directors with expertise in successfully growing intermediate oil and gas companies through strategic consolidation and drilling;
- estimated 2012 year-end, high netback production in excess of approximately 3,900 BOE/d, of which approximately 75% is light oil and natural gas liquids;
- proved reserves of approximately 5.1 MMBOE (68% oil and natural gas liquids) and proved plus probable reserves of approximately 10.0 MMBOE (65% oil and natural gas liquids), estimated as of December 31, 2011 based on the independent engineering evaluations for each of TORC and Vero;
- in excess of an estimated 75 net unbooked sections and 300 net unbooked locations of Cardium light oil development inventory;
- in excess of an estimated 350 net sections of emerging light oil resource exposure, including in excess of an estimated 150 net sections at Monarch;
- net cash position, estimated at closing, of more than \$50 million;
- a large tax pool position estimated at \$410 million (June 30, 2012);
- the implied value of the Arrangement to Vero Shareholders, being \$3.00 per share based upon the arm's length pricing of the TORC Private Placement and corresponding 0.87 exchange ratio,

represents a premium of approximately 48% to the 10 day volume weighted average trading price of the Vero Shares on the TSX immediately preceding announcement of the Arrangement; and

- the Arrangement is structured as a tax deferred roll-over for TORC Shareholders and Vero Shareholders, respectively.

There is a risk that New TORC may not realize the anticipated benefits of the Arrangement. See "*The Arrangement – Risk Factors Related to the Arrangement*".

The TORC Private Placement

In connection with the Arrangement, TORC entered into an agreement, on a "bought deal" private placement basis, with a syndicate of underwriters for an offering of 30,800,000 TORC Subscription Receipts at \$2.60 per TORC Subscription Receipt and 12,910,000 TORC Flow-Through Subscription Receipts at \$3.10 per TORC Flow-Through Subscription Receipt for aggregate gross proceeds of approximately \$120 million. TORC has granted the underwriters an option to purchase from treasury an additional 4,620,000 TORC Subscription Receipts, on the same terms, exercisable in whole or in part at any time up to 48 hours prior to the completion of the Arrangement. Closing of the TORC Private Placement occurred on October 4, 2012. The net proceeds from the TORC Subscription Receipts will be used by New TORC to fund ongoing capital expenditures and for general corporate purposes and the proceeds from the TORC Flow-Through Subscription Receipts will be used by New TORC to incur Canadian Exploration Expense for purposes of the ITA.

The gross proceeds from the TORC Private Placement are being held in escrow pending the receipt by the escrow agent, Olympia Trust Company, and Macquarie of a joint notice of TORC and Vero that all conditions precedent to the completion of the Arrangement have been satisfied or waived. If the Arrangement is completed on or before December 21, 2012, the proceeds will be released to New TORC and each TORC Subscription Receipt and TORC Flow-Through Subscription Receipt will, through a series of steps under the Arrangement, be converted into 0.87 of a New TORC Share for no additional consideration. If the Arrangement is not completed on or before December 21, 2012 or the Arrangement Agreement is terminated at an earlier time, holders of TORC Subscription Receipts and TORC Flow-Through Subscription Receipts will receive a cash payment equal to the offering price of such securities and any interest that was earned thereon during the time of escrow.

Fairness Opinions

TORC Fairness Opinion

TORC engaged Macquarie and TD Securities Inc. as financial advisors to the TORC Board with respect to the Arrangement. Macquarie has provided the TORC Fairness Opinion to the TORC Board to the effect that, as of September 13, 2012, and subject to the assumptions and limitations contained therein, the consideration to be received by TORC Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the TORC Shareholders.

The summary of the TORC Fairness Opinion in this Information Circular is qualified in its entirety by reference to the full text of the TORC Fairness Opinion. The TORC Fairness Opinion is subject to the assumptions and limitations contained therein and should be read in its entirety.

See Appendix E for the full text of the TORC Fairness Opinion.

Vero Fairness Opinion

The Vero Special Committee engaged FirstEnergy and GMP Securities LP as financial advisors to the Vero Special Committee and the Vero Board with respect to the Arrangement. FirstEnergy has provided the Vero Fairness Opinion to the Vero Board to the effect that, as of October 18, 2012, and subject to the assumptions and limitations contained therein, the consideration to be paid by Vero pursuant to the Arrangement is fair, from a financial point of view, to the Vero Shareholders.

The summary of the Vero Fairness Opinion in this Information Circular is qualified in its entirety by reference to the full text of the Vero Fairness Opinion. The Vero Fairness Opinion is subject to the assumptions and limitations contained therein and should be read in its entirety.

See Appendix F for the full text of the Vero Fairness Opinion.

Recommendations of the TORC Board

The TORC Board has concluded that the consideration to be received by the TORC Shareholders under the Arrangement is fair, from a financial point of view, to the TORC Shareholders and is in the best interests of TORC and the TORC Shareholders and unanimously recommends that the TORC Shareholders vote **FOR** the TORC Resolution.

In coming to that conclusion, the TORC Board considered, among other things, that it had:

- (i) received advice as to its duties and responsibilities in connection with the consideration of the potential transaction with Vero;
- (ii) received presentations from TORC management with respect to the properties, financial condition and prospects of TORC;
- (iii) received presentations from TORC management with respect to the properties, financial condition and prospects of Vero;
- (iv) been kept up-to-date in respect of the negotiation of the potential transaction with Vero;
- (v) reviewed the principal terms of the Arrangement;
- (vi) received and reviewed financial advice with respect to the financial condition and prospects of the merged company assuming the Arrangement was completed and considered the anticipated benefits of the Arrangement including those outlined above under "Anticipated Benefits of the Arrangement" and the risks associated with the completion of the Arrangement;
- (vii) reviewed the comparative opportunities of various financial and strategic alternatives including TORC's prior discussions with respect to potential dispositions, acquisitions and other business combinations; and
- (viii) received and considered the TORC Fairness Opinion to the effect that, as September 13, 2012 and based upon and subject to the various assumptions, qualifications and limitations set forth therein, the consideration to be received by the TORC Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the TORC Shareholders.

The discussion of the information and factors considered and given weight to by the TORC Board is not intended to be exhaustive. In reaching the determination to approve and recommend the TORC Resolution, the TORC Board did not assign any relative or specific weight to the factors that were considered, and individual directors may have given a different weight to each factor.

Recommendations of the Vero Board

The Vero Board has concluded that the consideration to be paid to the TORC Shareholders under the Arrangement is fair, from a financial point of view, to the Vero Shareholders and is in the best interests of Vero and Vero Shareholders and unanimously recommends that the Vero Shareholders vote **FOR** the Vero Resolutions.

In coming to that conclusion, the Vero Board considered, among other things, the recommendation of the Vero Special Committee which, with the Vero Board had:

- (i) received advice as to its duties and responsibilities in connection with the consideration of the potential transaction with TORC;
- (ii) received presentations from the Vero Special Committee and Vero management with respect to the properties, financial condition and prospects of Vero;
- (iii) received presentations from Vero management with respect to the properties, financial condition and prospects of TORC;
- (iv) been kept up-to-date in respect of the negotiation of the potential transaction with TORC;
- (v) reviewed the principal terms of the Arrangement;
- (vi) received and reviewed financial advice with respect to the financial condition and prospects of the merged vehicle assuming the Arrangement was completed and considered the anticipated benefits of the Arrangement including those outlined above under "Anticipated Benefits of the Arrangement" and the risks associated with the completion of the Arrangement;
- (vii) reviewed the comparative opportunities of various financial and strategic alternatives including Vero's prior discussions with respect to potential dispositions, acquisitions and other business combinations; and
- (viii) received and considered the Vero Fairness Opinion to the effect that, as of October 18, 2012 and based upon and subject to the various assumptions, qualifications and limitations set forth therein, the consideration to be paid by Vero pursuant to the Arrangement is fair, from a financial point of view, to the Vero Shareholders.

The discussion of the information and factors considered and given weight to by the Vero Board is not intended to be exhaustive. In reaching the determination to approve and recommend the Vero Resolutions, the Vero Board did not assign any relative or specific weight to the factors that were considered, and individual directors may have given a different weight to each factor.

Support Agreements

TORC Support Agreements

All of the directors and officers of TORC have entered into TORC Support Agreements, on terms similar to the Vero Support Agreements, pursuant to which the TORC Support Shareholders have agreed, among other things, to vote an aggregate of 26,860,321 TORC Shares, representing approximately 22% of the outstanding TORC Shares (on a non-diluted basis), in favour of the TORC Resolution and to otherwise support the Arrangement, subject to the provisions of the TORC Support Agreements.

Vero Support Agreements

All of the directors and officers of Vero have entered into Vero Support Agreements, on terms similar to the TORC Support Agreements, pursuant to which the Vero Support Shareholders have agreed, among other things, to vote an aggregate of 3,201,214 Vero Shares, representing approximately 6.5% of the outstanding Vero Shares (on a non-diluted basis) in favour of the Vero Resolutions and to otherwise support the Arrangement, subject to the provisions of the Vero Support Agreements.

Procedure for the Arrangement to Become Effective

Procedural Steps

The Arrangement is proposed to be carried out pursuant to Section 193 of the ABCA. The following procedural steps must be taken in order for the Arrangement to become effective:

- (a) the Arrangement must be approved by the TORC Shareholders in the manner set forth in the Interim Order;
- (b) the Court must grant the Final Order approving the Arrangement;
- (c) all conditions precedent to the Arrangement (including receipt of Vero Shareholders' approval of the Vero Share Issuance Resolution), as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate Party;
- (d) the Final Order and Articles of Arrangement in the form prescribed by the ABCA must be filed with the Registrar; and
- (e) all required regulatory and third party approvals in respect of the completion of the Arrangement must be obtained.

Shareholder Approvals

TORC Shareholder Approval

Pursuant to the terms of the Interim Order, the TORC Resolution must, subject to further order of the Court, be approved by not less than two-thirds of the votes cast by the TORC Shareholders, voting in person or by proxy, at the TORC Meeting.

Notwithstanding the foregoing, the TORC Resolution authorizes the TORC Board, without further notice to or approval of the TORC Shareholders, subject to the terms of the Plan of Arrangement and the Arrangement Agreement, to amend the Plan of Arrangement or the Arrangement Agreement or to decide not to proceed with the Arrangement at any time prior to the Arrangement becoming effective pursuant to the provisions of the ABCA.

See Appendix A-1 to this Information Circular for the full text of the TORC Resolution. See also "*General Proxy Matters - TORC*".

Vero Shareholder Approval

The Vero Share Issuance Resolution and the New TORC Incentive Plans Resolution are ordinary resolutions and each must be approved by not less than 50% of the votes cast by the Vero Shareholders voting, in person or by proxy, at the Vero Meeting.

Under the terms of the Arrangement Agreement and in accordance with the rules of the TSX, the Vero Share Issuance Resolution must be approved by Vero Shareholders at the Vero Meeting in order for the Arrangement to be completed.

Completion of the Arrangement is not conditional on receipt of Vero Shareholder approval of the New TORC Incentive Plans Resolution.

See Appendix A-2 to this Information Circular for the full text of the Vero Resolutions. See also "*General Proxy Matter - Vero*".

Court Approval

Interim Order

On October 19, 2012, TORC obtained the Interim Order providing for the calling and holding of the TORC Meeting and other procedural matters. A copy of the Interim Order is attached as Appendix B to this Information Circular.

Final Order

Subject to the terms of the Arrangement Agreement, if the TORC Resolution is approved at the TORC Meeting and the Vero Share Issuance Resolution is approved at the Vero Meeting, TORC will make application to the Court for the Final Order at the Calgary Court Centre, 601 - 5th Street S.W., Calgary, Alberta, Canada on November 16, 2012 at 11:00 a.m. (Calgary time) or as soon thereafter as counsel may be heard. The Notice of Originating Application for the Final Order accompanies this Information Circular as Appendix C. Any TORC Shareholder, or any other interested party desiring to appear at the hearing, is required to file with the Court and serve upon TORC, on or before noon (Calgary time) on November 9, 2012, a notice of its intention to appear, including an address for service in Calgary, Alberta (or alternatively, a telecopier number for service by telecopy), together with any evidence or materials which are to be presented to the Court. Service on TORC is to be effected by delivery to the counsel for TORC, Heenan Blaikie LLP, Suite 1900, 215 - 9th Avenue S.W., Calgary, Alberta T2P 1K3, Attention: Jennifer Koschinsky. **TORC Shareholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement.**

The Parties have been advised by their respective counsel that the Court has broad discretion under the ABCA when making orders with respect to the Arrangement and that the Court, in hearing the application for the Final Order, will consider, among other things, the fairness of the Arrangement to the TORC Shareholders and any other interested party as the Court determines appropriate. The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court may determine appropriate. Either TORC or Vero may determine not to proceed with the Arrangement in the event that any amendment ordered by the Court is not satisfactory to it, acting reasonably.

The Vero Shares issuable to TORC Shareholders in exchange for their TORC Shares under the Arrangement, and the New TORC Shares deemed to be subsequently issued to Vero Shareholders under the Arrangement, have not been and will not be registered under the U.S. Securities Act, and such securities (other than securities issued with respect to TORC Shares issued pursuant to TORC Subscription Receipts issued in the TORC Private Placement) will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof. The Final Order is required for the Arrangement to become effective and the Court has been advised that if the terms and conditions of the Arrangement are approved by the Court pursuant to the Final Order, the issuance of the Vero Shares issuable to the TORC Shareholders in exchange for their TORC Shares under the Arrangement, and the issuance of New TORC Shares deemed to be subsequently issued to Vero Shareholders under the Arrangement (in each case other than securities issued with respect to TORC Shares issued pursuant to TORC Subscription Receipts issued in the TORC Private Placement) will not require registration under the U.S. Securities Act, pursuant to Section 3(a)(10) thereof.

Regulatory Approvals

It is a condition to the completion of the Arrangement that all necessary regulatory approvals shall have been completed or obtained.

Competition Act Approval

The Arrangement is a "notifiable transaction" for the purposes of Part IX of the Competition Act. When a transaction is a notifiable transaction under the Competition Act, certain prescribed information must be provided to the Commissioner under Part IX of the Competition Act and the transaction may not be completed until the expiry, waiver or termination of the applicable waiting period.

Where a transaction does not raise substantive issues under the Competition Act, the Commissioner may, upon application, issue an advance ruling certificate ("**ARC**") under Section 102 of the Competition Act. Where an ARC is issued, the parties to the transaction are not required to file a pre-merger notification. Further, if the notifiable transaction to which the ARC relates is substantially completed within one year after the ARC is issued, the Commissioner cannot seek an order of the Competition Tribunal under the merger provisions in Section 92 of the Competition Act in respect of the notifiable transaction solely on the basis of information that is the same or substantially the same as the information on the basis on which the ARC was issued.

Completion of the Arrangement is subject to receipt of the Competition Act Approval. On October 19, 2012, the Parties made application for an ARC in respect of the Arrangement.

Other than as described above, there are no material filings, consents or approvals required to be made with, applicable to, or required to be received from any Governmental Authority or other regulatory body in connection with the Arrangement, other than approval from the TSX and the Final Order.

Stock Exchange Listing Approval

TORC is not a reporting issuer under the securities laws of any jurisdiction and none of its securities, including the TORC Shares, are currently listed or posted for trading on any stock exchange. The outstanding Vero Shares are currently listed and posted for trading on the TSX under the symbol "VRO".

It is a mutual condition to the completion of the Arrangement that the New TORC Shares continue to be listed and posted for trading on the TSX in substitution for the Vero Shares. The TSX has conditionally approved the listing of such New TORC Shares, which will trade under the symbol "TOG", subject to New TORC fulfilling all of the listing requirements of the TSX including, without limitation, obtaining the requisite approval of the Vero Shareholders for the Vero Share Issuance Resolution.

Timing of Completion of the Arrangement

Subject to all conditions precedent to the Arrangement as set forth in the Arrangement Agreement being satisfied or waived by the appropriate Party, the Arrangement will become effective upon the Effective Date. If the TORC Resolution is approved at the TORC Meeting as required by the Interim Order and the Vero Share Issuance Resolution is approved at the Vero Meeting, TORC will apply to the Court for the Final Order approving the Arrangement. If the Final Order is obtained on or about November 16, 2012, in form and substance satisfactory to the Parties and all other conditions specified in the Arrangement Agreement are satisfied or waived, the Parties expect the Effective Date will be on or about November 16, 2012. The Effective Date could be delayed, however, for a number of reasons, including an objection before the Court in the hearing of the application for the Final Order. It is a condition to the completion of the Arrangement that the Arrangement shall have become effective on or prior to December 3, 2012 unless otherwise agreed to by Vero and TORC.

For full particulars in respect of all of the events which will occur pursuant to the Plan of Arrangement, see the full text of the Plan of Arrangement which is attached as Exhibit 1 to Appendix D to this Information Circular.

Risk Factors Related to the Arrangement

Completion of the Arrangement is subject to certain risks. In addition to the risk factors described under the headings "Risk Factors" in the Vero AIF and in Appendix I hereto, the following are additional and supplemental risk factors which TORC Shareholders should carefully consider before making a decision to approve the TORC Resolution and which Vero Shareholders should carefully consider before making a decision to approve the Vero Resolutions.

All conditions to completion of the Arrangement may not be satisfied or waived, including satisfaction of all regulatory requirements and obtaining all the necessary approvals for completion of the Arrangement on satisfactory terms or at all.

Completion of the Arrangement is subject to satisfaction or waiver of various conditions including the approval of the Court and the satisfaction of certain regulatory requirements and the receipt of all necessary regulatory and TORC Shareholder and Vero Shareholder approvals and third-party consents. There can be no certainty, nor can either Party provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. The requirement to take certain actions or to agree to certain conditions to satisfy such requirements or obtain any such approvals may have a Material Adverse Effect on the business and affairs of New TORC or the trading price of the New TORC Shares, after completion of the Arrangement.

The Arrangement Agreement may be terminated in certain circumstances, including in the event of a Material Adverse Effect on TORC or Vero.

Each of TORC and Vero has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty, nor can either Party provide any assurance, that the Arrangement Agreement will not be terminated before the completion of the Arrangement. For example, a Party has the right, in certain circumstances, to terminate the Arrangement Agreement if a Material Adverse Effect occurs with respect to the other Party. Although a Material Adverse Effect excludes certain events that are beyond the control of the Parties, there is no assurance that a change having a Material Adverse Effect on a Party will not occur before the Effective Date, in which case the other Party could elect to terminate the Arrangement Agreement and the Arrangement would not proceed.

The market price for the Vero Shares may decline.

If the TORC Resolution is not approved by the TORC Shareholders or the Vero Share Issuance Resolution is not approved by the Vero Shareholders, the market price of the Vero Shares may decline to the extent that the current market price of the Vero Shares reflects a market assumption that the Arrangement will be completed. If the TORC Resolution is not approved by the TORC Shareholders or the Vero Share Issuance Resolution is not approved by the Vero Shareholders, as the case may be, and the TORC Board or the Vero Board, as the case may be, decides to seek another business combination, there can be no assurance that Vero will be able to find a party willing to pay an equivalent or more attractive price than the implied value ascribed to the Vero Shares in connection with the Arrangement.

There are risks related to the integration of TORC's and Vero's existing businesses

The ability to realize the benefits of the Arrangement including, among other things, those set forth in this Information Circular under "The Arrangement – Background to and Anticipated Benefits of the Arrangement - Anticipated Benefits of the Arrangement" above, will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on Vero's ability to realize the anticipated growth opportunities and synergies from integrating TORC's and Vero's businesses following completion of the Arrangement. This integration will require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities of Vero following completion of the Arrangement, and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business and employee relationships that may adversely affect the ability of New TORC to achieve the anticipated benefits of the Arrangement.

The Arrangement Agreement

The Arrangement Agreement provides for the implementation of the Plan of Arrangement. The Arrangement Agreement contains covenants, representations and warranties of and from each of TORC and Vero and various conditions precedent, both mutual and with respect to each Party. The following is a summary of certain material provisions of the Arrangement Agreement and is not comprehensive but is qualified in its entirety by reference to the full text of the Arrangement Agreement and the Plan of Arrangement set forth in Appendix D and Exhibit 1 to Appendix D, respectively, to this Information Circular. Vero Shareholders and TORC Shareholders are encouraged to read the Arrangement Agreement and the Plan of Arrangement in their entirety.

Mutual Covenants Regarding the Arrangement

Vero and TORC have each given, in favour of the other Party, usual and customary mutual covenants for an agreement of this nature including mutual covenants to conduct their respective businesses in the usual and ordinary course and consistent with past practices, to use their respective commercially reasonable efforts to satisfy or cause the satisfaction of the conditions precedent to their respective obligations under the Arrangement Agreement to the extent they are within such Party's control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement.

Vero Covenants Regarding Non-Solicitation and TORC Right to Match

Vero has agreed in favour of TORC that:

- (a) Vero shall immediately cease and cause to be terminated all existing discussions or negotiations (including, without limitation, through any of its officers, directors, employees, advisors, representatives and agents ("Representatives")), if any, with any parties initiated before the date of this Agreement with respect to any Acquisition Proposal and shall immediately request the return or destruction of all information provided to any third party who has entered into a confidentiality agreement with Vero relating to an Acquisition Proposal and shall use all reasonable commercial efforts to ensure that such requests are honoured (provided that the failure by any third party to so return or destroy any such information following the request by Vero required by Section 7.1(a) of the Arrangement Agreement shall not be deemed to be or otherwise constitute a breach by Vero of such section).
- (b) Vero shall not, directly or indirectly, do or authorize or permit any of its Representatives to do, any of the following:
 - (i) solicit, facilitate, initiate, encourage or take any action to solicit, facilitate, initiate, entertain or encourage any inquiries or communication regarding or the making of any proposal or offer that constitutes, may constitute, or may reasonably be expected to lead to, an Acquisition Proposal, including, without limitation, by way of furnishing information;
 - (ii) enter into or participate in any negotiations or initiate any discussion regarding an Acquisition Proposal, or furnish to any other Person any information with respect to its securities, business, properties, operations or conditions (financial or otherwise) in connection with, or furtherance of, an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;
 - (iii) release, waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to release, waive or otherwise forbear in respect of, any rights or other benefits under any confidentiality agreements, including, without limitation, any "standstill provisions" thereunder; or
 - (iv) accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal;

provided, however, that notwithstanding any other provision hereof, Vero and its Representatives may:

- (v) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, from or after the date of this Agreement, by Vero or any of its Representatives) seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality and standstill

agreement substantially similar to the Confidentiality Agreement (provided that such confidentiality agreement shall provide for disclosure thereof (along with all information provided thereunder) to TORC as set out below), may furnish to such third party information concerning Vero and its business, properties and assets, in each case if, and only to the extent that:

- (vi) the third party has first made a written bona fide Superior Proposal; and
 - (vii) prior to furnishing such information to or entering into or participating in any such negotiations or initiating any discussions with such third party, Vero provides prompt notice to TORC to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such Person or entity together with a copy of the confidentiality agreement referenced above and if not previously provided to TORC, copies of all information provided to such third party concurrently with the provision of such information to such third party, and provided further that Vero shall notify TORC orally and in writing of any inquiries, offers or proposals with respect to a Superior Proposal (which written notice shall include, without limitation, a summary of the details of such proposal (and any amendments or supplements thereto), the identity of the Person making it, if not previously provided to TORC, copies of all information provided to such party and all other information reasonably requested by TORC), within 24 hours of the receipt thereof, shall keep TORC informed of the status and details of any such inquiry, offer or proposal and answer TORC's questions with respect thereto;
 - (viii) comply with Section 2.17 of Multilateral Instrument 62-104 and similar provisions under Applicable Laws relating to the provision of directors' circulars and make appropriate disclosure with respect thereto to its securityholders; and
 - (ix) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, its board of directors shall have concluded in good faith, after considering all proposals to adjust the terms and conditions of this Agreement and after receiving the advice of outside legal counsel and financial advisors as reflected in minutes of the board of directors of Vero, that the taking of such action is necessary for the board of directors in discharge of its fiduciary duties under Applicable Laws and Vero complies with its obligations set forth in Section 7.1(c) of the Arrangement Agreement and pays, if applicable, the amount required by Section 6.2 thereof.
- (c) In the event that Vero is in receipt of a Superior Proposal, it shall give TORC, orally and in writing, at least 72 hours advance notice of any decision by its board of directors to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall confirm that the board of directors of Vero has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the third party making the Superior Proposal and shall provide a true and complete copy thereof and any amendments thereto. During such 72 hour period, Vero agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during such 72 hour period, Vero shall, and shall cause its financial and legal advisors to, negotiate in good faith with TORC and their financial and legal advisors to make such adjustments in the terms and conditions of this Agreement and the Arrangement as would enable Vero to proceed with the Arrangement as amended rather than the Superior Proposal. In the event TORC propose to amend this Agreement and the Arrangement to provide that the Vero Shareholders shall receive a value per Vero Share equal to or having a value greater than the value per Vero Share provided in the Superior Proposal and so advises the Vero Board prior to the expiry of such 72 hour period, the board of directors of Vero shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not release the party making the Superior Proposal from any standstill provisions, and shall not

withdraw, redefine, modify or change its recommendation in respect of the Arrangement. Notwithstanding the foregoing, and for greater certainty, TORC shall not have any obligation to make or negotiate any changes to this Agreement or the Arrangement in the event that Vero is in receipt of a Superior Proposal.

- (d) TORC agrees that all information that may be provided to it by Vero with respect to any Superior Proposal pursuant to Section 7.1 of the Arrangement Agreement shall be treated as if it were "Confidential Information" as that term is defined in the Confidentiality Agreement and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under this Agreement in legal proceedings.
- (e) Each Party shall ensure that its officers, directors and employees and any investment bankers or other advisers or representatives retained by it are aware of the provisions of Section 7.1 of the Arrangement Agreement. TORC shall be responsible for any breach of Section 7.1 of the Arrangement Agreement by its officers, directors, employees, investment bankers, advisers or representatives, and Vero shall be responsible for any breach of Section 7.1 of the Arrangement Agreement by its officers, directors, employees, investment bankers, advisers or representatives.

Representations and Warranties

Each of Vero and TORC made certain customary representations and warranties related to its due organization and qualification and authorization to enter into the Arrangement Agreement and carry out its obligations thereunder and the execution and delivery of the Arrangement Agreement, the consummation by it of the transactions contemplated thereby nor compliance by it of the transactions contemplated by the Arrangement Agreement will, among other things, violate, conflict with or result in a breach of any provisions of, require any consent, approval or notice under or constitute a default or result in a right of termination or acceleration under or result in a creation of any lien, security interest, charge or encumbrance upon the properties or assets of it under, any of the terms, conditions or provisions of its or, if applicable, any of its subsidiary's organizational documents, instruments or obligations to which it or, if applicable, any of its subsidiaries is a party or by which any of them or any of their respective properties or assets may be subject or by which it is bound unless otherwise disclosed to the other Party or violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to it or, if applicable, any of its subsidiaries. In addition, Vero and TORC have each made certain representations and warranties particular to such Party. The representations and warranties are, in some cases, subject to specified exceptions and qualifications.

Conditions of Closing

Mutual Conditions

The Arrangement Agreement provides that the respective obligations of Vero and TORC to complete the Arrangement are subject to fulfillment of the following conditions which have yet to be satisfied, on or before the Effective Date or such other time as specified below:

- (a) the TORC Resolution shall have been passed by the TORC Shareholders at the TORC Meeting in accordance with the Interim Order on or prior to November 30, 2012;
- (b) the Vero Share Issuance Resolution shall have been passed by the Vero Shareholders at the Vero Meeting on or prior to November 30, 2012;
- (c) the Final Order shall have been granted in form and substance satisfactory to Vero and TORC, each acting reasonably, and such order shall not have been set aside or modified in any manner unacceptable to Vero and TORC, each acting reasonably, on appeal or otherwise;
- (d) the Articles of Arrangement relating to the Arrangement shall be in form and substance satisfactory to Vero and TORC, each acting reasonably;

- (e) the Arrangement shall have become effective under the ABCA on or prior to December 3, 2012 or such later date as agreed to in writing by Vero and TORC, each acting reasonably;
- (f) each of Vero and TORC shall have obtained all consents, approvals and authorizations, regulatory or otherwise, including third party approvals and consents, required or necessary to be obtained by it in connection with the transactions contemplated hereby on terms and conditions reasonably satisfactory to the other Party, acting reasonably;
- (g) each of Vero and TORC shall have obtained the consent of its lenders to the Arrangement;
- (h) the TSX shall have conditionally approved the listing and posting for trading of the Vero Shares issuable pursuant to the Arrangement, including AmalCo Shares that become issuable on the exercise and vesting of TORC Incentive Shares, TORC Options and TORC Warrants outstanding as the Effective Date;
- (i) there shall be no action taken under any existing Applicable Law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, Governmental Authority or similar agency, domestic or foreign that makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated hereby, or results in a judgment or assessment of material damages, directly or indirectly, relating to the transactions contemplated hereby;
- (j) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority, by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of law and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of Vero or TORC, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect in respect of TORC or Vero, or would have a Material Adverse Effect on the ability of the Parties to complete the Arrangement;
- (k) the TORC Private Placement shall have been completed;
- (l) the Parties shall be satisfied, acting reasonably, that the Vero Shares and AmalCo Shares issuable to TORC Shareholders pursuant to the Arrangement (other than Vero Shares and AmalCo Shares issuable in respect of TORC Shares issued upon conversion of TORC subscription receipts issued in the TORC Private Placement, which shall be issuable in transactions that do not require registration under the U.S. Securities Act or applicable state securities laws) shall be issuable in accordance with Applicable Laws, including, without limitation, pursuant to the exemption from registration provided by Section 3(a)(10) of the U.S. Securities Act; and
- (m) the Vero Board (New TORC) shall be reconstituted at the Effective Time consisting of Brett Herman, John Brussa, Raymond Chan, Bruce Chernoff, David Johnson, Dale Shwed and Hank Swartout, subject to the consents of such individuals.

Additional Conditions in Favour of Vero

The obligation of Vero to complete the transactions contemplated by the Arrangement Agreement is subject to fulfilment of the following conditions which have yet to be satisfied, on or before the Effective Date or such other time as specified below:

- (a) the board of directors of TORC shall have made prior to the mailing of the Information Circular and not modified or amended in a manner materially adverse to the Arrangement prior to the TORC Meeting, an affirmative recommendation that the TORC Shareholders approve the Arrangement;

- (b) holders of not greater than 5% of the outstanding TORC Shares shall have exercised Dissent Rights in respect of the Arrangement that have not been withdrawn as at the Effective Date;
- (c) except as affected by transactions contemplated by this Agreement, the representations and warranties made by TORC in this Agreement shall be true and correct in all material respects (except for representations and warranties containing qualifiers as to materiality, which shall be true and correct) as of the date hereof and as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date or as permitted herein) and TORC shall have provided to Vero a certificate of two executive officers of TORC certifying such accuracy on the Effective Date and Vero shall have no knowledge to the contrary;
- (d) TORC shall have complied in all material respects with its covenants herein and TORC shall have provided to Vero a certificate of two executive officers of TORC certifying that it has complied with such covenants and Vero shall have no knowledge to the contrary;
- (e) no change resulting in a Material Adverse Effect shall have occurred in respect of TORC from and after the date hereof and prior to the Effective Date;
- (f) TORC shall have furnished Vero with certified minutes of the TORC Meeting confirming that the TORC Resolution was approved by the requisite majority;
- (g) the obligations of TORC with respect to fees, costs and expenses incurred by TORC in connection with this Agreement and the transactions contemplated hereby, including without limitation all financial advisory fees (including the cost of TORC's fairness opinion) and expenses, costs and expenses incurred in connection with the legal and other professional fees and disbursements collectively, the "**TORC Transaction Costs**"), shall not exceed in the aggregate, the amount set out in the TORC Disclosure Letter and TORC shall have provided to Vero a certificate of two senior officers certifying the amount of the TORC Transaction Costs and TORC's compliance with such condition precedent; and
- (h) TORC or Vero shall have put in place, prior to the Effective Date, arrangements to provide that, for a period of six years after the Effective Date, there shall be maintained in effect the current policies of directors' and officers' liability insurance maintained by Vero providing coverage on a "trailing" or "run-off" basis for all present and former directors and officers of Vero, with limits and on terms no less favourable to such persons than their current coverage, with respect to claims arising from facts or events which occurred before the Effective Date.

The foregoing conditions precedent are for the benefit of Vero and may be waived in whole or in part by Vero on written notice to TORC at any time.

Additional Conditions in Favour of TORC

The obligation of TORC to complete the transactions contemplated hereby is subject to the fulfillment of the following conditions which have yet to be satisfied, on or before the Effective Date or such other time as specified below:

- (a) the board of directors of Vero shall have made prior to the mailing of the Information Circular, and not modified or amended in a manner materially adverse to the Arrangement prior to the Vero Meeting, an affirmative recommendation that the Vero Shareholders approve the Vero Resolutions;
- (b) except as affected by transactions contemplated by this Agreement, the representations and warranties made by Vero in this Agreement shall be true in all material respects (except for representations and warranties containing qualifiers as to materiality, which shall be true and

correct) as of the date hereof and as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date or as permitted herein) and Vero shall have provided to TORC a certificate of two executive officers of Vero certifying such accuracy on the Effective Date and TORC shall have no knowledge to the contrary;

- (c) Vero shall have complied in all material respects with its covenants herein and Vero shall have provided to TORC a certificate of two executive officers of Vero certifying that it has complied with such covenants and TORC shall have no knowledge to the contrary;
- (d) no change resulting in a Material Adverse Effect shall have occurred in respect of Vero from and after the date hereof and prior to the Effective Date;
- (e) TORC shall be satisfied that at least 84% of the outstanding Vero Options shall have been exercised for Vero Shares, expired or cancelled pursuant to the Vero Option Exercise and Cancellation Agreements;
- (f) Vero shall have furnished TORC with certified minutes of the Vero Meeting confirming that the Vero Share Issuance Resolution was approved by the requisite majority;
- (g) each of the directors of Vero shall have provided resignations and each of the officers of Vero shall have provided resignations and executed mutual releases in favour of Vero effective on the Effective Date;
- (h) the Vero Employee Termination Obligations shall not exceed the amount set out in the Vero Disclosure Letter; and
- (i) all other fees, costs and expenses incurred by Vero in connection with this Agreement and the transactions contemplated hereby, but excluding the Vero Employee Termination Obligations (the "**Vero Transaction Costs**"), including without limitation all financial advisory fees (including the cost of Vero's fairness opinion) and expenses, costs and expenses incurred in connection with the legal and other professional fees and disbursements shall not exceed in the aggregate, the amount set out in the Vero Disclosure Letter based on the assumptions contained in the Vero Disclosure Letter, and Vero shall have provided to TORC a certificate of two senior officers certifying the amount of the Vero Transaction Costs and Vero's compliance with such condition precedent.

The foregoing conditions precedent are for the benefit of TORC and may be waived, in whole or in part, by TORC on written notice to Vero at any time.

Termination of the Arrangement Agreement

Termination by Mutual Agreement or Non-Satisfaction of Conditions

The Arrangement Agreement may, prior to the filing of the Articles of Arrangement, be terminated:

- (a) by mutual written agreement of TORC and Vero;
- (b) by TORC or Vero if a condition precedent set forth in the Arrangement Agreement is not complied with or waived by the Party for whose benefit such condition precedent was provided on or before the date required for the performance thereof, provided that the terminating Party is not in default of any of its obligations or representations or warranties in any material respect under the Arrangement Agreement;
- (c) by TORC or Vero upon the occurrence of a Damages Event in respect of the other Party has occurred;

- (d) by TORC or Vero if a Damages Event described in paragraph (a) or (c) under the below heading "Termination Fee" has occurred in respect of such Party and such Party has paid the other Party the applicable Termination Fee; or
- (e) a court of competent jurisdiction or a governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting any of the transactions contemplated by the Arrangement Agreement and such order, decree, ruling or other action shall have become final and non-appealable, provided that the Party seeking to terminate the Arrangement Agreement pursuant to Section 8.2 of the Arrangement Agreement shall have used all commercially reasonable efforts to remove such order, decree, ruling or injunction.

In the event of the termination of the Arrangement Agreement in accordance with the foregoing, the Parties shall return all materials and copies of all materials delivered to them or their agents by each other. Except for certain indemnity obligations, the obligation to pay the Termination Fee and certain provisions relating to costs and expenses in connection with the Arrangement Agreement (provided in the case of an obligation to pay the Termination Fee, the right of payment arose prior to the termination of the Arrangement Agreement), which shall survive any termination of the Arrangement Agreement and continue in full force and effect, no Party shall have any further obligations to the other Party thereunder with respect to the Arrangement Agreement. Nothing contained in Article 8 of the Arrangement Agreement shall relieve any Party from any liability for any breach of any provision of the Arrangement Agreement except for the obligation to pay the Termination Fee, as applicable.

Termination Fee

If any of the following occur after the execution of the Arrangement Agreement and prior to its termination:

- (a) the Vero Board or TORC Board has withdrawn, changed or qualified any of its recommendations or determinations in favour of the Vero Resolutions or the TORC Resolution, respectively, in a manner adverse to the other Party or has resolved to do so prior to the Effective Date;
- (b) an Acquisition Proposal has been publicly announced, or is proposed, offered or made to a Party or any of such Party's shareholders prior to the date of the applicable Meeting, such shareholders do not approve the applicable resolution or the Arrangement is not submitted for their approval and any agreement with respect to any Acquisition Proposal is entered into, or the transaction relating to any Acquisition Proposal is completed within 180 days following the date of such meeting or if such meeting is not held, the initially announced date of such Meeting;
- (c) a Party or the board of directors of such Party or any committee thereof accepts, recommends, approves or enters into an agreement, understanding, letter of intent or agreement in principle to implement a Superior Proposal (and in the case of TORC, the Arrangement is not completed in accordance with the terms of the Arrangement Agreement);
- (d) a Party is in breach of any of its covenants made in the Arrangement Agreement which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Effect in the affairs, operations or business of such Party or materially impede the completion of the Arrangement, and such Party fails to cure such breach within five Business Days after receipt of written notice thereof from the other Party (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond December 3, 2012); or
- (e) a Party is in breach of any of its representations or warranties made in the Arrangement Agreement (without giving effect to any materiality qualifiers contained therein) which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Effect in the affairs, operations or business of such Party or materially impede the completion of the Arrangement, and such Party fails to cure such breach within five Business

Days after receipt of written notice thereof from the other Party (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond December 3, 2012),

(each of the above being a "**Damages Event**"), then in the event of the termination of the Arrangement Agreement, (i) if TORC is the subject of any of the foregoing events, it shall pay to Vero \$6.5 million as liquidated damages in immediately available funds to an account designated by Vero within three Business Days after the first to occur of the events described above, and (ii) if Vero is the subject of any of the foregoing events, it shall pay to TORC \$6.5 million as liquidated damages in immediately available funds to an account designated by TORC within three Business Days after the first to occur of the events described above (each a "**Termination Fee**"). On the date of the earliest event described in the above paragraphs (a) to (e), TORC or Vero, as the case may be, shall be deemed to hold such sum in trust for the other Party. A Party shall only be obligated to make one such payment pursuant the Arrangement Agreement.

Amendment

The Arrangement Agreement may, at any time and from time to time before or after the holding of the Meetings, be amended by written agreement of the parties without, subject to Applicable Laws, further notice to or authorization on the part of the Vero Shareholders or the TORC Shareholders, provided that, notwithstanding the foregoing, the consideration which the TORC Shareholders shall have the right to receive on the Arrangement may not be reduced without the approval of the TORC Shareholders, given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

Procedure for Exchange of Securities

Vero Shares

Holders of Vero Shares are not required to take any action to deposit or exchange certificates representing Vero Shares for certificates representing New TORC Shares. Upon completion of the Arrangement, certificates representing Vero Shares will continue to represent New TORC Shares on a one for one basis. However, should a Vero Shareholder wish to obtain new share certificates in the name of "TORC Oil & Gas Ltd.", they may do so by contacting New TORC's registrar and transfer agent, Olympia Trust Company, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta T2G 0P6, by Telephone to (403) 261-0900 or by Facsimile to (403) 265-1455.

TORC Shares

A Letter of Transmittal has been sent to registered TORC Shareholders with this Information Circular. The Letter of Transmittal sets out the procedure to be followed by Depositing Shareholders to deposit their TORC Shares. If the Arrangement becomes effective, in order to receive a physical certificate(s) representing New TORC Shares in exchange for the deposited TORC Shares to which the Depositing Shareholder is entitled under the Plan of Arrangement, a Depositing Shareholder must deliver the Letter of Transmittal, properly completed and duly executed, together with certificate(s) representing its Deposited Securities and all other required documents to the Depositary at the address set forth in the Letter of Transmittal. It is each Depositing Shareholder's responsibility to ensure that the Letter of Transmittal is received by the Depositary. If the Arrangement is not completed, the Letter of Transmittal will be of no effect and the Depositary will return all certificates representing the Deposited Securities to the holders thereof as soon as practicable at the address specified in the Letter of Transmittal. Depositing Shareholders whose TORC Shares are registered in the name of an Intermediary must contact their Intermediary to deposit their Deposited Securities.

Any certificate formerly representing TORC Shares that is not deposited with all other documents as required by the Plan of Arrangement on or prior to the Business Day prior to the third anniversary of the Effective Date will cease to represent a right or claim of any kind or nature including the right of the TORC Shareholder to receive New TORC Shares (and any dividend or other distributions thereon). In such case, such New TORC Shares (together with all dividends or other distributions thereon) will be returned to New TORC and will be cancelled.

Depositing Shareholders are encouraged to deliver a properly completed and duly executed Letter of Transmittal together with the relevant certificate(s) representing the Deposited Securities and any other required documents to the Depositary as soon as possible.

The use of mail to transmit certificates representing the Deposited Securities and the Letter of Transmittal is at each holder's risk. TORC recommends that such certificates and documents be delivered by hand to the Depositary and a receipt therefore be obtained or that registered mail be used and appropriate insurance be obtained.

The Depositary will receive reasonable and customary compensation from New TORC for its services in connection with the Arrangement, will be reimbursed for certain out-of-pocket expenses and will be indemnified against certain liabilities, including liability under securities laws and expenses in connection therewith.

For additional information, see "*The Arrangement — Procedure for Exchange of Securities*".

Lost Securities

If any certificate which immediately prior to the Effective Time represented an interest in outstanding TORC Shares that were transferred or cancelled pursuant to the Plan of Arrangement has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with the Arrangement. Unless otherwise agreed to by New TORC, the person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to New TORC and its transfer agent, which bond is in form and substance satisfactory to New TORC and its transfer agent, or shall otherwise indemnify Vero and its transfer agent against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

Withholding Rights

New TORC and the Depositary shall be entitled to deduct and withhold from any dividend or consideration otherwise paid to any TORC Shareholders such amounts as New TORC or the Depositary determines, acting reasonably, are required or permitted pursuant to the ITA or any successor provision thereto to be deducted and withheld with respect to such payment under the ITA or certain other applicable tax laws, in each case as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the TORC Shareholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

Dissent Rights

As the Vero Shareholders are not required to vote on the Arrangement itself, no dissent rights are afforded to Vero Shareholders under the provisions of the ABCA.

TORC Dissent Rights

The following description of the TORC Dissent Rights to which registered TORC Shareholders are entitled is not a comprehensive statement of the procedures to be followed by a Dissenting TORC Shareholder who seeks payment of the fair value of such Dissenting TORC Shareholder's TORC Shares and is qualified in its entirety by the reference to the full text of the Interim Order, Plan of Arrangement and the text of Section 191 of the ABCA, which are attached to this Information Circular as Appendix B, Exhibit 1 to Appendix D and Appendix H, respectively. A Dissenting TORC Shareholder who intends to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of the ABCA, as modified by the Plan of Arrangement and by the Interim Order. Failure to adhere to the procedures established therein may result in the loss of all rights thereunder. Accordingly, each Dissenting TORC Shareholder who might desire to exercise TORC Dissent Rights should consult its own legal advisor.

A Court hearing the application for the Final Order has the discretion to alter the TORC Dissent Rights described herein based on the evidence presented at such hearing. Subject to certain tests as described below, pursuant to the Interim Order, Dissenting TORC Shareholders are entitled, in addition to any other right such Dissenting TORC Shareholder may have, to dissent and to be paid by TORC the fair value of the TORC Shares held by such Dissenting TORC Shareholder in respect of which such Dissenting TORC Shareholder dissents, determined as of the close of business on the last Business Day before the day on which the TORC Resolution was adopted. **A Dissenting TORC Shareholder may dissent only with respect to all of the TORC Shares held by such Dissenting TORC Shareholder or on behalf of any one Beneficial Holder and registered in the Dissenting TORC Shareholder's name. Only registered TORC Shareholders may dissent. Persons who are Beneficial Holders of TORC Shares registered in the name of an Intermediary who wish to dissent should be aware that they may only do so through the registered owner of such TORC Shares. A registered TORC Shareholder, such as a broker, who holds TORC Shares as nominee for Beneficial Holders, some of whom wish to dissent, must exercise the TORC Dissent Right on behalf of a Beneficial Holder with respect to all of the TORC Shares held for such Beneficial Holder. In such case, the demand for dissent should set forth the number of TORC Shares covered by it.**

Dissenting TORC Shareholders must provide a written objection to the TORC Resolution to TORC, c/o Heenan Blaikie LLP, Suite 1900, 215 - 9th Avenue S.W., Calgary, Alberta T2P 1K3, Attention: Tom Cotter, by no later than 4:00 p.m. (Calgary time) on the second Business Day immediately preceding the date of the TORC Meeting. **No TORC Shareholder who has voted in favour of the TORC Resolution shall be entitled to dissent with respect to the Arrangement.**

New TORC or a Dissenting TORC Shareholder may apply to the Court, by way of an origination application, after the approval of the TORC Resolution, to fix the fair value of the Dissenting TORC Shareholder's TORC Shares. If such an application is made to the Court by either New TORC or a Dissenting TORC Shareholder, TORC must, unless the Court orders otherwise, send to each Dissenting TORC Shareholder a written offer to pay the Dissenting TORC Shareholder an amount, considered by the TORC Board, to be the fair value of the TORC Shares held by such Dissenting TORC Shareholders. The offer, unless the Court orders otherwise, must be sent to each Dissenting TORC Shareholder at least 10 days before the date on which the application is returnable, if New TORC is the applicant, or within 10 days after New TORC is served a copy of the origination application, if a Dissenting TORC Shareholder is the applicant. Every offer will be made on the same terms to each Dissenting TORC Shareholder of TORC Shares and contain or be accompanied with a statement showing how the fair value was determined.

A Dissenting TORC Shareholder may make an agreement with New TORC for the purchase of such holder's TORC Shares in the amount of the offer made by New TORC, or otherwise, at any time before the Court pronounces an order fixing the fair value of the TORC Shares.

A Dissenting TORC Shareholder will not be required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application or appraisal. On the application, the Court will make an order fixing the fair value of the TORC Shares of all Dissenting TORC Shareholders who are parties to the application, giving judgment in that amount against New TORC and in favour of each of those Dissenting TORC Shareholders, and fixing the time within which New TORC must pay the amount paid to each Dissenting TORC Shareholder calculated from the date on which the Dissenting TORC Shareholder ceases to have any rights as a TORC Shareholder, until the date of payment.

On the Arrangement becoming effective, or upon the making of an agreement between New TORC and the Dissenting TORC Shareholder as to the payment to be made to the Dissenting TORC Shareholder, or upon the pronouncement of a Court order, whichever first occurs, the Dissenting TORC Shareholder will cease to have any rights as a TORC Shareholder other than the right to be paid the fair value of such holder's TORC Shares in the amount agreed to or in the amount of the judgment, as the case may be. Until one of these events occurs, the Dissenting TORC Shareholder may withdraw the Dissenting TORC Shareholder's dissent, or if the Arrangement has not yet become effective, TORC may rescind the TORC Resolution, and in either event, the dissent and appraisal proceedings in respect of that Dissenting TORC Shareholder will be discontinued.

New TORC shall not make a payment to a Dissenting TORC Shareholder under Section 191 of the ABCA if there are reasonable grounds for believing that it is or would after the payment be unable to pay its liabilities as they

become due, or that the realizable value of its assets would thereby be less than the aggregate of its liabilities. In such event, it shall notify each Dissenting TORC Shareholder that it is unable lawfully to pay Dissenting TORC Shareholders for their TORC Shares, in which case the Dissenting TORC Shareholder may, by written notice to New TORC within 30 days after receipt of such notice, withdraw such holder's written objection, in which case the holder shall be deemed to have participated in the Arrangement as a TORC Shareholder. If the Dissenting TORC Shareholder does not withdraw such holder's written objection, such Dissenting TORC Shareholder retains status as a claimant against New TORC to be paid as soon as New TORC is lawfully entitled to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of TORC but in priority to its shareholders.

All TORC Shares held by Dissenting TORC Shareholders who exercise their TORC Dissent Rights will, if the holders do not otherwise withdraw such holder's written objection, be deemed to be transferred to TORC under the Arrangement, and cancelled in exchange for the fair value thereof or will, if such Dissenting TORC Shareholders ultimately are not so entitled to be paid the fair value thereof, be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting holder of TORC Shares and such TORC Shareholder's TORC Shares will be deemed to be exchanged New TORC Shares on the same basis as all other TORC Shareholders.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by Dissenting TORC Shareholders who seek payment of the fair value of their TORC Shares. Section 191 of the ABCA, other than as amended by the Arrangement and the Interim Order, requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. **Accordingly, Dissenting TORC Shareholders who might desire to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of Section 191 of the ABCA, the full text of which is set out in Appendix H to this Information Circular and consult their own legal advisor.**

Unless otherwise waived, it is a condition to the completion of the Arrangement that holders of not greater than 5% of the issued and outstanding TORC Shares shall have exercised TORC Dissent Rights in respect of the Arrangement that have not been withdrawn as of the Effective Date.

Interests of Certain Persons or Companies in the Arrangement

Share Ownership

As of October 12, 2012, being the record date of the TORC Meeting, the directors and executive officers of TORC and their associates and affiliates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of approximately 26,860,321 TORC Shares, representing approximately 22% of the outstanding TORC Shares, and an aggregate of 5,004,766 TORC Options, an aggregate of 556,019 TORC Incentive Shares and an aggregate of 16,582,000 TORC Warrants.

As of October 12, 2012, being the record date of the Vero Meeting, the directors and executive officers of Vero and their associates and affiliates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of approximately 3,201,214 Vero Shares, representing approximately 6.5% of the Vero Shares and an aggregate of 2,535,000 Vero Options.

Immediately after giving effect to the Arrangement, based upon certain assumptions, it is anticipated that the directors and executive officers of New TORC and their associates and affiliates, as a group, would beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 24,051,951 New TORC Shares representing approximately 12.2% of the New TORC Shares which are expected to be outstanding upon completion of the Arrangement.

The Arrangement will not result in a new "control person" of New TORC, as defined under applicable securities laws.

Director and Officer Insurance

TORC and Vero have agreed that for a period of six years after the Effective Date, there shall be maintained in effect the current policies of directors' and officers' liability insurance maintained by New TORC providing coverage on a "trailing" or "run-off basis for all present and former directors and officers of New TORC, with limits and on terms no less favourable to such persons than their current coverage, with respect to claims arising from facts or events which occurred before the Effective Date.

Other Interests

None of the principal holders of TORC Shares or Vero Shares or any director or officer of TORC or Vero, or any associate or affiliate of any of the foregoing persons, has or had any material interest in any transaction in the last three years or any proposed transaction that materially affected, or will materially affect, TORC, Vero, or any of their affiliates, except as disclosed above or elsewhere in this Information Circular or in the documents incorporated into this Information Circular by reference.

All of the officers of Vero will resign upon completion of the Arrangement and as a result, such officers shall be entitled to severance payments in accordance with the termination provisions of their existing Executive Employment Agreements with Vero. The aggregate amount of the termination payments which will be paid to the officers of Vero is approximately \$2.1 million. The individual amounts of such termination payments are set forth under the heading "*Termination and Change of Control Benefits*" within the Vero Annual Information Circular, which is incorporated by reference into this Information Circular. All of the directors of Vero will resign upon completion of the Arrangement and as a result, such directors may be entitled to payments in accordance with the terms of outstanding Vero DCUs. Based upon an assumed market price of the Vero Shares on the Effective Date of \$3.00, the directors of Vero would collectively be entitled to an aggregate payment of \$78,000. As of the date of this Information Circular, none of the Vero DCUs are "in-the-money".

The officers and directors of TORC are not entitled to receive any severance, termination or "change of control" payments in connection with the Arrangement.

As of October 12, 2012, the directors and officers of Vero owned an aggregate of 2,535,000 Vero Options (628,334 of which were vested and exercisable as of that date and 1,906,666 of which were unvested and not exercisable as of that date). In connection with the Arrangement, the Vero Board has approved the accelerated vesting of all outstanding Vero Options immediately prior to the completion of the Arrangement in order that all outstanding Vero Options shall be fully vested and may be conditionally exercised or surrendered in accordance with their terms. As of the date of this Information Circular, all but 242,000 of the outstanding Vero Options are currently "out-of-the-money".

The TORC Board retained Macquarie and TD Securities Inc. as financial advisors to TORC with respect to the Arrangement and Dundee Securities Ltd. and RBC Capital Markets as strategic advisors to TORC. Macquarie has provided the TORC Fairness Opinion to the TORC Board. All of such financial and strategic advisors have received or will receive fees from TORC for provision of financial or strategic advice in connection with the Arrangement and provision of the TORC Fairness Opinion, as the case may be.

The Vero Special Committee engaged FirstEnergy and GMP Securities L.P. as financial advisors to Vero with respect to the Arrangement. FirstEnergy has provided the Vero Fairness Opinion to the Vero Board. CIBC World Markets and Raymond James Ltd. are acting as strategic advisors to Vero. All of such advisors have received or will receive fees from Vero for provision of financial or strategic advice in connection with the Arrangement and provision of the Vero Fairness Opinion, as the case may be.

Expenses of the Arrangement

The estimated costs to be incurred by TORC and Vero with respect to the Arrangement and related matters including, without limitation, financial advisory, accounting and legal fees, the costs of preparation, printing and

mailing of this Information Circular and other related documents and agreements, and stock exchange and regulatory filing fees, are expected to aggregate approximately \$11.4 million.

Securities Law Matters

Canada

Vero Shares (New TORC Shares) to be issued pursuant to the Arrangement will be issued in reliance on exemptions from prospectus and registration requirements of Canadian securities laws of the various applicable provinces in Canada and will generally not be subject to any restricted or hold period if the following conditions are met: (i) New TORC is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade of such New TORC Shares (and in making this determination, the period of time that Vero has been a reporting issuer may be included); (ii) the trade is not a "control distribution" (as defined in Canadian securities laws); (iii) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade; (iv) no extraordinary commission or consideration is paid to a person in respect of the trade; and (v) if the selling holder of New TORC Shares is an insider or an officer of Vero, the selling securityholder has no reasonable grounds to believe that New TORC is in default of securities legislation.

As a reporting issuer, Vero is subject to MI 61 101 which regulates transactions which raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations. The Arrangement does not constitute an issuer bid, insider bid or related party transaction. Since no related party is entitled to receive, directly or indirectly, as a consequence of the Arrangement, any benefit or payment or "collateral benefit" (as defined in MI 61 101), the Arrangement does not constitute a "business combination" for the purposes of MI 61 101.

United States

The Vero Shares issuable to TORC Shareholders in exchange for their TORC Shares under the Arrangement, and the New TORC Shares deemed to be subsequently issued to Vero Shareholders under the Arrangement, have not been and will not be registered under the U.S. Securities Act, and such securities (other than securities issued with respect to TORC Shares issued pursuant to TORC subscription receipts issued in the TORC Private Placement) will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof. Section 3(a)(10) of the U.S. Securities Act exempts the issuance of securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. All TORC Shareholders and Vero Shareholders are entitled to appear and be heard at this hearing, provided that they satisfy the applicable conditions set forth in the Interim Order. The Court granted the Interim Order on October 19, 2012 and, subject to the approval of the Arrangement by TORC Shareholders and Vero Shareholders, a hearing on the Arrangement will be held on November 16, 2012 by the Court. See "*The Arrangement – Court Approvals – Final Order*" above.

The New TORC Shares to be received by TORC Shareholders upon completion of the Arrangement may be resold without restriction under the U.S. Securities Act, except by persons who are "affiliates" of New TORC after the Effective Date or who have been affiliates of TORC or Vero within 90 days before the Effective Date. Persons who may be deemed to be "affiliates" of an issuer generally include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such New TORC Shares by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act and applicable state securities laws, absent an exemption therefrom. Subject to certain limitations, such affiliates (and former affiliates) may immediately resell such New TORC Shares outside the United States without registration under the U.S. Securities Act pursuant to Regulation S under the U.S. Securities Act. Such New TORC Shares may also be resold in transactions completed in accordance with Rule 144 under the U.S. Securities Act, if available.

The foregoing discussion is only a general overview of certain requirements of U.S. Securities Act applicable to the resale of New TORC Shares received upon completion of the Arrangement. All holders of such New TORC Shares are urged to consult with counsel to ensure that the resale of their New TORC Shares complies with applicable U.S. federal and state securities laws.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to Vero, and Heenan Blaikie LLP, counsel to TORC (collectively, "**Counsel**"), the following is, as of the date hereof, a fair and adequate summary of the principal Canadian federal income tax considerations generally applicable to a holder of TORC Subscription Receipts, a holder of TORC Flow-Through Subscription Receipts, a TORC Shareholder and a Vero Shareholder that receives New TORC Shares pursuant to the Arrangement (collectively, "**Holders**"). This summary is generally applicable to Holders who at all material times, for purposes of the ITA, hold TORC Subscription Receipts, TORC Flow-Through Subscription Receipts, TORC Shares or Vero Shares, as the case may be, as capital property, and deal at arm's length with, and are not affiliated with, Vero, TORC or New TORC and will hold New TORC Shares as capital property.

TORC Subscription Receipts, TORC Flow-Through Subscription Receipts, TORC Shares or Vero Shares will generally constitute capital property to the holder thereof unless such holder is a trader or dealer in securities or otherwise holds such TORC Subscription Receipts or shares, as the case may be, in the course of a business of buying and selling securities or, has acquired such TORC Subscription Receipts or shares in a transaction or transactions considered to be an adventure in the nature of trade.

This summary is not applicable to a Holder: (i) that is a "financial institution" or a "specified financial institution" as defined in the ITA; (ii) that is an entity an interest in which is a "tax shelter investment"; or (iii) whose "functional currency" for the purposes of the ITA is the currency of a country other than Canada.

This summary is based upon the current provisions of the ITA and Counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency ("**CRA**"). This summary takes into account all proposed amendments to the ITA publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in their present form. However, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary does not otherwise take into account or anticipate changes in the law, whether by way of judicial, governmental or legislative decision or action, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may vary significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own independent tax advisors for advice with respect to the income tax consequences to them of the Arrangement and the holding of New TORC Shares having regard to their own particular circumstances.

Residents of Canada

This portion of the summary is applicable only to a TORC Shareholder, a holder of TORC Subscription Receipts or TORC Flow-Through Subscription Receipts (a "**Resident TORC Holder**") or a Vero Shareholder (a "**Resident Vero Holder**") who is resident or deemed to be resident in Canada for purposes of the ITA and any applicable income tax treaty (collectively, Resident TORC Holders and Resident Vero Holders are "**Resident Holders**"). Certain Resident Holders whose Vero Shares, TORC Shares or New TORC Shares might not otherwise qualify as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities" treated as capital property by making an irrevocable election in accordance with subsection 39(4) of the ITA.

Issuance of TORC Shares pursuant to TORC Subscription Receipts and New TORC Shares pursuant to TORC Flow-Through Subscription Receipts

A Resident TORC Holder will not realize a capital gain or loss on the issuance of a TORC Share pursuant to a TORC Subscription Receipt or a New TORC Share pursuant to a TORC Flow-Through Subscription Receipt. This opinion is based upon Counsel's understanding that a TORC Subscription Receipt and a TORC Flow-Through Subscription Receipt evidences a right to acquire a TORC Share on the satisfaction of certain conditions. No advance income tax ruling in respect of the TORC Subscription Receipts or TORC Flow-Through Subscription Receipts has been sought from the CRA and Counsel is not aware of any judicial authority relating to this characterization.

The cost of the TORC Share or New TORC Share thereby acquired will be equal to the amount paid by the Resident TORC Holder to acquire the TORC Subscription Receipt or TORC Flow-Through Subscription Receipt, as the case may be. The cost of any such TORC Shares or New TORC Shares, as the case may be, generally must be averaged with the cost of all other TORC Shares or New TORC Shares held by the Resident TORC Holder as capital property at that time to determine the adjusted cost base of each TORC Share or New TORC Share, as the case may be, held by the Resident TORC Holder.

Amalgamation of TORC and AcquisitionCo to form AmalCo 1

A Resident TORC Holder who receives Vero Shares pursuant to the amalgamation of TORC and AcquisitionCo will generally be deemed to have disposed of such TORC Shares for proceeds of disposition equal to the aggregate adjusted cost base of those TORC Shares, and will be deemed to have acquired the Vero Shares at a cost equal to such aggregate adjusted cost base. This cost will be averaged with the adjusted cost base of all other Vero Shares held by such Resident TORC Holder as capital property for the purpose of determining the adjusted cost base of each Vero Share held by the TORC Resident Holder.

Completion of the Arrangement, including the amalgamation of TORC and AcquisitionCo will not have any Canadian federal income tax consequences to a Resident Vero Holder. A Resident Vero Holder will not realize any capital gain (or loss) in respect of their Vero Shares as a result of the Arrangement.

Amalgamation of Vero and AmalCo 1 to form AmalCo

Resident Holders will generally be deemed to have disposed of Vero Shares for proceeds of disposition equal to the aggregate adjusted cost base of those Vero Shares, and will be deemed to have acquired the New TORC Shares at a cost equal to such aggregate adjusted cost base on the Amalgamation.

Dissenting TORC Shareholders

A Resident TORC Holder who exercises the right of dissent in respect of the Arrangement (a "**Dissenting Resident TORC Holder**") and is entitled to be paid the fair value of its TORC Shares by Vero will realize a capital gain (or capital loss) to the extent that such payment (other than any portion thereof that is interest) exceeds (or is less than) the aggregate of the adjusted cost base of the TORC Shares to the Dissenting Resident TORC Holder and reasonable costs of the disposition. Such capital gain (or capital loss) will be subject to the tax treatment described under "*Residents of Canada - Holding and Disposing of New TORC Shares - Taxation of Capital Gains and Losses*".

A Dissenting Resident TORC Holder will be required to include in computing its income any interest awarded by a court in connection with the Arrangement.

Holding and Disposing of New TORC Shares

Dividends on New TORC Shares

Dividends on New TORC Shares will be included in the Resident Holder's income for the purposes of the ITA. Such dividends received by a Resident Holder who is an individual will be subject to the gross up and dividend tax

credit rules in the ITA normally applicable to taxable dividends received from taxable Canadian corporations. Provided that appropriate designations are made by New TORC at or prior to the time the dividend is paid, such dividend will be treated as an eligible dividend for the purposes of the ITA and a Resident Holder who is an individual resident in Canada will be entitled to an enhanced dividend tax credit in respect of such dividend.

In the case of a Resident Holder that is a corporation, dividends received on the New TORC Shares will be required to be included in computing the Resident Holder's income for the taxation year in which such dividends are received and will generally be deductible in computing the Resident Holder's taxable income. A Resident Holder that is a "private corporation" (as defined in the ITA) or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual or a related group of individuals may be liable under Part IV of the ITA to pay a refundable tax of 33⅓% on dividends received on the New TORC Shares to the extent that such dividends are deductible in computing the holder's taxable income. A Resident Holder that, throughout the relevant taxation year, is a "Canadian controlled private corporation" (as defined in the ITA) may be liable to pay a refundable tax of 6⅔% on its "aggregate investment income" (as defined in the ITA), including any dividends that are not deductible in computing taxable income.

Taxable dividends received (or deemed to be received) by individuals and certain trusts may give rise to alternative minimum tax. Shareholders should consult their own tax advisors with respect to alternative minimum tax.

Disposition of New TORC Shares

A disposition or deemed disposition of a New TORC Share by a Resident Holder (other than a disposition to New TORC or in a tax-deferred transaction) will generally result in a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such New TORC Share to the Resident Holder immediately before the disposition. Such capital gain (or capital loss) will be subject to the tax treatment described under "*Residents of Canada - Holding and Disposing of New TORC Shares - Taxation of Capital Gains or Capital Losses*".

Taxation of Capital Gains and Losses

Generally, a Resident Holder will be required to include in income one-half of the amount of any capital gain (a "**taxable capital gain**") and will be entitled to deduct one half of the amount of any capital loss (an "**allowable capital loss**") against taxable capital gains realized in the year by such Resident Holder in the year of disposition. Any unused allowable capital losses may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against net taxable capital gains realized in such year to the extent and under the circumstances described in the ITA.

The amount of any capital loss realized on the disposition or deemed disposition of shares by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and in the circumstances prescribed by the ITA. Similar rules may apply where a share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the ITA) may be liable to pay a refundable tax of 6⅔% on its "aggregate investment income" (as defined in the ITA), including taxable capital gains.

Capital gains realized (or deemed to be realized) by individuals and certain trusts may give rise to alternative minimum tax. Shareholders should consult their own tax advisors with respect to alternative minimum tax.

Non-Residents of Canada

This portion of the summary is generally applicable to a TORC Shareholder or a holder of TORC Subscription Receipts or TORC Flow-Through Subscription Receipts (a "**Non-Resident TORC Holder**") or a Vero Shareholder (a "**Non-Resident Vero Holder**") who, at all relevant times, for purposes of the ITA, is not, and is not deemed to

be, resident in Canada and does not use or hold, and is not deemed to use or hold, its TORC Subscription Receipts, TORC Flow-Through Subscription Receipts, TORC Shares or Vero Shares, as the case may be, in a business carried on in Canada and does not carry on an insurance business in Canada or elsewhere (collectively, Non-Resident TORC Holders and Non-Resident Vero Holders are "**Non-Resident Holders**").

Issuance of TORC Shares pursuant to TORC Subscription Receipts and New TORC Shares pursuant to TORC Flow-Through Subscription Receipts

A Non-Resident TORC Holder will not realize a capital gain or loss on the issuance of a TORC Share pursuant to a TORC Subscription Receipt or a New TORC Share pursuant to a TORC Flow-Through Subscription Receipt. This opinion is based upon Counsel's understanding that a TORC Subscription Receipt and a TORC Flow-Through Subscription Receipt evidences a right to acquire a TORC Share on the satisfaction of certain conditions. No advance income tax ruling in respect of the TORC Subscription Receipts or TORC Flow-Through Subscription Receipts has been sought from the CRA and Counsel is not aware of any judicial authority relating to this characterization.

The cost of the TORC Share or New TORC Share thereby acquired will be equal to the amount paid by the Non-Resident TORC Holder to acquire the TORC Subscription Receipt or the TORC Flow-Through Subscription Receipt, as the case may be. The cost of any such TORC Shares or New TORC Shares, as the case may be, generally must be averaged with the cost of all other TORC Shares or New TORC Shares held by the Non-Resident TORC Holder as capital property at that time to determine the adjusted cost base of each TORC Share or New TORC Share, as the case may be, held by the Non-Resident TORC Holder.

Amalgamation of TORC and AcquisitionCo to form AmalCo 1

A Non-Resident TORC Holder who receives Vero Shares pursuant to the amalgamation of TORC and AcquisitionCo will generally be deemed to have disposed of such TORC Shares for proceeds of disposition equal to the aggregate adjusted cost base of those TORC Shares, and will be deemed to have acquired the Vero Shares at a cost equal to such aggregate adjusted cost base. This cost will be averaged with the adjusted cost base of all other Vero Shares held by such Non-Resident TORC Holder as capital property for the purpose of determining the adjusted cost base of each Vero Share held by the Non-Resident TORC Shareholder..

In the case of a Non-Resident TORC Holder whose TORC Shares constitute "taxable Canadian property", any Vero Shares received by such Non-Resident TORC Holder in exchange for TORC Shares will be deemed to constitute "taxable Canadian property" to such Non-Resident TORC Holder for the 60-month period that commences on the Effective Date. TORC Shares will constitute taxable Canadian property to a Non-Resident TORC Holder if at any particular time during the 60-month period that ends immediately before the Effective Date, more than 50% of the fair market value of the TORC Shares was derived directly or indirectly from one or any combination of (i) real or immovable property situated in Canada, (ii) "Canadian resource properties" (as defined in the ITA), (iii) "timber resource properties" (as defined in the ITA) and (iv) options in respect of, or interests in, or for civil law rights in, any of such properties, whether or not the property exists. Management of TORC has advised Counsel that more than 50% of the fair market value of TORC is derived from Canadian resource property. Accordingly, the TORC Shares will constitute "taxable Canadian property" to Non-Resident TORC Holders. Consequently, the Vero Shares received by Non-Resident TORC Holders on the amalgamation of TORC and AcquisitionCo will also be deemed to be taxable Canadian property for the 60-month period beginning on the Effective Date.

Completion of the Arrangement, including the amalgamation of TORC and AcquisitionCo will not have any Canadian federal income tax consequences to a Non-Resident Vero Holder. A Non-Resident Vero Holder will not realize any capital gain (or loss) in respect of their Vero Shares as a result of the Arrangement.

Amalgamation of Vero and AmalCo 1 to form AmalCo

Non-Resident Holders will generally be deemed to have disposed of Vero Shares for proceeds of disposition equal to the aggregate adjusted cost base of those Vero Shares, and will be deemed to have acquired the New TORC Shares at a cost equal to such aggregate adjusted cost base on the Amalgamation.

In the case of a Non-Resident TORC Holder, any New TORC Shares received in exchange for Vero Shares acquired on the amalgamation of TORC and AcquisitionCo will be deemed to be taxable Canadian property for the 60-month period beginning on the Effective Date.

Dissenting Non-Resident TORC Holders

A Non-Resident TORC Holder who exercises the right of dissent in respect of the Arrangement (a "**Dissenting Non-Resident TORC Holder**") and is entitled to be paid the fair value of its TORC Shares by New TORC will realize a capital gain (or capital loss) to the extent such payment (other than any portion thereof that is interest) exceeds (or is less than) the aggregate of the adjusted cost base of the TORC Shares to the Dissenting Non-Resident TORC Holder and reasonable costs of the disposition. A Dissenting Non-Resident TORC Holder will be liable for tax under the ITA in respect of any such capital gain if the TORC Shares constitute "taxable Canadian property" unless the Dissenting Non-Resident TORC Holder is entitled to relief under an applicable income tax convention between Canada and the country in which the Dissenting Non-Resident TORC Holder is resident. As discussed under "*Non-Residents of Canada – Amalgamation of TORC and AcquisitionCo to form AmalCo I*" above, the TORC Shares will constitute "taxable Canadian property" to a Non-Resident TORC Holder. In such case, unless the Dissenting Non-Resident TORC Holder is entitled to relief under an applicable income tax convention, any capital gain (or capital loss) realized on the disposition or deemed disposition of the TORC Shares will generally be subject to the same Canadian income tax consequences discussed above applicable to a Resident Holder who disposes of TORC Shares. See "*Residents of Canada - Holding and Disposing of New TORC Shares - Taxation of Capital Gains or Capital Losses*". Unless the TORC Shares constitute "treaty-protected property" (as defined in the ITA), a Dissenting Non-Resident TORC Holder will be required to apply for and obtain a certificate of compliance under section 116 of the ITA (a "**Section 116 Certificate**") in respect of the disposition of TORC Shares. If a Dissenting Non-Resident TORC Holder does not obtain a Section 116 Certificate, New TORC shall withhold 25% of the payment (other than any portion thereof that is interest) to such holder in accordance with its obligations under section 116 of the ITA. In addition, if a Dissenting Non-Resident TORC Holder realizes a capital gain on the disposition of its TORC Shares, such Dissenting Non-Resident TORC Holder will be required to file a Canadian income tax return for the year in which the disposition occurs.

Any interest awarded by a court to a Dissenting Non-Resident TORC Holder will not be subject to Canadian withholding tax.

Holding and Disposing of New TORC Shares

Dividends on New TORC Shares

Dividends on New TORC Shares to a Non-Resident Holder will be subject to Canadian withholding tax at the rate of 25% unless the rate is reduced under the provisions of an applicable income tax treaty. For example, under the *Canada-U.S. Income Tax Convention* (1980), as amended (the "**Canada US Tax Treaty**") the withholding tax rate is generally reduced to 15% in respect of a dividend paid to a Non-Resident Holder who is the beneficial owner of the dividend and who is resident in the United States for purposes of the Canada US Tax Treaty and entitled to benefits thereunder.

Disposition of New TORC Shares

A Non-Resident Holder will generally not be liable for tax under the ITA on a disposition or deemed disposition of New TORC Shares unless such shares are, or are deemed to be, taxable Canadian property to the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

Provided that the shares are listed on a "designated stock exchange" (which includes the TSX) at the time of disposition, New TORC Shares will generally not constitute taxable Canadian property to a Non-Resident Holder, unless at any time during the 60-month period immediately preceding the disposition: (a) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of the capital stock of New TORC;

and (b) more than 50% of the fair market value of the New TORC Shares was derived directly or indirectly from one or any combination of (i) real or immovable property situated in Canada, (ii) "Canadian resource properties" (as defined in the ITA), (iii) "timber resource properties" (as defined in the ITA) and (iv) options in respect of, or interests in, or for civil law rights in, any of such properties, whether or not the property exists. Notwithstanding the foregoing, New TORC Shares that were issued in exchange for TORC Shares pursuant to the Arrangement will be deemed to be taxable Canadian property for the 60-month period that commences on the Effective Date. In addition, New TORC Shares which are not otherwise taxable Canadian property to a Non-Resident Holder may be deemed to be taxable Canadian property under the ITA in certain circumstances.

In the case of a New TORC Share owned by a Non-Resident Holder that constitutes taxable Canadian property of the Non-Resident Holder, any capital gain (or capital loss) realized on the disposition or deemed disposition of the New TORC Share that is not exempt from tax under the ITA pursuant to an applicable income tax convention will generally be subject to the same Canadian income tax consequences discussed above applicable to a Resident Holder who disposes of New TORC Shares. See *"Residents of Canada – Holding and Disposing of New TORC Shares - Taxation of Capital Gains and Losses"*.

Non-Resident Holders who dispose of New TORC Shares that are taxable Canadian property should consult their own tax advisors with respect to their particular circumstances.

PRO FORMA INFORMATION OF NEW TORC AFTER GIVING EFFECT TO THE ARRANGEMENT

General

Pursuant to the Plan of Arrangement, at the Effective Time, AmalCo 1, the entity resulting from the amalgamation of TORC and AcquisitionCo, and Vero will complete a short form amalgamation under the ABCA to form the resulting and go forward company, New TORC. New TORC will be named "TORC Oil & Gas Ltd.". New TORC's head offices will be located at Suite 1800, 525 – 8th Avenue S.W., Calgary, Alberta T2P 1G1 and its registered office will be located at Suite 1900, 215 - 9th Avenue S.W., Calgary, Alberta T2P 1K3.

New TORC will not have any subsidiaries upon completion of the Arrangement.

Narrative Description of Business

Subsequent to the Arrangement, New TORC will carry on the businesses of TORC and Vero in all respects. For a detailed description of the historical development of the businesses of TORC and Vero and, therefore, the business to be carried on by New TORC, see Appendix I herein and the Vero AIF incorporated by reference herein, respectively.

Selected Pro Forma Financial Information

See the Unaudited Pro Forma Consolidated Financial Statements attached as Appendix G hereto for selected pro forma financial information of New TORC as at and for the six months ended June 30, 2012 and for the year ended December 31, 2011 after giving effect to the Arrangement. Reference should also be made to the TORC Financial Statements attached at Appendix I and to the Vero Financial Statements which are incorporated by reference herein.

The following table sets out (i) certain financial information for TORC and Vero as at and for the six months ended June 30, 2012 before giving effect to the Arrangement and the TORC Private Placement; and (ii) certain pro forma financial information for New TORC as at and for the six months ended June 30, 2012 after giving effect to the Arrangement and the TORC Private Placement. Additional information is set forth in the pro forma financial statements of New TORC attached as Appendix G to this Information Circular.

	As at and for six months ended June 30, 2012		
	TORC before giving effect to the Arrangement	Vero before giving effect to the Arrangement	New TORC after giving effect to the Arrangement ⁽¹⁾
	(expressed in thousands of \$, except per share amounts)		
Petroleum and natural gas sales	11,907	30,006	41,913
Royalties	990	3,120	4,110
Operating and transportation expenses	3,274	6,710	9,984
Net Earnings (Loss)	(3,431)	313	(2,616)
Per share (basic)	(0.03)	0.01	(0.01)
Per share (diluted)	(0.03)	0.01	(0.01)
Total Assets	356,919	196,843	668,729
Total Liabilities	30,355	46,752	82,715
Shareholders' Equity	326,564	150,091	586,014

Note:

- (1) For pro forma adjustments, see the notes to the Unaudited Pro Forma Financial Statements attached at Appendix G to this Information Circular. In connection with the TORC Private Placement, TORC has granted the underwriters an option to purchase an additional 4,620,000 TORC Subscription Receipts, which would be convertible into an additional 4,019,400 New TORC Shares, exercisable in whole or in part at any time up to 48 hours prior to the Effective Date (see "The Arrangement – TORC Private Placement"). For the purposes of this selected pro forma financial information, it is assumed that this option will not be exercised.

Reserves and Certain Other Oil and Gas Information

New TORC will carry on the existing businesses of TORC and Vero. For details on the oil and gas properties and wells of New TORC, see Appendix I and the Vero AIF which is incorporated by reference herein. **Estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.**

Selected Pro Forma Operational Information

The following table sets out: (i) certain operational information for TORC and Vero before giving effect to the Arrangement; and (ii) certain pro forma operational information for New TORC after giving effect to the Arrangement for the periods indicated.

	TORC before giving effect to the Arrangement	Vero before giving effect to the Arrangement⁽⁴⁾	New TORC after giving effect to the Arrangement⁽¹⁾
Average Daily Production (for the year ended December 31, 2011) ⁽⁴⁾⁽⁵⁾			
Natural gas (Mcf/d)	147	3,086	3,233
Light and medium oil (Bbls/d)	94	906	1,000
Natural gas liquids (Bbls/d)	3	106	109
Combined (BOE/d)	119	1,526	1,645
Average Daily Production (for the six months ended June 30, 2012) ⁽⁴⁾⁽⁵⁾			
Natural gas (Mcf/d)	419	4,254	4,673
Light and medium oil (Bbls/d)	758	1,390	2,148
Natural gas liquids (Bbls/d)	16	155	171
Combined (BOE/d)	844	2,254	3,098
Total Proved Reserves (on a forecast price basis as at December 31, 2011) ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾			
Natural gas (MMcf)	609.0	9,296.0	9,905.0
Light and medium oil (Mbbbls)	435.3	2,680.4	3,115.7
Natural gas liquids (Mbbbls)	18.3	315.3	333.6
Combined (MBOE)	555.0	4,545.1	5,100.1
Total Proved plus Probable Reserves (on a forecast price basis as at December 31, 2011) ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾			
Natural gas (MMcf)	867.6	19,876.0	20,743.6
Light and medium oil (Mbbbls)	767.9	5,024.2	5,792.1
Natural gas liquids (Mbbbls)	26.0	682.2	708.2
Combined (MBOE)	938.5	9,019.1	9,957.6
Net undeveloped land (acres as at December 31, 2011)	408,284	69,424	472,708
Gross undeveloped land (acres as at December 31, 2011)	459,741	101,374	561,115

Notes:

- (1) The numbers in this column were calculated by adding the numbers in the TORC column with the numbers in the Vero column.
- (2) Reserves presented for TORC are derived from the TORC Reserves Reports and for Vero are derived from the Vero Reserves Report relating solely to Vero's remaining assets following completion of the divestiture of its natural gas assets which closed on January 31, 2012 (the "**Gas Asset Sale**"). Please refer to Appendix I and the Vero AIF (incorporated herein by reference) for further information regarding the reserves of TORC and Vero, respectively, as at December 31, 2011.
- (3) Reserves presented are gross reserves as defined in NI 51-101 utilizing forecast price and costs assumptions.
- (4) In the case of Vero, all production, reserves and undeveloped land related information contained herein relates solely to Vero's remaining assets following completion of the Gas Asset Sale.
- (5) Columns may not add due to rounding.

New TORC Shares

New TORC will be authorized to issue an unlimited number of New TORC Shares without nominal or par value of which 196,947,042 New TORC Shares are expected to be issued and outstanding immediately after giving effect to the Arrangement, assuming no additional TORC Shares or Vero Shares are issued following the date hereof other than pursuant to the Arrangement and the TORC Private Placement, the underwriters' option in connection with the TORC Private Placement is exercised in full, no TORC Dissent Rights are exercised in connection with the Arrangement, no TORC Convertible Securities are exercised prior to the Effective Time and no Vero Options are exercised and all Vero Options are cancelled prior to the Effective Time. An aggregate of up to 25,564,429 New TORC Shares are expected to be reserved for issuance on exercise of the former TORC Convertible Securities following the Arrangement, assuming that none of the outstanding TORC Convertible Securities are exercised prior to the Effective Date.

Holders of New TORC Shares will be entitled to one vote per share at meetings of shareholders of New TORC, to receive dividends if, as and when declared by the New TORC Board and to receive pro rata the remaining property and assets of New TORC upon its dissolution or winding up.

Pro Forma Consolidated Capitalization

The following table outlines the consolidated capitalization of: (i) TORC and Vero as at June 30, 2012 before giving effect to the Arrangement and the TORC Private Placement; and (ii) New TORC as at June 30, 2012 after giving effect to the Arrangement and the TORC Private Placement. This table should be read in conjunction with TORC's and Vero's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2012 together with the notes thereto, prepared in accordance with IFRS, and the respective management's discussion and analysis of financial condition and results of operations for the three and six months ended June 30, 2012, which in the case of TORC are attached at Appendix I and in the case of Vero are incorporated by reference in this Information Circular.

	As at June 30, 2012		
	TORC before giving effect to the Arrangement	Vero before giving effect to the Arrangement	New TORC after giving effect to the Arrangement⁽¹⁾⁽²⁾
Share capital \$(000)	330,687	129,628	593,062
Common Shares (authorized - unlimited)	121,715,384	48,992,479	192,912,563
Total cash (bank indebtedness)	28,727	(11,611)	137,503

Note:

- (1) In connection with the TORC Private Placement, TORC has granted the underwriters an option to purchase an additional 4,620,000 TORC Subscription Receipts, which would be convertible into an additional 4,019,400 New TORC Shares, exercisable in whole or in part at any time up to 48 hours prior to the Effective Date (see "*The Arrangement – TORC Private Placement*"). For the purposes of this selected pro forma financial information, it is assumed that this option will not be exercised.
- (2) Common Shares exclude Vero Options assumed exercised in the unaudited pro forma consolidated financial statements attached as Appendix G hereto.

Fully Diluted Share Capital

In addition to the information set out in the capitalization table above, the following table sets out the fully diluted share capital of New TORC following completion of all of the transactions contemplated herein.

	Number of New TORC Shares ⁽¹⁾⁽²⁾⁽³⁾	Percentage of Total
New TORC Shares issued as at the Effective Date	196,947,042	88.51%
New TORC Shares reserved for issuance on exercise of former TORC Options	7,361,397	3.31%
New TORC Shares reserved for issuance on exercise of former TORC Incentive Shares	803,032	0.36%
New TORC Shares reserved for issuance on exercise of former TORC Warrants	17,400,000	7.82%
TOTAL	222,511,471	100%

Notes:

- (1) Prior to adjustments for fractional shares.
- (2) Assumes no Vero Options or TORC Convertible Securities are exercised prior to the Effective Date.
- (3) Assumes the TORC Private Placement is completed in its entirety, inclusive of the exercise of the underwriters' option.

Dividends

Management does not intend that New TORC will pay dividends on the New TORC Shares in the foreseeable future. The future payment of dividends will be dependent upon the financial requirements of New TORC to fund future growth, the financial condition of New TORC and other factors that the New TORC Board may consider appropriate in the circumstances.

Principal Shareholders of New TORC

To the best of the knowledge of the directors and senior officers of TORC and Vero as of the date hereof, no persons, corporations or other entities (other than securities depositories) will beneficially own, directly or indirectly, exercise control or direction over, or have a combination of direct or indirect beneficial ownership of and control or direction over voting securities carrying more than 10% of the voting rights attached to the New TORC Shares after giving effect to the Arrangement.

Directors and Officers of New TORC

If the Arrangement is completed as contemplated, the New TORC Board is expected to be comprised of the current members of the TORC Board: John Brussa, Raymond Chan, M. Bruce Chernoff, Brett Herman, Dave Johnson, Dale Shwed and Hank Swartout. See Appendix I herein for further details regarding the members of the New TORC Board.

If the Arrangement is completed as contemplated, the officers of New TORC will be the current officers of TORC. See Appendix I herein for further information concerning TORC's current officers.

If the Arrangement is completed, the proposed directors and officers of New TORC as a group, will control, directly or indirectly, an aggregate of 24,051,951 New TORC Shares, representing approximately 12.2% of the issued and outstanding New TORC Shares.

Conflicts of Interest

There are potential conflicts of interest to which some of the proposed directors, officers and insiders of New TORC will be subject in connection with the operations of New TORC. Some of the directors, officers and insiders are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the business to be conducted by New TORC following completion of the Arrangement. Accordingly, situations may arise where some or all of the directors, officers and insiders will be in direct competition with New TORC. Conflicts, if any, will be subject to the procedures and remedies as provided under the ABCA.

Statement of Proposed Executive Compensation

The compensation to be paid to the directors, officers and consultants of New TORC will initially be the same as the compensation paid to the existing directors, officers and consultants of TORC. See Appendix I herein for further information concerning TORC's current compensation structure. The compensation of the directors and officers of New TORC going forward will be determined by the New TORC Board and/or the compensation committee of New TORC (if such committee is constituted by the board of directors) subsequent to the completion of the Arrangement. To establish competitive salaries, it is anticipated that the New TORC Board or its compensation committee (if constituted) will use reports prepared by independent advisors.

Indebtedness of Directors, Officers and Other Management

As of the date hereof, none of the proposed directors, officers, other members of management or promoters of New TORC, nor any of their associates or affiliates is indebted to Vero or TORC, nor has any indebtedness of any such person been subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Vero or TORC.

New TORC Incentive Plans

See Appendices I, K and L herein for further details regarding each of the TORC Stock Option Plan and TORC Incentive Plan. The TORC Incentive Plans are being put forward for consideration and, if thought advisable, approval by the Vero Shareholders at the Vero Meeting. See "*Matters to be Acted Upon at the Vero Meeting – New TORC Incentive Plans Resolution*".

Auditors, Transfer Agent and Registrar

The auditors of New TORC will be KPMG LLP, Chartered Accountants, at its principal offices in Calgary, Alberta. KPMG LLP are the current auditors of TORC.

Olympia Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario will act as the transfer agent and registrar for the New TORC Shares.

Audit Committee and Corporate Governance

Concurrently with the completion of the Arrangement, New TORC will form an audit committee, reserves committee, health, safety and environmental committee, compensation committee and corporate governance committee of its board of directors and will adopt the policies and mandates of TORC in respect of same in compliance with applicable securities laws and TSX policies.

For additional information regarding the audit committee and corporate governance practices of New TORC following completion of the Arrangement, see Appendix I attached hereto.

Material Contracts

There are no contracts to which New TORC will be a party to following completion of the Arrangement, that can reasonably be regarded as material to a proposed investor in the New TORC Shares, other than contracts entered into by Vero and TORC in the ordinary course of business.

Risk Factors

An investment in New TORC should be considered highly speculative due to the nature of its activities and the present stage of its development. Investors should carefully consider the risk factors contained in, and incorporated by reference, elsewhere in this Information Circular.

GENERAL PROXY MATTERS – TORC

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by management of TORC to be used at the TORC Meeting. Solicitations of proxies will be primarily by mail, but may also be supplemented by telephone, newspaper publication, in person by directors, officers, employees and agents of TORC or other contact.

All costs of the solicitation for the TORC Meeting will be borne by TORC.

The information set forth below generally applies to registered holders of TORC Shares. See "*TORC Shareholders – Questions and Answers*" accompanying this Information Circular. If you are a beneficial holder of TORC Shares (i.e., your TORC Shares are held through an Intermediary), please see "*General Information – Information for Beneficial Shareholders*" at the front of this Information Circular.

Appointment and Revocation of Proxies

Accompanying this Information Circular is a form of proxy for holders of TORC Shares. The persons named in the enclosed form of proxy are directors and/or officers of TORC. A TORC Shareholder has the right to appoint a person (who need not be a TORC Shareholder) to represent such TORC Shareholder at the TORC Meeting other than the persons designated in the accompanying form of proxy either by inserting such person's name in the blank space provided in the form of proxy or by completing another form of proxy.

A form of proxy will only be valid if it is duly completed, signed and then delivered to the offices of Olympia Trust Company, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta T2G 0P6 or by facsimile at (403) 265-1455. The form of proxy must be received by Olympia Trust Company not later than 9:00 a.m. (Calgary time) on Wednesday, November 14, 2012 or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of any adjournment of the TORC Meeting. For information regarding the voting or appointing a proxy by internet, see the form of proxy for TORC Shareholders and the Information Circular under the heading "*General Proxy Matters – TORC – Voting by Internet*". Failure to so deposit a form of proxy will result in its invalidation. Notwithstanding the foregoing, the chair of the TORC Meeting has the discretion to accept proxies received after such deadline.

A TORC Shareholder who has given a form of proxy may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by an instrument in writing executed by such TORC Shareholder or by its attorney duly authorized in writing or, if the TORC Shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited at the registered office of TORC at any time up to and including the last Business Day preceding the day of the TORC Meeting, or any adjournment of the TORC Meeting, at which the proxy is to be used, or with the chair of the TORC Meeting on the day of the TORC Meeting or any adjournment thereof, or in any other manner permitted by law.

Record Date

The Record Date for determination of TORC Shareholders entitled to receive notice of and to vote at the TORC Meeting is October 12, 2012. Only TORC Shareholders whose names have been entered in the register of TORC Shareholders on the close of business on the Record Date will be entitled to receive notice of and to vote at the TORC Meeting. **To the extent a TORC Shareholder transfers the ownership of any of its TORC Shares after the Record Date and the transferee of those TORC Shares establishes that it owns such TORC Shares and requests, at least ten (10) days before the TORC Meeting, to be included in the list of TORC Shareholders eligible to vote at the TORC Meeting, such transferee will be entitled to vote those TORC Shares at the TORC Meeting.**

Signature of Proxy

The form of proxy accompanying this Information Circular must be executed by the TORC Shareholder or its attorney authorized in writing, or if the TORC Shareholder is a corporation, the form of proxy should be signed in

its corporate name under its corporate seal by an authorized officer whose title should be indicated. A proxy signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following its signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with TORC).

Voting of Proxies

The TORC Shares represented by the form of proxy will be voted or withheld from voting in accordance with the instructions of the TORC Shareholder on any ballot that may be called for, and if the TORC Shareholder specifies a choice with respect to any matter to be acted upon at the TORC Meeting, then the TORC Shares will be voted accordingly. In the absence of such instructions, the TORC Shares will be voted **FOR** the approval of the TORC Resolution as described in this Information Circular.

Exercise of Discretion of Proxy

The proxyholder has discretion under the accompanying form of proxy to consider matters to come before the TORC Meeting. At the date of this Information Circular, management of TORC knows of no amendments, variations or other matters to come before the TORC Meeting other than the matters referred to in the Notice of Meeting. TORC Shareholders who are planning on returning the accompanying form of proxy are encouraged to review the Information Circular carefully before submitting the proxy form.

Voting by Internet

TORC Shareholders may use the internet at <http://secure.olympiatruster.com/proxy/> to transmit their voting instructions. TORC Shareholders should have the form of proxy in hand when they access the website noted above. TORC Shareholders will be prompted to enter their Control Number, Holder Account Number and Access Number which are located on the form of proxy. If TORC Shareholders vote by internet, their vote must be received not later than 9:00 a.m. (Calgary time) on Wednesday, November 14, 2012 or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of any adjournment of the TORC Meeting. The website may be used to appoint a proxyholder to attend and vote on a TORC Shareholder's behalf at the TORC Meeting and to convey a TORC Shareholder's voting instructions. Please note that if a TORC Shareholder appoints a proxyholder and submits its voting instructions and subsequently wishes to change its appointment, a TORC Shareholder may resubmit its proxy, prior to the deadline noted above. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previous proxies submitted will be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.

GENERAL PROXY MATTERS – VERO

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by management of Vero to be used at the Vero Meeting. Solicitations of proxies will be primarily by mail, but may also be by telephone, newspaper publication or other contact.

All costs of the solicitation for the Vero Meeting will be borne by Vero.

The information set forth below generally applies to registered holders of Vero Shares. See "*Vero Shareholders – Questions and Answers*" accompanying this Information Circular. If you are a beneficial holder of Vero Shares (i.e., your Vero Shares are held through an Intermediary), please see "*General Information – Information for Beneficial Shareholders*" at the front of this Information Circular.

Appointment and Revocation of Proxies

Accompanying this Information Circular is a form of proxy for holders of Vero Shares. The persons named in the enclosed form of proxy are directors and/or officers of Vero. A Vero Shareholder has the right to appoint a person (who need not be a Vero Shareholder) to represent such Vero Shareholder at the Vero Meeting other than the persons designated in the accompanying form of proxy either by inserting such person's name in the blank space provided in the form of proxy or by completing another form of proxy.

A form of proxy will only be valid if it is duly completed, signed and then delivered to the offices of Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1. The form of proxy must be received by Computershare Trust Company of Canada not later than 9:00 a.m. (Calgary time) on Wednesday, November 14, 2012 or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of any adjournment of the Vero Meeting. For information regarding the voting or appointing a proxy by internet, see the form of proxy for Vero Shareholders and the Information Circular under the heading "*General Proxy Matters – Vero – Voting by Internet*". Failure to so deposit a form of proxy will result in its invalidation. Notwithstanding the foregoing, the chair of the Vero Meeting has the discretion to accept proxies received after such deadline.

A Vero Shareholder who has given a form of proxy may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by an instrument in writing executed by such Vero Shareholder or by its attorney duly authorized in writing or, if the Vero Shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited at the registered office of Vero at any time up to and including the last Business Day preceding the day of the Vero Meeting, or an adjournment of the Vero Meeting, at which the proxy is to be used, or with the chair of the Vero Meeting on the day of the Vero Meeting or any adjournment thereof, or in any manner permitted by law.

Record Date

The Record Date for determination of Vero Shareholders entitled to receive notice of and to vote at the Vero Meeting is October 12, 2012. Only Vero Shareholders whose names have been entered in the register of Vero Shares on the close of business on the Record Date will be entitled to receive notice of and to vote at the Vero Meeting. **To the extent a Vero Shareholder transfers the ownership of any of its Vero Shares after the Record Date and the transferee of those Vero Shares establishes that it owns such Vero Shares and requests, at least ten (10) days before the Vero Meeting, to be included in the list of Vero Shareholders eligible to vote at the Vero Meeting, such transferee will be entitled to vote those Vero Shares at the Vero Meeting.**

Signature of Proxy

The form of proxy accompanying this Information Circular must be executed by the Vero Shareholder or its attorney authorized in writing, or if the Vero Shareholder is a corporation, the form of proxy should be signed in its corporate

name under its corporate seal by an authorized officer whose title should be indicated. A proxy signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following its signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with Vero).

Voting of Proxies

The Vero Shares represented by the form of proxy will be voted or withheld from voting in accordance with the instructions of the Vero Shareholder on any ballot that may be called for, and if the Vero Shareholder specifies a choice with respect to any matter to be acted upon at the Vero Meeting, the Vero Shares will be voted accordingly. In the absence of such instructions, the Vero Shares will be voted **FOR** the approval of the Vero Resolutions as described in this Information Circular.

Exercise of Discretion of Proxy

The proxyholder has discretion under the accompanying form of proxy to consider matters to come before the Vero Meeting. At the date of this Information Circular, management of Vero knows of no amendments, variations or other matters to come before the Vero Meeting other than the matters referred to in the Notice of Meeting. Vero Shareholders who are planning on returning the accompanying form of proxy are encouraged to review the Information Circular carefully before submitting the proxy form.

Voting by Internet

Vero Shareholders may use the internet at www.investorvote.com to transmit their voting instructions. Vero Shareholders should have the form of proxy in hand when they access the website noted above. Vero Shareholders will be prompted to enter their Control Number which is located on the form of proxy. If Vero Shareholders vote by internet, their vote must be received not later than 9:00 a.m. (Calgary time) on Wednesday, November 14, 2012 or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of any adjournment of the Vero Meeting. The website may be used to appoint a proxyholder to attend and vote on a Vero Shareholder's behalf at the Vero Meeting and to convey a Vero Shareholder's voting instructions. Please note that if a Vero Shareholder appoints a proxyholder and submits its voting instructions and subsequently wishes to change its appointment, a Vero Shareholder may resubmit its proxy, prior to the deadline noted above. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previous proxies submitted will be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.

AUDITOR'S CONSENT

We have read the joint information circular of TORC Oil & Gas Ltd. and Vero Energy Inc. dated October 19, 2012 with respect to a proposed plan of arrangement involving Vero Energy Inc., 1688763 Alberta Ltd., TORC Oil & Gas Ltd. and the TORC shareholders. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned joint information circular of our report to the shareholders of TORC Oil & Gas Ltd. on the consolidated financial statements of TORC Oil & Gas Ltd., which comprise the consolidated statements of financial position as of December 31, 2011 and December 31, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2011 and the period from incorporation on March 23, 2010 to December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information. Our report is dated March 20, 2012.

"KPMG LLP"

Chartered Accountants

October 19, 2012

Calgary, Alberta

AUDITOR'S CONSENT

October 19, 2012

We have read the Notice of Special Meeting and Joint Information Circular of Vero Energy Inc. ("**Vero**") and TORC Oil & Gas Ltd. ("**TORC**") dated October 19, 2012 (the "**Circular**") relating to the proposed plan of arrangement involving Vero, TORC and the shareholders of TORC. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned Circular of our report to the shareholders of Vero on the balance sheets of Vero as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended December 31, 2011 and December 31, 2010. Our report is dated March 9, 2012.

"PricewaterhouseCoopers LLP"

Chartered Accountants
Calgary, Alberta

APPENDIX A-1

TORC RESOLUTION

BE IT RESOLVED THAT:

1. The arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") involving TORC Oil & Gas Ltd. ("**TORC**"), the shareholders of TORC, Vero Energy Inc. ("**Vero**") and 1688763 Alberta Ltd. substantially as set out in the plan of arrangement (the "**Plan of Arrangement**") attached as Exhibit 1 to Appendix D to the joint information circular of TORC and Vero dated October 19, 2012, is hereby authorized, approved and adopted.
2. The Plan of Arrangement is hereby authorized, approved and adopted.
3. The arrangement agreement between TORC and Vero dated as of September 12, 2012 (the "**Arrangement Agreement**"), with such amendments, restatements or variation thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred in paragraph 6 hereof, and all transactions contemplated therein, the actions of the directors of TORC in approving the Arrangement and the actions of the directors and officers of TORC in executing and delivering the Arrangement Agreement and any amendments, restatements or variations thereto are hereby ratified, confirmed and approved.
4. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the shareholders of TORC in accordance with the interim order of the Court of Queen's Bench of Alberta (the "**Court**") or that the Arrangement has been approved by the Court, the directors of TORC are hereby authorized and empowered, without further notice to or approval of the shareholders of TORC: (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or Plan of Arrangement, as the case may be; and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
5. Any one director or officer of TORC is hereby authorized and directed for and on behalf of and in the name of TORC to execute, under the seal of TORC or otherwise, and to deliver for filing to the Registrar of Corporations under Section 193 of the ABCA all such documents as are necessary or desirable to give effect to the Plan of Arrangement in accordance with the Arrangement Agreement.
6. Any one director or officer of TORC is hereby authorized and directed for and on behalf of and in the name of TORC to execute or cause to be executed, under the seal of TORC or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

APPENDIX A-2

VERO RESOLUTIONS

VERO SHARE ISSUANCE RESOLUTION

BE IT RESOLVED, AS AN ORDINARY RESOLUTION, THAT pursuant to the terms of an arrangement agreement between Vero Energy Inc. ("**Vero**") and TORC Oil & Gas Ltd. ("**TORC**") dated as of September 12, 2012 (the "**Arrangement Agreement**") under which Vero will, directly or indirectly, acquire all of the outstanding class "A" common shares of TORC (the "**TORC Shares**") by way of an arrangement ("**Arrangement**") under Section 193 of the Business Corporations Act (Alberta), all as described in the joint information circular of Vero and TORC dated October 19, 2012 (the "**Circular**") and as set forth in the plan of arrangement attached as Exhibit 1 to Appendix D to the Circular, subject to all conditions set forth in the Arrangement Agreement being met or waived:

1. The issuance of up to 175,000,000 common shares (which includes 25,564,429 common shares that may be issued upon exercise of former TORC stock options, former TORC incentive shares and former TORC share purchase warrants which will become convertible securities of Vero or its successor in accordance with the Arrangement, inclusive of such common shares, if any, required to be issued to account for clerical and administrative matters, including the rounding of fractional shares pursuant to the Arrangement) in the capital of Vero required to be issued to holders of TORC Shares in connection with the Arrangement is hereby authorized and approved; and
2. Any one director or officer of Vero is hereby authorized and directed for and on behalf of and in the name of Vero to execute or cause to be executed, under the seal of Vero or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

NEW TORC INCENTIVE PLANS RESOLUTION

BE IT RESOLVED, AS AN ORDINARY RESOLUTION, THAT pursuant to the terms of an arrangement agreement between Vero Energy Inc. ("**Vero**") and TORC Oil & Gas Ltd. ("**TORC**") dated as of September 12, 2012 (the "**Arrangement Agreement**") under which Vero will, directly or indirectly, acquire all of the outstanding class "A" common shares of TORC (the "**TORC Shares**") by way of an arrangement ("**Arrangement**") under Section 193 of the Business Corporations Act (Alberta), all as described in the joint information circular of Vero and TORC dated October 19, 2012 (the "**Circular**") and as set forth in the plan of arrangement attached as Exhibit 1 to Appendix D to the Circular, subject to all conditions set forth in the Arrangement Agreement being met or waived:

1. The TORC Stock Option Plan substantially in the form attached to and as described in the joint information circular of TORC and Vero dated October 19, 2012 (the "**Circular**"), be and the same is hereby authorized and approved;
2. The TORC Stock Incentive Plan substantially in the form attached to and as described in the Circular, be and the same is hereby authorized and approved; and
3. Any one director or officer of TORC is hereby authorized and directed for and on behalf of and in the name of TORC to execute or cause to be executed, under the seal of TORC or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

APPENDIX B

INTERIM ORDER

COURT FILE NUMBER

COURT

COURT OF QUEEN'S BENCH OF
ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANT

IN THE MATTER OF SECTION 193 OF
THE BUSINESS CORPORATIONS ACT,
R.S.A., 2000, c. B-9, AS AMENDED

Clerk's Stamp

AND IN THE MATTER OF A
PROPOSED ARRANGEMENT
INVOLVING VERO ENERGY INC.,
1688763 ALBERTA INC., TORC OIL &
GAS LTD. AND THE SHAREHOLDERS
OF TORC OIL & GAS LTD.

RESPONDENT

NONE

DOCUMENT

INTERIM ORDER

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

Heenan Blaikie LLP
Suite 1900, 215 – 9th Avenue S.W.
Calgary, AB T2P 1K3

Attention: **Jennifer Koschinsky**
Telephone: (403) 261-3460
Facsimile: (403) 234-7987
E-mail: jkoschinsky@heenan.ca
File No.: 057102-0023

INTERIM ORDER

DATE ON WHICH ORDER WAS PRONOUNCED:

October 19, 2012

NAME OF JUDGE WHO MADE THIS ORDER:

Honourable Justice K.D. Yamauchi

UPON the Originating Application (the "**Application**") of TORC Oil & Gas Ltd. ("**TORC**");

AND UPON reading the Application and the Affidavit of Filippo Angelini, Vice President and Controller of TORC, filed, and such further materials as counsel for TORC (the "**Affidavit**"), filed;

AND UPON hearing counsel for TORC and counsel for Vero Energy Inc. ("**Vero**");

FOR THE PURPOSE OF THIS ORDER:

- (a) the capitalized terms not defined in this Order shall have the meanings attributed to them in the Joint Information Circular and Proxy Statement of TORC and Vero (the "**Information Circular**"), a draft copy of which is attached as Exhibit "A" to the Affidavit; and
- (b) all references to "Arrangement" used herein mean the plan of arrangement as described in the Affidavit and in the form attached as Schedule "A" to the Arrangement Agreement, which is attached as Appendix "D" to the Information Circular.

IT IS HEREBY ORDERED AND ADJUDGED THAT:

- 1. The proposed course of action is an "Arrangement" within the definition of the ABCA and the Applicant may proceed with the Plan of Arrangement, as described in the Affidavit.

IT IS HEREBY FURTHER ORDERED THAT:

General

- 2. TORC shall seek approval of the Arrangement by the holders of class A shares (the "TORC Shares") of TORC (the "**TORC Shareholders**") in the manner set forth below.

TORC Meeting

- 3. TORC shall call and conduct a meeting (the "**TORC Meeting**") of TORC Shareholders on or about November 16, 2012. At the TORC Meeting, TORC Shareholders will consider and vote upon the Arrangement Resolution and such other business as may properly be brought before the TORC Meeting or any adjournment thereof, all as more particularly described in the Information Circular.
- 4. A quorum at the TORC Meeting shall be at least two persons present in person or by proxy, entitled to vote thereat, and holding or representing not less than 5% of the outstanding TORC Shares. If within 30 minutes from the time appointed for the TORC Meeting a quorum is not present, the TORC Meeting shall be adjourned to such Business Day that is not less than 14 days following the day appointed for the TORC Meeting, and to such time and place as may be appointed by the Chairman of the TORC Meeting. No notice of the adjourned TORC Meeting shall be required and, if at such adjourned meeting a quorum is not present, the TORC Shareholders present in person or by proxy, if at least two, shall be a quorum for all purposes.
- 5. Each TORC Share entitled to be voted at the TORC Meeting will entitle the holder to one vote at the TORC Meeting in respect of the Arrangement Resolution and the other matters to be considered at the TORC Meeting. The Board of Directors of TORC has fixed a record date for the TORC Meeting of October 12, 2012 (the "**Record Date**"). Only TORC Shareholders whose names have been entered on the applicable register of TORC Shares on the close of business on the Record Date will be entitled to receive notice of and to vote at the TORC Meeting in accordance with this paragraph, unless, after the Record Date, a holder of record transfers his or her TORC Shares and the transferee, upon producing properly endorsed certificates evidencing such TORC Shares or otherwise establishing that he or she owns such TORC Shares, requests at least 10 days before the TORC Meeting that the transferee's name be included in the list of TORC Shareholders entitled to vote, in which case such transferee shall be entitled to vote such TORC Shares at the TORC Meeting.

Conduct of TORC Meeting

- 6. The Chairman of the TORC Meeting shall be any officer or director of TORC.
- 7. The only persons entitled to attend and speak at the TORC Meeting shall be TORC Shareholders or their authorized representatives, TORC's directors and officers and its auditors and such other persons who may be permitted to attend by the Chairman of the TORC Meeting.

8. The number of votes required to pass the Arrangement Resolution shall be not less than 66 2/3% of the votes cast by the TORC Shareholders, in person or by proxy, at the TORC Meeting.
9. To be valid a proxy must be deposited with Olympia Trust Company in the manner described in the Information Circular.
10. The accidental omission to give notice of the TORC Meeting or the non-receipt of the notice shall not invalidate any resolution passed or proceedings taken at the TORC Meeting.

Dissent Rights

11. The registered TORC Shareholders are, subject to the provisions of this Order and the Arrangement, accorded the right of dissent under Section 191 of the ABCA with respect to the Arrangement Resolution.
12. In order for a TORC Shareholder to exercise such right of dissent under subsection 191(5) of the ABCA:
 - (a) the TORC Shareholder's written objection to the Arrangement Resolution must be received by TORC c/o its counsel Heenan Blaikie LLP, 1900, 215 – 9th Avenue S.W., Calgary, Alberta, T2P 1K3, Attention: Tom Cotter, by 4:00 p.m. (Calgary time) on the second Business Day immediately preceding the date of the TORC Meeting;
 - (b) a dissenting TORC Shareholder who fails to comply with the provisions of the right of dissent has no right to make a claim pursuant to the right of dissent, but shall instead receive the consideration to be given under the Arrangement as though no right of dissent was exercised in respect thereof;
 - (c) a dissenting TORC Shareholder shall not have voted his or her TORC Shares at the TORC Meeting either by proxy or in person, in favour of the Arrangement Resolution;
 - (d) on the filing of Articles of Arrangement with the Registrar by TORC, a dissenting TORC Shareholder's TORC Shares shall be deemed to have been transferred to TORC and as of the Effective Time, such dissenting TORC Shareholder shall thereafter cease to be a TORC Shareholder and shall cease to have any rights as a TORC Shareholder including any right to receive the consideration to which they would have otherwise been entitled pursuant to the Arrangement, but the dissenting TORC Shareholder shall continue to have the right to be paid the fair value of their TORC Shares in accordance with the right of dissent. In particular, but without limiting the foregoing, the dissenting TORC Shareholder shall endorse for transfer in blank and deliver to Vero all certificates representing their TORC Shares and execute and deliver any other documentation reasonably required by Vero to give effect to the foregoing;
 - (e) a holder of TORC Shares may not exercise the right of dissent in respect of only a portion of the holder's TORC Shares but may dissent only with respect to all of the TORC Shares held by the holder; and
 - (f) the exercise of such right of dissent must otherwise comply with the requirements of Section 191 of the ABCA, as modified by the Arrangement.
13. The fair value of the TORC Shares shall be determined as of the close of business on the last Business Day before the day on which the Arrangement is approved by the TORC Shareholders. Payment of such fair value shall be made to the dissenting TORC Shareholders by AmalCo.
14. Subject to further order of this Court, the rights available to the TORC Shareholders under the ABCA and the Arrangement to dissent from the applicable Arrangement Resolution shall constitute full and sufficient rights of dissent for the TORC Shareholders with respect to the Arrangement Resolution.

15. Notice to the TORC Shareholders of their right of dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the ABCA and the Arrangement, the fair value of their TORC Shares shall be given by including information with respect to this right in the Information Circular to be sent to TORC Shareholders in accordance with paragraph 16 of this Order.

Notice

16. An Information Circular, substantially in the form attached as Exhibit A to the Affidavit, with amendments thereto as counsel for TORC may determine necessary or desirable (provided such amendments are not inconsistent with the terms of this Order), shall be mailed by prepaid ordinary mail, at least 21 days prior to the date of the TORC Meeting to TORC Shareholders at the addresses for such holders recorded in the records of TORC at the close of business on the Record Date, and to the directors and auditors of TORC. In calculating the 21 day period, the date of mailing shall be included and the date of the TORC Meeting shall be excluded.
17. Delivery of the Information Circular in the manner directed by this Order shall be deemed to be good and sufficient service upon the TORC Shareholders, the directors and auditors of TORC and the Executive Director of:
 - (a) the Application;
 - (b) this Order;
 - (c) the Notice of the Meeting; and
 - (d) the Notice of Application;

all in substantially the forms set forth in the Information Circular, together with instruments of proxy and such other material as TORC may consider fit.

Final Application

18. Subject to further Order of this Court and provided that the TORC Shareholders have approved the Arrangement in the manner directed by this Court and the directors of TORC have not revoked that approval, TORC may proceed with an application for approval of the Arrangement and the Final Order on November 16, 2012 at 11:00 a.m. (Calgary time) or so soon thereafter as counsel may be heard at the Calgary Courts Centre, Calgary, Alberta. Subject to the Final Order, and to the issuance of the Certificate, TORC, all TORC Shareholders, Vero, AcquisitionCo and all other persons will be bound by the Arrangement in accordance with its terms.
19. Any TORC Shareholder or any other interested party (together, "**Interested Party**") desiring to appear and make submissions at the application for the Final Order is required to file with this Court and serve upon TORC, on or before noon on November 9, 2012, a Notice of Intention to Appear including the Interested Party's address for service, indicating whether such Interested Party intends to support or oppose the application or make submission thereat, together with a summary of the position such Interested Party intends to advocate before the Court and any evidence or materials which the Interested Party intends to present to the Court. Service of this notice on TORC shall be effected by service upon their solicitors, Heenan Blaikie LLP, 1900, 215 – 9th Avenue S.W., Calgary, Alberta, T2P 1K3, Attention: Jennifer Koschinsky.
20. In the event that the application for the Final Order is adjourned, only those parties appearing before this Court for the application for the Final Order, and those Interested Parties serving a Notice of Intention to Appear in accordance with paragraph 19 of this Order, shall have notice of the adjourned date.

Leave to Vary Interim Order

21. TORC is entitled at any time to seek leave to vary this Interim Order upon such terms and the giving of such notice as this Court may direct.

"Signed"
Justice of the Court of Queen's Bench of Alberta

APPENDIX C

NOTICE OF ORIGINATING APPLICATION

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY**

IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING VERO ENERGY INC., 1688763 ALBERTA INC., TORC OIL & GAS LTD. AND THE SHAREHOLDERS OF TORC OIL & GAS LTD.

NOTICE OF APPLICATION

NOTICE IS HEREBY GIVEN that an originating application (the "Application") has been filed with the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "Court") on behalf of TORC Oil & Gas Ltd. ("TORC") with respect to a proposed arrangement (the "Arrangement") under section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "ABCA"), involving Vero Energy Inc. ("Vero"), 1688763 Alberta Ltd., TORC and the holders (the "TORC Shareholders") of class "A" shares ("TORC Shares") of TORC, which Arrangement is described in greater detail in the Information Circular and Proxy Statement of TORC and Vero dated October 19, 2012 accompanying this Notice of Application. At the hearing of the Application, TORC intends to seek:

- (a) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the persons affected;
- (b) an order declaring that registered TORC Shareholders shall have the right to dissent in respect of the Arrangement pursuant to the provisions of Section 191 of the ABCA;
- (c) an order approving the Arrangement pursuant to the provisions of Section 193 of the ABCA;
- (d) a declaration that the Arrangement will, upon the filing of the Articles of Arrangement pursuant to the provisions of Section 193 of the ABCA, become effective in accordance with its terms and will be binding on and after the Effective Date as defined in the Arrangement; and
- (e) such other and further orders, declarations and directions as the Court may deem just.

The Court has been advised that its order approving the Arrangement, if granted, will constitute the basis for an exemption from the registration requirements of the United States Securities Act of 1933, as amended, pursuant to Section 3(a)(10) thereof, with respect to the offer and sale of the common shares of Vero issuable to TORC Shareholders pursuant to the Arrangement.

AND NOTICE IS FURTHER GIVEN that the said Application was directed to be heard at the Court of Queen's Bench of Alberta, Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta T2P 5P7, on the 16th day of November, 2012 at 11:00 a.m. (Calgary time) or as soon thereafter as counsel may be heard. Any TORC Shareholder or any other interested party desiring to support or oppose the Application, may appear at the time of hearing in person or by counsel for that purpose. **Any TORC Shareholder or any other interested party desiring to appear at the hearing in person or by counsel is required to file with the Court of Queen's Bench of Alberta, Judicial District of Calgary, and serve upon TORC on or before noon (Calgary time) on November 9, 2012, a notice of his or her intention to appear, including his or her address for service in the Province of Alberta and indicating whether such TORC Shareholder or other interested party intends to support or oppose the application or make submissions, together with a summary of the position such TORC Shareholder or other interested party intends to advocate and any evidence or materials which are to be**

presented to the Court. Service on TORC is to be effected by delivery to the solicitors for TORC at the address below. If any TORC Shareholder or any other interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice.

AND NOTICE IS FURTHER GIVEN that no further notice of the Application will be given by TORC and that in the event the hearing of the Application is adjourned only those persons who have appeared before the Court for the application at the hearing shall be served with notice of the adjourned date.

AND NOTICE IS FURTHER GIVEN that the Court, by Order dated October 19, 2012, has given directions as to the calling of a meeting of TORC Shareholders for the purpose of such holders voting upon a resolution to approve the Arrangement and directed that registered TORC Shareholders shall have the right to dissent on their own behalf from the resolution approving the Arrangement in accordance with the provisions of Section 191 of the ABCA, as modified by the Order, and be paid the fair value of their TORC Shares in respect of which right of dissent is exercised.

AND NOTICE IS FURTHER GIVEN that a copy of the said Application and other documents in the proceedings will be furnished to any TORC Shareholder or other interested party requesting the same by the undermentioned solicitors for TORC upon written request delivered to such solicitors as follows:

Heenan Blaikie LLP
Barristers & Solicitors
1900, 215 – 9th Avenue S.W.
Calgary, Alberta T2P 1K3

Attention: Jennifer Koschinsky

DATED at the City of Calgary, in the Province of Alberta, this 19th day of October, 2012.

**BY ORDER OF THE BOARD OF DIRECTORS OF
TORC OIL & GAS LTD.**

(signed) "*Brett Herman*"
Brett Herman
President, Chief Executive Officer and a Director
TORC Oil & Gas Ltd.

APPENDIX D
ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT dated as of the 12th day of September, 2012.

BETWEEN:

VERO ENERGY INC., a body corporate amalgamated under the
Business Corporations Act (Alberta) (hereinafter called “**Vero**”)

- and -

TORC OIL & GAS LTD., a body corporate amalgamated under the
Business Corporations Act (Alberta) (hereinafter called “**TORC**”)

WHEREAS Vero and TORC wish to enter into this Agreement to implement the acquisition by Vero of all of the outstanding Class “A” common shares of TORC pursuant to a proposed arrangement involving TORC and its shareholders;

AND WHEREAS Vero and TORC intend to carry out the transactions contemplated herein by way of a plan of arrangement under the provisions of the *Business Corporations Act* (Alberta) involving Vero, TORC and the TORC Shareholders (as defined herein);

AND WHEREAS Vero and TORC have entered into this agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to such arrangement;

NOW THEREFORE in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as set forth below.

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires, the following defined terms shall have the following meanings:

“**ABCA**” means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended including the regulations promulgated thereunder;

“**AcquisitionCo**” means 1688763 Alberta Ltd., a company incorporated under the ABCA as a wholly-owned subsidiary of Vero;

“**Acquisition Proposal**” in respect of a person, means any inquiry or the making of any proposal in respect of such person or any of its securityholders from any person or group of persons “acting jointly or in concert” (within the meaning of Multilateral Instrument 62-104 - Take-Over Bids and Issuer Bids), whether or not subject to due diligence or other conditions and whether oral or in writing, which constitutes or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions); (i) an acquisition of more than 20% (except that the reference to “20%” shall be replaced by “50%” for purposes of the definition of a Superior Proposal) of the voting securities of such person; (ii) any acquisition of more than 20% of the assets of such person (on a consolidated basis measured by the fair market value thereof as

of the date of any such proposal or inquiry) (except that the reference to “20%” shall be replaced by “no less than 50% of the assets of Vero or TORC (on a consolidated basis), as the case may be” for purposes of the definition of a Superior Proposal); (iii) an amalgamation, arrangement, merger, or consolidation involving such person or any of its subsidiaries; (iv) any take-over bid (initiated by advertisement or circular), issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving such person or its subsidiaries; or (v) any other transaction, the consummation of which would reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement or which would reasonably be expected to materially reduce the benefits to TORC or Vero, as applicable, under this Agreement or the Arrangement;

“**Agreement**” means this arrangement agreement, including the recitals and all Exhibits to this arrangement agreement, as amended or supplemented and/or restated from time to time and the terms “this Agreement”, “hereof”, “herein” and “hereunder” and similar expressions refer to this Agreement and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto;

“**AmalCo**” means “TORC Oil & Gas Ltd.”, the continuing corporation resulting from the amalgamation of Vero and AmalCo 1 pursuant to the Plan of Arrangement;

“**AmalCo Shares**” means the common shares in the capital of AmalCo;

“**AmalCo 1**” means “TORC Oil & Gas Ltd.”, the continuing corporation resulting from the amalgamation of AcquisitionCo and TORC pursuant to the Plan of Arrangement;

“**Applicable Laws**” means applicable corporate, securities and other laws, regulations and rules and all policies and rules of the TSX;

“**Arrangement**” means the plan of arrangement under the provisions of section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement, as supplemented, modified or amended in accordance with the Plan of Arrangement or made at the direction of the Court in the Final Order;

“**Articles of Arrangement**” means the articles of arrangement in respect of the Arrangement required by the ABCA to be filed with the Registrar after the Final Order has been granted, to give effect to the Arrangement;

“**Business Day**” means, with respect to any action to be taken, any day, other than Saturday, Sunday or a statutory holiday, when banks are generally open in the City of Calgary for the transaction of banking business;

“**Commissioner**” means the Commissioner of Competition appointed pursuant to subsection 7(1) of the Competition Act or any person authorized to exercise the powers and perform the duties of the Commissioner of Competition;

“**Competition Act**” means the *Competition Act*, R.S.C. 1985, c. C 34, as amended;

“Competition Act Approval” means the occurrence of one or more of the following:

- (a) an advance ruling certificate (an **“ARC”**) pursuant to Section 102 of the Competition Act having been issued by the Commissioner in respect of the transactions contemplated by this Agreement; or
- (b) the Commissioner waiving the obligation to notify and supply information under Part IX of the Competition Act pursuant to subsection 113(c) of the Competition Act and confirming in writing that she has no intention to file an application under Section 92 of the Competition Act (a **“No-Action Letter”**) in connection with the transactions contemplated by this Agreement, and such No-Action Letter remains in full force and effect; or
- (c) the Parties notifying the Commissioner under Section 114 of the Competition Act and the waiting period under Section 123 of the Competition Act having expired or having been terminated and the Commissioner having issued a No-Action Letter in connection with the transactions contemplated by this Agreement and such No-Action Letter remains in full force and effect;

“Confidentiality Agreement” means in the case of Vero as the context requires, the confidentiality agreement dated June 8, 2012 between TORC and Vero and in the case of TORC as the context requires, the confidentiality agreement dated July 18, 2012 between TORC and Vero;

“Court” means the Court of Queen’s Bench of Alberta;

“Depositary” means Olympia Trust Company or such other trust company that may be appointed by TORC and Vero for the purpose of receiving deposits of certificates representing TORC Shares in connection with the Arrangement;

“Dissent Rights” has the meaning ascribed thereto in the Plan of Arrangement;

“Effective Date” means the date the Arrangement becomes effective under the ABCA;

“Effective Time” means 12:01 a.m. (Calgary time) on the Effective Date;

“Engagement Letter” means the engagement letter dated September 12, 2012 between TORC and Macquarie pursuant to which Macquarie has agreed to act as underwriter in connection with the TORC Private Placement, an executed copy of which is attached to the TORC Disclosure Letter;

“Encumbrance” includes, without limitation, any mortgage, pledge, assignment, charge, lien, security interest, claim, trust, royalty or carried, participation, net profits or other third party interest and any agreement, option, right of first refusal, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

“Environmental Laws” has the meaning ascribed thereto in Section 3.1(w);

“Final Order” means the final order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

“Governmental Authority” means any:

- (a) multinational, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, court, tribunal, arbitral body, commission, board, bureau or agency;
- (d) any subdivision, agent, commission, board or authority of any of the foregoing; or
- (e) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

“IFRS” means Canadian generally accepted accounting principles for publicly accountable enterprises, being International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board effective for periods beginning on or after January 1, 2011;

“Information Circular” means the joint management information circular of Vero and TORC to be mailed to Vero Shareholders and TORC Shareholders in connection with the holding of the Meetings;

“Interim Order” means the interim order of the Court pursuant to subsection 193(4) of the ABCA ordering the TORC Meeting and setting out certain declarations and directions in respect of the Arrangement and the holding of the TORC Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

“Macquarie” means Macquarie Capital Markets Canada Ltd.;

“Material Adverse Effect” means, in relation to any circumstance, event or change, an effect that is or would reasonably be expected to be materially adverse to the business, operations, results of operations, assets, capitalization, financial condition or liabilities, whether contractual or otherwise, of Vero or TORC (on a consolidated basis), as applicable, provided that a Material Adverse Effect shall not include an adverse effect: (i) that relates to or arises out of a matter that has been publicly disclosed or otherwise disclosed in writing to TORC or Vero, as applicable, prior to the date hereof; (ii) that relates to or arises out of conditions affecting the oil and gas industry as a whole; (iii) that relates to or arises out of general economic, financial, currency exchange, securities or commodity market conditions in Canada or elsewhere; (iv) that relates to any changes of Applicable Laws or the interpretation, application or non-application thereof; (v) that relates to the execution of this Agreement or the announcement of this Agreement or the transactions contemplated hereby, including any resulting loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of Vero or TORC, as the case may be, with any of their employees that are not executive officers; (vi) that relates to any change in IFRS or changes in regulatory accounting requirements applicable to Vero or TORC, as the case may be; (vii) that relates to any natural disaster; (viii) that arises out of any action taken by Vero or TORC, as the case may be, with the approval, consent or authority of the other Party; or (ix) that relates to any failure by Vero or TORC, as the case may be, to meet any internal or published financial or other projections or forecasts, including projections and forecasts provided to the other Party in connection with its due diligence inquiries or the negotiation of this Agreement (provided that this clause (ix) will not prevent a determination that any change giving rise to such a failure to meet projections or forecasts has resulted in a Material Adverse Effect to the extent it is not otherwise excluded from this definition); provided, however that: (a) the effect referred to in (ii), (iii), (iv), (vi) or (vii) or above does not primarily relate only to (or have the effect of primarily relating only to) TORC or Vero or disproportionately affects TORC or Vero, as the case

may be, compared to other companies of similar size operating in the oil and gas industry, in which case, the relevant exclusion from this definition of Material Adverse Effect referred to above shall not be applicable, and that (b): (A) while a change in the market price or trading volume of a Party's equity securities will not itself be considered to have a Material Adverse Effect the underlying cause of such change may be considered in determining whether an event, development or circumstance has a Material Adverse Effect; and (B) references in this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretative for purposes of determining whether an event, development or circumstance has a Material Adverse Effect;

"Meetings" means, together, the Vero Meeting and the TORC Meeting;

"Parties" means, together, Vero and TORC, and **"Party"** means either one of them;

"Person" means any individual, partnership, limited partnership, joint venture, trust, body corporate, unincorporated organization, committee, trade creditors' committee, government or agency, or instrumentality thereof, or any other entity howsoever designated or constituted, including any Governmental Authority;

"Plan of Arrangement" means the plan of arrangement substantially in the form annexed hereto as Exhibit I and any amendment thereto or variation thereof in accordance with the terms thereof or at the direction of the Court in the Final Order;

"Registrar" means the Registrar of Corporations appointed pursuant to section 263 of the ABCA;

"Returns" means all reports, estimates, elections, designations, forms, declarations of estimated tax, information statements and returns relating to, or required to be filed in connection with, any Taxes;

"Sproule" means Sproule Associates Limited;

"Subsidiary" means, with respect to a specified entity, any:

- (a) body corporate of which more than 50% of the outstanding shares ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified entity or indirectly by or for the benefit of such specified entity;
- (b) entity which is not a body corporate, of which more than 50% of the voting or equity interests of such entity (including, for a partnership other than a limited partnership, the voting or equity interests in such partnership) are owned, directly or indirectly, by such specified entity or indirectly by or for the benefit of such specified entity and in the case of a partnership (including a limited partnership), of which such specified entity, or a subsidiary of such specified entity, is a general partner; and
- (c) any issuer that would constitute a subsidiary as defined in the *Securities Act* (Alberta);

"Superior Proposal" means an unsolicited written *bona fide* Acquisition Proposal made by a third party regarding which the board of directors of Vero or TORC, as the case may be,

determines in good faith: (i) that the funds or other consideration necessary for the Acquisition Proposal are or are likely to be available; (ii) after consultation with its financial advisors, such proposal would, or would be reasonably likely to, if consummated in accordance with its terms (but not assuming away any risks of non-completion), result in a transaction financially superior for shareholders of Vero or TORC, as the case may be, to the transaction contemplated by this Agreement in its current form; (iii) that the Acquisition Proposal is reasonably likely to be consummated within a time frame that is reasonable in the circumstances taking into account all financial, legal, regulatory and other aspects of such proposal and the person making such proposal; and (iv) after receiving the advice of outside legal counsel, as reflected in the minutes of the board of directors, that the taking of such action is necessary for the board of directors in the discharge of its fiduciary duties under Applicable Laws;

“Taxes” means all taxes, duties, assessments, imposts and levies however denominated, including any interest, penalties, fines, successor liabilities or other additions that may become payable in respect thereof; imposed by any federal, territorial, state, local or foreign government or any agency or political subdivision of any such government, which shall include, without limiting the generality of the foregoing, those levied on, measured by, or referred to as, income, capital, gross receipts, profits (including, but not limited to, federal income taxes and provincial income taxes), payroll and employee withholding, unemployment insurance, social insurance taxes, sales and use taxes, ad valorem taxes, excise taxes, franchise taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing;

“TORC Capital Program and Budget” means TORC’s capital program and budget as set out in the TORC Disclosure Letter for the third and fourth quarter of 2012;

“TORC Counsel” means Heenan Blaikie LLP;

“TORC Damages Event” has the meaning ascribed thereto in Section 6.2;

“TORC Disclosure Letter” means the disclosure letter, dated the date hereof, from TORC to Vero;

“TORC Financial Advisors” means Macquarie and TD Securities Inc. as financial advisors, and RBC Dominion Securities Inc. and Dundee Securities Ltd. as strategic advisors;

“TORC Financial Statements” means:

- (d) the audited consolidated comparative financial statements of TORC for the fiscal years ended December 31, 2011 and 2010, together with the notes thereto and the auditor’s report thereon; and
- (e) the unaudited consolidated comparative financial statements of TORC for the three and six months ended June 30, 2012 and 2011 together with the notes thereto;

“TORC Incentive Shares” means the outstanding entitlements for the issuance of TORC Shares which have been granted or have been approved for issuance by the TORC board of directors to certain directors, officers, employees and consultants of TORC pursuant to the TORC Stock Incentive Plan;

“TORC Information” means all information required by Applicable Laws to be included or incorporated by reference in the Information Circular relating to TORC and the TORC Shares, including, without limitation, information in respect of TORC’s business, affairs and financial position, which has been provided by TORC;

“TORC Meeting” means the special meeting of the TORC Shareholders, including any adjournment thereof, that is to be convened as provided in the Interim Order to consider and, if deemed advisable, approve the TORC Resolution;

“TORC Options” means the outstanding options (including options approved for issuance by the TORC board of directors and which will be allocated prior to the Effective Date), whether or not vested, to purchase TORC Shares issued to directors, officers and employees of, and consultants to, TORC;

“TORC Private Placement” means the issue and sale by TORC of: (i) up to 35,420,000 (or such other number as may be agreed upon by the parties) subscription receipts by TORC, each of which shall automatically convert into one TORC Share as a step under the Plan of Arrangement; and (ii) up to 12,910,000 (or such other number as may be agreed upon by the parties) subscription receipts, each of which shall automatically convert into 0.87 of an Amalco Share to be issued on a “flow-through basis” as a step under the Plan of Arrangement, provided that, among other things, all the conditions to completion of the Arrangement have been satisfied or waived by the applicable party, as the case may be;

“TORC Reserves Report” means the report of Sproule dated March 22, 2012 and effective December 31, 2011, evaluating the crude oil, natural gas liquids and natural gas reserves of TORC’s properties and the present value of the estimated future net revenues associated with such reserves;

“TORC Resolution” means the special resolution to approve the Arrangement to be considered by TORC Shareholders at the TORC Meeting;

“TORC Shareholders” means the registered holders of TORC Shares;

“TORC Shares” means the Class “A” common shares in the capital of TORC, as constituted on the date hereof;

“TORC Stock Incentive Plan” means the stock incentive plan of TORC as of the date hereof;

“TORC Stock Option Plan” means the stock option plan of TORC as of the date hereof;

“TORC Support Agreements” means agreements pursuant to which each director and officer of TORC agree to vote the TORC Shares (and any TORC Shares acquired upon the exercise of TORC Options, TORC Warrants or TORC Incentive Shares) beneficially owned or controlled by them in favour of the TORC Resolution and to otherwise support the Arrangement;

“TORC Termination Fee” has the meaning ascribed thereto in Section 6.2;

“TORC Warrants” means the outstanding share purchase warrants of TORC, each of which entitles the holder to acquire one TORC Share at an exercise price of \$1.25 for a period of five years from the date of issuance;

“**TSX**” means the Toronto Stock Exchange;

“**Underwriting Agreement**” means the underwriting agreement to be entered into among TORC, Macquarie and a syndicate of underwriters in connection with the TORC Private Placement;

“**U.S. Exchange Act**” means the *United States Securities Exchange Act of 1934*, as amended, and the rules and regulations promulgated thereunder;

“**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended, and the rules and regulations promulgated thereunder;

“**Vero Capital Program and Budget**” means Vero’s capital program and budget as set out in the Vero Disclosure Letter for the third and fourth quarter of 2012;

“**Vero Counsel**” means Burnet, Duckworth & Palmer LLP;

“**Vero Damages Event**” has the meaning ascribed thereto in Section 6.1;

“**Vero DCU Plan**” means Vero's cash-based directors compensation plan as of the date hereof;

“**Vero DCUs**” means the outstanding director compensation units issued to directors of Vero under the Vero DCU Plan;

“**Vero Disclosure Letter**” means the disclosure letter, dated the date hereof, from Vero to TORC;

“**Vero Employee Termination Obligations**” means all obligations and liabilities of Vero pursuant to all employment or consulting services agreements, director compensation programs, termination, severance, change of control, 2012 performance and retention bonuses, if any, and any other cash payments related to any Vero incentive plan arising out of or in connection with the Arrangement (but excluding payments made in connection with the cancellation of Vero Options in accordance with Section 2.5(c));

“**Vero Financial Advisors**” means FirstEnergy Capital Corp. and GMP Securities L.P. as financial advisors, and CIBC World Markets Inc. and Raymond James Ltd. as strategic advisors;

“**Vero Financial Statements**” means:

- (a) the audited comparative financial statements of Vero for the fiscal years ended December 31, 2011 and 2010 together with the notes thereto and the auditor’s report thereto; and
- (b) the unaudited comparative interim financial statements of Vero for the three and six month period ended June 30, 2012 and 2011 together with the notes thereto;

“**Vero Information**” means all information required by Applicable Laws to be included or incorporated by reference in the Information Circular relating to Vero and the Vero Shares, including, without limitation, information in respect of Vero’s business, affairs and financial position, which has been provided by Vero;

“**Vero Meeting**” means the special meeting of the Vero Shareholders, including any adjournment thereof, that is to be convened to consider and, if deemed advisable, approve the Vero Resolutions;

“Vero Options” means the outstanding options, whether or not vested, to purchase Vero Shares issued to directors, officers and employees of, and consultants to, Vero;

“Vero Optionholders” means the holders of Vero Options;

“Vero Option Exercise and Cancellation Agreements” means agreements to be entered into between Vero and each of the Vero Optionholders whereby each Vero Optionholder agrees to:

- (a) conditionally exercise all “in-the-money” Vero Options held by such holder in accordance with their terms immediately prior to the Effective Time; or
- (b) surrender for cancellation, immediately prior to the Effective Time, all “in-the-money” Vero Options held by such Vero Optionholder as a cashless exercise for Vero Shares in accordance with Section 2.5; and
- (c) surrender for cancellation all “out-of-the-money” Vero Options held by such Vero Optionholder not conditionally exercised or surrendered pursuant to subparagraph (a) or (b) above, immediately prior to the Effective Time for consideration not to exceed \$0.01 per Vero Option;

“Vero Public Record” means all information filed by or to be filed by or on behalf of Vero after December 31, 2011 and prior to the earlier of the Effective Date or the termination of this Agreement with any securities commission or regulatory authority in compliance, or intended compliance, with the continuous disclosure obligations applicable to a reporting issuer under Applicable Laws;

“Vero Reserves Report” means the report prepared by Sproule dated March 5, 2012 and effective December 31, 2011 evaluating the crude oil, natural gas liquids and natural gas reserves of Vero’s properties and the present value of the estimated future net revenues associated with such reserves;

“Vero Resolutions” means collectively, (i) the Vero Share Issuance Resolution; and (ii) the ordinary resolution to approve the TORC Stock Option Plan and the TORC Stock Incentive Plan, if required by the TSX for adoption of such plans by AmalCo, all to be considered by the Vero Shareholders at the Vero Meeting;

“Vero Share Issuance Resolution” means the ordinary resolution to approve the issuance of Vero Shares pursuant to the Arrangement, or in the event required by the TSX, the ordinary resolution to approve the Arrangement (including AmalCo Shares that become issuable on the exercise and vesting of TORC Incentive Shares, TORC Options and TORC Warrants outstanding as the Effective Date);

“Vero Shareholders” means the registered holders of Vero Shares;

“Vero Shares” means the common shares in the capital of Vero, as constituted on the date hereof;

“Vero Support Agreements” means agreements pursuant to which all of the directors and officers of Vero agree to vote the Vero Shares (and any Vero Shares acquired upon the exercise of Vero Options) beneficially owned or controlled by them in favour of the Vero Resolutions and to otherwise support the Arrangement; and

“**Vero Termination Fee**” has the meaning ascribed thereto in Section 6.1.

1.2 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

1.3 Article, Section and Exhibit References

Unless the contrary intention appears, references in this Agreement to an article, section, subsection, paragraph, exhibit or schedule by number or letter or both refer to the article, section, subsection, paragraph, exhibit or schedule, respectively, bearing that designation in this Agreement.

1.4 Number and Gender

In this Agreement, unless the contrary intention appears, words importing the singular include the plural and vice versa, and words importing gender include all genders.

1.5 Date for Any Action

In the event that the date on which any action is required to be taken hereunder by a Party is not a Business Day in the place where such action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.6 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under IFRS and all determinations of an accounting nature required to be made shall be made in a manner consistent with IFRS.

1.7 Currency

Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada.

1.8 Statutes

References in this Agreement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder.

1.9 Disclosure in Writing

References to disclosure in writing herein shall, in the case of Vero, include disclosure in writing to Vero or its representatives, and in the case of TORC, include disclosure in writing to TORC or its representatives.

1.10 Interpretation Not Affected by Party Drafting

The Parties acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement, and the Parties agree that any rule of construction to the

effect that any ambiguity is to be resolved against the drafting Party will not be applicable to the interpretation of this Agreement.

1.11 Knowledge

Where, in this Agreement, a representation or warranty is made on the basis of the knowledge or awareness of Vero or TORC, as the case may be, such knowledge or awareness consists only of the actual knowledge or awareness, as of the date of this Agreement, of the executive officers of Vero or TORC, as the case may be, after due inquiry, but does not include the knowledge or awareness of any other individual.

1.12 Exhibits

Exhibit I - Plan of Arrangement annexed to this Agreement are incorporated by reference into this Agreement and form an integral part hereof.

**ARTICLE 2
THE ARRANGEMENT**

2.1 Arrangement

- (a) The Parties agree to carry out the Arrangement in accordance with the terms of the Plan of Arrangement, pursuant to which (among other things) TORC Shareholders (other than those who have validly exercised Dissent Rights), shall receive for each TORC Share held 0.87 of a Vero Share.
- (b) As soon as commercially reasonably practicable, TORC shall apply to the Court pursuant to section 193 of the ABCA for an order approving the Arrangement and in connection with such application shall:
 - (i) forthwith file, proceed with and diligently prosecute an application for an Interim Order under section 193(4) of the ABCA providing for, among other things, the calling and holding of the TORC Meeting for the purpose of considering and, if deemed advisable, approving the TORC Resolution;
 - (ii) carry out the terms of the Interim Order in a timely manner and convene the TORC Meeting on or before November 30, 2012 for the purpose of permitting the TORC Shareholders to consider and vote on the TORC Resolution;
 - (iii) subject to obtaining such approval of the TORC Shareholders at the TORC Meeting as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take the steps necessary to submit the Arrangement to the Court and apply for the Final Order; and
 - (iv) subject to obtaining the Final Order and the satisfaction or waiver of the other conditions herein contained in favour of each Party, forthwith proceed to file with the Registrar the Articles of Arrangement and such other documents as may be required to give effect to the Arrangement pursuant to subsection 193(9) of the ABCA.

2.2 Interim Order

The application referred to in Section 2.1(b) shall request that the Interim Order provide:

- (a) for the class of persons to whom notice is to be provided in respect of the Arrangement and the TORC Meeting and for the manner in which such notice is to be provided;
- (b) that the requisite TORC shareholder approval for the Arrangement shall be two-thirds of the votes cast by the TORC Shareholders present in person or by proxy at the TORC Meeting;
- (c) for the notice requirements with respect to the presentation of the application to the Court for a Final Order;
- (d) for the grant of Dissent Rights to registered TORC Shareholders as provided for in the Plan of Arrangement; and
- (e) that, in all other respects, the terms, restrictions and conditions of the by-laws and articles of TORC, including quorum requirements and all other matters, shall apply in respect of the TORC Meeting.

2.3 Information Circular

- (a) As soon as commercially reasonably practicable after the execution and delivery of this Agreement but no later than November 30, 2012, Vero and TORC shall convene the Meetings and with the assistance of the other Party, shall prepare the Information Circular together with any other documents required under the ABCA or Applicable Laws with respect to the Arrangement and shall cause the same to be sent to all Vero Shareholders and TORC Shareholders and filed as required under the ABCA and Applicable Laws so that the Meetings may be held by no later than November 30, 2012.
- (b) TORC shall cause the Information Circular to include: (i) the unanimous determination of the board of directors of TORC that the consideration to be received by the TORC Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the TORC Shareholders and is in the best interests of TORC and the TORC Shareholders; (ii) the unanimous recommendation of the board of directors of TORC and that the TORC Shareholders vote in favour of the TORC Resolution at the TORC Meeting; and (iii) a copy of the fairness opinion from Macquarie.
- (c) Vero shall cause the Information Circular to include: (i) the unanimous determination of the board of directors of Vero that the consideration payable pursuant to the Arrangement is fair, from a financial point of view, to the Vero Shareholders and is in the best interests of Vero and the Vero Shareholders; (ii) the unanimous recommendation of the board of directors of Vero and that the Vero Shareholders vote in favour of the Vero Resolutions at the Vero Meeting; and (iii) a copy of the fairness opinion from FirstEnergy Capital Corp.

2.4 Prior Notice Regarding Filed Documents

- (a) Each of the Parties shall permit the other Party's counsel to review and comment upon drafts of all material to be filed by said Party with the Court in connection with the

Arrangement, including the Information Circular, and any supplement or amendment thereto and provide counsel to the other Party on a timely basis with copies of any notice of appearance and evidence served on Vero or TORC, as the case may be, or their respective counsel, in respect of the application for the Interim Order and/or the Final Order or any appeal therefrom and of any notice (written or oral) received by Vero or TORC, as the case may be, indicating any intention to oppose the granting of the Interim Order or the Final Order or to appeal the Interim Order or the Final Order.

- (b) Vero and TORC shall not file any material with the Court in connection with the Arrangement or serve any such material and shall not agree to modify or amend materials so filed or served except as contemplated hereby or with the prior written consent of the other Party, such consent not to be unreasonably withheld or delayed.

2.5 Treatment of Vero Options and Vero DCUs

- (a) The Vero Disclosure Letter sets out the particulars of Vero Options and Vero DCUs outstanding as at the date hereof, including: (i) the names of holders of Vero Options and Vero DCUs and the number of Vero Options and Vero DCUs held by them; (ii) the date of grant; (iii) the date of expiry; and (iv) the exercise price or the grant price of each Vero Option and Vero DCU, as the case may be.
- (b) The Parties agree that the Vero board of directors may approve the vesting of all outstanding Vero Options and Vero DCUs effective immediately prior to the Effective Time and conditional upon the subsequent consummation of the Arrangement (or, if required, amend any outstanding Vero Options and Vero DCUs to accelerate the vesting of such Vero Options and Vero DCUs effective immediately prior to the Effective Time and conditional upon the subsequent consummation of the Arrangement) in order that all such outstanding Vero Options and Vero DCUs shall be fully vested and may be exercised or settled, as the case may be, in accordance with their terms.
- (c) Vero covenants and agrees that it will use all commercially reasonable efforts to encourage and facilitate all of the holders of outstanding Vero Options to enter into Vero Option Exercise and Cancellation Agreements prior to the Effective Time providing for the exercise and cancellation of unexercised Vero Options immediately prior to the Effective Time, provided that the exercise of Vero Options shall either be completed upon payment of the exercise price in accordance with the terms thereof or be on a cashless basis for Vero Shares pursuant to Section 10 of the Vero share option plan and the "Market Price" for purposes of calculating the in-the-money amount shall be the weighted average trading price of the Vero Shares on the TSX for the five trading days ended two days prior to the Effective Date. TORC further agrees that Vero may make a payment to each holder of Vero Options of \$0.01 for each Vero Option such holders agree to terminate. The Parties acknowledge that all of the Vero DCUs will be deemed to be exercised in accordance with their terms on the earlier of the Effective Date or the date of resignation of the holder.

2.6 Treatment of TORC Options, TORC Incentive Shares and TORC Warrants

- (a) Subject to the requisite approvals including, without limitation, the approval of the TSX:
 - (i) the TORC Options will entitle the holders thereof to receive AmalCo Shares, as adjusted in accordance with the terms thereof, in lieu of TORC Shares upon the

due vesting and exercise thereof, in accordance with the terms of the TORC Stock Option Plan;

- (ii) the TORC Incentive Shares will entitle the holders thereof to receive AmalCo Shares, as adjusted in accordance with the terms thereof, in lieu of TORC Shares upon the vesting thereof, in accordance with the terms of the TORC Stock Incentive Plan; and
- (iii) the TORC Warrants will entitle the holders thereof to receive AmalCo Shares, as adjusted in accordance with the terms thereof, in lieu of TORC Shares upon the due exercise thereof, in accordance with the terms of the TORC Warrants.

2.7 **Officers and Employees**

- (a) The Parties acknowledge and agree that all officers of Vero will not be offered continuing employment with Vero or AmalCo, as the case may be, and that the employment of the Vero officers will cease (on a termination without cause basis) as of the Effective Time and such individuals shall be entitled to receive at the Effective Time all such payments as they are entitled to upon termination under employment agreements with Vero. As soon as reasonably practicable prior to the Effective Date, TORC shall identify and confirm, in its sole discretion, which non-officer Vero employees will continue to be employed with Vero or AmalCo, as the case may be, following completion of the Arrangement. Should any such employees have their employment terminated, the Parties will abide by any termination or severance obligations under employment agreements with Vero or Applicable Laws. The Vero Disclosure Letter sets out Vero's *bona fide* good faith estimate, having regard to the assumptions set forth therein, of the Vero Employee Termination Obligations and the Parties acknowledge and agree that such amounts will be paid to any terminated employees at the Effective Time.
- (b) As at the Effective Time, no directors, officers or employees of Vero or TORC shall be entitled to change of control, termination or severance payments (or both), except, in the case of Vero only, such payments shall be permitted as set out in and contemplated by the Vero Disclosure Letter.

2.8 **Depository Agreement**

In connection with the satisfaction of the delivery of TORC Shares for deposit pursuant to the Arrangement, TORC and Vero shall enter into a depository agreement (the “**Depository Agreement**”) with the Depositary, in form and substance satisfactory to the parties thereto, acting reasonably. The Depository Agreement shall provide for, among other things, the deposit by or on behalf of Vero, prior to the Effective Time, of the required Vero Shares with the Depositary and the settlement of the Vero Shares to TORC Shareholders pursuant to the Plan of Arrangement.

2.9 **Support Agreements**

Each of the directors and officers of Vero shall have entered into a Vero Support Agreement prior to or concurrent with the signing hereof. Each of the directors and officers of TORC shall have entered into a TORC Support Agreement prior to or concurrent with the signing hereof.

2.10 U.S. Securities Laws

The Arrangement shall be structured such that, assuming the TORC Resolution approving the Arrangement is approved and the Final Order is obtained, the issuance of the Vero Shares and AmalCo Shares (other than Vero Shares and AmalCo Shares issuable in respect of TORC Shares issued upon conversion of subscription receipts issued in the TORC Private Placement), as applicable, to the TORC Shareholders under the Arrangement will not require registration under the U.S. Securities Act, in reliance on Section 3(a)(10) of the U.S. Securities Act.

2.11 U.S. Federal Income Tax Matters

The transactions set forth in this Agreement and the Arrangement are intended to qualify as a tax-deferred reorganization within the meaning of Section 368(a) of the U.S. Internal Revenue Code of 1986, as amended ("U.S. Tax Code") and this Agreement, together with the Arrangement, is intended to be a "plan of reorganization" within the meaning of the Treasury Regulations promulgated under Section 368 of the U.S. Tax Code. The Parties acknowledge that the amalgamation of AcquisitionCo and TORC resulting in AmalCo1 and the amalgamation of Vero and AmalCo1 pursuant to Section 3.1 of the Arrangement are interdependent steps in a single transaction, to which the Parties hereto are legally committed as provided herein, and which the Parties intend to treat as a single integrated transaction. Each Party agrees to treat such transactions as a reorganization within the meaning of Section 368(a) of the U.S. Tax Code for all purposes to which such treatment is pertinent, including without limitation for the purpose of reporting on any U.S. tax return that such Party may be required to file. Each Party agrees to act in a manner that is consistent with the Parties' intention that the Arrangement be treated as a tax-deferred reorganization within the meaning of Section 368(a) of the U.S. Tax Code for all United States federal income tax purposes. Notwithstanding the foregoing, Vero and TORC make no representation, warranty or covenant to any other Party or to any TORC Shareholder, other holder of TORC securities or holder of Vero Shares or securities (including, without limitation, stock options, warrants, debt instruments or other similar rights or instruments) regarding the U.S. tax treatment of the Arrangement, including, but not limited to, whether the Arrangement will qualify as a reorganization within the meaning of Section 368(a) of the U.S. Tax Code.

2.12 Effective Date

The Parties agree that they will, subject to the conditions and limitations provided for herein, use their reasonable commercial efforts to cause the Effective Date to occur on or prior to December 3, 2012.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of TORC

TORC represents and warrants to Vero, and acknowledges that Vero is relying upon such representations and warranties in connection with the matters contemplated by this Agreement, that:

- (a) TORC is a corporation duly amalgamated and validly subsisting under the laws of its jurisdiction of its amalgamation and has the requisite corporate power and authority to carry on its business and to own, lease and operate its properties and assets;

- (b) TORC is duly registered to carry on business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect on TORC;
- (c) TORC does not have any subsidiaries and does not hold any shares or other interests in any corporations, partnerships or trusts;
- (d) TORC has the requisite corporate authority to enter into this Agreement and to carry out its obligations hereunder and the execution and delivery of this Agreement and the consummation by TORC of the transactions contemplated hereby have been duly authorized by TORC's board of directors and, subject to obtaining the approval of the TORC Shareholders to the TORC Resolution as contemplated herein, Competition Act Approval, the Interim Order and the Final Order, no other corporate proceedings on the part of TORC are or will be necessary to authorize this Agreement and the transactions contemplated hereby;
- (e) this Agreement has been duly executed and delivered by TORC and constitutes a legal, valid and binding obligation of TORC enforceable against TORC in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity;
- (f) the execution and delivery of this Agreement by TORC, the consummation by TORC of the transactions contemplated hereby and the compliance by TORC with any of the provisions hereof will not: (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of TORC under any of the terms, conditions or provisions of (A) the articles or bylaws of TORC or (B) any material note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which TORC is a party or to which it, or any of its properties or assets, may be subject or by which TORC is bound (subject to obtaining the consent of TORC's bankers and the consent of TORC's landlord under its office lease); (ii) violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to TORC (except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults, terminations, accelerations, creations, or any consents, approvals or notices which, if not given or received, would not have any Material Adverse Effect on the business, operations or financial condition of TORC (taken as a whole) or on the ability of TORC to consummate the transactions contemplated hereby); or (iii) cause a suspension or revocation of any authorization for the consent, approval or license currently in effect which would have a Material Adverse Effect in respect of TORC;
- (g) other than in connection with or in compliance with the provisions of Applicable Laws: (i) there is no legal impediment to TORC's consummation of the transactions contemplated by this Agreement and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by TORC in connection with the making or the consummation of the Arrangement other than as contemplated by this Agreement and except for such filings or registrations

which, if not made, or for such authorizations, consents or approvals, which, if not received, would not have any Material Adverse Effect on the ability of TORC to consummate the transactions contemplated hereby;

- (h) the authorized capital of TORC consists of an unlimited number of TORC Shares, an unlimited number of Class “B” non-voting common shares and an unlimited number of preferred shares, issuable in series, of which as at the date hereof, 121,715,384 TORC Shares and no Class “B” non-voting common shares or preferred shares are issued and outstanding, all of which TORC Shares have been issued as fully paid and non-assessable;
- (i) no person holds any securities convertible or exchangeable into securities of TORC nor has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement for the purchase, subscription or issuance of any unissued securities of TORC other than in respect of the subscription receipts which may be issued pursuant to the TORC Private Placement, 940,357 TORC Incentive Shares, 8,461,376 TORC Options (and an additional 2,082,500 TORC Options and 308,916 TORC Incentive Shares approved for future issuance by the TORC board of directors) and 20,000,000 TORC Warrants;
- (j) since December 31, 2011, as of the date hereof:
 - (i) TORC has conducted its business in the ordinary course of business consistent with past practice;
 - (ii) there has not been any Material Adverse Effect in respect of TORC and there have been no material facts, transactions, events or occurrences which, to the knowledge of TORC, could have a Material Adverse Effect on TORC;
 - (iii) TORC has not discharged or satisfied any liens or paid any obligation or liability other than liabilities shown on the TORC Financial Statements, other than in the ordinary course of business;
 - (iv) TORC has not declared or made any payment, distribution or dividend based on its shares or purchased, redeemed or otherwise acquired any of the shares in its capital or other securities or obligated itself to do so;
 - (v) TORC has not mortgaged, pledged or subjected to lien or other security interest any of its assets, tangible or intangible other than the usual security granted to secure a bank line of credit or other than in the ordinary course of business;
 - (vi) TORC has not entered into any transaction, contract or commitment other than in the ordinary course of business except for the transactions set forth in this Agreement; and
 - (vii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to TORC has been incurred other than in the ordinary course of business;
- (k) TORC has made available to Vero or its representatives for inspection and reproduction all documents, information and records in the possession or control of TORC requested

by Vero, including copies of all material contracts and commitments (well or otherwise) and leases, and has not withheld any material documents, information or records that would be relevant to Vero with respect to the matters contemplated by this Agreement;

- (l) to the knowledge of TORC, the data and information provided to TORC's independent engineers in respect of TORC's assets and reserves, and the data and information in respect of TORC's liabilities, business and operations provided by TORC or its advisors to Vero or its advisors was and is accurate and correct in all material respects (taken as a whole) as at the respective dates thereof and, in respect of any information provided or requested, TORC did not knowingly omit any material data or information necessary to make the data or information provided not misleading in any material respect (taken as a whole) as at the respective dates thereof;
- (m) TORC has no reason to believe that the TORC Reserves Report was not accurate in all material respects as at the effective date of such report, and, except for any impact of changes in commodity prices, which may or may not be material, TORC has no knowledge of a Material Adverse Effect in the production, costs, price, reserves, estimates of future net production revenues or other relevant information from that disclosed in the TORC Reserves Report. TORC has provided to Sproule all material information concerning land descriptions, well data, facilities and infrastructure, ownership and operations, future development plans and historical technical and operating data respecting the principal oil and gas assets of TORC, in each case as at the effective date of such report, and, in particular, all material information respecting the interests of TORC in its principal oil and gas assets and royalty burdens and net profits interest burdens thereon and such information was accurate and correct in all material respects as at the respective dates thereof and did not omit any information necessary to make any such information provided not misleading as at the respective dates thereof and there has been no Material Adverse Effect in any of the material information so provided since the date thereof;
- (n) TORC believes that the TORC Reserves Report complies with the requirements of National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities and believes that the TORC Reserves Report reasonably presented the quantity and pre-tax present worth values of estimated oil and gas reserves attributable to the properties evaluated therein as at the date stated therein based upon information available at the time the TORC Reserves Report was prepared and the assumptions as to commodity prices and costs contained therein;
- (o) there are no outstanding, or to the knowledge of TORC, threatened claims, suits, actions or proceedings (whether civil, quasi-criminal or criminal), arbitration or other dispute settlement procedure, investigation or inquiry by any Governmental Authority (collectively, the "**Proceedings**") against TORC which, if determined adversely to TORC, would have a Material Adverse Effect on TORC, or on the ability of TORC to consummate the transactions contemplated hereby and, to the knowledge of TORC, no event has occurred which might reasonably be expected to give rise to any such Proceeding. There is no judgment writ, decree, injunction, rule, award or order of any Governmental Authority outstanding against TORC in respect of its business, properties or assets that has had or would reasonably be expected to have a Material Adverse Effect on TORC or significantly impede the completion of the transactions contemplated by this Agreement;

- (p) the TORC Financial Statements were prepared in accordance with IFRS (except (i) as otherwise indicated in such financial statements and the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes, are subject to normal year-end adjustments or may be condensed or summary statements), and fairly present, in accordance with IFRS, the consolidated financial position, results of the operations and changes in financial position of TORC as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments) and reflect appropriate and adequate reserves in respect of contingent liabilities, if any, of TORC and there has been no change in TORC's accounting policies, except as described in the notes to the TORC Financial Statements, since December 31, 2011;
- (q) there exists no default or event of default or event, occurrence, condition or act which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a default or event of default under any agreements and instruments having application to TORC's assets and to which it is a party or is bound except for such default or event of default which is not expected to have a Material Adverse Effect on TORC;
- (r) no event of default or breach of any covenant has occurred and is continuing under TORC's existing banking and lending agreements;
- (s) TORC does not have any material liabilities of any nature (matured or unmatured, fixed or contingent), other than:
 - (i) those set forth or adequately provided for in the most recent balance sheet and associated notes thereto included in the TORC Financial Statements (the "**TORC Balance Sheet**");
 - (ii) those incurred in the ordinary course of business and not required to be set forth in the TORC Balance Sheet under IFRS;
 - (iii) those incurred in the ordinary course of business since the date of the TORC Balance Sheet and consistent with past practice; and
 - (iv) those incurred in connection with the execution of this Agreement (including the engagement of the TORC Financial Advisors);
- (t) TORC has conducted and is conducting its business in accordance with good oilfield practices and in compliance in all material respects with all Applicable Laws and the tangible depreciable property used or intended for use in connection with the oil and gas assets of TORC for which TORC was or is operator, was or has been conducted, operated and maintained in accordance with good and prudent oil and gas industry practices in the jurisdiction where such property was located and all Applicable Laws during all periods in which TORC was operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business; and for which TORC was or is not operator, to the knowledge of TORC, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in the jurisdiction where such property was and is located and all Applicable Laws during all periods in which TORC was not operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business, except

to the extent that such non-compliance with prudent oil and gas industry practise or Applicable Laws would not in the aggregate have a Material Adverse Effect on TORC;

- (u) TORC has complied with all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to TORC in each jurisdiction in which it carries on business and holds all licenses, registrations and qualifications material to its business and assets in all jurisdictions in which it carries on business (and in each case where the failure to so conduct business or be in such compliance would not have a Material Adverse Effect on TORC), which are necessary or desirable to carry on the business of TORC as now conducted, and none of such licenses, registrations or qualifications contains any term, provision, condition or limitation not incurred or created in the ordinary course of business and which will have a Material Adverse Effect on TORC;
- (v) to the knowledge of TORC, no officer, director, employee or consultant of TORC, any associate or affiliate of any such person or any party not at arm's length to TORC owns, has or is entitled to any royalty, net profits interest, carried interest or other Encumbrances of any nature whatsoever which are based on production from TORC's properties or assets or any revenue or rights attributed thereto;
- (w) to the knowledge of TORC, except to the extent that any violation or other matter referred to in this section does not have a Material Adverse Effect on TORC:
 - (i) TORC is not in violation of any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "**Environmental Laws**");
 - (ii) TORC has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
 - (iii) there has not occurred any material spills, emissions, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes which have not been rectified or which are not in the process of being rectified on any of the real property owned or leased by TORC or under its control;
 - (iv) no orders, directions or notices from any regulatory authority have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of TORC and, to the knowledge of TORC, no such orders, directions or notices are contemplated;
 - (v) TORC has not failed to report to the proper Governmental Authority, the occurrence of any event which is required to be so reported by any Environmental Law; and
 - (vi) TORC holds all licenses, permits and approvals required under Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licenses, permits and approvals are in full force and effect and, except for notifications and conditions of general application to assets of the type owned by it, it has not received any notification pursuant to any Environmental Laws that any work, repairs, construction or capital expenditures

are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;

- (x) other than the TORC Stock Option Plan and the TORC Stock Incentive Plan, TORC does not have any severance and change of control arrangements between TORC and the directors, officers and employees of TORC;
- (y) TORC has provided Vero with copies of all insurance policies currently maintained and the coverage under each of such policies is in full force and effect, is not in receipt of any notice of default under such insurance policies, and has no knowledge of any facts, conditions, or circumstances which would likely result in a default under any of such insurance policies;
- (z) there shall be no payments made to directors, officers, contractors and employees of TORC prior to the Effective Date or as a result of the transactions contemplated hereby under all contract settlements, bonus plans, change of control agreements and severance obligations;
- (aa) other than the engagement of the investment dealers in respect of the TORC Private Placement, and the engagement of the TORC Financial Advisors as its financial advisors in respect of the Arrangement (including the fairness opinion of Macquarie), TORC has not entered into any arrangement whereby TORC will have any liability for financial advisor's, broker's, or finder's fees in respect of the Arrangement;
- (bb) the board of directors of TORC has unanimously approved the Arrangement and this Agreement, has unanimously determined that the Arrangement and this Agreement are in the best interests of TORC and has resolved to unanimously recommend approval of the TORC Resolution by TORC Shareholders;
- (cc) TORC is not a "reporting issuer" or the equivalent under Applicable Laws;
- (dd) the issued and outstanding TORC Shares are not listed or quoted on any stock exchange;
- (ee) TORC is not a party to and will not implement a shareholder rights plan or other form of plan, agreement, contract or instrument that will trigger any rights to acquire TORC Shares or other securities of TORC or rights, entitlements or privileges in favour of any person upon the entering into of this Agreement or the Arrangement;
- (ff) TORC is not subject to any "standstill" or other provisions of any confidentiality agreements entered into by TORC which restrict TORC's ability to enter into this Agreement or which have not automatically expired by their terms;
- (gg) other than as disclosed in the TORC Disclosure Letter, none of the TORC Shares are the subject of any escrow, voting trust or other similar agreement;
- (hh) although it does not warrant title:
 - (i) TORC has no reason to believe that it does not have the right, subject to Applicable Laws and to applicable title documents, to produce and sell its

petroleum, natural gas and related hydrocarbons (for the purposes of this clause, the foregoing are referred to as the “**Interests**”) and represents and warrants that, except as disclosed in the TORC Disclosure Letter, the Interests are free and clear of adverse claims created by, through or under TORC, except those arising in the ordinary course of business and, to the best of its knowledge after due inquiry, TORC holds the Interests under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements; and

- (ii) TORC is not aware of any material defects, failures or impairments in the title of TORC to its oil and gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a Material Adverse Effect on: (a) the quantity and pre-tax present worth values of the oil and gas reserves of TORC; (b) the current production of TORC; or (c) the current cash flow of TORC;
- (ii) TORC has not withheld from Vero any material information or documents concerning TORC or its assets or liabilities during the course of Vero's review of TORC and its assets. No representation or warranty contained herein and no statement contained in any schedule or other disclosure document provided or to be provided to Vero by TORC pursuant hereto (including without limitation, any matter disclosed in writing by TORC to Vero on or prior to the date hereof) contains or will contain any untrue statement of a material fact or omits to state a material fact which is necessary in order to make the statements herein or therein not misleading.
- (jj) the corporate records and minute books, books of account and other records of TORC (whether of a financial or accounting nature or otherwise) have been maintained in accordance with, in all material respects, all Applicable Laws and prudent business practice and are complete and accurate in all material respects;
- (kk) TORC has duly and timely filed, in all material respects, in proper form, all Returns required to be filed by TORC for all prior periods in respect of which such filings have heretofore been required, and all taxes shown thereon and all taxes now owing have been paid or accrued on its books and there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, provincial or other tax return for any period, and all payments to any non-resident of Canada have been made in accordance with all applicable legislation in respect of withholding tax, it is not aware of any contingent tax liabilities or any grounds for reassessment, there are no material assessments or reassessments pursuant to which there are amounts owing or discussions in respect thereof with any taxing authority and it has withheld from each payment made to any of its directors, officers and employees and former directors, officers and employees the amount of all taxes (including, without limitation, income tax) and other deductions required to be withheld therefrom and has paid the same to the proper tax or other authority within the time required under any applicable tax legislation and has remitted to the proper tax authority when required by law to do so, all amounts collected by it on account of goods and services tax and it is a “taxable Canadian corporation” for the purposes of the *Income Tax Act* (Canada);
- (ll) TORC has paid or provided adequate accruals in the TORC Financial Statements for Taxes, including income taxes and related future taxes, in conformity with IFRS;

- (mm) no material deficiencies exist or have been asserted with respect to Taxes; TORC is not a party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened against TORC or any of its assets; no waiver or extension of any statute of limitations is in effect with respect to Taxes or Returns; the Returns have never been audited by a government or taxing authority, nor is any such audit, assessment, reassessment, claim, action, suit, investigation or proceeding in process or, to the knowledge of TORC, pending or threatened, which resulted in or could result in a claim for Taxes owing by TORC except where such audit, assessment, reassessment, claim, action, suit, investigation or proceeding would not individually or in the aggregate have a Material Adverse Effect on TORC; TORC has withheld any Taxes required to be withheld by Applicable Laws and the Income Tax Act (Canada) and has paid or remitted on a timely basis, the full amount of any Taxes which have been withheld to the applicable Governmental Authority;
- (nn) TORC is a “principal business corporation” within the meaning of subsection 66(15) of the *Income Tax Act* (Canada);
- (oo) as of December 31, 2011, TORC had the tax pools set out in the TORC Disclosure Letter;
- (pp) except for indemnity agreements with its directors and officers as contemplated by the by-laws of TORC and Applicable Laws, and other than TORC indemnity agreements in underwriting and agency agreements (including in respect of the TORC Private Placement), in the engagement of the TORC Financial Advisor as financial advisors, in TORC’s credit facilities and in the ordinary course provided to service providers, TORC is not a party to or bound by any agreement, guarantee, indemnification, or endorsement or like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any person;
- (qq) TORC has not received notice of any default under any of the leases and other title and operating documents or any other agreement or instrument pertaining to its oil and gas assets or to which it is a party or bound, except to the extent that such defaults would not in the aggregate have a Material Adverse Effect on TORC;
- (rr) to the knowledge of TORC:
 - (i) TORC is in good standing under all, and is not in default under any; and
 - (ii) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice, would constitute a default under any,

leases and other title and operating documents or any other agreements and instruments pertaining to its oil and gas assets to which it is a party or by or to which it or such assets are bound or subject and, to the knowledge of TORC, all such leases, title and operating documents and other agreements and instruments are in good standing and in full force and effect and none of the counterparties to such leases, title and operating documents and other agreements and instruments is in default thereunder except to the extent that such defaults would not in the aggregate have a Material Adverse Effect on TORC;
- (ss) other than as have been reflected in the TORC Reserves Report, none of the oil and gas assets of TORC are subject to reduction by reference to payout of or production penalty

on any well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under TORC, except to the extent that all such reductions or changes to an interest would not in the aggregate have a Material Adverse Effect on TORC;

- (tt) none of the wells in which TORC holds an interest has been produced in excess of applicable production allowables imposed by any Applicable Law or any Governmental Authority and TORC does not have any knowledge of any impending change in production allowables imposed by any Applicable Law or any Governmental Authority that may be applicable to any of the wells in which it holds an interest, other than changes of general application in the jurisdiction in which such wells are situate except to the extent that such non-compliance or changes would not in the aggregate have a Material Adverse Effect on TORC;
- (uu) TORC has not received notice of any production penalty or similar production restriction of any nature imposed or to be imposed by any Governmental Authority, including gas-oil ratio, off-target and overproduction penalties, and, to its knowledge, none of the wells in which TORC holds an interest is subject to any such penalty or restriction except to the extent that any such penalty or restriction would not have a Material Adverse Effect on TORC;
- (vv) to the knowledge of TORC, all wells located on any lands in which TORC has an interest, or lands with which such lands have been pooled or unitized, which have been abandoned have been abandoned, in all material respects, in accordance with all applicable statutes and regulations in place at the time regarding the abandonment of wells;
- (ww) TORC has not, at the date of this Agreement, (i) received any advance payments for petroleum or services not already delivered or provided prior to receipt of payment, or (ii) any accrued "take-or-pay" or "send-or-pay" liabilities under any agreement;
- (xx) all fees in respect of seismic and well data (including those payable on a prior change of control or transfer) in respect of which TORC (or the relevant operator) has a licence, have been duly paid;
- (yy) as of June 30, 2012, TORC's Net Debt was nil, provided that for these purposes "**TORC's Net Debt**" means current liabilities plus long-term debt, less current assets and excluding financial derivatives;
- (zz) as at the date hereof, TORC's net undeveloped land position is approximately 400,000 net acres;
- (aaa) TORC's average daily production during the month of August 2012 was not less than 900 boe per day. For the purposes of the foregoing, a boe conversion ratio of six thousand cubic feet of natural gas for one boe shall be used when converting natural gas to boes;
- (bbb) as at the date hereof, there are no material contracts or agreements to which TORC is a party or by which it is bound, other than as disclosed in the TORC Disclosure Letter and in respect of TORC's head office lease. For the purposes of this subsection, any contract or agreement pursuant to which TORC will, or may reasonably be expected to, result in a requirement of TORC to expend more than an aggregate of \$1,000,000 or receive or be

entitled to receive revenue of more than \$1,000,000 in either case in the next 12 months, or is out of the ordinary course of business of TORC, shall be considered to be material;

- (ccc) TORC is not party to any agreement providing TORC with the right to purchase or obligation to sell or otherwise acquire or dispose of securities, assets, properties or undertakings of any third party;
- (ddd) other than as disclosed in the TORC Disclosure Letter, TORC is not a party to or bound or affected by any commitment, agreement or document containing any covenant expressly limiting its freedom to compete in any line of business, compete in any geographic region, transfer or move any of its assets or operations, where such covenant would have a Material Adverse Effect on TORC;
- (eee) to the knowledge of TORC, TORC's business has been and is being operated in compliance in all material respects with all Applicable Laws relating to employment, including employment standards, occupational health and safety, human rights, labour relations, workers compensation, pay equity and employment equity and TORC has not received notice of any outstanding assessments, penalties, fines, liens, charges, surcharges, or other amounts due or owing pursuant to any workers' compensation legislation and TORC has not been reassessed in any material respect under such legislation;
- (fff) other than as disclosed in writing to Vero, TORC does not have in effect any bonus plan (other than a discretionary plan), commission plan, profit sharing plan, pension plan, royalty plan or arrangement, defined benefit plan or employee benefit plan for the benefit of any of its employees, officers, directors or shareholders and has made no agreements or promises with respect to any such plans;
- (ggg) all filings made by TORC under which it has received or is entitled to government incentives have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid or previously accrued on its accounts to be recovered or disallowed;
- (hhh) other than pursuant to the TORC Private Placement, TORC does not have any requirements to incur or renounce to investors any Canadian exploration expense or Canadian development expense, each as defined under the Income Tax Act (Canada), pursuant to any flow-through share agreement to which TORC is a party;
- (iii) since its incorporation, TORC has not, directly or indirectly, paid, declared or authorized any dividends or other distributions in respect of its outstanding shares and has not, directly or indirectly, redeemed, purchased, cancelled or otherwise acquired any of its outstanding shares or agreed to do any of the foregoing;
- (jjj) TORC does not have any loans or other indebtedness currently outstanding which have been made to or from any of its shareholders, officers or directors or employees or any other person not dealing at arm's length with TORC;
- (kkk) the Arrangement is not a "change of control" accelerating vesting or release from escrow, as applicable, of the TORC Options, the TORC Warrants and the TORC Incentive Shares

(subject to, in the case of the TORC Incentive Shares, the adoption of a resolution of the TORC board of directors as summarized in the TORC Disclosure Letter);

- (lll) Olympia, at its principal offices in Calgary, Alberta is the duly appointed registrar and transfer agent for the TORC Shares;
- (mmm) to the knowledge of TORC, TORC is a Canadian controlled private corporation as such term is defined for the purposes of the *Income Tax Act* (Canada);
- (nnn) TORC is not a “non-Canadian” for the purposes of the Competition Act;
- (ooo) TORC is a “foreign private issuer” within the meaning of Rule 405 of the U.S. Securities Act;
- (ppp) TORC (and all entities “controlled by” TORC for purposes of the *Hart-Scott-Rodino Antitrust Improvements Act of 1976*, as amended) does not hold assets located in the United States with a fair market value of greater than US\$68.2 million and has not made aggregate sales in or into the United States of over US\$68.2 million in its most recent fiscal year;
- (qqq) TORC is not incorporated in the United States, is not organized under the laws of the United States and does not have its principal offices within the United States;
- (rrr) TORC is not registered or required to be registered as an “investment company” under the *United States Investment Company Act of 1940*, as amended; and
- (sss) no class of securities of TORC is registered or required to be registered under Section 12 of the U.S. Exchange Act, nor does TORC have a reporting obligation under Section 15(d) of the U.S. Exchange Act.

No investigation by Vero or its advisors shall mitigate, diminish or otherwise affect the representations and warranties of TORC in this Agreement.

3.2 Representations and Warranties of Vero

Vero represents and warrants to TORC, and acknowledges that TORC is relying upon such representations and warranties in connection with the matters contemplated by this Agreement, that:

- (a) Vero is a corporation duly incorporated and validly subsisting under the laws of the jurisdiction of its incorporation and has the requisite corporate power and authority to carry on its business and to own, lease and operate its properties and assets;
- (b) Vero is duly registered to carry on business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities makes such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect on Vero;
- (c) other than AcquisitionCo, Vero does not have any subsidiaries and does not hold any shares or other interests in any other corporations, partnerships or trusts; Vero is the beneficial direct owner of all of the outstanding shares of AcquisitionCo with good title

thereto free and clear of any and all encumbrances. There are no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by AcquisitionCo of any securities of AcquisitionCo or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities or interests of AcquisitionCo. All outstanding securities of AcquisitionCo have been duly authorized and validly issued, are fully paid and non-assessable;

- (d) Vero has the requisite corporate authority to enter into this Agreement and to carry out its obligations hereunder and the execution and delivery of this Agreement and the consummation by Vero of the transactions contemplated hereby have been duly authorized by Vero's board of directors and, subject to obtaining the approval of the Vero Shareholders to the Vero Resolutions as contemplated herein and Competition Act Approval, no other corporate proceedings on the part of Vero are or will be necessary to authorize this Agreement and the transactions contemplated hereby;
- (e) this Agreement has been duly executed and delivered by Vero and constitutes a legal, valid and binding obligation of Vero enforceable against Vero in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity;
- (f) the execution and delivery of this Agreement by Vero, the consummation by Vero of the transactions contemplated hereby and the compliance by Vero with any of the provisions hereof will not: (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Vero under any of the terms, conditions or provisions of (A) the articles or by-laws of Vero, or (B) any material note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Vero is a party or to which it, or any of its properties or assets, may be subject or by which Vero is bound (subject to obtaining the consent of Vero's bankers and the consent of Vero's landlord under its office lease; (ii) violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Vero (except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults, terminations, accelerations, creations, or any consents, approvals or notices which, if not given or received, would not have any Material Adverse Effect on the business, operations or financial condition of Vero (taken as a whole) or on the ability of Vero to consummate the transactions contemplated hereby); or (iii) cause a suspension or revocation of any authorization for the consent, approval or license currently in effect which would have a Material Adverse Effect in respect of Vero;
- (g) other than in connection with or in compliance with the provisions of Applicable Laws: (i) there is no legal impediment to Vero's consummation of the transactions contemplated by this Agreement and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Vero in connection with the making or the consummation of the Arrangement other than as contemplated by this Agreement and except for such filings or registrations which, if not made, and for such authorizations, consents or approvals, which, if not received, would

not have any Material Adverse Effect on the ability of Vero to consummate the transactions contemplated hereby;

- (h) the authorized capital of Vero consists of an unlimited number of Vero Shares and an unlimited number of Vero first preferred shares, issuable in series, of which, as at the date hereof, 48,992,479 Vero Shares and no Vero first preferred shares are issued and outstanding, all of which Vero Shares have been issued as fully paid and non-assessable;
- (i) no person holds any securities convertible or exchangeable into securities of Vero nor has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement for the purchase, subscription or issuance of any unissued securities of Vero other than in respect of 4,342,534 Vero Options;
- (j) since December 31, 2011, except as disclosed in the Vero Public Record or in the Vero Disclosure Letter as of the date hereof:
 - (i) Vero has conducted its business in the ordinary course of business consistent with past practice;
 - (ii) there has not been any Material Adverse Effect in respect of Vero and there have been no material facts, transactions, events or occurrences which, to the knowledge of Vero, could have a Material Adverse Effect on Vero;
 - (iii) Vero has not discharged or satisfied any liens or paid any obligation or liability other than liabilities shown on the Vero Financial Statements, other than in the ordinary course of business;
 - (iv) Vero has not declared or made any payment, distribution or dividend based on its shares or purchased, redeemed or otherwise acquired any of the shares in its capital or other securities or obligated itself to do so;
 - (v) Vero has not mortgaged, pledged or subjected to lien or other security interest any of its assets, tangible or intangible other than the usual security granted to secure a bank line of credit or other than in the ordinary course of business;
 - (vi) Vero has not entered into any transaction, contract or commitment other than in the ordinary course of business except for the transactions set forth in this Agreement; and
 - (vii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to Vero has been incurred other than in the ordinary course of business;
- (k) Vero has made available to TORC or its representatives for inspection and reproduction all documents, information and records in the possession or control of Vero requested by TORC, including copies of all material contracts and commitments (well or otherwise) and leases, and has not withheld any material documents, information or records that would be relevant to TORC with respect to the matters contemplated by this Agreement;
- (l) to the knowledge of Vero, the data and information provided to Vero's independent engineers in respect of Vero's assets and reserves, and the data and information in respect

of Vero's and its subsidiaries' liabilities, business and operations provided by Vero or its advisors to TORC or its advisors was and is accurate and correct in all material respects (taken as a whole) as at the respective dates thereof and, in respect of any information provided or requested, Vero did not knowingly omit any material data or information necessary to make the data or information provided not misleading in any material respect (taken as a whole) as at the respective dates thereof;

- (m) Vero has no reason to believe that the Vero Reserves Report was not accurate in all material respects as at the effective date of such report, and, except for any impact of changes in commodity prices, which may or may not be material, Vero has no knowledge of a Material Adverse Effect in the production, costs, price, reserves, estimates of future net production revenues or other relevant information from that disclosed in the Vero Reserves Report. Vero has provided to Sproule all material information concerning land descriptions, well data, facilities and infrastructure, ownership and operations, future development plans and historical technical and operating data respecting the principal oil and gas assets of Vero, in each case as at the effective date of such report, and, in particular, all material information respecting the interests of Vero in its principal oil and gas assets and royalty burdens and net profits interest burdens thereon and such information was accurate and correct in all material respects as at the respective dates thereof and did not omit any information necessary to make any such information provided not misleading as at the respective dates thereof and there has been no Material Adverse Effect in any of the material information so provided since the date thereof;
- (n) Vero believes that the Vero Reserves Report complies with the requirements of National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities and believes that the Vero Reserves Report reasonably presented the quantity and pre-tax present worth values of estimated oil and gas reserves attributable to the properties evaluated therein as at the date stated therein based upon information available at the time the Vero Reserves Report was prepared and the assumptions as to commodity prices and costs contained therein;
- (o) there are no outstanding, or to the knowledge of Vero, threatened Proceedings against Vero which, if determined adversely to Vero, would have a Material Adverse Effect on Vero, or on the ability of Vero to consummate the transactions contemplated hereby and, to the knowledge of Vero, no event has occurred which might reasonably be expected to give rise to any such Proceeding. There is no judgment writ, decree, injunction, rule, award or order of any Governmental Authority outstanding against Vero in respect of its business, properties or assets that has had or would reasonably be expected to have a Material Adverse Effect on Vero or significantly impede the completion of the transactions contemplated by this Agreement;
- (p) the Vero Financial Statements were prepared in accordance with IFRS (except (i) as otherwise indicated in such financial statements and the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes, are subject to normal year-end adjustments or may be condensed or summary statements), and fairly present, in accordance with IFRS, the financial position, results of the operations and changes in financial position of Vero as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments) and reflect appropriate and adequate reserves in respect of contingent liabilities, if any, of Vero and there has been no change in Vero's accounting

policies, except as described in the notes to the Vero Financial Statements, since December 31, 2011;

- (q) there exists no default or event of default or event, occurrence, condition or act which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a default or event of default under any agreements and instruments having application to Vero's assets and to which it is a party or is bound except for such default or event of default which is not expected to have a Material Adverse Effect on Vero;
- (r) no event of default or breach of any covenant has occurred and is continuing under Vero's existing banking and lending agreements;
- (s) Other than as disclosed in the Vero Disclosure Letter, Vero does not have any material liabilities of any nature (matured or unmatured, fixed or contingent), other than:
 - (i) those set forth or adequately provided for in the most recent balance sheet and associated notes thereto included in the Vero Financial Statements (the "**Vero Balance Sheet**");
 - (ii) those incurred in the ordinary course of business and not required to be set forth in the Vero Balance Sheet under IFRS;
 - (iii) those incurred in the ordinary course of business since the date of the Vero Balance Sheet and consistent with past practice; and
 - (iv) those incurred in connection with the execution of this Agreement (including the engagement of the Vero Financial Advisors);
- (t) Vero has conducted and Vero is conducting its business in accordance with good oilfield practices and in compliance in all material respects with all Applicable Laws and the tangible depreciable property used or intended for use in connection with the oil and gas assets of Vero for which Vero or any of its subsidiaries was or is operator, was or has been conducted, operated and maintained in accordance with good and prudent oil and gas industry practices in the jurisdiction where such property was located and all Applicable Laws during all periods in which Vero or any of its subsidiaries was operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business; and for which neither Vero nor any of its subsidiaries was or is not operator, to the knowledge of Vero, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in the jurisdiction where such property was and is located and all Applicable Laws during all periods in which neither Vero nor any of its subsidiaries was operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business, except to the extent that such non-compliance with prudent oil and gas industry practise or Applicable Laws would not in the aggregate have a Material Adverse Effect on Vero;
- (u) Vero has complied with all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to Vero in each jurisdiction in which it carries on business and holds all licenses, registrations and qualifications material to its business and assets in all

jurisdictions in which it carries on business (and in each case where the failure to so conduct business or be in such compliance would not have a Material Adverse Effect on Vero), which are necessary or desirable to carry on the business of Vero as now conducted, and none of such licenses, registrations or qualifications contains any term, provision, condition or limitation not incurred or created in the ordinary course of business and which will have a Material Adverse Effect on Vero;

- (v) to the knowledge of Vero, no officer, director, employee or consultant of Vero, any associate or affiliate of any such person or any party not at arm's length to Vero owns, has or is entitled to any royalty, net profits interest, carried interest or other Encumbrances of any nature whatsoever which are based on production from Vero's properties or assets or any revenue or rights attributed thereto;
- (w) to the knowledge of Vero, other than as disclosed in the Vero Disclosure Letter, except to the extent that any violation or other matter referred to in this section does not have a Material Adverse Effect on Vero:
 - (i) Vero is not in violation of any applicable Environmental Laws;
 - (ii) Vero has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
 - (iii) there has not occurred any material spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes which have not been rectified or are in the process of being rectified on any of the real property owned or leased by Vero or its subsidiaries or under its control;
 - (iv) no orders, directions or notices from any regulatory authority have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Vero and, to the knowledge of Vero, no such orders, directions or notices are contemplated;
 - (v) Vero has not failed to report to the proper Governmental Authority the occurrence of any event which is required to be so reported by any Environmental Law; and
 - (vi) Vero holds all licenses, permits and approvals required under Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licenses, permits and approvals are in full force and effect and, except for notifications and conditions of general application to assets of the type owned by it, it has not received any notification pursuant to any Environmental Laws that any work, repairs, construction or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;
- (x) Vero has disclosed to TORC or its representatives the details, and has provided copies, of all severance and change of control arrangements between Vero and the directors, officers and employees of Vero;

- (y) Vero has provided TORC or its representatives with copies of all insurance policies currently maintained and the coverage under each of such policies is in full force and effect, is not in receipt of any notice of default under such insurance policies, and has no knowledge of any facts, conditions, or circumstances which would likely result in a default under any of such insurance policies;
- (z) other than as disclosed in the Vero Disclosure Letter, there shall be no payments made to directors, officers and employees of Vero prior to the Effective Date, other than payment of salary, wages, accrued bonuses and directors fees, as applicable, in the ordinary course, or as a result of the transactions contemplated hereby under all contract settlements, bonus plans, change of control agreements and severance obligations;
- (aa) other than the engagement of the Vero Financial Advisors, and in connection with a fairness opinion to be delivered in connection with the Arrangement, Vero has not entered into any arrangement whereby Vero will have any liability for financial advisor's, broker's, or finder's fees in respect of the Arrangement;
- (bb) the board of directors of Vero has unanimously approved the Arrangement and this Agreement, has unanimously determined that the Arrangement and this Agreement are in the best interests of Vero and has resolved to unanimously recommend approval of the Vero Resolutions by Vero Shareholders;
- (cc) Vero is a "reporting issuer" in the provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland within the meaning of Applicable Laws in such provinces and is not in default of any material requirement of Applicable Laws in any material respect;
- (dd) the issued and outstanding Vero Shares are listed and posted for trading on the TSX and Vero is in compliance with the rules and regulations of the TSX in all material respects;
- (ee) Vero is not a party to and will not implement a shareholder rights plan or other form of plan, agreement, contract or instrument that will trigger any rights to acquire Vero Shares or other securities of Vero or rights, entitlements or privileges in favour of any person upon the entering into of this Agreement or the Arrangement, other than agreements relating to the Vero Options and Vero DCUs;
- (ff) none of the Vero Shares are the subject of any escrow, voting trust or other similar agreement;
- (gg) no director, officer, insider or other non-arm's length party of Vero is indebted to Vero;
- (hh) other than confidentiality agreements entered into in the ordinary course of business, Vero is not subject to any "standstill" or other provisions of any confidentiality agreements entered into by Vero which restrict Vero's ability to enter into this Agreement or which have not automatically expired by their terms;
- (ii) although it does not warrant title:
 - (i) Vero has no reason to believe that it does not have the right, subject to Applicable Laws and to applicable title documents, to produce and sell its petroleum, natural gas and related hydrocarbons (for the purposes of this clause,

the foregoing are referred to as the “Interests”) and represents and warrants that, except as disclosed in the Vero Public Record, the Interests are free and clear of adverse claims created by, through or under Vero, except those arising in the ordinary course of business and, to the best of its knowledge after due inquiry, Vero holds the Interests under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements; and

- (ii) Vero is not aware of any material defects, failures or impairments in the title of Vero to its oil and gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a Material Adverse Effect on: (a) the quantity and pre-tax present worth values of the oil and gas reserves of Vero; (b) the current production of Vero; or (c) the current cash flow of Vero;
- (jj) the information and statements set forth in the Vero Public Record are true, correct and complete in all material respects and do not contain any misrepresentation (as defined in the Securities Act (Alberta)), as of the respective dates of such information or statements and no material change has occurred in relation to Vero which is not disclosed in the Vero Public Record, and Vero has not filed any confidential material change reports which are still maintained on a confidential basis;
- (kk) the corporate records and minute books, books of account and other records of Vero have (whether of a financial or accounting nature or otherwise) been maintained in accordance with, in all material respects, all Applicable Laws and prudent business practice and are complete and accurate in all material respects;
- (ll) Vero has duly and timely filed, in all material respects, in proper form, all Returns required to be filed by Vero or its subsidiaries for all prior periods in respect of which such filings have heretofore been required, and all taxes shown thereon and all taxes now owing have been paid or accrued on its books and there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, provincial or other tax return for any period, and all payments to any non-resident of Canada have been made in accordance with all applicable legislation in respect of withholding tax, it is not aware of any contingent tax liabilities or any grounds for reassessment, there are no material assessments or reassessments pursuant to which there are amounts owing or discussions in respect thereof with any taxing authority and it has withheld from each payment made to any of its directors, officers and employees and former directors, officers and employees the amount of all taxes (including, without limitation, income tax) and other deductions required to be withheld therefrom and has paid the same to the proper tax or other authority within the time required under any applicable tax legislation and has remitted to the proper tax authority when required by law to do so, all amounts collected by it on account of goods and services tax and it is a “taxable Canadian corporation” for the purpose of the *Income Tax Act* (Canada);
- (mm) Vero has paid or provided adequate accruals in the Vero Financial Statements for Taxes, including income taxes and related future taxes, in conformity with IFRS;
- (nn) other than as disclosed in the Vero Disclosure Letter, no material deficiencies exist or have been asserted with respect to Taxes; Vero is not a party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened

against Vero or any of its assets; no waiver or extension of any statute of limitations is in effect with respect to Taxes or Returns; the Returns have never been audited by a government or taxing authority, nor is any such audit, assessment, reassessment, claim, action, suit, investigation or proceeding in process or, to the knowledge of Vero, pending or threatened, which resulted in or could result in a claim for Taxes owing by Vero except where such audit, assessment, reassessment, claim, action, suit, investigation or proceeding would not individually or in the aggregate have a Material Adverse Effect on Vero; Vero has withheld any Taxes required to be withheld by Applicable Laws and the Income Tax Act (Canada) and has paid or remitted on a timely basis, the full amount of any Taxes which have been withheld to the applicable Governmental Authority;

- (oo) Vero is a “principal business corporation” within the meaning of subsection 66(15) of the *Income Tax Act* (Canada);
- (pp) as of December 31, 2011, Vero had the tax pools set out in the Vero Disclosure Letter;
- (qq) except for indemnity agreements with its directors and officers as contemplated by the by-laws of Vero and Applicable Laws, and other than Vero indemnity agreements in underwriting and agency agreements, in the engagement of the Vero Financial Advisors as financial advisors, in Vero’s credit facilities and in the ordinary course provided to service providers, Vero is not a party to or bound by any agreement, guarantee, indemnification, or endorsement or like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any person;
- (rr) Vero has not received notice of any default under any of the leases and other title and operating documents or any other agreement or instrument pertaining to its oil and gas assets or to which it is a party or bound, except to the extent that such defaults would not in the aggregate have a Material Adverse Effect on Vero;
- (ss) to the knowledge of Vero:
 - (i) Vero is in good standing under all, and is not in default under any; and
 - (ii) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice, would constitute a default under any,

leases and other title and operating documents or any other agreements and instruments pertaining to its oil and gas assets to which it is a party or by or to which it or such assets are bound or subject and, to the knowledge of Vero, all such leases, title and operating documents and other agreements and instruments are in good standing and in full force and effect and none of the counterparties to such leases, title and operating documents and other agreements and instruments is in default thereunder except to the extent that such defaults would not in the aggregate have a Material Adverse Effect on Vero;

- (tt) other than as have been reflected in the Vero Reserves Report, none of the oil and gas assets of Vero are subject to reduction by reference to payout of or production penalty on any well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under Vero, except to the extent that all such reductions or changes to an interest would not in the aggregate have a Material Adverse Effect on Vero;

- (uu) none of the wells in which Vero holds an interest has been produced in excess of applicable production allowables imposed by any Applicable Law or any Governmental Authority and Vero does not have any knowledge of any impending change in production allowables imposed by any Applicable Law or any Governmental Authority that may be applicable to any of the wells in which it holds an interest, other than changes of general application in the jurisdiction in which such wells are situate except to the extent that such non-compliance or changes would not in the aggregate have a Material Adverse Effect on Vero;
- (vv) Vero has not received notice of any production penalty or similar production restriction of any nature imposed or to be imposed by any Governmental Authority, including gas-oil ratio, off-target and overproduction penalties, and, to Vero's knowledge, none of the wells in which Vero holds an interest is subject to any such penalty or restriction except to the extent that any such penalty or restriction would not have a Material Adverse Effect on Vero;
- (ww) to the knowledge of Vero, all wells located on any lands in which Vero has an interest, or lands with which such lands have been pooled or unitized, which have been abandoned have been abandoned, in all material respects, in accordance with all applicable statutes and regulations regarding the abandonment of wells;
- (xx) Vero has not, at the date of this Agreement, (i) received any advance payments for petroleum or services not already delivered or provided prior to receipt of payment, or (ii) any accrued "take-or-pay" or "send-or-pay" liabilities under any agreement;
- (yy) all fees in respect of seismic and well data (including those payable on a change of control or transfer) in respect of which Vero (or the relevant operator) has a licence, have been duly paid;
- (zz) as of July 31, 2012, Vero's Net Debt did not exceed \$30 million, provided that for these purposes "**Vero's Net Debt**" means current liabilities plus long-term debt, less current assets;
- (aaa) Vero's average daily production during the month of August 2012 was not less than 2,200 boe per day. For the purposes of the foregoing, a boe conversion ratio of six thousand cubic feet of natural gas for one boe shall be used when converting natural gas to boes;
- (bbb) as at the date hereof, Vero's net undeveloped land position is approximately 63,097 net acres;
- (ccc) as at the date hereof, there are no material contracts or agreements to which Vero is a party or by which it is bound, other than contracts and agreements entered into in the ordinary course of business. For the purposes of this subsection, any contract or agreement pursuant to which Vero will, or may reasonably be expected to, result in a requirement of Vero to expend more than an aggregate of \$1,000,000 or receive or be entitled to receive revenue of more than \$1,000,000 in either case in the next 12 months, or is out of the ordinary course of business of Vero, shall be considered to be material;

- (ddd) other than as disclosed in the Vero Disclosure Letter, Vero is not party to any agreement providing Vero with the right to purchase or obligation to sell or otherwise acquire or dispose of securities, assets, properties or undertakings of any third party;
- (eee) Vero is not a party to or bound or affected by any commitment, agreement or document containing any covenant expressly limiting its freedom to compete in any line of business, compete in any geographic region, transfer or move any of its assets or operations, where such covenant would have a Material Adverse Effect on Vero;
- (fff) to the knowledge of Vero, Vero's business has been and is being operated in compliance in all material respects with all Applicable Laws relating to employment, including employment standards, occupational health and safety, human rights, labour relations, workers compensation, pay equity and employment equity and Vero has not received notice of any outstanding assessments, penalties, fines, liens, charges, surcharges, or other amounts due or owing pursuant to any workers' compensation legislation and Vero has not been reassessed in any material respect under such legislation;
- (ggg) other than as disclosed in the Vero Disclosure Letter, Vero does not have in effect any bonus plan, commission plan, profit sharing plan, pension plan, royalty plan or arrangement, defined benefit plan or employee benefit plan for the benefit of any of its employees, officers, directors or shareholders and has made no agreements or promises with respect to any such plans;
- (hhh) all filings made by Vero under which it has received or is entitled to government incentives have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid or previously accrued on its accounts to be recovered or disallowed;
- (iii) Vero does not have any requirements to incur or renounce to investors any Canadian exploration expense or Canadian development expense, each as defined under the Income Tax Act (Canada), pursuant to any flow-through share agreement to which Vero is a party;
- (jjj) since its incorporation, neither Vero nor any of its subsidiaries has, directly or indirectly, paid, declared or authorized any dividends or other distributions in respect of its outstanding shares and has not, directly or indirectly, other than in connection with a previous normal course issuer bid, redeemed, purchased, cancelled or otherwise acquired any of its outstanding shares or agreed to do any of the foregoing;
- (kkk) Vero does not have any loans or other indebtedness currently outstanding which have been made to or from any of its shareholders, officers or directors or employees or any other person not dealing at arm's length with Vero;
- (lll) Computershare Trust Company of Canada, at its principal offices in Calgary, Alberta and Toronto, Ontario, is the duly appointed registrar and transfer agent for the Vero Shares;
- (mmm) Vero is not a "non-Canadian" for the purposes of the Competition Act;
- (nnn) Vero is a "foreign private issuer" within the meaning of Rule 405 of the U.S. Securities Act;

- (ooo) Vero (and all entities “controlled by” Vero for purposes of the *Hart-Scott-Rodino Antitrust Improvements Act* of 1976, as amended) does not hold assets located in the United States with a fair market value of greater than US\$68.2 million and has not made aggregate sales in or into the United States of over US\$68.2 million in its most recent fiscal year;
- (ppp) Vero is not incorporated in the United States, is not organized under the laws of the United States and does not have its principal offices within the United States;
- (qqq) Vero is not registered or required to be registered as an “investment company” under the *United States Investment Company Act of 1940*, as amended; and
- (rrr) no class of securities of Vero is registered or required to be registered under Section 12 of the U.S. Exchange Act, nor does Vero have a reporting obligation under Section 15(d) of the U.S. Exchange Act.

No investigation by TORC or its advisors shall mitigate, diminish or otherwise affect the representations and warranties of Vero in this Agreement.

ARTICLE 4 COVENANTS

4.1 Covenants of TORC

TORC covenants and agrees that, until the Effective Date or the termination of this Agreement, whichever is earlier, it shall:

- (a) conduct its affairs and business in the usual and ordinary course consistent with past practices and in compliance with Applicable Laws (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property) and it shall use all commercially reasonable efforts to maintain and preserve its business, assets and advantageous business relationships; provided that for greater clarity, subject to the specific restrictions set forth in Section 4.1(b) and 4.1(c), shall not restrict TORC from entering into or performing any contract, agreement, commitment or arrangement with respect to the acquisition or disposition of, or resolving to acquire or dispose of, any oil and/or natural gas assets, properties or related assets or of securities of any person engaged in the oil and/or natural gas and/or related business in any manner, or taking any action that is not in the usual and ordinary course or that is not consistent with past practices, provided that the doing of any such thing does not have a Material Adverse Effect on TORC, and subject to the foregoing, will not do any of the following:
 - (i) conduct any activity or operations that would otherwise be reasonably expected to be detrimental to the Arrangement; or
 - (ii) take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Arrangement, which might be reasonably expected to directly or indirectly interfere with or affect the consummation of the Arrangement;

- (b) continue to execute and adhere in all material respects to the TORC Capital Program and Budget and shall consult with Vero, on a regular basis, in respect of the ongoing business and affairs of TORC and keep Vero apprised of any and all material developments relating thereto;
- (c) not directly or indirectly: (i) amend its constituting documents other than as contemplated by this Agreement or the Plan of Arrangement; (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of its shares owned by any person; (iii) issue (other than on exercise of currently outstanding options, warrants or rights, and pursuant to the TORC Private Placement), grant, sell or pledge or agree to issue, grant, sell or pledge any shares, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, its shares, except that TORC may issue or agree to issue TORC Shares or securities convertible into TORC Shares (other than TORC Options, TORC Incentive Shares and TORC Warrants) without the prior consent of Vero, provided such issuance, and issuances in the aggregate, do not represent more than 10% of the current issued and outstanding TORC Shares (on a basic basis) at a price per share equal to or greater than the issue price per TORC Share pursuant to the TORC Private Placement; (iii) redeem, purchase or otherwise acquire any of its outstanding shares or other securities except as permitted herein; (iv) split, combine or reclassify any of its securities; (v) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of TORC; (viii) reduce the stated capital of any of its outstanding shares; (vi) pay, discharge or satisfy any material claims, liabilities or obligations other than in the ordinary course of business consistent with past practise; or (vii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing, except with the prior written consent of the other Party or as otherwise contemplated hereby;
- (d) assist Vero in securing all consents of third parties that are required to permit the inclusion of any reference to their names in, or in relation to, any TORC Information included in the Information Circular, including by reason of their name being included in a document incorporated by reference in the Information Circular, or otherwise, and will provide copies of such consents to Vero as soon as reasonably practicable; and
- (e) ensure that, in respect of the TORC Information, the Information Circular complies with Applicable Laws and, without limiting the generality of the foregoing, that the Information Circular will not contain a misrepresentation and provides TORC Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them, and will set out the Vero Information in the Information Circular in the form approved by Vero, acting reasonably, and shall include or incorporate by reference, without limitation: (i) any financial statements in respect of prior acquisitions made by TORC that are required to be included therein in accordance with Applicable Laws; (ii) the affirmative recommendation of the board of directors of TORC that the TORC Shareholders vote in favour of the TORC Resolution;
- (f) in respect of the TORC Private Placement: (i) provide copies of the draft and definitive forms of documents prepared in connection with the TORC Private Placement for review and approval by Vero and Vero's Counsel, such approval not to be unreasonably withheld or delayed, including, but not limited to, the form of confidentiality agreement, the Engagement Letter, the Underwriting Agreement, the forms of subscription agreements and the subscription receipt agreement (collectively, the "**TORC Private Placement Documents**"); (iii) obtain the consent of Vero prior to making any amendments to the

TORC Private Placement Documents, such consent not to be unreasonably withheld or delayed; (iv) take all such actions that are necessary or customary to consummate or permit the consummation of the TORC Private Placement (including, but not limited to, satisfaction of the conditions as may be required for the conversion of the subscription receipts of TORC into TORC Shares);

- (g) use its commercially reasonable efforts to obtain the written consent of its bankers, creditors, lessors and any other third parties to the extent required to permit the consummation of the Arrangement or as otherwise contemplated hereby and shall provide a copy of each such consent to Vero on or prior to the Effective Date;
- (h) take all commercially reasonable actions to give effect to the transactions contemplated by this Agreement;
- (i) take such action required under the terms of the TORC stock incentive plan, or amend the TORC stock incentive plan, in a manner acceptable to Vero, acting reasonably, such that the Arrangement is not a “change of control” for the purposes of the acceleration of the vesting of TORC Incentive Shares; and
- (j) if the Arrangement is completed, TORC or AmalCo, as the case may be, shall not take any action to terminate or materially adversely affect any indemnity agreements or right to indemnity in favour of past or present directors and officers of Vero pursuant to the provisions of the articles, bylaws or similar constating documents of Vero or written indemnity agreements between Vero and its past and present directors and officers or any indemnity agreements in favour of current directors and officers of Vero that are in place as at the date hereof.

4.2 Covenants of Vero

Vero covenants and agrees that until the Effective Date or the termination of this Agreement, whichever is earlier, it shall:

- (a) conduct its business only in the usual and ordinary course of business and consistent with past practices (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property) and it shall use all commercially reasonable efforts to maintain and preserve its business assets and advantageous relationships, provided that upon notice to TORC it will be entitled and authorized to comply with all pre-emptive rights, first purchase rights or rights of first refusal that are applicable to its assets and become operative by virtue of this Agreement or any of the transactions contemplated by this Agreement and (except as contemplated by Section 7.1) will not do any of the following:
 - (i) conduct any activity or operations that would otherwise be reasonably expected to be detrimental to the Arrangement; or
 - (ii) take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Arrangement, which might be reasonably expected to directly or indirectly interfere with or affect the consummation of the Arrangement;

- (b) continue to execute and adhere in all material respects to the Vero Capital Program and Budget and shall consult with TORC, on a regular basis, in respect of the ongoing business and affairs of Vero and keep TORC apprised of any and all material developments relating thereto;
- (c) consult with TORC and seek its approval (such approval not to be unreasonably withheld or delayed) prior to engaging in any communication with capital markets participants or engaging in market initiatives (other than responding to the questions and requests from shareholders of Vero that are unsolicited by Vero in the ordinary course or in connection with the Arrangement, including, without limitation, soliciting proxies in support of the Vero Resolutions) including, but not limited to, disseminating any news release (subject, in all cases, to Vero's obligation to file its continuous disclosure documents prior to the time as required by Applicable Laws and to make timely disclosure of material information);
- (d) not directly or indirectly: (i) amend its constating documents other than as contemplated by this Agreement or the Plan of Arrangement; (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of its shares owned by any person; (iii) issue (other than on exercise of currently outstanding options, warrants or rights), grant, sell or pledge or agree to issue, grant, sell or pledge any shares, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, its shares; (iv) redeem, purchase or otherwise acquire any of its outstanding shares or other securities except as permitted herein; (v) split, combine or reclassify any of its securities; (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization; (vii) except in accordance with this Agreement, pursue any corporate acquisition or disposition, amalgamation, merger, arrangement or purchase of assets or make any material change to its business, capital or affairs; (viii) reduce the stated capital of any of its outstanding shares; (ix) pay, discharge or satisfy any material claims, liabilities or obligations other than as described in the Vero Disclosure Letter or in the ordinary course of business consistent with past practise except for production in the ordinary course of Vero's business; (x) sell, dispose of, transfer, convey, encumber, surrender, release or abandon the whole or any part of its assets; or (xi) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing, except with the prior written consent of the other Party or as otherwise contemplated hereby;
- (e) not, without the prior consent of TORC (such consent not to be unreasonably withheld), except with respect to health, safety or environmental matters, Vero shall not directly or indirectly, do or permit any of its subsidiaries to do any of the following: (i) sell, pledge, dispose of or encumber any assets other than production in the ordinary course of business; (ii) expend or commit to expend more than \$50,000 with respect to any capital expenditures, other than as provided for in the Vero Capital Program and Budget; (iii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, trust, partnership or other business organization or division thereof which is not a subsidiary or affiliate of Vero, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer; (iv) acquire any assets; (v) incur any indebtedness for borrowed money in excess of existing credit facilities, or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise become responsible for, the obligations of any other individual or entity, or make any loans or advances, other than in respect of fees payable to legal, financial and other advisors; (vi) authorize, recommend or propose any release or

relinquishment or any material contract right; (vii) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material license, lease, contract, production sharing agreement, government land concession or other material document; (viii) enter into or terminate any hedges, swaps or other financial instruments or like transactions; or (ix) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;

- (f) ensure that, in respect of the Vero Information, the Information Circular complies with Applicable Laws and, without limiting the generality of the foregoing, that the Information Circular will not contain a misrepresentation and provides Vero Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them and shall include or incorporate by reference, without limitation the affirmative recommendation of the board of directors of Vero that the Vero Shareholders vote in favour of the Vero Resolutions;
- (g) on the Effective Date, subject to the satisfaction or waiver of all conditions in its favour, Vero shall provide Olympia Trust Company, as Depositary, an irrevocable direction authorizing and directing such depositary to deliver the Vero Shares issuable pursuant to the Arrangement to holders of the TORC Shares in accordance with the Plan of Arrangement;
- (h) cause to be taken all necessary corporate action to allot and reserve for issuance the Vero Shares to be issued in exchange for TORC Shares in connection with the Arrangement;
- (i) use its reasonable commercial efforts to obtain the written consent of its bankers, creditors, lessors and any other third parties to the extent required to permit the consummation of the Arrangement or as otherwise contemplated hereby and shall provide a copy of each such consent to TORC on or prior to the Effective Date;
- (j) use reasonable commercial efforts to maintain the listing of the Vero Shares on the TSX;
- (k) use reasonable commercial efforts to cause the resignation of its directors and officers effective at the Effective Time;
- (l) use reasonable commercial efforts to secure releases, in form and substance reasonably satisfactory to Vero and TORC acting reasonably, in favour of Vero from each director and officer of Vero, subject to the execution and delivery by Vero of releases in favor of the directors and officers of Vero in form and substance reasonably satisfactory to Vero and TORC;
- (m) continue to withhold from each payment to be made to any of its present or former employees (which includes officers) and directors and to all other persons including, without limitation, all persons who are non-residents of Canada for the purposes of the *Income Tax Act* (Canada), all amounts that are required to be so withheld by any Applicable Laws and Vero shall remit such withheld amounts to the proper Governmental Authority within the times prescribed by such Applicable Laws;
- (n) duly and on a timely basis file all Returns required to be filed by it on or after the date hereof (including, without limitation, all applicable Returns for its most recent financial year end) and all such Returns will be true, complete and correct in all material respects;

(ii) timely pay all Taxes which are due and payable unless validly contested; (iii) not make or rescind any material express or deemed election relating to Taxes, or file any amended Returns; (iv) not make a request for a Tax ruling or enter into a closing agreement with any Governmental Authority; (v) not settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes; (vi) not change in any material respect any of its methods of reporting income, deductions or accounting for Tax purposes from those employed in the preparation of its Return for a taxation year ending in 2012 and prior to the date hereof; and (vii) properly reserve (and reflect such reserves in its books and records and financial statements) in accordance with past practice and in the ordinary course of business, for all Taxes accruing in respect of Vero which are not due or payable prior to the Effective Date;

- (o) not, without the prior consent of TORC, directly or indirectly reduce the amount or amend the characterization of any of its individual categories of tax attributes, including, without limitation, any of its resource pools or non-capital loss carry forwards;
- (p) not, without the prior consent of TORC, make any Tax filings outside the ordinary course of business, including making, amending or rescinding any Tax Return, election or designation, without the consent of TORC, such consent not to be unreasonably withheld;
- (q) take all commercially reasonable actions to give effect to the transactions contemplated by this Agreement.

4.3 **Mutual Covenants**

Each of Vero and TORC covenants and agrees that, until the Effective Date or the termination of this Agreement, whichever is earlier, it shall:

- (a) forthwith carry out the terms of the Interim Order and the Final Order provided that nothing shall require Vero or TORC to consent to any modifications of this Agreement, the Plan of Arrangement or its respective obligations hereunder;
- (b) in the event that Dissent Rights are given to TORC Shareholders under the terms of the Interim Order, TORC shall promptly advise Vero of the number of TORC Shares for which TORC receives notices of dissent or written objections to the Arrangement and provide Vero with copies of such notices and written objections on an as received basis;
- (c) with the cooperation of the other Party, prepare and file the Information Circular and any amendments or supplements to the Information Circular and mail the same to its shareholders as required by the Interim Order and in accordance with Applicable Laws in all jurisdictions where the same is required;
- (d) TORC and Vero shall notify the other Party promptly in writing of any material change (as such term is defined in the *Securities Act* (Alberta)) (actual, anticipated, contemplated or, to the knowledge of TORC or Vero, as the case may be, threatened, financial or otherwise) in its business, operations, affairs, assets, capitalization, financial condition, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise, or of any change affecting any representation or warranty provided by TORC or Vero, as the case may be, in this Agreement where such change is or may be of such a nature to render any representation or warranty misleading or untrue in any material respect and TORC and Vero, as the case may be, shall in good faith discuss with the other Party any

change in circumstances (actual, anticipated, contemplated, or to the knowledge of the Party threatened) which is of such a nature that there may be a reasonable question as to whether notice need to be given to TORC or Vero, as the case may be, pursuant to this subsection 4.3(d);

- (e) indemnify and save harmless the other Party and the other Party's directors, officers, employees and agents from and against all claims, suits, actions, causes of action, liabilities, damages, costs, charges and expenses to which the other Party, or any director, officer, employee or agent thereof, may be subject or for which the other Party, or any directors, officers, employees or agents thereof, may suffer, whether under the provisions of any statute or otherwise, in any way caused by, arising, directly or indirectly, from or in consequence of any misrepresentation or alleged misrepresentation based solely on the Vero Information or the TORC Information, as the case may be, provided by it and contained in the Information Circular or any material in respect of such Information filed by it or on its behalf in compliance or intended compliance with Applicable Laws;
- (f) reasonably cooperate with the other Party and its tax advisors in structuring the Arrangement in a tax effective manner, and assist the other Party and its tax advisors in making such investigations and inquiries with respect to such Party in that regard as the other Party and its tax advisors shall consider necessary, acting reasonably, provided that such Party shall not be obligated to consent or agree to any structuring that has the effect of reducing or increasing the consideration to be received under the Arrangement by TORC Shareholders;
- (g) jointly apply to the TSX for conditional approval of the listing of the Vero Shares issuable pursuant to the Arrangement (including AmalCo Shares that become issuable on the exercise and vesting of TORC Incentive Shares, TORC Options and TORC Warrants outstanding as the Effective Date) on the TSX and shall, use all reasonable commercial efforts to obtain such conditional approval prior to the mailing of the Information Circular;
- (h) use reasonable commercial efforts to cause the Vero Shares issuable pursuant to the Arrangement to be listed and posted for trading on the TSX on the Effective Date or as soon as possible thereafter;
- (i) subject to the provisions hereof, in a timely and expeditious manner:
 - (i) convene the Vero Meeting or the TORC Meeting, as the case may be, and distribute copies of the Information Circular, which shall include a copy of this Agreement or a written summary thereof prepared by it in form and substance reasonably satisfactory to the other Party, in each case as ordered by the Interim Order, its by-laws and any instrument governing such meeting, as applicable, and as otherwise required by Applicable Laws;
 - (ii) provide notice to the other Party of the Vero Meeting or the TORC Meeting, as the case may be, and allow the other Party's representatives to attend the Vero Meeting or the TORC Meeting, as the case may be, unless such attendance is prohibited by the Interim Order;

- (iii) solicit proxies to be voted at the Vero Meeting or the TORC Meeting, as the case may be, in favour of the Vero Resolutions or the TORC Resolution, as the case may be; and
- (iv) conduct the Vero Meeting or the TORC Meeting, as the case may be, in accordance with the Interim Order, its by-laws and any instrument governing such meeting, as applicable, and as otherwise required by Applicable Law;
- (j) except for proxies and other non-substantive communications with shareholders, furnish promptly to the other Party: (i) a copy of each notice, report, schedule or other document delivered, filed or received by it in connection with the Arrangement and the Vero Meeting or the TORC Meeting, as the case may be, (ii) any filings under Applicable Laws and (iii) any documents related to dealings with regulatory agencies in connection with the transactions contemplated hereby;
- (k) make all other necessary filings and applications under Applicable Laws required on its part in connection with the transactions contemplated hereby and take all reasonable action necessary to be in compliance with Applicable Laws;
- (l) conduct itself in all material respects so as to keep the other Party fully informed as to the decisions required with respect to the most advantageous methods of exploring, operating and producing from its assets;
- (m) use its reasonable commercial efforts to satisfy or cause the satisfaction of the conditions precedent to its obligations hereunder set forth in Article 5 to the extent the same are within its control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including using its reasonable commercial efforts:
 - (i) to obtain all necessary waivers, consents and approvals required to be obtained by it from other parties to loan agreements, leases and other contracts;
 - (ii) to obtain all necessary consents, approvals and authorizations as are required to be obtained by it under any Applicable Laws; and
 - (iii) to effect all necessary registrations and filings and submissions of information requested by Governmental Authorities required to be effected by it in connection with the Arrangement;

provided that, for purposes of the foregoing, the obligation to use “reasonable commercial efforts” to obtain waivers, consents and approvals to loan agreements, leases and other contracts shall not include any obligation to agree to a material adverse modification to the terms of such documents or to prepay or incur additional material obligations to other parties;

- (n) in connection with the Competition Act Approval:
 - (i) the Parties shall as promptly as reasonably practicable duly file with the Competition Bureau, a request for an ARC under section 102 of the Competition Act and supply the Commissioner with such additional information as the Commissioner may request. TORC shall have the primary responsibility for the

preparation and submission of a request for an ARC pursuant to section 102 of the Competition Act. The Parties shall respond as promptly as reasonably practicable under the circumstances to any inquiries received from the Competition Bureau for additional information or documentation and to all inquiries and requests received from the Competition Bureau;

- (ii) the Parties shall coordinate and cooperate in exchanging information and supplying assistance that is reasonably requested in connection with subsection 4.3(n)(i) above, including providing each other with advance copies and reasonable opportunities to comment on all filings made with the Competition Bureau and any additional or supplementary information supplied pursuant thereto in respect of the Competition Act (except for information which TORC or Vero, in each case acting reasonably, consider highly confidential and sensitive which may be provided on a confidential and privileged basis to outside counsel of the other Party), and all notices and correspondence received from the Competition Bureau with respect to any filings under the Competition Act; and
- (iii) notwithstanding any other provision herein, in no event will TORC be required hereunder or otherwise to agree to any material hold separate, divestiture or other order, decree or restriction on the business of Vero or any other business, the conduct thereof or future transactions;
- (o) ensure that it has available funds to permit the payment of the amount which may be required by Section 6.1 or Section 6.2, as the case may be, having regard to the other liabilities and obligations, and shall take all such other action as may be necessary to ensure that it maintains such availability to ensure that it is able to pay such amounts when required;
- (p) provide the other Party for its review and ensure that the other Party's comments are considered, acting reasonably, a copy of any press release relating in any way to the Arrangement at least two Business Days prior to the filing thereof unless otherwise agreed (subject, in all cases, to Vero's obligation under Applicable Laws to make timely disclosure of material information);
- (q) use its reasonable commercial efforts to cooperate with the other Party in connection with the performance by it of its obligations hereunder;
- (r) make available and cause to be made available to the other Party to this Agreement, and its agents and advisors, as soon as possible, all documents and agreements in any way relating to or affecting its business, financial condition, operations, prospects, properties, assets and affairs, and such other documents or agreements as may be necessary to enable such other Party to effect a thorough investigation of its business, properties and financial status, except where it is contractually precluded from making such document or agreement available, in which case it shall cooperate with the other Party in securing access to any such documentation not in its possession or under its control in order to effect a smooth and efficient transaction and integration of TORC and Vero's businesses;
- (s) other than as disclosed in the Vero Disclosure Letter or contemplated herein, not make any payment to any employee, officer or director outside of his or her ordinary and usual compensation for services provided, except to the extent that any such entitlement to such

payment has accrued prior to the date hereof or as otherwise provided for herein in respect of severance or bonuses;

- (t) other than as disclosed in the Vero Disclosure Letter or as permitted or contemplated by this Agreement, not: (i) grant to any officer or director an increase in compensation in any form; (ii) grant any general salary increase, (iii) take any action with respect to the amendment or grant of any severance or termination pay policies or arrangement for any directors, officers or employees; (iv) amend (other than to permit accelerated vesting of currently outstanding Vero Options or Vero DCUs) any stock option plan or the terms of any outstanding options; or (v) advance any loan to any officer, director or any other party not at arm's length, other than as may be agreed to by the Parties;
- (u) not adopt or amend or make any contribution to any bonus, employee benefit, profit sharing, common share, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, common share incentive or purchase plan, fund or arrangement for the benefit of employees, except as is necessary to comply with the law or with respect to existing provisions of any such plans, programs, arrangement or agreements or as may be agreed to in writing by the Parties or other than as disclosed in the Vero Disclosure Letter;
- (v) not take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time prior to completion of the Arrangement or termination of this Agreement, whichever occurs first;
- (w) use reasonable commercial efforts to maintain in force its current policies of insurance and pay all premiums in respect of such insurance policies that become due after the date hereof; and
- (x) enter into binding arrangements effective as of the Effective Date, satisfactory to Vero and TORC, each acting reasonably, pursuant to which it shall agree and shall have put in place arrangements to provide that, for a period of six years after the Effective Date, there shall be maintained in effect the current policies of directors' and officers' liability insurance maintained by Vero providing coverage on a "trailing" or "run-off basis for all present and former directors and officers of Vero, with limits and on terms no less favourable to such persons than their current coverage, with respect to claims arising from facts or events which occurred before the Effective Date.

ARTICLE 5 CONDITIONS

5.1 Mutual Conditions

The respective obligations of Vero and TORC to complete the transactions contemplated hereby are subject to fulfillment of the following conditions on or before the Effective Date or such other time as is specified below:

- (a) the Interim Order shall have been granted on or before October 31, 2012 in form and substance satisfactory to Vero and TORC, each acting reasonably, and such order shall not have been set aside or modified in any manner unacceptable to Vero and TORC, each acting reasonably, on appeal or otherwise;

- (b) the mailing of the Information Circular and other documentation by each of Vero and TORC to Vero Shareholders and TORC Shareholders required by Applicable Laws and the Interim Order (in the case of TORC) in connection with the Meetings shall have occurred prior to November 5, 2012;
- (c) the TORC Resolution shall have been passed by the TORC Shareholders at the TORC Meeting in accordance with the Interim Order on or prior to November 30, 2012;
- (d) the Vero Share Issuance Resolution shall have been passed by the Vero Shareholders at the Vero Meeting on or prior to November 30, 2012;
- (e) the Final Order shall have been granted in form and substance satisfactory to Vero and TORC, each acting reasonably, and such order shall not have been set aside or modified in any manner unacceptable to Vero and TORC, each acting reasonably, on appeal or otherwise;
- (f) the Articles of Arrangement relating to the Arrangement shall be in form and substance satisfactory to Vero and TORC, each acting reasonably;
- (g) the Arrangement shall have become effective under the ABCA on or prior to December 3, 2012 or such later date as agreed to in writing by Vero and TORC, each acting reasonably;
- (h) each of Vero and TORC shall have obtained all consents, approvals and authorizations, regulatory or otherwise, including third party approvals and consents, required or necessary to be obtained by it in connection with the transactions contemplated hereby on terms and conditions reasonably satisfactory to the other Party, acting reasonably;
- (i) each of Vero and TORC shall have obtained the consent of its lenders to the Arrangement;
- (j) the TSX shall have conditionally approved the listing and posting for trading of the Vero Shares issuable pursuant to the Arrangement, including AmalCo Shares that become issuable on the exercise and vesting of TORC Incentive Shares, TORC Options and TORC Warrants outstanding as the Effective Date;
- (k) without limitation of Section 5.1(h), the Competition Act Approval shall have been obtained;
- (l) there shall be no action taken under any existing Applicable Law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, Governmental Authority or similar agency, domestic or foreign that makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated hereby, or results in a judgment or assessment of material damages, directly or indirectly, relating to the transactions contemplated hereby;
- (m) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority, by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of law and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or

applied, which in the sole judgment of Vero or TORC, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect in respect of TORC or Vero, or would have a Material Adverse Effect on the ability of the Parties to complete the Arrangement;

- (n) the TORC Private Placement shall have been completed in accordance with the terms and conditions of the Engagement Letter, and once superseded, the Underwriting Agreement;
- (o) the Parties shall be satisfied, acting reasonably, that the Vero Shares and AmalCo Shares issuable to TORC Shareholders pursuant to the Arrangement (other than Vero Shares and AmalCo Shares issuable in respect of TORC Shares issued upon conversion of subscription receipts issued in the TORC Private Placement, which shall be issuable in transactions that do not require registration under the U.S. Securities Act or applicable state securities laws) shall be issuable in accordance with Applicable Laws, including, without limitation, pursuant to the exemption from registration provided by Section 3(a)(10) of the U.S. Securities Act.; and
- (p) the Vero board of directors shall be reconstituted at the Effective Time consisting of Brett Herman, John Brussa, Raymond Chan, Bruce Chernoff, David Johnson, Dale Shwed and Hank Swartout, subject to the consents of such individuals.

The foregoing conditions are for the mutual benefit of Vero and TORC and may be waived, in whole or in part, by mutual agreement in writing of Vero and TORC at any time.

5.2 Vero's Conditions

The obligation of Vero to complete the transactions contemplated hereby is subject to fulfilment of the following conditions on or before the Effective Date or such other time as specified below:

- (a) the board of directors of TORC shall have made prior to the mailing of the Information Circular and not modified or amended in a manner materially adverse to the Arrangement prior to the TORC Meeting, an affirmative recommendation that the TORC Shareholders approve the Arrangement;
- (b) holders of not greater than 5% of the outstanding TORC Shares shall have exercised Dissent Rights in respect of the Arrangement that have not been withdrawn as at the Effective Date;
- (c) except as affected by transactions contemplated by this Agreement, the representations and warranties made by TORC in this Agreement shall be true and correct in all material respects (except for representations and warranties containing qualifiers as to materiality, which shall be true and correct) as of the date hereof and as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date or as permitted herein) and TORC shall have provided to Vero a certificate of two executive officers of TORC certifying such accuracy on the Effective Date and Vero shall have no knowledge to the contrary;
- (d) TORC shall have complied in all material respects with its covenants herein and TORC shall have provided to Vero a certificate of two executive officers of TORC certifying that it has complied with such covenants and Vero shall have no knowledge to the contrary;

- (e) no change resulting in a Material Adverse Effect shall have occurred in respect of TORC from and after the date hereof and prior to the Effective Date;
- (f) TORC shall have furnished Vero with certified copies of the resolutions duly passed by its board of directors approving the Arrangement and this Agreement and the consummation of the transactions contemplated hereby;
- (g) TORC shall have furnished Vero with certified minutes of the TORC Meeting confirming that the TORC Resolution was approved by the requisite majority;
- (h) the obligations of TORC with respect to fees, costs and expenses incurred by TORC in connection with this Agreement and the transactions contemplated hereby, including without limitation all financial advisory fees (including the cost of TORC's fairness opinion) and expenses, costs and expenses incurred in connection with the legal and other professional fees and disbursements collectively, the "**TORC Transaction Costs**"), shall not exceed in the aggregate, the amount set out in the TORC Disclosure Letter and TORC shall have provided to Vero a certificate of two senior officers certifying the amount of the TORC Transaction Costs and TORC's compliance with such condition precedent; and
- (i) TORC or Vero shall have put in place, prior to the Effective Date, arrangements to provide that, for a period of six years after the Effective Date, there shall be maintained in effect the current policies of directors' and officers' liability insurance maintained by Vero providing coverage on a "trailing" or "run-off" basis for all present and former directors and officers of Vero, with limits and on terms no less favourable to such persons than their current coverage, with respect to claims arising from facts or events which occurred before the Effective Date.

The foregoing conditions precedent are for the benefit of Vero and may be waived in whole or in part by Vero on written notice to TORC at any time.

5.3 **TORC Conditions**

The obligation of TORC to complete the transactions contemplated hereby is subject to the fulfillment of the following conditions on or before the Effective Date or such other time as specified below:

- (a) the board of directors of Vero shall have made prior to the mailing of the Information Circular, and not modified or amended in a manner materially adverse to the Arrangement prior to the Vero Meeting, an affirmative recommendation that the Vero Shareholders approve the Vero Resolutions;
- (b) except as affected by transactions contemplated by this Agreement, the representations and warranties made by Vero in this Agreement shall be true in all material respects (except for representations and warranties containing qualifiers as to materiality, which shall be true and correct) as of the date hereof and as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date or as permitted herein) and Vero shall have provided to TORC a certificate of two executive officers of Vero certifying such accuracy on the Effective Date and TORC shall have no knowledge to the contrary;

- (c) Vero shall have complied in all material respects with its covenants herein and Vero shall have provided to TORC a certificate of two executive officers of Vero certifying that it has complied with such covenants and TORC shall have no knowledge to the contrary;
- (d) no change resulting in a Material Adverse Effect shall have occurred in respect of Vero from and after the date hereof and prior to the Effective Date;
- (e) Vero shall have furnished TORC with certified copies of the resolutions duly passed by its board of directors approving the Arrangement and this Agreement and the consummation of the transactions contemplated hereby;
- (f) TORC shall be satisfied that at least 84% of the outstanding Vero Options shall have been exercised for Vero Shares, expired or cancelled pursuant to the Vero Option Exercise and Cancellation Agreements;
- (g) Vero shall have furnished TORC with certified minutes of the Vero Meeting confirming that the Vero Share Issuance Resolution was approved by the requisite majority;
- (h) each of the directors of Vero shall have provided resignations and each of the officers of Vero shall have provided resignations and executed mutual releases in favour of Vero effective on the Effective Date;
- (i) the Vero Employee Termination Obligations shall not exceed the amount set out in the Vero Disclosure Letter; and
- (j) all other fees, costs and expenses incurred by Vero in connection with this Agreement and the transactions contemplated hereby, but excluding the Vero Employee Termination Obligations (the "**Vero Transaction Costs**"), including without limitation all financial advisory fees (including the cost of Vero's fairness opinion) and expenses, costs and expenses incurred in connection with the legal and other professional fees and disbursements shall not exceed in the aggregate, the amount set out in the Vero Disclosure Letter based on the assumptions contained in the Vero Disclosure Letter, and Vero shall have provided to TORC a certificate of two senior officers certifying the amount of the Vero Transaction Costs and Vero's compliance with such condition precedent.

The foregoing conditions precedent are for the benefit of TORC and may be waived, in whole or in part, by TORC on written notice to Vero at any time.

5.4 **Notice and Effect of Failure to Comply with Conditions**

- (a) Each of TORC and Vero shall give prompt notice to the other Party of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date of any event or state of facts which occurrence or failure would, or would be likely to (i) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any material respect, or (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder; provided, however, that no such notification shall affect the representations or warranties of the Parties or the conditions to the obligations of the Parties hereunder.

- (b) If any of the conditions precedent set forth in Section 5.1, 5.2 or 5.3 hereof are not satisfied or waived by the Party or Parties for whose benefit such conditions are provided on or before the date required for the performance thereof, then a Party for whose benefit the condition precedent is provided may, in addition to any other remedies it may have at law or equity, rescind and terminate this Agreement prior to the filing of the Articles of Arrangement as provided for in Section 8.1 hereof by delivering a written notice to the other Party, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfillment of the applicable conditions precedent and shall provide in such notice that the other Party shall be entitled to cure any breach of a covenant or representation and warranty or other matters within five Business Days after receipt of such notice (except that no cure period shall be provided for a breach or other matter which by its nature cannot be cured and, in no event, shall any cure period extend beyond November 1, 2012). More than one such notice may be delivered by a Party.

5.5 Satisfaction of Conditions

The conditions set forth in this Article 5 shall be conclusively deemed to have been satisfied, waived or released when, with the agreement of the Parties, the Articles of Arrangement are filed.

ARTICLE 6 TERMINATION FEES

6.1 Vero Termination Fee

Provided Vero is not in default of any of its obligations or representations or warranties in any material respect under this Agreement, if any of the following occur after the execution of this Agreement and prior to its termination:

- (a) the board of directors of TORC (i) fails to make any of the recommendations or determinations referred to in Article 5 in a manner adverse to Vero or (ii) has withdrawn, changed or qualified any of its recommendations or determinations in favour of the Arrangement in a manner adverse to Vero or has resolved to do any of the foregoing prior to the Effective Date;
- (b) an Acquisition Proposal has been publicly announced, or is proposed, offered or made to TORC or any of the TORC Shareholders prior to the date of the TORC Meeting, and the TORC Shareholders do not approve the TORC Resolution or the Arrangement is not submitted for their approval and any agreement with respect to any Acquisition Proposal is entered into, or the transaction relating to any Acquisition Proposal is completed within 180 days following the date of the TORC Meeting or if the TORC Meeting is not held, the initially announced date of the TORC Meeting;
- (c) TORC or the board of directors of TORC or any committee thereof accepts, recommends, approves or enters into an agreement, understanding, letter of intent or agreement in principle to implement a Superior Proposal and the Arrangement is not completed in accordance with the terms of this Agreement;
- (d) TORC is in breach of any of its covenants made in this Agreement which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Effect in the affairs, operations or business of TORC or materially

impede the completion of the Arrangement, and TORC fails to cure such breach within five Business Days after receipt of written notice thereof from Vero (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond December 3, 2012); or

- (e) TORC is in breach of any of its representations or warranties made in this Agreement (without giving effect to any materiality qualifiers contained therein) which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Effect in the affairs, operations or business of TORC or materially impede the completion of the Arrangement, and TORC fails to cure such breach within five Business Days after receipt of written notice thereof from Vero (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond December 3, 2012).

(each of the above being a “**Vero Damages Event**”), then in the event of the termination of this Agreement pursuant to Article 8 hereof, TORC shall pay to Vero \$6,500,000 (the “**Vero Termination Fee**”) as liquidated damages in immediately available funds to an account designated by Vero within three Business Days after the first to occur of the events described above. On the date of the earliest event described above in this Section 6.1, TORC shall be deemed to hold such sum in trust for Vero and TORC shall only be obligated to make one payment pursuant to this Section 6.1.

6.2 **TORC Termination Fee**

Provided TORC is not in default of any of its material obligations or representations or warranties under this Agreement, if any of the following occur after the execution of this Agreement and prior to its termination:

- (a) the board of directors of Vero (i) fails to make any of the recommendations or determinations referred to in Article 5 in a manner adverse to TORC or (ii) has withdrawn, changed or qualified any of its recommendations or determinations in favour of the Vero Resolutions in a manner adverse to TORC or has resolved to do any of the foregoing prior to the Effective Date;
- (b) an Acquisition Proposal has been publicly announced, or is proposed, offered or made to Vero or any of the Vero Shareholders prior to the date of the Vero Meeting, and the Vero Shareholders do not approve the Vero Share Issuance Resolution or the Vero Share Issuance Resolution is not submitted for their approval and any agreement with respect to any Acquisition Proposal is entered into, or the transaction relating to any Acquisition Proposal is completed within 180 days following the date of the Vero Meeting or if the Vero Meeting is not held, the initially announced date of the Vero Meeting;
- (c) Vero or the board of directors of Vero or any committee thereof accepts, recommends, approves or enters into an agreement, understanding, letter of intent or agreement in principle to implement a Superior Proposal;
- (d) Vero is in breach of any of its covenants made in this Agreement which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Effect in the affairs, operations or business of Vero or materially impede the completion of the Arrangement, and Vero fails to cure such breach within five Business Days after receipt of written notice thereof from TORC (except that no cure

period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond December 3, 2012); or

- (e) Vero is in breach of any of its representations or warranties made in this Agreement (without giving effect to any materiality qualifiers contained therein) which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Effect in the affairs, operations or business of Vero or materially impede the completion of the Arrangement, and Vero fails to cure such breach within five Business Days after receipt of written notice thereof from TORC (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond December 3, 2012),

(each of the above being a “**TORC Damages Event**”), then in the event of the termination of this Agreement pursuant to Article 8, Vero shall pay to TORC \$6,500,000 (the “**TORC Termination Fee**”) as liquidated damages in immediately available funds to an account designated by TORC within three Business Days after the first to occur of the events described above. On the date of the earliest event described above in this Section 6.2, Vero shall be deemed to hold such sum in trust for TORC and Vero shall only be obligated to make one payment pursuant to this Section 6.2.

6.3 Acknowledgment

Each Party acknowledges that all of the payment amounts set out in this Article are payments of liquidated damages which are a genuine pre-estimate of the damages which the Party entitled to such damages will suffer or incur as a result of the event giving rise to such damages and resultant termination of this Agreement and are not penalties. Each Party irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, the Parties agree that the payment of the amount pursuant to Section 6.1 or Section 6.2 is the sole monetary remedy of the Party receiving such payment. Nothing herein shall preclude a Party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement or otherwise to obtain specific performance of any of such act, covenants or agreements, without the necessity of posting bond or security in connection therewith.

ARTICLE 7 NON-SOLICITATION AND SUPERIOR PROPOSALS

7.1 Vero's Covenants Regarding Non-Solicitation

- (a) Vero shall immediately cease and cause to be terminated all existing discussions or negotiations (including, without limitation, through any of its officers, directors, employees, advisors, representatives and agents (“**Representatives**”)), if any, with any parties initiated before the date of this Agreement with respect to any Acquisition Proposal and shall immediately request the return or destruction of all information provided to any third party who has entered into a confidentiality agreement with Vero relating to an Acquisition Proposal and shall use all reasonable commercial efforts to ensure that such requests are honoured (provided that the failure by any third party to so return or destroy any such information following the request by Vero required by this Section 7.1(a) shall not be deemed to be or otherwise constitute a breach by Vero of this Section 7.1(a)).

- (b) Vero shall not, directly or indirectly, do or authorize or permit any of its Representatives to do, any of the following:
- (i) solicit, facilitate, initiate, encourage or take any action to solicit, facilitate, initiate, entertain or encourage any inquiries or communication regarding or the making of any proposal or offer that constitutes, may constitute, or may reasonably be expected to lead to, an Acquisition Proposal, including, without limitation, by way of furnishing information;
 - (ii) enter into or participate in any negotiations or initiate any discussion regarding an Acquisition Proposal, or furnish to any other Person any information with respect to its securities, business, properties, operations or conditions (financial or otherwise) in connection with, or furtherance of, an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;
 - (iii) release, waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to release, waive or otherwise forbear in respect of, any rights or other benefits under any confidentiality agreements, including, without limitation, any “standstill provisions” thereunder; or
 - (iv) accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal;

provided, however, that notwithstanding any other provision hereof, Vero and its Representatives may:

- (v) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, from or after the date of this Agreement, by Vero or any of its Representatives) seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality and standstill agreement substantially similar to the Confidentiality Agreement (provided that such confidentiality agreement shall provide for disclosure thereof (along with all information provided thereunder) to TORC as set out below), may furnish to such third party information concerning Vero and its business, properties and assets, in each case if, and only to the extent that:
 - (A) the third party has first made a written bona fide Superior Proposal; and
 - (B) prior to furnishing such information to or entering into or participating in any such negotiations or initiating any discussions with such third party, Vero provides prompt notice to TORC to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such Person or entity together with a copy of the confidentiality agreement referenced above and if not previously provided to TORC, copies of all information provided to such third party concurrently with the provision of such information to such third party, and provided further that Vero shall notify TORC orally and in writing of

any inquiries, offers or proposals with respect to a Superior Proposal (which written notice shall include, without limitation, a summary of the details of such proposal (and any amendments or supplements thereto), the identity of the Person making it, if not previously provided to TORC, copies of all information provided to such party and all other information reasonably requested by TORC), within 24 hours of the receipt thereof, shall keep TORC informed of the status and details of any such inquiry, offer or proposal and answer TORC's questions with respect thereto;

- (vi) comply with Section 2.17 of Multilateral Instrument 62-104 and similar provisions under Applicable Laws relating to the provision of directors' circulars and make appropriate disclosure with respect thereto to its securityholders; and
 - (vii) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, its board of directors shall have concluded in good faith, after considering all proposals to adjust the terms and conditions of this Agreement and after receiving the advice of outside legal counsel and financial advisors as reflected in minutes of the board of directors of Vero, that the taking of such action is necessary for the board of directors in discharge of its fiduciary duties under Applicable Laws and Vero complies with its obligations set forth in Section 7.1(c) and pays, if applicable, the amount required by Section 6.2.
- (c) In the event that Vero is in receipt of a Superior Proposal, it shall give TORC, orally and in writing, at least 72 hours advance notice of any decision by its board of directors to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall confirm that the board of directors of Vero has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the third party making the Superior Proposal and shall provide a true and complete copy thereof and any amendments thereto. During such 72 hour period, Vero agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during such 72 hour period, Vero shall, and shall cause its financial and legal advisors to, negotiate in good faith with TORC and their financial and legal advisors to make such adjustments in the terms and conditions of this Agreement and the Arrangement as would enable Vero to proceed with the Arrangement as amended rather than the Superior Proposal. In the event TORC propose to amend this Agreement and the Arrangement to provide that the Vero Shareholders shall receive a value per Vero Share equal to or having a value greater than the value per Vero Share provided in the Superior Proposal and so advises the Vero Board prior to the expiry of such 72 hour period, the board of directors of Vero shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not release the party making the Superior Proposal from any standstill provisions, and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. Notwithstanding the foregoing, and for greater certainty, TORC shall not have any obligation to make or negotiate any changes to this Agreement or the Arrangement in the event that Vero is in receipt of a Superior Proposal.

- (d) TORC agrees that all information that may be provided to it by Vero with respect to any Superior Proposal pursuant to this Section 7.1 shall be treated as if it were “Confidential Information” as that term is defined in the Confidentiality Agreement and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under this Agreement in legal proceedings.
- (e) Each Party shall ensure that its officers, directors and employees and any investment bankers or other advisers or representatives retained by it are aware of the provisions of this Section 7.1. TORC shall be responsible for any breach of this Section 7.1 by its officers, directors, employees, investment bankers, advisers or representatives, and Vero shall be responsible for any breach of this Section 7.1 by its officers, directors, employees, investment bankers, advisers or representatives.

ARTICLE 8 TERMINATION

8.1 Termination by Mutual Agreement or Non-Satisfaction of Conditions

This Agreement may, prior to the filing of the Articles of Arrangement, be terminated by:

- (a) mutual written agreement of the Parties; or
- (b) as provided in subsection 5.4(b) provided that the terminating Party is not in default of any of its obligations or representations or warranties in any material respect under this Agreement.

8.2 Termination by Vero

Notwithstanding any other rights contained herein, Vero may terminate this Agreement, upon notice to TORC, if:

- (a) a Vero Damages Event has occurred;
- (b) a TORC Damages Event in relation to Section 6.2(c) has occurred and Vero has paid TORC the amount as provided by Section 6.2, provided that Vero has complied with its obligations set forth in Section 7.1; or
- (c) a court of competent jurisdiction or a governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting any of the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable, provided that the Party seeking to terminate this Agreement pursuant to this Section 8.2 shall have used all commercially reasonable efforts to remove such order, decree, ruling or injunction.

8.3 Termination by TORC

Notwithstanding any other rights contained herein, TORC may terminate this Agreement, upon notice to Vero, if:

- (a) a TORC Damages Event has occurred;
- (b) a Vero Damages Event in relation to Section 6.1(c) has occurred and TORC has paid Vero the amount as provided by Section 6.1; or
- (c) a court of competent jurisdiction or a governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting any of the transactions contemplated by this Agreement and such order, decree, ailing or other action shall have become final and non-appealable, provided that the Party seeking to terminate this Agreement pursuant to this Section 8.3 shall have used all commercially reasonable efforts to remove such order, decree, ruling or injunction.

8.4 Effect of Termination

Except as provided in Sections 6.1, 6.2 and 6.3, the exercise by any Party of any right of termination hereunder shall be without prejudice to any other remedy available to such Party. If this Agreement is terminated pursuant to any provision of this Agreement, the Parties shall return all materials and copies of all materials delivered to them or their agents by each other. Except for the obligations set forth in Sections 4.3(e), 6.1, 6.2 and 10.1 (provided in the case of Section 6.1 or 6.2, the right of payment arose prior to the termination of this Agreement), which shall survive any termination of this Agreement and continue in full force and effect, no Party shall have any further obligations to any other Party hereunder with respect to this Agreement. Nothing contained in this Article 8 shall relieve any Party from any liability for any breach of any provision of this Agreement except as provided in Section 6.1 or 6.2.

ARTICLE 9 AMENDMENT

9.1 Amendment

This Agreement may, at any time and from time to time before or after the holding of the Meetings, be amended by written agreement of the Parties without, subject to Applicable Laws, further notice to or authorization on the part of the Vero Shareholders or the TORC Shareholders, provided that, notwithstanding the foregoing, the consideration which the TORC Shareholders shall have the right to receive on the Arrangement may not be reduced without the approval of the TORC Shareholders, given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

ARTICLE 10 GENERAL

10.1 Expenses

Except as otherwise provided for herein, each Party covenants and agrees to bear its own costs and expenses in connection with the transactions contemplated hereby, whether or not the

Arrangement is completed, except for Competition Act Approval for which TORC and Vero shall equally be responsible for the filing fees of such application.

10.2 **Privacy**

The Parties acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use and disclosure of personal information acquired by or disclosed to the Parties pursuant to or in connection with this Agreement (the “Disclosed Personal Information”). Neither Party shall use the Disclosed Personal Information for any purposes other than those relating to the performance of this Agreement and the completion of the Arrangement.

10.3 **Disclosure**

Each Party shall receive prior written consent, not to be unreasonably withheld or delayed, of the other Party prior to issuing or permitting any director, officer, employee, agent or financial advisor to issue any press release or other written statement with respect to this Agreement or the transactions contemplated hereby. Notwithstanding the foregoing, if either Party is required by law or administrative regulation to make any disclosure relating to the transactions contemplated hereby, such disclosure may be made, but that Party will consult with the other Party as to the wording of such disclosure prior to its being made.

10.4 **Notices**

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement by a Party to the other Party shall be in writing and may be given by sending same by facsimile transmission or by hand delivery to a responsible person addressed to the Party to whom the notice is to be given at its address for service herein. Any notice, consent, waiver, direction or other communication aforesaid shall, if delivered, be deemed to have been given and received on the date on which it was delivered to the address provided herein (if a Business Day and, if not, the next succeeding Business Day) and if sent by facsimile transmission be deemed to have been given and received at the time of receipt unless actually received after 4:00 p.m. at the point of delivery, in which case it shall be deemed to have been given and received on the next Business Day.

The address for service of each of the Parties shall be as follows:

if to Vero:	Suite 900, 520 – 3 rd Avenue S.W. Calgary, AB T2P 0R3
	Attention: President and Chief Executive Officer Fax: (403) 218-2064
with a copy to:	Burnet, Duckworth & Palmer LLP Suite 2400, 525 – 8 th Avenue S.W. Calgary, AB T2P 1G1
	Attention: Michael Sandrelli Fax: (403) 260-0332

if to TORC: Suite 1800, 525 – 8th Avenue S.W.
Calgary, AB T2P 1G1

Attention: President and Chief Executive Officer
Fax: (403) 930.4159

with a copy to: Heenan Blaikie LLP
Suite 1900, 215 – 9th Avenue S.W.
Calgary, AB T2P 1K3

Attention: Thomas Cotter
Fax: (403) 234-7987

10.5 Time of Essence

Time shall be of the essence in this Agreement.

10.6 Entire Agreement

This Agreement constitutes the entire agreement between the Parties and cancels and supersedes all prior agreements and understandings between the Parties with respect to the subject matter hereof.

10.7 Further Assurances

Each Party shall, from time to time, and at all times hereafter, at the request of the other Party, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof.

10.8 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein but the reference to such laws shall not, by conflict of laws rules or otherwise, require the application of the law of any jurisdiction other than the Province of Alberta. Each Party hereby irrevocably attorns to the jurisdiction of the courts of the Province of Alberta in respect of all matters arising under or in relation to this Agreement.

10.9 Execution in Counterparts

This Agreement may be executed in identical counterparts, each of which is and is hereby conclusively deemed to be an original and the counterparts collectively are to be conclusively deemed to be one instrument. Counterparts delivered by way of facsimile transmission are deemed to be as valid as original counterparts.

10.10 Waiver

No waiver by either Party shall be effective unless in writing and any waiver shall affect only the mailer, and the occurrence thereof, specifically identified and shall not extend to any other mailer or occurrence.

10.11 Enurement and Assignment

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and assigns. This Agreement may not be assigned by either Party without the prior written consent of the other Party.

10.12 No Survival of Representations

The representations and warranties set forth in Article 3 shall terminate on, and may not be relied upon by either Party to this Agreement after, the Effective Date.

10.13 Third Party Beneficiaries

The provisions of Section 4.3(e) are intended for the benefit of the directors, officers, employees and agents of Vero and TORC and the provisions of Section 4.3(x) are intended for the benefit of all present and former directors and officers of TORC, as and to the extent applicable in accordance with their terms, and shall be enforceable by each of such persons and his or her heirs, executors, administrators and other legal representatives (collectively, the “**Third Party Beneficiaries**”) and Vero, TORC and any successor to Vero or TORC shall hold the rights and benefits of this Section 10.13 in trust for and on behalf of the Third Party Beneficiaries and each of Vero and TORC hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries, and such are in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

10.14 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

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IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

VERO ENERGY INC.

Per: (Signed) "Doug Bartole"
Doug Bartole
President and Chief Executive Officer

TORC OIL & GAS LTD.

Per: (Signed) "Brett Herman"
Brett Herman
President and Chief Executive Officer

EXHIBIT I

to the Arrangement Agreement dated as of September 12, 2012 between
Vero Energy Inc. and TORC Oil & Gas Ltd.

PLAN OF ARRANGEMENT UNDER SECTION 193 OF THE BUSINESS CORPORATIONS ACT (ALBERTA)

ARTICLE 1 INTERPRETATION

- 1.1 In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

“**ABCA**” means the *Business Corporations Act*, R.S.A. 2000, c. B-9 as amended, including the regulations promulgated thereunder;

“**AcquisitionCo**” means 1688763 Alberta Ltd., a corporation incorporated under the ABCA and a wholly-owned subsidiary of Vero;

“**AmalCo**” means the continuing corporation resulting from the amalgamation of AmalCo1 and Vero pursuant to subsection 3.1(d);

“**AmalCo1**” means the continuing corporation resulting from the amalgamation of AcquisitionCo and TORC pursuant to subsection 3.1(c);

“**AmalCo Shares**” means the common shares in the capital of AmalCo;

“**AmalCo1 Shares**” means the common shares in the capital of AmalCo1;

“**Applicable Laws**” means applicable corporate, securities and other laws, regulations and rules and all policies and rules of the Toronto Stock Exchange;

“**Arrangement**”, “**herein**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean and refer to the arrangement pursuant to Section 193 of the ABCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;

“**Arrangement Agreement**” means the Arrangement Agreement between Vero and TORC dated September 12, 2012, and all amendments thereto;

“**Articles of Arrangement**” means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted, to give effect to the Arrangement;

“**Business Day**” means, with respect to any action to be taken, any day, other than Saturday, Sunday or a statutory holiday, when banks are generally open in the City of Calgary for the transaction of banking business;

“**Certificate of Arrangement**” means the certificate of arrangement or other evidence of filing issued by the Registrar under subsection 193(11) of the ABCA giving effect to the Arrangement;

“Court” means the Court of Queen's Bench of Alberta;

“Depositary” means Olympia Trust Company or such other trust company that may be appointed by Vero and TORC for the purpose of receiving deposits of certificates representing TORC Shares in connection with the Arrangement and as set out in the Letter of Transmittal;

“Dissent Rights” means the rights of dissent granted in favour of TORC Shareholders in respect of the TORC Resolution as provided pursuant to section 191 of the ABCA, and as modified by the Interim Order;

“Dissenting TORC Shareholder” means a TORC Shareholder who, in connection with the TORC Resolution at the TORC Meeting, has sent to TORC a written objection and a demand for payment within the time limits and in the manner prescribed by section 191 of the ABCA, as modified by the Interim Order, with respect to such TORC Shareholder's TORC Shares;

“Effective Date” means the date shown on the Certificate of Arrangement;

“Effective Time” means 12:01 a.m. (Calgary time) on the Effective Date;

“Final Order” means the order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

“Governmental Authority” means any: (a) multinational, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, court, tribunal, arbitral body, commission, board, bureau or agency; (b) any subdivision, agent, commission, board or authority of any of the foregoing; or (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

“Information Circular” means the joint management information circular of Vero and TORC to be mailed to Vero Shareholders and TORC Shareholders in connection with the Meetings;

“Interim Order” means the interim order of the Court pursuant to subsection 193(4) of the ABCA ordering the TORC Meeting and setting out certain declarations and directions in respect of the Arrangement and the holding of the TORC Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

“Letter of Transmittal” means the letter of transmittal accompanying the Information Circular pursuant to which the TORC Shareholders are required to, among other things, deliver certificates representing TORC Shares and other required documents in order to exchange such certificates for AmalCo Shares;

“Meetings” means, together, the Vero Meeting and the TORC Meeting;

“Parties” means Vero and TORC and “Party” means either one of them;

“Person” means any individual, partnership, limited partnership, joint venture, trust, body corporate, unincorporated organization, committee, trade creditors' committee, government or agency, or instrumentality thereof, or any other entity howsoever designated or constituted, including any Governmental Authority;

“Registrar” means the Registrar of Corporations appointed pursuant to section 263 of the ABCA;

“TORC” means TORC Oil & Gas Ltd., a corporation amalgamated under the ABCA;

“TORC Flow-Through Subscription Receipts” means those subscription receipts issued pursuant to the TORC Private Placement (as defined in the Arrangement Agreement) that are convertible for shares issued on a flow-through basis pursuant to the *Income Tax Act* (Canada);

“TORC Meeting” means the special meeting of the TORC Shareholders, including any adjournment thereof, that is to be convened as provided by the Interim Order to consider and, if deemed advisable, approve the TORC Resolution;

“TORC Resolution” means the special resolution to approve the Arrangement to be considered by TORC Shareholders at the TORC Meeting;

“TORC Shareholders” means the registered holders of TORC Shares;

“TORC Shares” means the Class “A” common shares in the capital of TORC, as constituted on the date hereof;

“TORC Subscription Receipt” means the subscription receipts issued pursuant to the TORC Private Placement (as defined in the Arrangement Agreement) other than the TORC Flow-Through Subscription Receipts;

“Vero” means Vero Energy Inc., a corporation amalgamated under the ABCA;

“Vero Meeting” means the special meeting of the Vero Shareholders, including any adjournment thereof, that is to be convened to consider and, if deemed advisable, approve the Vero Resolutions (as defined in the Arrangement Agreement);

“Vero Shareholders” means the registered holders of Vero Shares; and

“Vero Shares” means common shares in the capital of Vero, as constituted on the date hereof.

1.2 In this Plan of Arrangement, unless otherwise expressly stated:

- (a) the division of this Plan of Arrangement into articles, sections and subsections and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Plan of Arrangement;
- (b) the words “hereunder”, “hereof” and similar expressions refer to this Plan of Arrangement and not to any particular article, section or subsection and references to “articles”, “sections” and “subsections” are to articles, sections and subsections of this Plan of Arrangement;
- (c) words importing the singular include the plural and vice versa, and words importing gender include all genders;
- (d) the word “including” means including without limiting the generality of the foregoing;
- (e) references to sums of money are expressed in lawful money of Canada; and

- (f) to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder.

ARTICLE 2 ARRANGEMENT AGREEMENT

- 2.1 This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.
- 2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and other documents as required by the ABCA with the Registrar and the issue of the Certificate of Arrangement, will become effective on, and will be binding on and after, the Effective Time on: (i) TORC; (ii) Vero; (iii) AcquisitionCo and (iv) the TORC Shareholders.
- 2.3 The Articles of Arrangement and the Certificate of Arrangement shall be filed and issued, respectively, with respect to the Arrangement in its entirety. The Certificate of Arrangement shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

ARTICLE 3 ARRANGEMENT

- 3.1 Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality except as otherwise provided herein:
 - (a) each TORC Share held by a Dissenting TORC Shareholder shall be transferred to TORC and cancelled and become an entitlement to be paid the fair value of such TORC Share and the Dissenting TORC Shareholder shall cease to have any rights as a holder of such TORC Share other than the right to be paid the fair value of such TORC Share by AmalCo in accordance with Section 5.1;
 - (b) each TORC Subscription Receipt will be converted and exchanged for one (1) TORC Share;
 - (c) AcquisitionCo and TORC shall be amalgamated to form AmalCo 1 and continue as one corporation under the ABCA in accordance with the following:
 - (i) the name of AmalCo1 shall be "TORC Oil & Gas Ltd.";
 - (ii) except as otherwise provided in this Plan of Arrangement, the articles of AcquisitionCo shall be deemed to be the articles of AmalCo1;
 - (iii) the registered office of AmalCo1 shall be the registered office of AcquisitionCo;
 - (iv) AmalCo1 shall be authorized to issue an unlimited number of AmalCo1 Shares, without nominal or par value to which AmalCo1 Shares shall be attached the following rights: (A) to vote at any meeting of holders of AmalCo1 Shares; (ii) to receive any dividend declared by AmalCo1; and (iii) to receive the remaining property of AmalCo1 upon dissolution;

- (v) there shall be no restrictions on the business that AmalCo1 is authorized to carry on;
- (vi) the board of directors of AmalCo1 will consist of not less than one and not more than ten directors, the exact number of which shall be determined by the directors of AmalCo1 from time to time;
- (vii) the first directors of AmalCo1 who shall hold office until the next annual meeting of shareholders of AmalCo1 or until their successors are elected or appointed, shall be the directors of TORC;
- (viii) the by-laws of AmalCo1 shall be the by-laws of AcquisitionCo in effect prior to the Effective Time;
- (ix) the property of each of AcquisitionCo and TORC continues to be the property of AmalCo1;
- (x) AmalCo1 shall continue to be liable for the obligations of AcquisitionCo and TORC;
- (xi) an existing cause of action, claim or liability to prosecution is unaffected;
- (xii) a civil, criminal or administrative action or proceeding pending by or against AcquisitionCo or TORC may be continued to be prosecuted by or against AmalCo1;
- (xiii) a conviction against, or ruling, order or judgment in favour of or against, AcquisitionCo or TORC may be enforced by or against AmalCo1;
- (xiv) the Articles of Arrangement are deemed to be the articles of amalgamation of AmalCo1 and the Certificate of Arrangement is deemed to be the certificate of amalgamation of AmalCo1 referred to in Section 186 of the ABCA;
- (xv) On the amalgamation:
 - (A) each issued and outstanding TORC Share (other than TORC Shares held by Vero and AcquisitionCo) shall be cancelled and such holder's name shall be removed from the register of holders of TORC Shares as of the Effective Time and in consideration therefor the holder thereof shall receive 0.87 of a Vero Share in respect of each TORC Share so cancelled and the Vero Shares held by such holder shall be added to the register of holders of Vero Shares as of the Effective Date;
 - (B) the issued and outstanding AcquisitionCo Shares shall survive and continue to be shares of AmalCo1 without amendment;
 - (C) the issued and outstanding TORC Shares held by Vero shall be cancelled and in exchange therefor Vero shall receive an equal number of common shares of AmalCo1 and the common shares of AmalCo1 held by Vero shall be added to the register of holders of common shares of AmalCo1 as of the Effective Date;

- (d) the stated capital account with respect to the AmalCo1 Shares shall be reduced to \$1 without payment of consideration and Vero and AmalCo1 shall amalgamate pursuant to the provisions of Section 184(1) of the ABCA and continue as one corporation under the name "TORC Oil & Gas Ltd." with the same authorized share capital as Vero on the Effective Date and the authorized and issued share capital of AmalCo1 shall be cancelled in accordance with the following:
- (i) the name of AmalCo shall be "TORC Oil & Gas Ltd.";
 - (ii) except as otherwise provided in this Plan of Arrangement, the articles of Vero shall be deemed to be the articles of AmalCo;
 - (iii) the registered office of AmalCo shall be 1900, 215 – 9th Avenue S.W., Calgary, Alberta T2P 1K3;
 - (iv) AmalCo shall be authorized to issue an unlimited number of AmalCo Shares, without nominal or par value to which AmalCo Shares shall be attached the following rights: (A) to vote at any meeting of holders of AmalCo Shares; (ii) to receive any dividend declared by AmalCo; and (iii) to receive the remaining property of AmalCo upon dissolution;
 - (v) there shall be no restrictions on the business that AmalCo is authorized to carry on;
 - (vi) the board of directors of AmalCo will consist of not less than one and not more than ten directors, the exact number of which shall be determined by the directors of AmalCo from time to time;
 - (vii) the first directors of AmalCo who shall hold office until the next annual meeting of shareholders of AmalCo or until their successors are elected or appointed, shall be the directors of AmalCo1;
 - (viii) the by-laws of AmalCo shall be the by-laws of Vero in effect prior to the Effective Time;
 - (ix) the property of each of AmalCo 1 and Vero continues to be the property of AmalCo;
 - (x) AmalCo shall continue to be liable for the obligations of AmalCo1 and Vero;
 - (xi) an existing cause of action, claim or liability to prosecution is unaffected;
 - (xii) a civil, criminal or administrative action or proceeding pending by or against AmalCo1 or Vero may be continued to be prosecuted by or against AmalCo;
 - (xiii) a conviction against, or ruling, order or judgment in favour of or against, AmalCo1 or Vero may be enforced by or against AmalCo;
 - (xiv) the Articles of Arrangement are deemed to be the articles of amalgamation of AmalCo and the Certificate of Arrangement is deemed to be the certificate of amalgamation of AmalCo referred to in Section 186 of the ABCA;

- (xv) On the amalgamation:
 - (A) each issued and outstanding AmalCo1 Share shall be cancelled without any repayment of capital, and such holder's name shall be removed from the register of holders of AmalCo1 Shares as of the Effective Time; and
 - (B) the issued and outstanding Vero Shares shall survive and continue to be shares of AmalCo without amendment; and
 - (e) each TORC Flow-Through Subscription Receipt will be converted and exchanged for 0.87 of an Amalco Share.
- 3.2 The Arrangement shall be structured such that, assuming the resolutions approving the Arrangement are approved and the Final Order is obtained, the issuance of the Vero Shares and AmalCo Shares (other than Vero Shares and AmalCo Shares issuable in respect of TORC Shares issued upon conversion of subscription receipts issued in the TORC Private Placement), as applicable, issuable to the TORC Shareholders under the Arrangement will not require registration under the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, in reliance on Section 3(a)(10) thereof.

ARTICLE 4 CLOSING PROCEDURES

- 4.1 From and after the Effective Time, certificates formerly representing TORC Shares shall represent only the right to receive the consideration to which the TORC Shareholders are entitled under the Arrangement or, in case of Dissenting TORC Shareholders, under Section 5.1.
- 4.2 AmalCo shall cause the Depositary to, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of TORC Shares of a duly completed Letter of Transmittal, the certificates representing such TORC Shares and such other documents and instruments as the Depositary may reasonably require, either:
- (a) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or
 - (b) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such holder,
- the certificates for AmalCo Shares which such holder has the right to receive pursuant to the Arrangement, net of any applicable withholding taxes.
- 4.3 AmalCo's transfer agent shall register AmalCo Shares in the name of each former TORC Shareholder entitled thereto or as otherwise instructed in the Letter of Transmittal deposited by such former TORC Shareholder and shall deliver such shares in accordance with Section 4.2 and the terms and conditions of the Letter of Transmittal.
- 4.4 If any certificate which immediately prior to the Effective Time represented an interest in outstanding TORC Shares has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depositary shall deliver in exchange for such lost stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions

with respect thereto) as determined in accordance with the Arrangement. The person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to each of the Depositary and AmalCo, which bond is in form and substance satisfactory to each of the Depositary and AmalCo or shall otherwise indemnify the Depositary and AmalCo against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

- 4.5 Notwithstanding anything herein contained, no fractional AmalCo Shares will be issued. In the event that a TORC Shareholder would otherwise be entitled to a fractional AmalCo Share hereunder, the number of AmalCo Shares issued to such TORC Shareholder shall be rounded up to the next greater whole number of AmalCo Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next lesser whole number of AmalCo Shares if the fractional entitlement is less than 0.5. In calculating such fractional interests, all TORC Shares registered in the name of or beneficially held by a TORC Shareholder or its nominee shall be aggregated.
- 4.6 Any certificate formerly representing TORC Shares that is not deposited with all other documents as required by this Plan of Arrangement on or before the day prior to the third anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature including the right of the holder of such certificate to receive AmalCo Shares shall be deemed to be surrendered to AmalCo together with all dividends paid or distributions made thereon held for such holder.
- 4.7 All dividends or other distributions made in respect of AmalCo Shares to which a former TORC Shareholder is entitled in accordance with the terms of the Arrangement, but for which a certificate representing either the AmalCo Shares has not been delivered to such TORC Shareholder in accordance with this Article 4, shall be paid or delivered to the Depositary to be held in trust for such TORC Shareholder for delivery to such shareholder, net of all applicable withholding and other taxes, upon delivery of the certificate in accordance with this Article 4, or surrendered to AmalCo pursuant to Section 4.6 hereof, as the case may be.
- 4.8 Vero and TORC (and AmalCo, as their successor) shall be entitled to deduct and withhold from any consideration otherwise payable to any TORC Shareholder and, for greater certainty, from any amount payable to a Dissenting Shareholder, as the case may be, under the Arrangement such amounts as Vero and TORC (and AmalCo, as their successor) are required or reasonably believed to be required to deduct and withhold from such consideration in accordance with applicable Laws. Any such amounts will be deducted and withheld from the consideration in respect of the Arrangement and shall be treated for all purposes as having been paid to the TORC Shareholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate Governmental Authority.

ARTICLE 5

DISSENTING TORC SHAREHOLDERS

- 5.1 Each registered holder of TORC Shares shall have the right to dissent with respect to the Arrangement in accordance with the Interim Order. Each registered TORC Shareholder who validly exercises the right of dissent with respect to the Arrangement in accordance with the provisions of the ABCA as modified by the Interim Order and is entitled to be paid the fair value of the holders TORC Shares (a “**Dissenting TORC Shareholder**”) shall be deemed to have transferred the holder’s TORC Shares to AcquisitionCo for cancellation at the Effective Time in accordance with Section 3.1(a), notwithstanding the provisions of Section 191 of the ABCA. A Dissenting TORC Shareholder shall, at the Effective Time, cease to have any rights as a holder of

TORC Shares and shall only be entitled to be paid the fair value of the holder's TORC Shares by AmalCo. A TORC Shareholder who purports to exercise rights of dissent but for any reason is not entitled to be paid the fair value of the holders TORC Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting TORC Shareholder. The fair value of the TORC Shares shall be determined as of the close of business on the last Business Day before the day on which the Arrangement is approved by the TORC Shareholders at the TORC Meeting; but in no event shall TORC or AmalCo be required to recognize such Dissenting TORC Shareholder as a shareholder of TORC, Vero or AmalCo or their respective successors after the Effective Time and the name of such holder shall be removed from TORC's register of shareholders as at the Effective Time. For greater certainty, in addition to any other restrictions in Section 191 of the ABCA or the Interim Order, no TORC Shareholder who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement. In addition, a Dissenting TORC Shareholder may only exercise Dissent Rights in respect of all, and not less than all, of its TORC Shares.

ARTICLE 6 AMENDMENTS

- 6.1 Vero and TORC may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (i) set out in writing; (ii) approved by the Parties; (iii) filed with the Court and, if made following the TORC Meeting, approved by the Court; and (iv) communicated to the TORC Shareholders and Vero Shareholders if and as required by the Court.
- 6.2 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Vero and TORC at any time prior to or at the TORC Meeting with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Meetings (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- 6.3 Any amendment to this Plan of Arrangement that is approved by the Court following the TORC Meeting shall be effective only if it is consented to by each of Vero and TORC.
- 6.4 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time by AmalCo, provided that such amendment, modification or supplement concerns a matter which, in the reasonable opinion of AmalCo, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of AmalCo or any former TORC Shareholder.

ARTICLE 7 ADDITIONAL STEPS

- 7.1 Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Parties shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out herein.

- 7.2 Subject to the terms of the Arrangement Agreement, Vero and TORC may agree not to implement the Plan, notwithstanding the approval of the resolutions authorizing the Arrangement and the receipt of the Final Order.

APPENDIX E

TORC FAIRNESS OPINION

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September 13, 2012

STRICTLY CONFIDENTIAL



The Board of Directors of
TORC Oil & Gas Ltd.
Suite 1800, Eighth Avenue Place
525 – 8th Avenue SW
Calgary, AB T2P 1G1

To the Board of Directors of TORC Oil & Gas Ltd. (the “TORC Board”):

Introduction

Macquarie Capital Markets Canada Ltd., (“**Macquarie Capital**”) understands that TORC Oil & Gas Ltd. (“**TORC**”) and Vero Energy Inc. (“**Vero**”) have entered into an arrangement agreement dated September 12, 2012, as amended in accordance with a letter agreement between Vero and TORC dated September 26, 2012 (collectively the “**Arrangement Agreement**”), whereby, Vero will directly or indirectly acquire all of the issued and outstanding common shares of TORC (“**TORC Shares**”), and Vero and TORC will amalgamate and continue as one corporation (“**Amalco**”) pursuant to a plan of arrangement under the provisions of the *Business Corporations Act* (Alberta) (the “**Arrangement**”).

1 THE ARRANGEMENT

Pursuant to the Arrangement, holders of TORC Shares (“**TORC Shareholders**”) will receive share consideration equal to 0.87 of a common share of Vero (“**Vero Share**”) for each TORC Share held. Completion of the Arrangement is subject to approval of the TORC Shareholders, the approval of Vero shareholders (“**Vero Shareholders**”), court approval and various conditions, including, without limitation, receipt of all required regulatory approvals, that the Toronto Stock Exchange (“**TSX**”) has approved the listing of all Vero Shares issued to TORC Shareholders under the Arrangement, and other customary conditions. The terms of, and conditions necessary to complete, the Arrangement will be set forth in the Arrangement Agreement and are described in the joint management information circular of TORC and Vero dated October 19, 2012 (the “**Circular**”), to be mailed to the TORC Shareholders and Vero Shareholders in connection with the special meeting of the TORC Shareholders (the “**TORC Meeting**”) and Vero Shareholders (the “**Vero Meeting**”) to be held to consider and, if deemed advisable, to approve the Arrangement in the case of the TORC Meeting and to approve the issuance of Vero Shares in the case of the Vero Meeting. Macquarie Capital understands that all directors and executive officers of TORC and Vero have agreed pursuant to lock-up agreements (the “**Lock-up Agreements**”) to vote their TORC and Vero Shares in favour of the Arrangement.

2 MACQUARIE CAPITAL’S ROLE

TORC formally engaged Macquarie Capital pursuant to an engagement agreement dated September 7, 2012 (the “**TORC Engagement**”) to provide financial advisory services in connection with the Arrangement, including Macquarie Capital’s opinion to the TORC Board as to the fairness

to the TORC Shareholders, from a financial point of view, of the consideration to be received by the TORC Shareholders pursuant to the Arrangement (the “**Opinion**”). In consideration for the preparation and delivery of the Opinion, TORC will pay Macquarie Capital a fee that is not contingent upon the conclusions reached herein and reimburse Macquarie Capital for its reasonable out-of-pocket expenses. Macquarie Capital will also be entitled to a separate fee contingent upon completion of the Arrangement and is to be reimbursed for reasonable out-of-pocket expenses in connection with the other financial advisory and professional services provided under the TORC Engagement. In addition, pursuant to the TORC Engagement, Macquarie Capital and its affiliates and their respective directors, officers, employees, agents and consultants are to be indemnified by TORC under certain circumstances from and against certain liabilities arising in connection with the financial advisory and professional services rendered to TORC and the TORC Board.

3 CREDENTIALS OF MACQUARIE CAPITAL

Macquarie Capital is a wholly owned subsidiary of the Macquarie Group which is a diversified international provider of specialist investment, advisory, trading and financial services in select markets around the world. Macquarie Capital is a member of the Investment Industry Regulatory Organization of Canada and a member of the TSX and the TSX Venture Exchange. Macquarie Capital’s advisory services include the areas of mergers, acquisitions, divestments, restructurings, fairness opinions and valuations. The Opinion expressed herein is Macquarie Capital’s and has been approved by senior corporate and financial advisory professionals of Macquarie Capital who have been involved in a number of transactions involving the merger, acquisition, divestiture and valuation of publicly traded and private Canadian issuers and in providing fairness opinions in respect of such transactions.

4 INDEPENDENCE OF MACQUARIE CAPITAL

None of Macquarie Capital, its affiliates or associates, is an insider, associate or affiliate (within the meanings attributed to those terms in the *Securities Act* (Alberta)), or a related entity of TORC, Vero or any of their respective associates or affiliates (collectively, the “**Interested Parties**”). Macquarie Capital is not acting as an advisor, financial or otherwise, to any Interested Party in connection with the Arrangement, other than TORC pursuant to the TORC Engagement, or in connection with any other transaction. Macquarie Capital has acted and acts as agent and financial advisor to TORC in the past two years. Macquarie Capital has acted as underwriter and financial advisor to Vero in the past two years.

There are no understandings, agreements or commitments between Macquarie Capital with any Interested Party with respect to any future business dealings; however, Macquarie Capital may in the future in the ordinary course of business seek to perform financial advisory services for any one or more of them from time to time.

Macquarie Capital acts as a trader and dealer, both as principal and agent, in Canadian financial markets and, as such, may have, today, or in the future, positions in the securities of any Interested Party and from time to time may have executed or may execute transactions on behalf of any Interested Party or other clients for which it received or may receive compensation. In addition, as an investment dealer, Macquarie Capital conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on issues and investment matters, including with respect to an Interested Party or the Arrangement.

5 SCOPE OF REVIEW

In connection with rendering this Opinion, Macquarie Capital has reviewed and relied upon, or carried out, among other things, the following:

In the case of TORC:

- (a) audited annual financial statements of TORC as at and for the fiscal years ended December 31, 2011 and December 31, 2010, together with management's discussion & analysis of financial condition and operating results for each such financial period;
- (b) independent reserve reports concerning TORC's oil, natural gas liquids and natural gas reserves and the estimated future cash flow from certain of such reserves, effective as of December 31, 2011, prepared by Sproule Associates Ltd.;
- (c) unaudited financial statements of TORC as at and for the interim periods ended March 31, 2012 and June 30, 2012, respectively, together with management's discussion & analysis of financial condition and operating results for each such interim periods;
- (d) the management information circular of TORC in respect of the annual meeting of TORC shareholders held on June 21, 2012;
- (e) certain internal financial information, and financial and operational projections and models of TORC as provided by TORC's management to Macquarie Capital in connection with its business;
- (f) a certificate of representation as to certain factual matters dated the date hereof, addressed to Macquarie Capital provided by senior officers of TORC;
- (g) discussions with management of TORC with regard to, amongst other things, the business, operations, quality of assets, future potential and environmental matters of TORC; and
- (h) other information relating to the business and financial condition of TORC and other selected oil and gas companies Macquarie Capital considered relevant.

In the case of Vero:

- (a) the annual report of Vero for the period ended December 31, 2011;
- (b) audited annual financial statements of Vero as at and for the fiscal years ended December 31, 2011, December 31, 2010 and December 31, 2009, together with management's discussion & analysis of financial condition and operating results for each such financial period;
- (c) the certifications of Vero's chief executive officer and chief financial officer in respect of Vero's annual filings, filed (in each case, as publicly filed by Vero with applicable securities regulatory authorities) pursuant to National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*;
- (d) unaudited financial statements of Vero as at and for the interim periods ended March 31, 2012 and June 30, 2012, respectively, together with management's discussion & analysis of financial condition and operating results for each such interim periods;
- (e) the certifications of Vero's chief executive officer and chief financial officer in respect of Vero's interim filings, filed (in each case, as publicly filed by Vero with applicable securities regulatory authorities) pursuant to National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*;
- (f) independent reserve reports concerning Vero's oil, natural gas liquids and natural gas reserves and the estimated future cash flow from certain of such reserves, effective as of December 31, 2011, prepared by Sproule Associates Ltd.;
- (g) the management information circular of Vero in respect of the annual meeting of Vero shareholders held on August 8, 2012;

- (h) the revised annual information form of Vero dated March 30, 2012 for the year ended December 31, 2011;
- (i) the material change report dated January 3, 2012 relating to the divestiture of natural gas assets;
- (j) the management information circular of Vero dated February 7, 2012 in respect of the special meeting to approve, amongst other things, the cash distribution;
- (k) the news release dated January 31, 2012 in respect to the closing of the natural gas asset divestiture;
- (l) the news release dated March 8, 2012 in respect to the voting results of the special meeting to approve, amongst other things, the cash distribution;
- (m) public information relating to the business and financial condition of Vero and the trading history of Vero Shares and other selected public oil and gas companies Macquarie Capital considered relevant; and
- (n) a certificate of representation as to certain factual matters dated the date hereof, addressed to Macquarie Capital provided by senior officers of Vero.

In addition to the information detailed above, Macquarie Capital has further reviewed, considered and relied upon, among other things, the following:

- a) the Arrangement Agreement;
- b) the joint management information circular dated October 19, 2012 in respect to the Plan of Arrangement involving TORC, Vero and 1688763 Alberta Ltd.;
- c) information with respect to selected precedent merger and acquisition transactions Macquarie Capital considered relevant;
- d) a due diligence questionnaire with senior management, auditors and independent reserve engineers of TORC and Vero;
- e) other information, analysis, investigations and discussions as Macquarie Capital considered relevant and appropriate in the circumstances.

Aside from a due diligence questionnaire, Macquarie Capital did not meet with the auditors of TORC or Vero and has assumed the accuracy and fair presentation of the audited and unaudited financial statements of TORC and Vero, and, as applicable, the reports of the auditors thereon. Aside from the due diligence questionnaire, Macquarie Capital did not meet with the independent reserve engineers of TORC or Vero and has assumed the accuracy and fair presentation of the reserve reports of TORC and Vero.

Macquarie Capital has not, to its knowledge, been denied access to any information requested.

6 ASSUMPTIONS AND LIMITATIONS

Macquarie Capital has relied upon and has assumed the completeness, accuracy and fair representation of all financial and other information, data, advice, opinions and representations obtained by Macquarie Capital, including information relating to TORC and Vero, provided to Macquarie Capital by TORC or Vero, their affiliates or advisors or otherwise pursuant to the TORC Engagement, and this Opinion is conditional upon such completeness, accuracy, and fairness. Macquarie Capital has not attempted to verify independently the accuracy or completeness of any such information, data, advice, opinions, or representations. Senior management of TORC and

Vero have represented to Macquarie Capital, in certificates dated as at the date hereof, among other things, that to the best of their knowledge after due inquiry, with the exception of certain forecasts, projections or estimates, (i) the information, data, opinions, representations and other materials (oral or written) (collectively referred to as the “**Information**”) provided to Macquarie Capital by or on behalf of TORC or Vero, as the case may be, was at the dates the Information was provided and is at the date hereof true, complete and correct and not misleading in light of the circumstances under which they were made or presented and did not and does not contain any untrue statement of material fact or omit to state a material fact necessary to make the Information not misleading in light of the circumstances under which the Information was provided; and (ii) since the date on which the Information was provided, there has been no material change (as such term is defined in the *Securities Act* (Alberta)) or new material fact, financial or otherwise, relating to the Arrangement, the financial condition, assets, liabilities (contingent or otherwise), business, affairs, operations or prospects of TORC or Vero or any of their respective subsidiaries, associates or affiliates or any change in any material fact or in any material element of any of the Information, or new material fact and which is of a nature as to render any portion of the Information untrue or misleading in any material respect or which could reasonably be expected to have a material effect on this Opinion.

We have also assumed that the transaction process undertaken by TORC was appropriate. With respect to the financial projections of TORC or Vero which were furnished to us, we have assumed that such financial projections have been reasonably prepared by TORC or Vero, as applicable on a basis reflecting the best currently available estimates and good faith judgments by management of TORC or Vero, as applicable of the future competitive, operating and regulatory environments and related financial performance of TORC or Vero, as applicable. We express no view as to any such financial projections or the assumptions on which any of them are based.

For purposes of rendering this Opinion, we have assumed that the representations and warranties of each party contained in the Arrangement Agreement are true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the Arrangement Agreement. The Arrangement is subject to a number of conditions outside the control of any party involved in the Arrangement and Macquarie Capital has assumed all conditions precedent to the completion of the Arrangement can be satisfied in due course and all consents, permissions, exemptions or orders of relevant regulatory authorities will be obtained, without adverse conditions or qualification. In rendering this Opinion, Macquarie Capital expresses no view as to the likelihood that the conditions respecting the Arrangement will be satisfied or waived or that the Arrangement will be implemented within the time frame indicated in the Circular. In addition, we have assumed that neither TORC nor Vero will incur any material liability or obligation, or lose any material rights, as a result of completion of the Arrangement and that the procedures being followed to implement the Arrangement are valid and effective, and in accordance with applicable laws and that the disclosure of TORC, Vero and the Arrangement in any disclosure documents will be accurate and will comply with the requirements of applicable laws.

This Opinion is rendered on the basis of market, economic, financial and general business and other conditions prevailing as at the date hereof, and the Information made available to Macquarie Capital as at the date hereof. In rendering this Opinion, Macquarie Capital has assumed that there are no undisclosed material facts relating to TORC or Vero or their respective businesses, operations, capital or future prospects. Any changes therein may affect this Opinion and, although Macquarie Capital reserves the right to change or withdraw this Opinion in such event or in the event that subsequent developments affect this Opinion, we disclaim any obligation to advise any person of any change that may come to our attention or to update, revise or reaffirm this Opinion after the date hereof.

In its analyses and in connection with the preparation of this Opinion, Macquarie Capital made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Arrangement. While in the opinion of Macquarie Capital, our assumptions used in preparing this Opinion are reasonable in the current circumstances, some or all of these assumptions may prove to be incorrect.

Macquarie Capital believes that the analyses and factors considered in arriving at this Opinion must be considered as a whole and are not amenable to partial analyses or summary description and that selecting portions of the analyses and the factors considered, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. In arriving at this Opinion, Macquarie Capital has not attributed any particular weight to any specific analyses or factor but rather based this Opinion on a number of qualitative and quantitative factors deemed appropriate by Macquarie Capital based on Macquarie Capital's experience in rendering such opinions.

Macquarie Capital has not been engaged to prepare, and has not prepared, a valuation or appraisal of TORC or Vero or any of their respective assets, securities or liabilities (contingent or otherwise), nor have we been furnished with any such valuations appraisals, nor have we evaluated the solvency or fair value of TORC or Vero under any applicable laws relating to bankruptcy, insolvency or similar matters, and this Opinion should not be construed as such. Furthermore, this Opinion is not, and should not be construed as, advice as to the price at which the TORC Shares, any Vero Shares received in exchange therefor or common shares of Amalco may trade at any future date (whether before or after the completion of the Arrangement). Further, this Opinion does not address the overall fairness of the Arrangement to the holders of any other class of securities (only the fairness of the consideration to be received by the TORC Shareholders as expressly set out in this Opinion), creditors or other constituencies of TORC, or the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors, consultants or employees of TORC in their capacities as such and in connection with the Arrangement. Macquarie Capital was not engaged to review any legal, regulatory, tax or accounting aspects of the Arrangement and, accordingly, expresses no view thereon and has assumed the accuracy and completeness of assessments by TORC and its advisors with respect to legal, regulatory, tax and accounting matters.

7 CONCLUSION

Based upon and subject to the foregoing and such other matters as Macquarie Capital considers relevant, it is Macquarie Capital's opinion that, as of the date hereof, the consideration to be received by the TORC Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the TORC Shareholders.

This Opinion is not, and is not intended to be, a recommendation to the holders of TORC Shares as to how to vote at the TORC Meeting. This Opinion has been provided solely for the use of the TORC Board for the purposes of its consideration of the Arrangement and may not be used or relied upon by any other person or for any other purpose without the express prior written consent of Macquarie Capital. This Opinion shall not be reproduced, disseminated, quoted from or referred to (in whole or in part) and no public reference to Macquarie Capital Markets Canada Ltd. or its affiliates relating to the Arrangement or this Opinion shall be made without the express prior written consent of Macquarie Capital, except that we consent to the inclusion of the complete text of this Opinion and to appropriate references to, or summaries of, this Opinion, subject to our review to our satisfaction of the final form and context of such disclosures in the Circular or other form of document(s) required to be mailed to TORC Shareholders in connection with the Arrangement.

Yours sincerely,

Macquarie Capital Markets Canada Ltd.

Macquarie Capital Markets Canada Ltd.

APPENDIX F

VERO FAIRNESS OPINION



October 18, 2012

The Board of Directors of
Vero Energy Inc.
900, 520 – 3rd Avenue S.W.
Calgary, Alberta T2P 0R5

To the Board of Directors of Vero Energy Inc.:

We understand that Vero Energy Inc. ("Vero") has entered into an arrangement agreement with TORC Oil & Gas Ltd. ("TORC") dated September 12, 2012 ("Arrangement Agreement"), whereby Vero has agreed to acquire all of the issued and outstanding class "A" common shares of TORC ("TORC Shares"), in exchange for common shares of the combined entity ("New TORC Shares") to be formed upon the amalgamation of Vero and TORC to be named "TORC Oil & Gas Ltd." ("New TORC") by way of plan of arrangement (the "Arrangement") pursuant to the *Business Corporations Act* (Alberta). Pursuant to the Arrangement, the holders of TORC Shares (the "TORC Shareholders") will receive, for each TORC Share held, 0.87 of a New TORC Share (the "Exchange Ratio"). Holders of the common shares of Vero ("Vero Shares") will continue to hold one New TORC Share for each one Vero Share held. Completion of the Arrangement is subject to a number of conditions which must either be satisfied or waived including, among other things: (i) the approval of not less than 66⅔% of the votes cast by TORC Shareholders at the special meeting of TORC Shareholders (the "TORC Meeting") to be held to permit TORC Shareholders to consider the Arrangement; (ii) the granting of the final order of the Court of Queen's Bench of Alberta in respect of the Arrangement; and (iii) receipt of all other consents and approvals. The terms and conditions of the Arrangement are more fully described in the joint information circular of Vero and TORC (the "Information Circular"), dated October 19, 2012.

While the Arrangement itself does not require the approval of Vero Shareholders, the rules of the Toronto Stock Exchange provide that a listed issuer must obtain approval of its Shareholders for any transaction pursuant to which the issuer will be required to issue in excess of 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis. As Vero will be required to issue in excess of 25% of the number of Vero Shares currently outstanding in exchange for the outstanding TORC Shares pursuant to the Arrangement, Vero Shareholders are being asked to consider and vote upon the Arrangement, among other matters, at the special meeting of Vero Shareholders (the "Vero Meeting").

We understand that pursuant to support agreements, certain Vero Shareholders representing approximately 6.5% of the outstanding Vero Shares (on a non-diluted basis), including all the directors and officers of Vero have agreed to vote in favour of the Arrangement at the Vero Meeting. Furthermore, we understand that pursuant to support agreements, certain TORC Shareholders representing approximately 22% of the outstanding TORC Shares (on a non-diluted basis), including all the directors and officers of TORC have agreed to vote in favour of the Arrangement at the TORC Meeting.

FirstEnergy Capital Corp. • Suite 1100 • 311–6th Avenue SW • Calgary, Alberta • T2P 3H2 • 403.262.0600

FirstEnergy's Engagement

The Board of Directors of Vero (the "Board") formally retained FirstEnergy Capital Corp. ("FirstEnergy") pursuant to an engagement agreement dated July 23, 2013 to provide the Board with, among other things, financial advice in connection with the Arrangement and to provide our opinion ("Opinion") as to the fairness, from a financial point of view, of the consideration to be paid by Vero pursuant to the Arrangement (the "Engagement"). In consideration for our services, including this Opinion, FirstEnergy is to be paid a fee and is to be reimbursed for reasonable out-of-pocket expenses. In addition, FirstEnergy is to be indemnified by Vero under certain circumstances. We have not been engaged to prepare, and have not prepared, a valuation or appraisal of Vero, TORC, or any of Vero's or TORC's assets or liabilities and the Opinion should not be construed as such.

FirstEnergy consents to the inclusion of this Opinion in its entirety and a summary thereof in the Information Circular, references to this Opinion in press releases issued in connection with the Arrangement and to the filing thereof, as necessary, by Vero and/or TORC with the Toronto Stock Exchange, the TSX Venture Exchange and the securities commissions or similar regulatory authorities in each province of Canada.

Credentials of FirstEnergy

FirstEnergy is a registered investment dealer focusing on Canadian and international companies participating in oil and gas exploration, production and services, energy transportation, electricity generation and energy technologies. FirstEnergy is one of the leading investment banking firms providing corporate finance, mergers and acquisitions, oil and gas property acquisition and divestiture services, equity sales, research and trading services to companies active in or investing in the energy industry. This Opinion expressed herein is the opinion of FirstEnergy and the form and content herein have been approved for release by a committee of its directors, each of whom is experienced in merger, acquisition, divestiture, and valuation matters.

Independence of FirstEnergy

None of FirstEnergy, its affiliates or associates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)), or a related entity of Vero or TORC or any of their respective associates or affiliates. FirstEnergy is not acting as an advisor to Vero or TORC or any of their respective associates or affiliates in connection with any other matter, other than acting as financial advisor to Vero as outlined herein.

FirstEnergy acts as a trader and dealer, both as principal and agent, in all major financial markets in Canada and, as such, may have had, may have today or in the future may have positions in the securities of Vero and TORC, and from time to time, may have executed or may execute transactions on behalf of Vero, TORC or clients for which it received or may receive compensation. In addition, as an investment dealer, FirstEnergy conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on issues and investment matters, including with respect to Vero and TORC.

Scope of Review

In connection with rendering this Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

- a) the Information Circular;
- b) the Arrangement Agreement;
- c) the Support Agreements as referred to in the Arrangement Agreement;
- d) the Plan of Arrangement as referred to in the Arrangement Agreement;
- e) Vero's audited annual financial statements for the year ended December 31, 2011;
- f) the unaudited quarterly financial statements and associated management discussion and analysis of Vero for the quarters ended March 31 and June 30, 2012;
- g) the Annual Information Form of Vero for the year ended December 31, 2011 dated March 30, 2012;
- h) the management information circular of Vero for the year ended December 31, 2011 dated February 7, 2012;
- i) Vero's independent reserve report effective as at December 31, 2011, prepared by Sproule Associates Ltd. dated March 5, 2012;
- j) Vero's internally generated updated reserves as at June 30, 2012 based on Value Navigator;
- k) Vero's independent land evaluation report effective January 1, 2012, prepared by Seaton-Jordon & Associates Ltd. dated March 5, 2012;
- l) certain internal financial information, financial and operational projections of Vero as provided by Vero management;
- m) due diligence responses by senior management of Vero and Vero's independent reserve engineers;
- n) TORC's audited annual financial statements for the year ended December 31, 2011;
- o) the unaudited draft quarterly financial statements and associated management discussion and analysis of TORC for the quarter ended March 31, 2012 and June 30, 2012;
- p) TORC's independent reserve report effective as at December 31, 2011, prepared by Sproule Associates Ltd. dated March 22, 2012;
- q) certain internal financial information, financial and operational projections of TORC as provided by TORC management;
- r) due diligence responses by senior management of TORC and TORC's independent reserve engineers;

- s) public information related to the business, operations, financial performance and stock trading history of Vero, and other selected public oil and gas companies;
- t) discussions with management of Vero and TORC with regard to, among other things, the business, operations, quality of assets, and future potential of Vero and TORC;
- u) data with respect to other transactions of a comparable nature considered by FirstEnergy to be relevant; and
- v) other information, analyses and investigations as FirstEnergy considered appropriate in the circumstances.

We have not, to the best of our knowledge, been denied access by Vero or TORC to any information requested by us.

This Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuation and Fairness Opinions of the Investment Industry Regulatory Organization of Canada but that organization was not involved in the preparation of the Opinion.

Assumptions and Limitations

We have relied upon, and have assumed the completeness, accuracy and fair representation of all financial and other information, data, advice, opinions and representations obtained by us from public sources, including information relating to Vero and TORC, or provided to us by Vero and TORC and their affiliates or advisors or otherwise pursuant to our Engagement and this Opinion is conditional upon such completeness, accuracy and fairness. Subject to the exercise of professional judgement and except as expressly described herein, we have not attempted to verify independently the accuracy or completeness of any such information, data, advice, opinions and representations. Senior officers of Vero and TORC have represented to us, in certificates delivered as at the date hereof, amongst other things, that the historical and current information, data, opinions and other materials (the "Information") provided to us on behalf of Vero and TORC are, to the best of their knowledge, complete and correct at the date the Information was prepared and that since the date of the Information, there has been no material change, financial or otherwise, in the position of Vero or TORC, or in their assets, liabilities (contingent or otherwise), business or operations and there has been no change in any material fact which is of a nature as to render the Information, taken as a whole, untrue or misleading in any material respect.

This Opinion is rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof, and the condition and prospects, financial and otherwise, of Vero as they were reflected in the information and documents reviewed by us and as they were represented to us in our discussions with management of Vero. In addition, we considered the financial condition and prospects of TORC as they are reflected in the information and documents reviewed by us. In rendering this Opinion, we have assumed that there are no undisclosed material facts relating to Vero and/or TORC or their businesses, operations or capital. Any changes therein may affect this Opinion and, although we reserve the right to change or withdraw our Opinion in such event, we disclaim any obligation to advise any person of any change that may come to our attention or to update this Opinion after the date hereof.

In our analyses and in connection with the preparation of this Opinion, we made numerous assumptions which we believe to be reasonable with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Arrangement. We have also assumed that all of the representations and warranties contained in the Arrangement Agreement are correct as of the date hereof and that the Arrangement will be completed substantially in accordance with its terms and all applicable laws and that the Information Circular will disclose all material facts relating to the Arrangement and will satisfy all applicable legal requirements.

We believe that the analyses and factors considered in arriving at our Opinion must be considered as a whole and are not necessarily amenable to partial analysis or summary description. Selecting portions of the analyses and the factors we considered, without considering all factors and analyses together, could create a misleading view of the process underlying this Opinion that we employed and the conclusions we reached in this Opinion.

This Opinion is not intended to be and does not constitute a recommendation to any Vero Shareholder to vote his/her/its shares in favour of the Arrangement at the Vero Meeting or as an opinion concerning the trading price or value of any securities of Vero or New TORC following the announcement or completion of the Arrangement.

We are not legal, tax or accounting experts and we express no opinion concerning any legal, tax or accounting matters concerning the Arrangement or the sufficiency of this letter for your purposes.

Conclusion

Based upon and subject to the foregoing and such other matters as we considered relevant, it is our opinion that the consideration to be paid by Vero pursuant to the Arrangement is fair, from a financial point of view, to the Vero Shareholders.

This Opinion may be relied upon by the Board for the purposes of considering the Arrangement and its recommendation to Vero Shareholders with respect to the Arrangement, but may not be used or relied upon by any other person without our express prior written consent, except as otherwise provided herein.

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Information Circular.

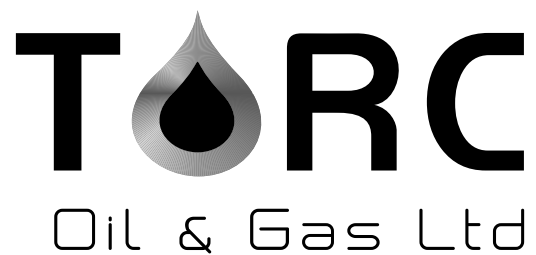
Yours very truly,

(Signed) *"FirstEnergy Capital Corp."*

FirstEnergy Capital Corp.

APPENDIX G

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS



Pro Forma Consolidated Financial Statements

(Unaudited)

**As at June 30, 2012,
for the six months ended June 30, 2012,
and the year ended December 31, 2011**

TORC Oil & Gas Ltd.
Pro Forma Consolidated Statement of Financial Position
As at June 30, 2012
(unaudited)
(in \$000's of Canadian dollars)

in \$000,000 Canadian dollars

	TORC		Vero	Adjustments (note)		Pro Forma TORC		
Assets								
Cash	\$	28,727	\$	-	\$	108,776 (2d), (2g), (2i)	\$	137,503
Trade and other receivables		4,336		9,534		-		13,870
Deposits and prepaid expenses		287		3,103		-		3,390
Derivative contracts		-		2,079		-		2,079
Total current assets		33,350		14,716		108,776		156,842
Exploration and evaluation assets		152,950		11,562		(11,562) (2b), (2h)		152,950
Property, plant and equipment		170,619		164,212		23,386 (2b)		358,217
Derivative contracts		-		720		-		720
Goodwill		-		5,633		(5,633) (2b)		-
Total non-current assets		323,569		182,127		6,191		511,887
Total assets	\$	356,919	\$	196,843	\$	114,967	\$	668,729
Liabilities								
Current Liabilities								
Bank indebtedness	\$	-	\$	11,611	\$	(11,611) (2g)	\$	-
Trade and other payables		19,232		23,835		11,400 (2b), (2e)		54,467
Deferred lease incentives		177		-		-		177
Total current liabilities		19,409		35,446		(211)		54,644
Decommissioning obligations		3,017		3,542		615 (2b), (2c)		7,174
Deferred lease incentives		545		-		-		545
Flow-through shares		-		-		6,455 (2j)		6,455
Deferred tax liability		7,384		7,764		(1,251) (2b), (2e), (2i)		13,897
Total non-current liabilities		10,946		11,306		5,819		28,071
Total liabilities		30,355		46,752		5,608		82,715
Equity								
Share capital		330,687		129,628		132,747 (2a), (2b), (2d), (2f), (2i), (2j)		593,062
Contributed surplus		4,332		16,337		(16,337) (2f)		4,332
Retained earnings (deficit)		(8,455)		4,126		(7,051) (2e), (2f)		(11,380)
Total equity		326,564		150,091		109,359		586,014
Total liabilities and equity	\$	356,919	\$	196,843	\$	114,967	\$	668,729

See accompanying notes to pro forma consolidated financial statements

TORC Oil & Gas Ltd.
Pro Forma Consolidated Statement of Loss
For the six months ended June 30, 2012
(unaudited)
(in \$000's of Canadian dollars)

	TORC	Vero	Adjustments (note)	Pro Forma TORC
Revenues				
Petroleum and natural gas sales	\$ 11,907	\$ 30,006	\$ -	\$ 41,913
Royalties	(990)	(3,120)	-	(4,110)
	10,917	26,886	-	37,803
Expenses				
Operating	2,126	5,413	-	7,539
Transportation	1,148	1,297	-	2,445
General and administrative	1,719	3,557	-	5,276
Depletion and depreciation	7,016	8,834	130 (3a)	15,980
Finance costs (income)	(287)	868	(799) (3b), (3e)	(218)
Stock-based compensation	935	1,410	-	2,345
Exploration and evaluation	-	2,989	-	2,989
Restructuring costs	-	1,976	-	1,976
Loss on disposal of assets	-	1,616	-	1,616
Gain on derivative contracts	-	(3,065)	-	(3,065)
	12,657	24,895	(669)	36,883
Income (loss) before taxes	(1,740)	1,991	669	920
Deferred income tax	1,691	1,678	167 (3c)	3,536
Net income (loss)	\$ (3,431)	\$ 313	\$ 502	\$ (2,616)
Loss per share				
Basic and diluted			(3d)	(\$0.01)

See accompanying notes to pro forma consolidated financial statements

TORC Oil & Gas Ltd.
Pro Forma Consolidated Statement of Loss
For the year ended December 31, 2011
(unaudited)
(in \$000's of Canadian dollars)

	TORC	Vero	Adjustments (note)	Pro Forma TORC
Revenues				
Petroleum and natural gas sales	\$ 3,369	\$ 126,837	\$ -	\$ 130,206
Royalties	(293)	(14,359)	-	(14,652)
	<u>3,076</u>	<u>112,478</u>	<u>-</u>	<u>115,554</u>
Expenses				
Operating	405	28,233	-	28,638
Transportation	248	4,778	-	5,026
General and administrative	2,711	6,282	-	8,993
Depletion and depreciation	1,979	52,839	187 (3a)	55,005
Finance costs (income)	(807)	6,792	(5,205) (3b), (3e)	780
Stock-based compensation	1,398	2,913	-	4,311
Property, plant and equipment impairment loss	-	80,820	-	80,820
Exploration and evaluation	-	5,552	-	5,552
Goodwill impairment loss	-	14,280	-	14,280
Loss on derivative contracts	-	262	-	262
Loss on disposal of assets	-	1,622	-	1,622
	<u>5,934</u>	<u>204,373</u>	<u>(5,018)</u>	<u>205,289</u>
Loss before taxes	(2,858)	(91,895)	5,018	(89,735)
Deferred income tax (recovery)	1,809	(16,976)	1,255 (3c)	(13,912)
Net loss	<u>\$ (4,667)</u>	<u>\$ (74,919)</u>	<u>\$ 3,763</u>	<u>\$ (75,823)</u>
Loss per share				
Basic and diluted			(3d)	(\$0.44)

See accompanying notes to pro forma consolidated financial statements

TORC Oil & Gas Ltd.**Notes to Pro Forma Consolidated Financial Statements****As at June 30, 2012 and for the six months ended June 30, 2012 and the year ended December 31, 2011****(unaudited)****(in \$000's of Canadian dollars, unless otherwise noted)****1. Basis of presentation**

The accompanying unaudited pro forma consolidated statement of financial position of TORC Oil & Gas Ltd. ("TORC") as at June 30, 2012 and the unaudited pro forma consolidated statements of loss for the six months ended June 30, 2012 and the year ended December 31, 2011 (collectively, the "pro forma financial statements") have been prepared to reflect the proposed business combination of TORC and Vero Energy Inc. ("Vero") pursuant to a plan of arrangement (the "Arrangement") under the Business Corporation's Act (Alberta) to form a new light oil focused company (hereinafter "New TORC"). Under the terms of the Arrangement, each TORC shareholder will receive 0.87 shares of New TORC for each share of TORC held and each Vero shareholder will continue to hold one share of New TORC for each share of Vero held.

The pro forma financial statements have been prepared from information derived from and should be read in conjunction with the following:

- 1) TORC's unaudited condensed consolidated interim financial statements as at and for the three and six months ended June 30, 2012 and the audited consolidated financial statements as at and for the year ended December 31, 2011; and
- 2) Vero's unaudited condensed interim financial statements as at and for the three and six months ended June 30, 2012 and the audited financial statements of Vero as at and for the year ended December 31, 2011.

The pro forma financial statements may not be indicative of the results that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results which may be obtained in the future. In preparing these pro forma financial statements, no adjustments have been made to reflect the operating synergies and administrative cost savings that could result from the operations of the combined assets.

These pro forma financial statements do not reflect adjustments for Vero's strategic disposition of natural gas assets (the "Disposed Assets"), completed on January 31, 2012. The table below provides information about the financial results for the Disposed Assets that are included in Vero's unaudited condensed interim financial statements for the six months ended June 30, 2012 and Vero's audited financial statements for the year ended December 31, 2011.

	Year ended December 31, 2011	Six months ended June 30, 2012
Petroleum and natural gas sales	89,863	5,849
Royalties	(10,434)	(441)
Operating and transportation	(27,892)	(2,288)
Operating netback	51,537	3,120

Accounting policies used in the preparation of the pro forma financial statements are in accordance with those International Financial Reporting Standard compliant policies disclosed in the financial statements of TORC as at and for the year ended December 31, 2011.

In the opinion of management, the pro forma financial statements include all of the necessary adjustments for the fair presentation of the ongoing entity.

2. Pro forma unaudited consolidated statement of financial position adjustments

The unaudited pro forma consolidated statement of financial position as at June 30, 2012 gives effect to the following assumptions and adjustments as if they occurred on June 30, 2012:

- (a) On September 13, 2012, TORC and Vero jointly announced that they had entered into an Arrangement Agreement to implement the Arrangement. Completion of the Arrangement is subject to satisfaction of certain conditions including, without limitation, the approval of shareholders of each of TORC and Vero, and is expected to close in November 2012.

Under the terms of the Arrangement, each TORC shareholder will receive 0.87 shares of New TORC for each share of TORC held and each Vero shareholder will continue to hold one share of New TORC for each share of Vero held. The management team of New TORC will be the existing officers of TORC, and the board of directors of New TORC will be the existing directors of TORC. Accordingly, the transaction will be accounted for as a reverse takeover whereby TORC is deemed to be the acquirer of Vero, using the acquisition method of accounting.

(continued)

TORC Oil & Gas Ltd.**Notes to Pro Forma Consolidated Financial Statements****As at June 30, 2012 and for the six months ended June 30, 2012 and the year ended December 31, 2011****(unaudited)****(in \$000's of Canadian dollars, unless otherwise noted)**

An ascribed value of \$2.60 per TORC common share has been applied to the notional shares that TORC would have had to issue to acquire Vero if it were the legal acquirer. The \$2.60 per share value was determined based on the private placement value (described in note 2i) that was announced in conjunction with the Arrangement. Based on the share exchange ratio disclosed in the Arrangement of 0.87 TORC common shares per Vero common share, this results in an implied value of \$3.00 per Vero common share.

- (b) The preliminary purchase price allocation relating to the Vero acquisition is as follows:

Net assets received, at estimated fair value	
Property, plant and equipment	\$ 187,598
Working capital, excluding derivatives and bank indebtedness	(18,698)
Derivative contracts	2,799
Bank indebtedness	(4,970)
Decommissioning obligations	(4,157)
Deferred tax liability	(9,077)
	\$ 153,495
Consideration	
Shares issued	\$ 153,495

The above preliminary purchase price allocation has been determined from information that is available to the management of each of TORC and Vero at this time and incorporates estimates. The allocation of the purchase price to the assets and liabilities of Vero will be finalized after all actual results have been obtained and the final fair values of the assets and liabilities have been determined, and accordingly, the above purchase price equation will change.

- (c) The decommissioning obligations have been measured using assumptions and terms consistent with those used by TORC. The liability was estimated based on the applicable working interest of all wells and facilities, the estimated costs to abandon and reclaim these wells and facilities and the estimated timing of the costs to be incurred in future periods.
- (d) It is assumed in these pro forma financial statements that cash will be increased by \$6.6 million, the estimated cash proceeds from the exercise of all in-the-money Vero stock options at June 30, 2012. The Vero bank indebtedness has been reduced in the preliminary purchase equation to reflect these proceeds. However, it is possible that some or all of the Vero stock options will be exercised on a cashless basis, whereby the option holder will receive a reduced amount of Vero common shares without having to pay the exercise price to Vero. Assuming a Vero share price of \$3.00, the maximum effect of the cashless exercise would be to decrease pro forma TORC cash by \$6.6 million and decrease pro forma TORC common shares outstanding by 2.2 million from the amounts presented in these pro forma financial statements.
- (e) The estimated costs to be incurred by TORC and Vero with respect to the Arrangement and related matters including, without limitation, financial advisory, accounting and legal, severance, integration, change of control and similar payments, proxy solicitation and the preparation, printing and mailing of this Information Circular and other related documents and agreements, are expected to aggregate approximately \$11.4 million. The costs pertaining to Vero of \$7.5 million are included in the preliminary purchase equation. The costs for TORC of \$3.9 million are included in the deficit, as is the related tax effect of \$1.0 million.
- (f) The adjustment of Shareholders' Equity items includes the elimination of the Vero amounts for common shares, contributed surplus and retained earnings in order to present the pro forma TORC Shareholders' Equity, as if TORC as an entity had continued.
- (g) Vero's bank indebtedness is fully repaid with surplus cash.
- (h) Vero's exploration and evaluation assets are classified as property, plant and equipment in these pro forma financial statements.

TORC Oil & Gas Ltd.

Notes to Pro Forma Consolidated Financial Statements

As at June 30, 2012 and for the six months ended June 30, 2012 and the year ended December 31, 2011

(unaudited)

(in \$000's of Canadian dollars, unless otherwise noted)

- (i) In connection with the Arrangement, TORC entered into an agreement, on a "bought deal" private placement basis, for an offering of 30,800,000 subscription receipts ("Subscription Receipts") at \$2.60 per Subscription Receipt to raise gross proceeds of \$80.1 million and 12,910,000 flow-through subscription receipts ("Flow-Through Subscription Receipts") at \$3.10 per Flow-through Subscription Receipt to raise gross proceeds of \$40.0 million (the "TORC Financing"). The Subscription Receipts and Flow-Through Subscription Receipts together, will raise gross proceeds of \$120.1 million before estimated share issue costs \$6.4 million. The TORC Financing closed into escrow on October 4, 2012. If the Arrangement is completed on or before December 21, 2012, the proceeds will be released to New TORC and each Subscription Receipt and Flow-Through Subscription Receipt will be converted into one common share of TORC for no additional consideration, which will then be exchanged for 0.87 common shares of New TORC for each common share of TORC. For the purposes of the pro forma financial statements, the Subscription Receipts and Flow-Through Subscription Receipts are assumed to convert to common shares on close of the Arrangement. Share capital has been increased by \$108.8 million representing the combined proceeds of \$120.1 million less the deferred flow-through liability of \$6.5 million and share issue costs of \$4.8 million (net of tax of \$1.6 million).

TORC has granted the underwriters an option to purchase from treasury an additional 4,620,000 Subscription Receipts, on the same terms, exercisable in whole or in part at any time up to 48 hours prior to the Arrangement closing. For the purposes of these pro forma financial statements, it is assumed that the underwriters have not exercised this option.

- (j) A flow-through share liability of \$6.5 million was recorded, reflecting the fair value of the liability associated with the Flow-Through Subscription Receipts.

3. Pro forma unaudited consolidated statements of loss adjustments

The unaudited pro forma consolidated statements of loss for the six months ended June 30, 2012 and year ended December 31, 2011, give effect to the following assumptions and adjustments as if the transactions occurred at January 1, 2011:

- (a) Depletion and depreciation expenses have been adjusted to reflect the application of the appropriate unit-of-production rate for property, plant and equipment resulting from the Vero acquisition based on the estimated proved plus probable petroleum and natural gas reserves and the related production of the petroleum and natural gas reserves acquired. For the year ended December 31, 2011 and the six months ended June 30, 2012, the calculation of depletion expense excluded undeveloped land cost of \$20.1 million.
- (b) Accretion expenses have been adjusted to reflect the amount of accretion of the decommissioning obligations as if the Vero acquisition had occurred at January 1, 2011.
- (c) The provision for deferred income taxes for the year ended December 31, 2011 and six months ended June 30, 2012 has been adjusted for the impact of the pro forma adjustments on the pro forma consolidated statements of loss. The tax rate used is 25%.

TORC Oil & Gas Ltd.**Notes to Pro Forma Consolidated Financial Statements****As at June 30, 2012 and for the six months ended June 30, 2012 and the year ended December 31, 2011****(unaudited)****(in \$000's of Canadian dollars, unless otherwise noted)**

- (d) Basic and diluted loss per share includes the effect of the TORC common shares issued at the time of the Vero acquisition, as though they had been outstanding at January 1, 2011.

	December 31, 2011	June 30, 2012
TORC weighted average shares outstanding	83,375,451	105,651,379
Adjustments for shares issued:		
Private placement of common shares	26,796,000	26,796,000
Private placement of flow-through common shares	11,231,700	11,231,700
Vero acquisition	51,361,779	51,361,779
Pro forma weighted average shares outstanding	172,764,930	195,040,858
Loss per share	(\$0.44)	(\$0.01)

The TORC weighted average shares outstanding and private placement common shares and flow-through common shares consider the impact of the 0.87 exchange ratio.

For the purposes of calculating the diluted loss per share, no additional common shares have been included for stock options, incentive shares and warrants of TORC as they would be anti-dilutive. In addition, Subscription Receipts and Flow-Through Subscription Receipts are assumed to convert to common shares upon closing of the Arrangement.

TORC has granted the underwriters an option to purchase from treasury an additional 4,620,000 Subscription Receipts, on the same terms, exercisable in whole or in part at any time up to 48 hours prior to the Arrangement closing. For the purposes of these pro forma financial statements, it is assumed that the underwriters have not exercised this option.

- (e) Vero's bank indebtedness is repaid with surplus cash. As a result, there is a reduction of interest expense.

APPENDIX H

SECTION 191 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)

TORC Shareholders and Vero Shareholders each have the right to dissent in respect of the Arrangement in accordance with Section 191 of the ABCA (as varied by the Interim Order in the case of the TORC Dissent Rights). Such rights of dissent are described in the Information Circular under the heading "*The Arrangement – Rights of Dissent*". The full text of Section 191 of the ABCA is set forth below.

- 191(1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to
- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
 - (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
 - (c) amalgamate with another corporation, otherwise than under section 184 or 187,
 - (d) be continued under the laws of another jurisdiction under section 189, or
 - (e) sell, lease or exchange all or substantially all its property under section 190.
- (2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.
- (3) In addition to any other right he may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.
- (4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.
- (5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)
- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
 - (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of his right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of his right to dissent.
- (6) An application may be made to the Court by originating notice after the adoption of a resolution referred to in subsection (1) or (2),
- (a) by the corporation, or
 - (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5)

to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under

this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

- (7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.
- (8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder
 - (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
 - (b) within 10 days after the corporation is served with a copy of the originating notice, if a shareholder is the applicant.
- (9) Every offer made under subsection (7) shall
 - (a) be made on the same terms, and
 - (b) contain or be accompanied with a statement showing how the fair value was determined.
- (10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.
- (11) A dissenting shareholder
 - (a) is not required to give security for costs in respect of an application under subsection (6), and
 - (b) except in special circumstances must not be required to pay the costs of the application or appraisal.
- (12) In connection with an application under subsection (6), the Court may give directions for
 - (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
 - (b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the Alberta Rules of Court,
 - (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
 - (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
 - (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
 - (f) the service of documents, and
 - (g) the burden of proof on the parties.
- (13) On an application under subsection (6), the Court shall make an order

- (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,
 - (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,
 - (c) fixing the time within which the corporation must pay that amount to a shareholder; and
 - (d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.
- (14) On:
- (a) the action approved by the resolution from which the shareholder dissents becoming effective,
 - (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
 - (c) the pronouncement of an order under subsection (13);
- whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.
- (15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).
- (16) Until one of the events mentioned in subsection (14) occurs,
- (a) the shareholder may withdraw the shareholder's dissent, or
 - (b) the corporation may rescind the resolution,
- and in either event proceedings under this section shall be discontinued.
- (17) The Court may in its discretion allow a reasonable rate of interest on the amount paid to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.
- (18) If subsection (20) applies, the corporation shall, within 10 days after
- (a) the pronouncement of an order under subsection (13), or
 - (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,
- notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.
- (19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a

liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

- (20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that
- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
 - (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

APPENDIX I
INFORMATION CONCERNING TORC

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DEFINITIONS

Unless the context indicates otherwise, the following terms shall have the meanings set out below when used in this Appendix I to the Information Circular. Certain other terms and abbreviations used herein, but not defined herein, are defined in NI 51-101 or the COGE Handbook and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 or the COGE Handbook.

“**ABCA**” means the *Business Corporations Act* (Alberta);

“**AcquisitionCo**” means 1688763 Alberta Ltd., a company incorporated under the ABCA as a wholly-owned subsidiary of Vero;

“**AmalCo**” means “TORC Oil & Gas Ltd.”, the continuing corporation resulting from the amalgamation of Vero and AmalCo 1 pursuant to the Plan of Arrangement;

“**AmalCo Shares**” means the common shares in the capital of AmalCo;

“**AmalCo 1**” means “TORC Oil & Gas Ltd.”, the continuing corporation resulting from the amalgamation of AcquisitionCo and TORC pursuant to the Plan of Arrangement;

“**Arrangement**” means the plan of arrangement under the provisions of section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement;

“**Arrangement Agreement**” means the arrangement agreement dated effective as of September 12, 2012, as amended on September 27, 2012, between TORC and Vero, as amended or supplemented and/or restated from time to time, and attached to the Information Circular as Appendix I;

“**COGE Handbook**” means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum;

“**Conversion Conditions**” means the following conditions pursuant to the Subscription Receipts Agreement: (i) all conditions precedent to the completion of the Arrangement pursuant to Article 5 of the Arrangement Agreement, other than those contained in sections 5.1(g) of the Arrangement Agreement, shall have been satisfied or waived by TORC and Vero Energy Inc., each acting reasonably; (ii) the Lead Underwriter, acting reasonably, shall be satisfied that the Arrangement will be completed substantially in accordance with the terms and conditions set forth in the Arrangement Agreement (without waiver of any material provision thereof, in whole or in part, by any of the parties thereto unless the consent of the Lead Underwriter, is given to such waiver); (iii) there have been no material amendments of the terms and conditions of the Arrangement Agreement (whether directly or indirectly) which have not been approved by the Lead Underwriter, acting reasonably; and (iv) TORC is not in breach of any of its material representations, warrants or covenants under the Underwriting Agreement;

“**Escrow Release Conditions**” means the following conditions pursuant to the Subscription Receipts Agreement: (i) satisfaction of the Conversion Conditions; and (ii) receipt of all necessary government and regulatory or other approvals in respect of the Arrangement Financing;

“**Exchange Ratio**” means the ratio of Vero Shares to be received by the holders of TORC Shares pursuant to the Arrangement, being 0.87 Vero Shares for each TORC Share held;

“**IFRS**” means means Canadian generally accepted accounting principles for publicly accountable enterprises, being International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board effective for periods beginning on or after January 1, 2011;

“**Information Circular**” means the joint management information circular of Vero Energy Inc. and TORC Oil & Gas Ltd. dated October 19, 2012;

“**Lead Underwriter**” means Macquarie Capital Markets Canada Ltd.;

“**NI 51-101**” means National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities;

“**Plan of Arrangement**” means the plan of arrangement substantially in the form set out in Schedule “A” to the Arrangement Agreement attached to the Information Circular as Appendix D;

“**Sproule**” means Sproule Associates Limited, a privately owned professional geological, geophysical, and petroleum engineering consulting company, who has been evaluating conventional and unconventional oil and natural gas assets, domestically and internationally, since 1951;

“**Subscription Receipts Agreement**” means the subscription receipts agreement among TORC, the Lead Underwriter and Olympia Trust Company dated October 4, 2012;

“**TORC**” or the “**Corporation**” means TORC Oil & Gas Ltd.;

“**TORC Board of Directors**” or “**TORC Board**” means the board of directors of TORC;

“**TORC Flow-Through Receipts**” means the non-transferable subscription receipts of TORC entitling the holder to receive one TORC Share issued on a flow-through basis under the *Income Tax Act* (Canada), pursuant to the terms of the Subscription Receipt Agreement;

“**TORC Incentive Shares**” means the outstanding entitlements for the issuance of TORC Shares which have been granted by the TORC Board to certain directors, officers, employees and consultants or TORC pursuant to the TORC Stock Incentive Plan;

“**TORC Options**” means the outstanding options, whether or not vested, to purchase TORC Shares issued to directors, officers and employees of, and consultants to, TORC;

“**TORC Receipts**” means the TORC Subscription Receipts and the TORC Flow-Through Receipts;

“**TORC Reserves Reports**” means the independent engineering reports dated March 22, 2012 and September 26, 2012, both effective December 31, 2011 prepared by Sproule evaluating the proved and proved plus probable developed crude oil, natural gas liquids and natural gas reserves attributable to the properties of TORC and the present value of the estimated future net revenues before and after income tax, associated with such reserves (the report dated September 26, 2012 was prepared for the sole purpose of providing required disclosure with respect to the net present value of future net revenue attributable to TORC’s reserves after deducting future income tax expenses);

“**TORC Shares**” means the Class “A” common shares of TORC, or any securities such TORC Shares are exchangeable into pursuant to the Arrangement;

“**TORC Shareholder**” means a holder of TORC Shares;

“**TORC Stock Incentive Plan**” means the stock incentive plan of TORC as of the date hereof;

“TORC Stock Option Plan” means the stock option plan of TORC as of the date hereof;

“TORC Subscription Receipts” means the non-transferable subscription receipts of TORC entitling the holder to receive one TORC Share pursuant to the terms of the Subscription Receipts Agreement;

“TORC Support Agreements” means the agreements pursuant to which each director and officer of TORC have agreed to vote the TORC Shares (and any TORC Shares acquired upon the exercise of TORC Options, TORC Warrants or TORC Incentive Shares) beneficially owned or controlled by them in favour of the Arrangement and to otherwise support the Arrangement;

“TORC Warrants” means the share purchase warrants of TORC entitling the holders thereof to acquire one TORC Share at a price of \$1.25 per share until December 16, 2015, subject to the Unit Escrow Agreement. The TORC Warrants are exercisable at any time after their grant date subject to the following conditions: (i) 1/3 are exercisable at any time after the current market price of TORC Shares exceeds \$2.00 per share; (ii) 1/3 are exercisable at any time after the current market price of TORC Shares exceeds \$2.50 per share; and (iii) 1/3 are exercisable at any time after the current market price of TORC Shares exceeds \$3.00 per TORC Share;

“TSX” means the Toronto Stock Exchange;

“TSXV” means the TSX Venture Exchange;

“Underwriters” means the Lead Underwriter, FirstEnergy Capital Corp., TD Securities Inc., Dundee Securities Ltd., GMP Securities L.P., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., Peters & Co. Limited, RBC Dominion Securities Inc., Canaccord Genuity Corp., Cormark Securities Inc. and Raymond James Ltd.;

“Underwriting Agreement” means the underwriting agreement among TORC and the Underwriters dated October 4, 2012;

“Unit Escrow Agreement” means the escrow agreement among TORC, Olympia Trust Company and the subscribers for the TORC Units dated December 16, 2010;

“Vero” means Vero Energy Inc.; and

“Vero Shares” means common shares of Vero.

ABBREVIATIONS AND CONVERSION

In this Appendix I to the Information Circular, the abbreviations set forth below have the following meanings:

Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	Mcf	thousand cubic feet
bbls	barrels	MMcf	million cubic feet
Mbbls	thousand barrels	Mcf/d	thousand cubic feet per day
MMbbls	million barrels	MMcf/d	million cubic feet per day
Mstb	1,000 stock tank barrels	MMBtu	million British Thermal Units
Bbl/d	barrels per day	Bcf	billion cubic feet
NGLs	natural gas liquids	GJ	gigajoule
stb	standard tank barrels		

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls	6.293
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.50
Gigajoules	MMbtu	0.950
MMbtu	Gigajoules	1.0526

Other

AECO	a natural gas storage facility located at Suffield, Alberta
API	American Petroleum Institute
API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil
BOE	barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas
BOE/d	barrel of oil equivalent per day
m3	cubic metres
MBOE	1,000 barrels of oil equivalent
\$000s	thousands of dollars
M\$	thousands of dollars
MM\$	millions of dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

NON-IFRS MEASURES

This Appendix I contains the term “netback” which is not defined by IFRS and therefore may not be comparable to performance measures presented by others. In this Appendix I, "netback" is calculated by deducting royalties paid and production costs, including transportation costs, from prices received, excluding the effects of hedging. Management believes that in addition to net income, netbacks are a useful supplemental measure as it assists in the determination of TORC's operating performance. Readers should be cautioned, however, that this measure should not be construed as an alternative to both net income and net cash from (used in) operating activities, which are determined in accordance with IFRS, as indicators of TORC's performance.

NOTES ON RESERVES DATA AND OTHER OIL AND NATURAL GAS INFORMATION

Caution Respecting Reserves Information

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved and probable reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The recovery and reserve estimates of oil, NGL and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein. The estimated future net revenue from the production of TORC's natural gas and petroleum reserves does not represent the fair market value of TORC's reserves.

Caution Respecting BOE

In this Appendix I to the Information Circular, the abbreviation BOE means barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas when converting natural gas to BOEs. **BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf to 1 BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.**

Definitions

Certain terms used in this Appendix I to the Information Circular in describing reserves and other oil and natural gas information are defined below. Certain other terms and abbreviations used in this Appendix I to the Information Circular, but not defined or described, are defined in NI 51-101 or the COGE Handbook and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 or the COGE Handbook.

Reserves

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: (a) analysis of drilling, geological, geophysical and engineering data; (b) the use of established technology; and (c) specified

economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates as follows:

“proved reserves” are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

“probable reserves” are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

The qualitative certainty levels referred to in the definitions above are applicable to "individual reserves entities" (which refers to the lowest level at which reserves calculations are performed) and to "reported reserves" (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

Each of the reserves categories (proved and probable) may be divided into developed and undeveloped categories as follows:

“developed reserves” are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing as follows:

“developed producing reserves” are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

“developed non-producing reserves” are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

“undeveloped reserves” are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Interests in Reserves, Production, Wells and Properties

“gross” means: (a) in relation to an issuer's interest in production or reserves, its "company gross reserves", which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the issuer; (b) in relation to wells, the total number of wells in which an issuer has an interest; and (c) in relation to properties, the total area of properties in which an issuer has an interest.

“net” means: (a) in relation to an issuer's interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves; (b) in relation to an issuer's interest in wells, the number of wells obtained by aggregating the issuer's working interest in each of its gross wells; and (c) in relation to an issuer's interest in a property, the total area in which the issuer has an interest multiplied by the working interest owned by the issuer.

“working interest” means the percentage of undivided interest held by an issuer in the oil and/or natural gas or mineral lease granted by the mineral owner, Crown or freehold, which interest gives the issuer the right to "work" the property (lease) to explore for, develop, produce and market the leased substances.

Description of Exploration and Development Wells and Costs

“development costs” means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the crude oil and natural gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to: (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves; (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly; (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and (d) provide improved recovery systems.

“development well” means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

“exploration costs” means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and natural gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as "prospecting costs") and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are: (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs"); (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records; (c) dry hole contributions and bottom hole contributions; (d) costs of drilling and equipping exploratory wells; and (e) costs of drilling exploratory type stratigraphic test wells.

“exploration well” means a well that is not a development well, a service well or a stratigraphic test well.

“service well” means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Appendix I to the Information Circular contains forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. More particularly, this Appendix I to the Information Circular contains forward-looking statements with respect to: (i) the anticipated timing of expenditures by TORC to satisfy its asset retirement obligations; (ii) the anticipated impact of environmental laws and regulations on TORC; (iii) TORC's plans for the development of its proved and probable undeveloped reserves; (iv) TORC's plans for funding future development costs; (v) TORC's expectations as the means of funding its ongoing environmental obligations; (vi) TORC's tax horizon; (vii) TORC's planned capital expenditures and drilling activity in 2012; and (viii) the anticipated impact on TORC of the factors discussed under the headings "Environmental Matters" and “Industry Conditions”.

The forward-looking statements are based on certain key expectations and assumptions made by TORC, including, but not limited to:

- oil and natural gas production levels;
- prevailing weather conditions, commodity prices and exchange rates;
- availability of labour, services and equipment;
- timing and amount of capital expenditures;
- general economic and financial market conditions;
- government regulation in the areas of taxation, royalty rates and environmental protection; and
- the success of exploration and development activities.

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:

- volatility in market prices for oil and natural gas;
- volatility in exchange rates;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- inability to secure labour, services and equipment on a timely basis or favourable terms;
- competition for, among other things, acquisitions of reserves, undeveloped lands and skilled personnel;
- unfavourable weather conditions;
- incorrect assessments of the value of acquisitions and exploration and development programs;
- geological, technical, drilling, production and processing problems;
- availability and cost of capital;

- changes in legislation, including changes in tax laws, royalty rates and incentive programs relating to the oil and natural gas industry; and
- the other factors discussed under “Risk Factors”.

Statements relating to “reserves” are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Appendix I to the Information Circular are expressly qualified by this cautionary statement. TORC does not undertake any obligation to publicly update or revise any forward-looking statements other than as required under applicable securities laws.

TORC OIL & GAS LTD.

Incorporation and Material Amendments to Incorporating Documents

TORC was incorporated under the ABCA as 1525893 Alberta Ltd. on March 23, 2010.

On December 15, 2010, TORC filed articles of amendment changing its name from 1525893 Alberta Ltd. to TORC Oil & Gas Ltd.

On December 15, 2010, TORC filed articles of amendment to remove: (i) certain restrictions upon invitations to the public to subscribe for TORC Shares; and (ii) restrictions limiting the number of TORC Shareholders, exclusive of employees, to less than 50 TORC Shareholders.

On January 24, 2011, TORC filed articles of amendment to remove certain restrictions on the transfer of TORC Shares.

Head Office and Registered Office

The head office of TORC is located at 1800, 525 – 8th Avenue S.W., Calgary, Alberta. The registered office of TORC is located at 1900, 215 – 9th Avenue S.W., Calgary, Alberta.

TORC is not a reporting issuer in any jurisdiction and the TORC Shares are not listed or posted for trading on any stock exchange.

Intercorporate Relationships

TORC does not have any subsidiaries.

DEVELOPMENT OF THE BUSINESS

Early Development

On April 13, 2010, 1525893 Alberta Ltd. (as the predecessor to TORC) entered into a purchase and sale agreement with Ranchwest Energy Ltd. to acquire certain oil and gas property interests located in Alberta.

From April 13, 2010 until December 16, 2010, 1525893 Alberta Ltd. acquired 26,660 gross (26,660 net) acres of undeveloped land located in Alberta for consideration of \$5.3 million (including the oil and gas property interests acquired from Ranchwest Energy Ltd. described above).

Reorganization, Acquisitions & Financings

On December 16, 2010 TORC completed a corporate reorganization (the “**Reorganization**”) pursuant to a reorganization and investment agreement among 1525893 Alberta Ltd. (as TORC was then named), Brett Herman and Jason Zabinsky (together the “**Initial Investors**”) dated December 9, 2010 (the “**Reorganization Agreement**”).

Pursuant to the Reorganization, the Initial Investors completed a non-brokered private placement (the “**Reorganization Unit Placement**”) of 5,000,000 units (“**TORC Units**”) at a price of \$4.00 per TORC Unit for aggregate gross proceeds of \$20,000,000. Each TORC Unit was comprised of: (i) three TORC Shares; (ii) one TORC Share issued on a flow-through basis pursuant to the *Income Tax Act* (Canada); and (iii) four TORC Warrants. The TORC Units are subject to the Unit Escrow Agreement. Pursuant to the Unit Escrow Agreement, 1/3 of the TORC Units are releasable on each of the following anniversaries of the Reorganization Unit Placement: (i) the first anniversary; (ii) the eighteen month anniversary; and (iii) the second anniversary. Please see *Escrowed Securities* in this Appendix for further details. The Reorganization Unit Placement closed on December 16, 2010.

On January 7, 2011, TORC, pursuant to the Reorganization, completed a non-brokered private placement of 4,000,000 TORC Shares at a price of \$1.50 per TORC Share (the “**Reorganization Share Placement**”) for aggregate gross proceeds of \$6,000,000.

Pursuant to the Reorganization, certain shareholders of 1525893 Alberta Ltd. (as TORC was then named) as of the date immediately prior to completion of the Reorganization were granted an option to acquire up to 1,127,840 TORC Shares at an exercise price of \$1.00 per TORC Share (the “**Participation Option**”) for aggregate gross proceeds of \$1,127,840. The Participation Option was fully exercised concurrently with the Reorganization Share Placement.

Pursuant to the Reorganization, the prior constituted board of directors of 1525893 Alberta Ltd. was replaced by the current TORC Board, and the officers of 1525893 Alberta Ltd. resigned and were replaced by the current officers of TORC (Please see “*Directors and Executive Officers*” in this Appendix I).

On February 2, 2011, TORC entered into a letter agreement with the Bank of Montreal to establish credit facilities in the principal amount of \$50,000,000 (the “**Credit Facilities**”), as amended and restated on May 14, 2012. The Credit Facilities are secured by a fixed and floating charge demand debenture on all of the present and after-acquired assets of TORC.

On February 3, 2011, TORC completed a brokered private placement financing of 41,734,000 TORC Shares at a price of \$3.00 per TORC Share for aggregate gross proceeds of \$125,202,000.

On February 3, 2011, TORC entered into a share purchase agreement with the shareholders of Shale Exploration Ltd. (“**Shale**”) to acquire all of the issued and outstanding shares of Shale, a private company with petroleum and natural gas assets located in southern Alberta, for share consideration of 741,961 TORC Shares and cash consideration of \$556,121 (the “**Shale Transaction**”). The Shale Transaction closed on February 18, 2011.

Concurrently with the Shale Transaction, TORC entered into settlement agreements to settle certain debts and indebtedness of Shale and Barron Energy Corporation, including debt conversion rights, debts to Shale’s directors and officers and outstanding options, for aggregate share consideration of 6,829,018 TORC Shares.

On May 1, 2011 TORC amalgamated with Shale, with the amalgamated corporation continuing under the name “TORC Oil & Gas Ltd.”.

On June 14, 2011, TORC completed a brokered private placement financing of 31,250,000 TORC Shares at a price of \$4.00 per TORC Share for aggregate gross proceeds of \$125,000,000.

On September 29, 2011, TORC completed brokered and non-brokered private placements of 8,701,000 TORC Shares issued on a flow-through basis pursuant to the *Income Tax Act* (Canada) at a price of \$4.80 per TORC Share for aggregate gross proceeds of \$41,764,800.

From the date of the Reorganization until December 31, 2011, TORC acquired 366,892 gross (366,350 net) acres of undeveloped land located at its core property areas in Alberta (southern Alberta Bakken and West Central Alberta Cardium) for consideration of \$172.2 million, including the lands acquired in the Shale Transaction. Included in the consideration are fees related to certain farmin arrangements.

On February 15, 2012, TORC acquired certain oil and gas assets at its West Central Alberta Cardium property area for cash consideration of \$2.5 million.

On October 4, 2012, TORC completed a bought deal private placement of (i) 30,800,000 TORC Subscription Receipts at a subscription price of \$2.60 for aggregate gross proceeds of \$80,080,000; and (ii) 12,910,000 TORC Flow-Through Receipts at a subscription price of \$3.10 for aggregate gross proceeds of \$40,021,000 (the “**Arrangement Financing**”). Pursuant to the Subscription Receipts Agreement, the TORC Subscription Receipts shall be converted and exchanged into TORC Shares, and the TORC Flow-Through Receipts shall be converted and exchanged into TORC Shares issued on a flow-through basis under the *Income Tax Act* (Canada), in each instance without payment of additional consideration or any further action, and as a step to the Arrangement, immediately upon satisfaction of the Conversion Conditions. Pursuant to the Subscription Receipts Agreement the aggregate gross proceeds of the Arrangement Financing shall be held in escrow by Olympia Trust Company until the satisfaction of the Escrow Release Conditions. Pursuant to the Subscription Receipts Agreement, if the Arrangement does not complete before December 21, 2012 then the TORC Receipts shall be cancelled and the funds held in escrow, plus accrued interest, shall be returned to the TORC Receipt subscribers. TORC expects that the Conversion Conditions and the Escrow Release Conditions shall be satisfied immediately prior to completion of the Arrangement.

Up to an additional 4,620,000 TORC Subscription Receipts are issuable to the Underwriters in respect of the Arrangement Financing at a subscription price of \$2.60 pursuant to an option (the “**Over-Allotment Option**”) granted to the Underwriters under the Underwriting Agreement (the “**TORC Underwriter Receipts**”). The Over-Allotment Option is exercisable up to 48 hours prior to the completion of the Arrangement.

TORC has entered into a number of farm-in agreements with third parties to earn interests in additional prospective acreage. As at December 31, 2011, TORC’s required future commitments are estimated to be \$24 million, which are expected to be completed by the end of 2013 and form part of TORC’s ongoing capital program.

From the period beginning on January 1, 2012 until October 18, 2012, TORC acquired 76,419 gross (71,508 net) acres of undeveloped land located in Alberta for consideration of \$3.2 million, excluding the assets acquired from Perpetual Energy Inc. in February 2012. Included in the consideration are fees related to certain farmin arrangements.

Arrangement

On September 12, 2012 TORC entered into the Arrangement Agreement, as amended on September 27, 2012, with Vero whereby TORC, Vero and AcquisitionCo will carry out the Arrangement under the provisions of Section 193 of the ABCA. Upon satisfaction of the Conversion Conditions, and as a step of the Arrangement, the TORC Subscription Receipts shall be converted and exchanged into TORC Shares, pursuant to the terms of the Arrangement Agreement and the Subscription Receipts Agreement. Pursuant to the Arrangement, TORC and AcquisitionCo shall then be amalgamated (“**Amalgamation 1**”) to continue as one corporation under the ABCA as AmalCo 1. Pursuant to Amalgamation 1, the holders of TORC Shares will receive 0.87 of a Vero Share for each TORC Share held. Upon completion of Amalgamation 1, Vero and AmalCo 1 shall be amalgamated (“**Amalgamation 2**”) to continue as AmalCo. Pursuant to Amalgamation 2, the holders of Vero Shares will receive one AmalCo Share for each Vero Share held. Upon completion of Amalgamation 2, each TORC Flow-Through Receipt will be converted into 0.87 of an AmalCo Share to be issued on a flow-through basis pursuant to the *Income Tax Act* (Canada). The obligations of TORC and Vero to proceed with the Arrangement are subject to certain conditions contained in the Arrangement Agreement. Please refer to the Information Circular – *Details of the Arrangement* for further details regarding the Arrangement.

DESCRIPTION OF THE BUSINESS

Corporate Strategy

TORC’s business plan is to pursue profitable per share growth in reserves, production and cash flow in western Canada. To accomplish this, TORC pursues an integrated growth strategy including strategic acquisitions together with development and exploration drilling.

TORC maintains a balance between exploration and development drilling for oil and natural gas reserves, although management of TORC also considers asset and corporate acquisition opportunities that meet certain criteria. To achieve sustainable and profitable growth, management of TORC believes in controlling the timing and costs of its projects wherever possible. Accordingly, TORC seeks to become the operator of its properties to the greatest extent possible. Further, to minimize competition within its geographic areas of interest, TORC strives to maximize its working interest ownership in its properties where reasonably possible. Management of TORC has industry experience in producing areas in western Canada and has the capability to expand the scope of its activities as opportunities arise.

In reviewing potential drilling or acquisition opportunities, TORC gives consideration to the following criteria:

- (a) risk capital to secure or evaluate the opportunity;
- (b) the potential return on the project, if successful;
- (c) the likelihood of success; and
- (d) risked return versus cost of capital.

In general, TORC pursues a portfolio approach in developing a large number of opportunities with a balance of risk profiles in an attempt to generate sustainable high levels of growth.

It should be noted that the TORC Board may, in its discretion, approve asset or corporate acquisitions or investments that do not conform to the guidelines discussed above based upon the Board's consideration

of the qualitative aspects of the subject properties, including risk profile, technical upside, reserve life, strategic importance and asset quality.

Competition

The oil and natural gas industry is competitive in all its phases. TORC competes with numerous other participants in the acquisition, exploration and development of oil and natural gas assets and in the marketing of oil and natural gas. TORC's competitors include resource companies which have greater financial resources, staff and facilities than those of TORC. TORC believes that its competitive position is, on the whole, equivalent to that of other oil and natural gas producers of similar size and at a similar stage of development.

There has been a sustained high demand for the services necessary to drill and complete the types of horizontal oil wells that form a substantial portion of TORC's exploration and development activities. TORC is in constant competition to secure such services on a timely and cost effective basis.

Seasonal Factors

The exploration for and development of oil and natural gas reserves is dependent on access to areas where operations are to be conducted. Seasonal weather variations, including freeze-up and break-up, affect access in certain circumstances. Unexpected adverse weather conditions, such as flooding or prolonged break-up, can have a significant negative impact on operations and costs.

Personnel

As at December 31, 2011, TORC had 23 head office employees and no field employees.

PRINCIPAL PROPERTIES

A description of TORC's principal oil and natural gas properties as at December 31, 2011 is provided below.

West Central Alberta Cardium

TORC's West Central Alberta Cardium (“**Cardium**”) properties consist of an average working interest of approximately 50% in 84,479 gross (42,387 net) acres of undeveloped land in the Kaybob, Carrot Creek, Pembina and Brazeau areas on the Cardium trend in west central Alberta, all of which are located approximately 150-250 kilometres west of the city of Edmonton, Alberta. The property includes 7 gross (4.8 net) producing oil wells and 1 gross (0.75 net) non-producing oil wells. Facilities in the area include 7 single well batteries. Production from the property is weighted 75% to crude oil and NGLs. Average daily production from the property for the year ended December 31, 2011 was 91 BOE/d. Average daily production from the property for the six months ended June 30, 2012 was 560 BOE/d. As at December 31, 2011, the TORC Reserves Reports attributed proved plus probable reserves of 489 Mbbl of oil and NGLs and 868 MMcf of natural gas to the West Central Alberta Cardium property area.

Monarch, Alberta

TORC's Monarch property consists of an average working interest of approximately 96% in 136,753 gross (131,447 net) acres of undeveloped land in the Alberta Bakken play in southern Alberta, located approximately 130-190 kilometres southeast of the city of Calgary, Alberta. TORC has targeted the Banff and Big Valley formations in drilling a total of 2 gross (2 net) oil wells to date on the Monarch property. The property includes 1 gross (1 net) producing oil well and 1 gross (1 net) non-producing oil well. Facilities in the area include 1 single well battery. Production from the property is weighted 100% to crude oil. Average daily production from the property for the year ended December 31, 2011 was 28 BOE/d. Average daily production from the property for the six months ended June 30, 2012 was 283 BOE/d. As at December 31, 2011, the TORC Reserves Reports attributed proved plus probable reserves of 305 Mbbl of oil and NGLs and nil MMcf of natural gas to the Monarch property area.

STATEMENT OF RESERVES DATA

In accordance with NI 51-101, Sproule prepared the TORC Reserves Reports. The TORC Reserves Reports evaluated, as at December 31, 2011, the proved and probable developed oil, NGL and natural gas reserves attributable to the properties of TORC, both before and after income taxes. The TORC Reserves Reports are dated March 22, 2012 and September 26, 2012. The report dated September 26, 2012 was prepared for the sole purpose of providing required disclosure with respect to the net present value of future net revenue attributable to TORC's reserves after deducting future income tax expenses.

The tables below are a summary of the oil, NGL and natural gas reserves attributable to the properties of TORC and the net present value of future net revenue attributable to such reserves as evaluated in the TORC Reserves Reports based on forecast price and cost assumptions. The tables summarize the data contained in the TORC Reserves Reports and, as a result, may contain slightly different numbers than such report due to rounding. Also due to rounding, certain columns may not add exactly.

The net present value of future net revenue attributable to reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures and well abandonment costs for only those wells assigned reserves by Sproule. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by Sproule represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of oil, NGL and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein.

The TORC Reserves Reports are based on certain factual data supplied by TORC and Sproule's opinion of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to petroleum properties and contracts (except for certain information residing in the public domain) were supplied by TORC to Sproule. Sproule accepted this data as presented and neither title searches nor field inspections were conducted.

Summary of Oil and Gas Reserves – Forecast Prices and Costs

	Gross Reserves				Net Reserves			
	Light and Medium Crude Oil Mbbbls	Natural Gas Liquids Mbbbls	Natural Gas MMcf	Total Oil Equivalent MBOE	Light and Medium Crude Oil Mbbbls	Natural Gas Liquids Mbbbls	Natural Gas MMcf	Total Oil Equivalent MBOE
Proved								
Developed Producing	435.3	18.3	609.0	555.0	366.2	12.6	536.0	468.0
Developed Non-Producing	-	-	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-	-	-
Total Proved	435.3	18.3	609.0	555.0	366.2	12.6	536.0	468.0
Probable	332.6	7.8	258.6	383.5	242.6	4.5	217.4	283.4
Total Proved plus Probable	767.9	26.0	867.6	938.5	608.8	17.1	753.0	751.4

Net Present Value of Future Net Revenue – Forecast Prices and Costs**Before Future Income Tax Expenses and Discounted at**

	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
Proved					
Developed Producing	27,162	22,754	19,964	18,040	16,625
Developed Non-Producing	-	-	-	-	-
Undeveloped	-	-	-	-	-
Total Proved	27,162	22,754	19,964	18,040	16,625
Probable	18,677	11,584	8,432	6,741	5,701
Total Proved plus Probable	45,840	34,337	28,396	24,780	22,326

After Future Income Tax Expenses and Discounted at

	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
Proved					
Developed Producing	27,162	22,754	19,964	18,040	16,625
Developed Non-Producing	-	-	-	-	-
Undeveloped	-	-	-	-	-
Total Proved	27,162	22,754	19,964	18,040	16,625
Probable	18,677	11,584	8,432	6,741	5,701
Total Proved plus Probable	45,840	34,337	28,396	24,780	22,326

	Unit Value Before Income Tax Discounted at 10%/year (\$/BOE)
Proved	
Developed Producing	42.66
Developed Non-Producing	-
Undeveloped	-
Total Proved	42.66
Probable	29.75
Total Proved Plus Probable	37.79

Additional Information Concerning Future Net Revenue – Forecast Prices and Costs (Undiscounted)

(Undiscounted)	Revenue (M\$)	Royalties (M\$)	Operating Costs (M\$)	Develop ment Costs (M\$)	Abandonme nt and Other Costs (M\$)	Future Net Revenue Before Income Taxes (M\$)	Future Income Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
Total Proved	47,314	7,638	12,132	-	382	27,162	-	27,162
Total Proved plus Probable	87,363	17,605	23,086	375	458	45,840	-	45,840

Future Net Revenue by Production Group – Forecast Prices and Costs

	Future Net Revenue Before Income Taxes and Discounted at 10% (M\$)	Per Unit Future Net Revenue Before Income Taxes And Discounted at 10% ⁽³⁾ (\$/BOE)
Proved		
Light and Medium Crude Oil ⁽¹⁾	19,964	42.66
Natural Gas ⁽²⁾	-	-
Proved plus Probable		
Light and Medium Crude Oil ⁽¹⁾	28,396	37.79
Natural Gas ⁽²⁾	-	-

Notes:

- (1) Including solution gas and other by-products.
(2) Including by-products, but excluding solution gas from oil wells.
(3) Based on net reserves volumes.

Pricing Assumptions – Forecast Prices and Costs

Sproule employed the following pricing, exchange rate and inflation rate assumptions as of December 31, 2011 in the TORC Reserves Reports in estimating reserves data using forecast prices and costs. The weighted average historical prices received by TORC for 2011 are also reflected in the table below.

Year	Medium and Light Crude Oil			Natural Gas		NGL		
	WTI Cushing Oklahoma 40° API (US\$/bbl)	Edmonton Par Price 40° API (\$/bbl)	Cromer Medium 29.3 API (\$/bbl)	Alberta Gas Reference Price Plantgate (\$/MMBtu)	AECO - C Spot (\$/MMBtu)	Pentanes Plus (\$/bbl)	Inflation Rates ⁽¹⁾ %/Year	Exchange Rate (\$US/\$Cdn)
2011 (Actual)	95.00	95.16	87.86	3.40	3.72	104.12	2.00	1.012
2012	98.07	96.87	90.09	2.85	3.16	103.57	2.00	1.012
2013	94.90	93.75	87.19	3.49	3.78	100.23	2.00	1.012
2014	92.00	90.89	84.52	3.86	4.13	97.17	2.00	1.012
2015	97.42	96.23	89.50	5.26	5.53	102.89	2.00	1.012
2016	99.37	98.16	91.29	5.42	5.65	104.94	2.00	1.012
2017	101.35	100.12	93.11	5.54	5.77	107.04	2.00	1.012
2018	103.38	102.12	94.98	5.66	5.89	109.18	2.00	1.012
2019	105.45	104.17	96.88	5.79	6.01	111.37	2.00	1.012
2020	107.56	106.25	98.81	5.91	6.14	113.59	2.00	1.012
2021	109.71	108.38	100.79	6.04	6.27	115.87	2.00	1.012

Escalated at 2.0% per year thereafter.

Notes:

(1) Inflation rates for forecasting prices and costs.

ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Undeveloped Reserves

Proved undeveloped reserves are generally those reserves related to infill wells that have not yet been drilled or wells further away from gathering systems requiring relatively high capital to bring on production. Probable undeveloped reserves are generally those reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. This also includes the probable undeveloped wedge from the proved undeveloped locations.

The TORC Reserves Reports do not contain an opinion on undeveloped reserves attributable to TORC's land position at December 31, 2011.

Significant Factors or Uncertainties Affecting Reserves Data

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and natural gas prices and reservoir performance. Such revisions can be either positive or negative.

Future Development Costs

The table below sets out the total development costs deducted in the estimation in the TORC Reserves Reports of future net revenue attributable to proved developed reserves and proved plus probable developed reserves (using forecast prices and costs).

	<u>Forecast Prices and Costs</u>	
	Proved Reserves (M\$)	Proved Plus Probable Reserves (M\$)
2012	-	375
2013	-	-
2014	-	-
2015	-	-
2016	-	-
Remaining Years	-	-
Total Undiscounted	-	375

OTHER OIL AND NATURAL GAS INFORMATION

Oil and Natural Gas Wells

The following table sets forth the number and status of TORC's wells effective December 31, 2011. All wells are located in the Province of Alberta.

<u>Producing Wells</u>				<u>Non-Producing Wells</u>			
<u>Oil</u>		<u>Natural Gas</u>		<u>Oil</u>		<u>Natural Gas</u>	
<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
8.0	5.8	0	0	2.0	1.75	0	0

Properties with no Attributed Reserves

The following table summarizes, effective December 31, 2011, the gross and net acres of unproved properties in which TORC has an interest and also the number of net acres for which TORC's rights to explore, develop or exploit will expire within one year. All properties are located in the Province of Alberta.

<u>Gross Acres</u>	<u>Net Acres</u>	<u>Net Acres Expiring Within One Year</u>
459,741	408,284	39,258

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

The development of properties with no attributed reserves can be affected by a number of factors including, but not limited to, project economics, forecasted price assumptions, cost estimates and access to infrastructure. These and other factors could lead to the delay or the acceleration of projects related to these properties.

Additional Information Concerning Abandonment and Reclamation Costs

TORC typically estimates well abandonment costs area by area. Such costs are included in the TORC Reserves Reports as deductions in arriving at future net revenue. The total expected cost included in the TORC Reserves Reports for well abandonment and disconnection costs at all properties, for 6.8 net wells under the proved reserves category, was \$0.4 million undiscounted, of which a total of \$0.08 million is estimated to be incurred in 2012, 2013 and 2014. This estimate does not include expected reclamation costs for surface leases of \$0.4 million undiscounted. TORC will be liable for its share of ongoing environmental obligations and for the ultimate reclamation of the properties held by it upon abandonment. Ongoing environmental obligations are expected to be funded out of cash flow.

Tax Horizon

Based on Sproule production forecasts, planned capital expenditures and the forecast commodity pricing employed in the TORC Reserves Reports, TORC estimates that it will not be required to pay current income taxes.

Costs Incurred

The following table summarizes capital expenditures incurred by TORC during the year ended December 31, 2011.

	Property Acquisition Costs		Exploration Costs	Development Costs
	Proved Properties	Unproved Properties		
Total (M\$)	57,913	100,048	64,572	10,376

Drilling Activity

The following table sets forth the gross and net exploration and development wells drilled by TORC during the year ended December 31, 2011.

	Exploration Wells		Development Wells	
	Gross	Net	Gross	Net
Light and Medium Oil	4	3.8	7	4.8
Natural Gas	-	-	-	-
Service	-	-	-	-
Stratigraphic Test	2	2.0	-	-
Dry	1	0.6	-	-
Total:	7	6.4	7	4.8

Planned Exploration and Development Activities

TORC's capital budget for 2012 provides for the drilling of approximately 23 gross (18.4 net) wells targeting high quality light oil, with 14 gross (13.6 net) wells at the Monarch property and 9 gross (4.8 net) wells at the Cardium properties.

Production Estimates

The following table discloses for each product type the total volume of production estimated by Sproule in the TORC Reserves Reports for 2012 in the estimates of future net revenue from gross proved and gross proved plus probable reserves disclosed above.

	Light and Medium Crude Oil (Bbls/d)	NGL (Bbls/d)	Natural Gas (Mcf/d)	Total Oil Equivalent (BOE/d)	%
Proved					
Cardium	220	13	454	308	71.3
Monarch	124	-	-	124	28.7
Total Proved	344	13	454	432	100.0

	Light and Medium Crude Oil (Bbls/d)	NGL (Bbls/d)	Natural Gas (Mcf/d)	Total Oil Equivalent (BOE/d)	%
Proved plus Probable					
Cardium	237	14	503	335	61.8
Monarch	207	-	-	207	38.2
Total Proved plus Probable	444	14	503	542	100.0

Production History

The following table discloses, on a quarterly basis for the periods indicated, certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback for TORC.

Average Daily Production Volume

	Three Months Ended			
	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011
Natural gas (Mcf/d)	-	143	225	216
Light and Medium Crude Oil (Bbls/d)	-	4	13	343
NGL (Bbls/d)	-	3	6	5
Total (BOE/d)	-	31	57	384

	Mar. 31, 2012	June 30, 2012
Natural gas (Mcf/d)	439	399
Light and Medium Crude Oil (Bbls/d)	796	720
NGL (Bbls/d)	14	17
Total (BOE/d)	883	804

Prices Received, Royalties Paid, Production Costs and Netback – Light and Medium Crude Oil

(\$ per Bbl)

	Three Months Ended			
	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011
Prices Received	-	93.16	90.95	93.46
Royalties Paid	-	9.04	8.33	8.07
Production Costs	-	31.08	25.78	17.08
Netback ⁽¹⁾	-	53.56	56.84	63.31

	Mar. 31, 2012	June 30, 2012
Prices Received	88.16	79.39
Royalties Paid	6.73	7.27
Production Costs	21.13	25.26
Netback ⁽¹⁾	60.30	46.86

Note:

- (1) Netback is calculated by deducting royalties paid and production costs, including transportation costs, from prices received, excluding the effects of hedging. See *Non-IFRS Measures* in this Appendix I.

Prices Received, Royalties Paid, Production Costs and Netback – NGL

(\$ per Bbl)

	Three Months Ended			
	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011
Prices Received	-	66.40	65.00	74.35
Royalties Paid	-	6.41	5.95	6.42
Production Costs	-	22.03	18.42	13.59
Netback ⁽¹⁾	-	37.96	40.63	54.34

	Mar. 31, 2012	June 30, 2012
Prices Received	63.14	52.02
Royalties Paid	4.82	4.76
Production Costs	15.13	16.55
Netback ⁽¹⁾	43.19	30.71

Note:

- (1) Netback is calculated by deducting royalties paid and production costs, including transportation costs, from prices received, excluding the effects of hedging.

Prices Received, Royalties Paid, Production Costs and Netback – Natural Gas

(\$ per Mcf)

	Three Months Ended			
	<u>Mar. 31, 2011</u>	<u>June 30, 2011</u>	<u>Sep. 30, 2011</u>	<u>Dec. 31, 2011</u>
Prices Received	-	3.73	3.63	3.40
Royalties Paid	-	0.36	0.33	0.29
Production Costs	-	1.24	1.03	0.62
Netback ⁽¹⁾	-	2.13	2.27	2.49

	<u>Mar. 31, 2012</u>	<u>June 30, 2012</u>
Prices Received	2.25	1.82
Royalties Paid	0.17	0.17
Production Costs	0.54	0.58
Netback ⁽¹⁾	1.54	1.07

Note:

- (1) Netback is calculated by deducting royalties paid and production costs, including transportation costs, from prices received, excluding the effects of hedging. See *Non-IFRS Measures* in this Appendix I

Production Volume by Field

The following table indicates the average daily net production from TORC's fields for the year ended December 31, 2011.

	Light and Medium Crude Oil (Bbls/d)	NGL (Bbls/d)	Natural Gas (Mcf/d)	Total Oil Equivalent (BOE/d)	%
Cadium	63	4	146	91	76
Monarch	28	-	-	28	24
Total	91	4	146	119	100

DIVIDEND POLICY

TORC has not declared or paid any dividends on the TORC Shares since its incorporation. Any decision to pay dividends on the TORC Shares will be made by the TORC Board of Directors on the basis of TORC's earnings, financial requirements and other conditions existing at such future time. The terms of the Credit Facilities currently restrict the declaration or payment of any dividends by TORC.

MANAGEMENT DISCUSSION AND ANALYSIS

Management's discussion and analysis of the financial condition and results of operations of TORC is included in Schedule A – *TORC Financial Statements & Management Discussion and Analysis* to this Appendix I, and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2011 and December 31, 2010 and the unaudited condensed consolidated financial statements as of June 30, 2012 for the six month periods ended June 30, 2012 and 2011.

Outstanding Security Data

As at October 12, 2012 the number of TORC Shares issued and the number securities exercisable into TORC Shares are as follows:

TORC Shares	Number
TORC Shares outstanding	121,732,716
TORC Shares issuable under the TORC Warrants	20,000,000
TORC Shares issuable under the TORC Options	8,461,376
TORC Shares issuable under the TORC Incentive Shares	923,025
TORC Shares issuable under the TORC Receipts	43,710,000
TORC Shares issuable under the TORC Underwriter Receipts ⁽¹⁾	4,620,000
Total	199,447,117

Note:

- (1) TORC Shares will be issuable under the TORC Underwriter Receipts in the event that the Over-Allotment Option is exercised prior to its expiry.

DESCRIPTION OF SHARE CAPITAL

TORC is authorized to issue an unlimited number of TORC Shares, an unlimited number of Class “B” non-voting common shares (“**Class B Shares**”) and an unlimited number of preferred shares issuable in series (the “**Preferred Shares**”).

Holders of TORC Shares are entitled to one vote for each TORC Share held and to receive any dividends declared by the TORC Board or any distribution of the assets of TORC upon a liquidation, dissolution or winding-up of TORC, subject to the rights of any Preferred Shares and any other classes of shares ranking in priority to the TORC Shares. As of the date hereof there are 121,732,716 TORC Shares issued and outstanding. Pursuant to the Arrangement Financing, 43,710,000 TORC Shares shall be issued upon the conversion and exchange of the TORC Receipts, of which 12,910,000 TORC Shares shall be issued on a flow-through basis under the *Income Tax Act* (Canada), upon satisfaction of the Conversion Conditions. Up to an additional 4,620,000 TORC Shares may be issued pursuant to the TORC Underwriter Receipts in the event that the Over-Allotment Option is exercised and upon satisfaction of the Conversion Conditions. Up to an additional 20,000,000 TORC Shares are reserved for issuance upon the exercise of TORC Warrants. The TORC Warrants are subject to the Unit Escrow Agreement. Up to an additional 8,461,376 TORC Shares are reserved for issuance upon the exercise of outstanding TORC Options, of which 2,080,399 have vested as of October 12, 2012. Up to an additional 923,025 TORC Shares are reserved for issuance upon the vesting of outstanding TORC Incentive Shares, of which: (i) 616,470 shall vest on the basis of 1/3 on each of the first three anniversaries of the applicable TORC Incentive Share grant date, or such other vesting schedule as determined by the TORC Board on the date of grant; and (ii) 306,555 shall vest on April 27, 2015. Each TORC Incentive Share shall be deemed to have been redeemed for one TORC Share immediately, and without further action required, upon vesting. Upon completion of the Arrangement, the TORC Warrants, TORC Options and TORC Incentive Shares shall be exercisable into AmalCo Shares, as adjusted for the Exchange Ratio in accordance with the terms of the Arrangement. Please refer to the Information Circular – *Details of the Arrangement* for further details regarding the Arrangement.

Holders of Class B Shares are not, unless as required by law, entitled to receive notice of, to attend or to vote at any meeting of the shareholders of TORC. Holders of Class B Shares are entitled to receive any dividends declared by the TORC Board of Directors or any distribution of the assets of TORC upon a liquidation, dissolution or winding-up of TORC, subject to the rights of the Preferred Shares and any other classes of shares ranking in priority to the Class B Shares. There are no Class B Shares outstanding.

The Preferred Shares are issuable in series and the designation of, and the rights or privileges, restrictions and conditions attached to any series of Preferred Shares are to be established by the TORC Board prior to the issuance thereof. The Preferred Shares have a preference over the TORC Shares, the Class B Shares and any class of shares of TORC ranking junior to the Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of TORC or any other distribution of the assets of TORC among its shareholders for the purpose of winding-up its affairs. No series of Preferred Shares has been designated to date and there are no Preferred Shares outstanding.

CAPITALIZATION

The following table sets forth the capitalization of TORC as at June 30, 2012 before and after giving effect to the Arrangement Financing. For the capitalization of New TORC after giving effect to the Arrangement, see *Pro Forma Information of New TORC After Giving Effect to the Arrangement – Pro Forma Consolidated Capitalization*.

Designation	Authorized	As at June 30, 2012 prior to giving effect to the Arrangement Financing	As at June 30, 2012 after giving effect to the Arrangement Financing
TORC Shares ⁽¹⁾	Unlimited	\$330,687,000 (121,715,384 TORC Shares)	\$330,687,000 (121,715,384 TORC Shares)
TORC Receipts ⁽²⁾	43,710,000	\$ Nil Nil	\$120,101,000 (43,710,000 TORC Receipts)
Bank Debt ⁽³⁾	\$50,000,000	\$ Nil	\$ Nil

Notes:

- (1) As at October 12, 2012, the following securities of TORC remain outstanding: (i) 8,461,376 TORC Options to acquire TORC Shares at exercise prices ranging from \$2.60 to \$4.00, of which 2,080,399 have vested to date; (ii) 923,025 TORC Incentive Shares redeemable into TORC Shares immediately, and without further action required, upon vesting; and (iii) 20,000,000 TORC Warrants to acquire TORC Shares at an exercise price of \$1.25 per share, subject to vesting conditions and the Unit Escrow Agreement.
- (2) The 30,800,000 TORC Subscription Receipts shall be converted and exchanged into TORC Shares, and the 12,910,000 TORC Flow-Through Receipts shall be converted and exchanged into TORC Shares issued on a flow-through basis under the *Income Tax Act* (Canada), in each instance without payment or additional consideration, and as a step to the Arrangement, immediately upon satisfaction of the Conversion Conditions. A maximum of up to 4,620,000 TORC Underwriter Receipts are issuable pursuant to the Over-Allotment Option for additional gross aggregate proceeds of \$12,012,000. The Underwriters may exercise the Over-Allotment Option to acquire the TORC Underwriter Receipts at any time up until 48 hours prior to the completion of the Arrangement. The TORC Underwriter Receipts shall be converted and exchanged into TORC Shares on the same terms as the TORC Subscription Receipts. The aggregate gross proceeds of the Arrangement Financing are currently being held in escrow in accordance with the Subscription Receipts Agreement and shall not be released until satisfaction of the Escrow Release Conditions.
- (3) TORC has a \$50,000,000 Credit Facility with the Bank of Montreal. The Credit Facility is secured by a fixed and floating charge demand debenture on the assets of TORC.

OPTIONS TO PURCHASE SECURITIES

The following table outlines all of the outstanding TORC Options to purchase TORC Shares as of October 12, 2012:

	Number of TORC Shares under option ⁽¹⁾	Exercise Price	Expiry Date	Market Value Upon Grant ⁽²⁾	Market Value at October 12, 2012
<u>Executive Officers</u>	3,046,400	\$3.00	April 27, 2016	N/A	N/A

(7 individuals)	1,034,966	\$2.60	September 13, 2017		
<u>Non-executive Directors</u> (6 individuals)	604,800 318,600	\$3.00 \$2.60	April 27, 2016 September 13, 2017	N/A	N/A
<u>Employees</u> (17 individuals)	2,036,000 190,000 364,000 155,000 711,610	\$3.00 \$3.00 \$4.00 \$4.00 \$2.60	April 27, 2016 May 10, 2016 October 1, 2016 January 1, 2017 September 13, 2017	N/A	N/A
Total	8,461,376⁽³⁾				

Notes:

1. Pursuant to the terms of the Arrangement Agreement, the holders of TORC Options shall be entitled to receive AmalCo Shares, as adjusted for the Exchange Ratio in accordance with the terms of the Arrangement Agreement, upon the exercise of their TORC Options. Please see Information Circular – *Details of the Arrangement* for further details.
2. The TORC Shares are not, and have never been, listed or posted for trading on any stock exchange.
3. The TORC Options have a term of five years, of which 6,396,200 TORC Options shall vest on the basis of 1/3 on each of the first three anniversaries of the initial grant date and 2,065,176 TORC Options shall vest on April 27, 2015. As of October 12, 2012, 2,080,399 TORC Options have vested.

PRIOR SALES

During the twelve month period prior to the date of the Information Circular, TORC issued the following TORC Shares or securities convertible into TORC Shares:

<u>Type of Security</u>	<u>Date</u>	<u>Number of Securities</u>	<u>Price per Security (\$)</u>
TORC Shares ⁽¹⁾	April 27, 2012	273,565	\$3.00 ⁽³⁾
TORC Shares ⁽¹⁾	May 10, 2012	9,000	\$3.00 ⁽³⁾
TORC Options ⁽⁵⁾	September 13, 2012	2,065,176	\$2.60
TORC Incentive Shares	September 13, 2012	306,555	N/A ⁽⁴⁾
TORC Shares ⁽¹⁾	October 1, 2012	17,332	\$2.60 ⁽³⁾
TORC Subscription Receipts ⁽²⁾	October 4, 2012	30,800,000	\$2.60
TORC Flow-Through Receipts ⁽²⁾	October 4, 2012	12,910,000	\$3.10

Notes:

- (1) Issued upon the vesting of TORC Incentive Shares
- (2) Issued under the Arrangement Financing. See *Development of the Business – Reorganization, Acquisitions & Financings* for further details in respect of the Arrangement Financing. Additionally, up to a maximum of 4,620,000 TORC Underwriter Receipts are issuable pursuant to the Over-Allotment Option under the Arrangement Financing.
- (3) The deemed fair market value of the TORC Shares upon vesting of the TORC Incentive Shares.
- (4) Price per security will be the deemed fair market value per TORC Share upon vesting of each TORC Incentive Share.
- (5) Please see *Options to Purchase Securities* for further details.

PRINCIPAL SHAREHOLDERS OF TORC

To the knowledge of the directors and executive officers of TORC, as at October 12, 2012 there were no persons or companies who beneficially owned, directly or indirectly, or exercised control or direction over, voting securities of TORC carrying more than 10% of the voting rights attached to the shares of TORC.

ESCROWED SECURITIES

The following securities of TORC are subject to contractual escrow restrictions pursuant to the terms of the Unit Escrow Agreement. These securities were issued pursuant to the Reorganization Unit Placement. These securities are scheduled to be released from escrow on December 16, 2012. Olympia Trust Company is the escrow depository in respect of the applicable escrowed TORC Shares and TORC Warrants. Please see *Development of the Business - Reorganization, Acquisitions and Financings* to this Appendix I.

Class of Securities	Number of Securities Escrowed	Percentage of Class as at October 12, 2012
TORC Shares	6,666,701	5.48%
TORC Warrants	6,666,699	33.33%

DIRECTORS AND EXECUTIVE OFFICERS

The name, municipality of residence, principal occupation for the prior five years and position with TORC of each of the directors and executive officers of TORC as at October 12, 2012 are as follows:

Name and Residence	Position	Principal Occupation During Previous Five Years
Raymond Chan ⁽¹⁾⁽³⁾ Calgary, Alberta	Chairman & Director	Mr. Chan was appointed Executive Chairman of Baytex Energy Corp. in December 2010 and held the same position with Baytex Energy Ltd. ("Baytex") since January 2009. Prior to that, Mr. Chan was the Chief Executive Officer of Baytex (November 2007 to December 2008) and the President and Chief Executive Officer of Baytex (September 2003 to November 2007). Mr. Chan has been a director of Baytex since October 1998.
John Brussa ⁽³⁾ Calgary, Alberta	Director	Mr. Brussa has been a partner at the law firm of Burnet, Duckworth & Palmer LLP since 1987.
M. Bruce Chernoff ⁽¹⁾ Calgary, Alberta	Director	Mr. Chernoff has been the President and a Director of Caribou Capital Corp. (a private investment management company) since June 1999. Mr. Chernoff was the Chairman of Harvest Energy Trust from 2002 until its sale to the Korean National Oil Corporation in December 2009. Mr. Chernoff has been a Director of Maxim Power Corp. since January 2005 and serves as its Chairman of the Board.
Brett Herman Calgary, Alberta	Director, President and Chief Executive Officer	Mr. Herman is the President & Chief Executive Officer and a Director of TORC. Mr. Herman was the President & Chief Executive Officer and a Director of Result Energy Inc. from November 2009 to April 2010 and the President & Chief Executive Officer and a Director of TriStar Oil & Gas Ltd. from August 2007 to October 2009.
David Johnson ⁽²⁾⁽³⁾ Calgary, Alberta	Director	Mr. Johnson has been the Chairman and a Director of Progress Energy Resources Corp. since July 2004.

Name and Residence	Position	Principal Occupation During Previous Five Years
Dale Shwed ^{(1) (2)} Calgary, Alberta	Director	Mr. Shwed has been the President & Chief Executive Officer and a Director of Crew Energy Inc. since June 2003.
Hank Swartout ⁽²⁾ Calgary, Alberta	Director	Mr. Swartout is an independent businessman with over thirty years of experience in the oilfield services industry.
Jason Zabinsky Calgary, Alberta	Vice President Finance and Chief Financial Officer	Mr. Zabinsky is the Vice President, Finance and Chief Financial Officer of TORC. Mr. Zabinsky was the Vice President and Chief Financial Officer of Result Energy Inc. from November 2009 to April 2010 and the Vice President and Chief Financial Officer of TriStar Oil & Gas Ltd. from January 2006 to October 2009.
James Pasioka Calgary, Alberta	Corporate Secretary	Mr. Pasioka has been a partner of the national law firm Heenan Blaikie LLP since 2001.
Filippo Angelini Calgary, Alberta	Vice President and Controller	Mr. Angelini is the Vice President and Controller of TORC. Mr. Angelini was the Controller of Result Energy Inc. from November 2009 to April 2010 and the Controller of TriStar Oil & Gas Ltd. from August 2007 to October 2009.
Eric Strachan Calgary, Alberta	Vice President, Exploration	Mr. Strachan is the Vice President, Exploration of TORC. Mr. Strachan was the Vice President, Exploration of Result Energy Inc. from November 2009 to April 2010 and the Vice President, Exploration of TriStar Oil & Gas Ltd. from January 2006 to October 2009.
Jeremy Wallis Calgary, Alberta	Vice President, Land	Mr. Wallis is the Vice President, Land of TORC. Mr. Wallis was the Vice President, Land of Result Energy Inc. from November 2009 to April 2010 and the Vice President, Land of TriStar Oil & Gas Ltd. from January 2006 to October 2009.
Mike Wihak Calgary, Alberta	Vice President, Operations	Mr. Wihak is the Vice President, Operations of TORC. Mr. Wihak was the Vice President, Operations of Result Energy Inc. from November 2009 to April 2010 and the Vice President, Operations of TriStar Oil & Gas Ltd. from January 2008 to October 2009.

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Reserves Committee.
- (3) Member of the Compensation Committee.

Each of the directors was appointed on December 16, 2010. Each of the directors will hold office until the next annual meeting of TORC's shareholders or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with TORC's articles or by-laws. Pursuant to the Arrangement Agreement, upon completion of the Arrangement the TORC Board shall continue as the board of directors of AmalCo, and the executive officers of TORC shall continue as the executive officers of AmalCo.

The TORC Board has an Audit Committee, a Reserves Committee and a Compensation Committee. The members of the Audit Committee are Raymond Chan (Chair), M. Bruce Chernoff and Dale Shwed. The members of the Reserves Committee are David Johnson (Chair), Dale Shwed and Hank Swartout. The members of the Compensation Committee are John Brussa (Chair), Raymond Chan and David Johnson.

As a group, the directors and executive officers of TORC beneficially own, control or direct, directly or indirectly, 26,860,321 TORC Shares, representing approximately 22% of the outstanding TORC Shares.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of management of TORC, no director or executive officer of TORC, or a personal holding company of any such person, is, or within the 10 years before the date of this Information Circular has been, a director, chief executive officer or chief financial officer of any other issuer that:

- a) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under Canadian securities legislation that lasted for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- b) was subject to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation that lasted for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of management of TORC, no director or executive officer, or any shareholder holding sufficient number of securities of TORC to affect materially the control of TORC, or a personal holding company of any such person:

- a) is, at the date of this Information Circular or has been within the 10 years before the date of this Information Circular, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- b) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Penalties or Sanctions

To the knowledge of management of TORC, no director or officer, or any shareholder holding a sufficient number of securities of TORC to affect materially the control of TORC, has:

- a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with the Canadian securities regulatory authority; or
- b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The directors and officers of TORC may participate in activities and investments in the oil and natural gas industry outside the scope of their engagement or employment as directors or officers of TORC. As a result, the directors and officers may become subject to conflicts of interest. The ABCA provides that, in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA, the written mandate of the TORC Board and TORC's corporate governance policies.

As at the date hereof, TORC is not aware of any existing or potential material conflicts of interest between TORC and a director or officer of TORC.

EXECUTIVE COMPENSATION

Named Executive Officers

The Named Executive Officers for the purposes of this Appendix I to the Information Circular are the following executive officers of TORC:

Brett Herman	President and Chief Executive Officer
Jason Zabinsky	Vice President, Finance and Chief Financial Officer
Eric Strachan	Vice President, Exploration
Jeremy Wallis	Vice President, Land
Mike Wihak	Vice President, Operations

Each of the Named Executive Officers was appointed an officer of TORC on December 16, 2010.

General

This discussion describes TORC's compensation program for the Named Executive Officers in the financial year ended December 31, 2011. This section will address TORC's philosophy and objectives and provide a review of the process the Compensation Committee of the TORC Board (the "Committee") follows in deciding how to compensate the Named Executive Officers. This section will also provide discussion and analysis of the Committee's specific decisions about the compensation of the Named Executive Officers for the financial year ended December 31, 2011.

TORC's compensation philosophy and program objectives are directed primarily by two guiding principles. First, the program is intended to provide competitive levels of compensation, at expected levels of performance, in order to attract, motivate and retain talented employees. Second, the program is intended to create an alignment of interest between TORC's employees and shareholders so that a significant portion of compensation is linked to maximizing shareholder value. In support of this philosophy, the compensation program is designed to reward performance that is directly relevant to TORC's short-term and long-term success. TORC attempts to provide both short-term and long-term incentive compensation that varies based on corporate and individual performance.

TORC's compensation program is structured into three main components: base salary, bonus and long term incentives including TORC Options granted pursuant to the TORC Stock Option Plan and TORC Incentive Shares granted pursuant The TORC Stock Incentive Plan. The following discussion describes TORC's plans by component of compensation and discusses how each component relates to TORC's overall executive compensation objective. In establishing the executive compensation program, TORC believes that:

- base salaries provide an immediate cash incentive and should be at levels competitive with peer companies that compete with TORC for business opportunities and executive talent;
- a bonus program which depends on TORC's success and achievement of goals and the respective employees contribution to achieving these goals; and
- TORC Options and TORC Incentive Shares ensure that employees are motivated to achieve long term growth of TORC, continuing increases in shareholder value and provide capital accumulation linked directly to TORC's performance.

TORC places equal emphasis on base salary/bonus and TORC Options/ TORC Incentive Shares as short term and long term incentives, respectively.

Purpose

TORC's compensation program has been designed to accomplish the following long-term objectives:

- create a proper balance between building shareholder wealth and competitive employee compensation while maintaining good corporate governance;
- produce long-term, positive results for TORC's shareholders;
- align compensation with corporate performance and appropriate peer group comparisons; and
- provide market-competitive compensation and benefits that will enable TORC to recruit, retain and motivate the talent necessary to be successful.

Compensation Committee

The compensation program is administered by the Committee. During the year ended December 31, 2011, the Committee was comprised of John Brussa (Chair), Raymond Chan and David Johnson. None of the current members of the Committee is an officer or employee of TORC. The TORC Board is of the view that the Committee has the knowledge, experience and background to fulfill its mandate.

Compensation Process

In determining compensation, including the assessment of the competitiveness of TORC's compensation practices, the Committee has not established a formal peer group but does review compensation information available in the public domain from companies with similar production, size and development. The Committee may also obtain industry reports which provide general salary and compensation information with respect to executive officers in the oil and gas industry. The Committee retains and does not delegate any of its power to determine all matters of executive compensation and benefits, although the Committee does consider the compensation and benefit proposal made to the Committee by the Chairman.

The Committee considers the risks that may be associated with TORC's compensation policies and practices as part of its broader mandate of understanding the principal risks associated with TORC's business. There is a risk with any compensation policy that provides for the payment of a cash bonus or, as in the case of TORC Options and TORC Incentive Shares, provides for compensation that is linked to the price of the company's shares that an executive officer or other employee will attempt to maximize the personal return from these elements of compensation by taking excessive risks that are not in the best interests of the company or its shareholders. TORC attempts to identify and mitigate these risks through the implementation and monitoring of internal controls and procedures respecting, among other matters, the maintenance of records, reporting and required authorizations for expenditures, acquisitions, dispositions and other corporate actions.

Base Salaries

The base salaries of the Named Executive Officers are reviewed annually to ensure they reflect a balance of market conditions, the levels of responsibility and accountability of each role, the skill and competencies of the individual, retention considerations as well as the level of demonstrated performance.

Base salaries of the Named Executive Officers are set by the TORC Board on the basis of the applicable executive officer's responsibilities, experience and past performance. This is measured against the Committee's assessment of the amounts paid by companies in TORC's peer group to persons performing similar duties. In making such an assessment, the TORC Board considers the objectives set forth in TORC's business plan and the performance of executive officers and employees in executing the plan in combination with the overall result of the activities undertaken.

Long Term Incentive Plans

TORC provides long term incentive compensation to its directors, employees and certain consultants through the TORC Stock Option Plan and the TORC Stock Incentive Plan.

Stock Option Plan and Stock Incentive Plan

TORC provides long term incentive compensation to its directors, officers, employees and certain consultants through the TORC Stock Option Plan and TORC Stock Incentive Plan. The Committee recommends the granting of TORC Options and TORC Incentive Shares from time to time based on its assessment of the appropriateness of doing so in light of the long term strategic objectives of TORC, its current stage of development, the need to retain or attract particular key personnel, the number of TORC Options and TORC Incentive Shares already outstanding and overall market conditions. The Committee views the granting of TORC Options and TORC Incentive Shares as a means of promoting the success of TORC and higher returns to its shareholders. As such, the Committee does not grant TORC Options or TORC Incentive Shares in excessively dilutive numbers or at exercise prices not reflective of TORC's underlying value.

Summary of Compensation of Named Executive Officers

The following table sets forth, for the years ended December 31, 2011 and December 31, 2010, information concerning the total compensation paid to TORC's Named Executive Officers.

Name and Principal Occupation	Year	Salary (\$)	Share-Based Awards ⁽¹⁾ (\$)	Option-Based Awards ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation ⁽⁴⁾ (\$)	Total Compensation (\$)
					Annual Incentive Plans ⁽³⁾	Long-Term Incentive Plans			
Brett Herman, President and Chief Executive Officer	2011 2010	200,000 Nil	300,000 Nil	595,000 Nil	70,000 Nil	Nil Nil	Nil Nil	5,580 Nil	1,170,580 Nil
Jason Zabinsky, Vice-President, Finance and Chief Financial Officer	2011 2010	180,000 Nil	198,000 Nil	392,700 Nil	63,000 Nil	Nil Nil	Nil Nil	2,450 Nil	836,150 Nil
Eric Strachan Vice-President, Exploration	2011 2010	180,000 Nil	198,000 Nil	392,700 Nil	63,000 Nil	Nil Nil	Nil Nil	5,060 Nil	838,760 Nil
Jeremy Wallis Vice-President, Land	2011 2010	180,000 Nil	198,000 Nil	392,700 Nil	63,000 Nil	Nil Nil	Nil Nil	2,450 Nil	836,150 Nil
Mike Wihak Vice-President, Operations	2011 2010	180,000 Nil	198,000 Nil	392,700 Nil	63,000 Nil	Nil Nil	Nil Nil	5,060 Nil	838,760 Nil

Notes:

- (1) Comprised of TORC Incentive Shares granted in April 2011 pursuant to TORC's Stock Incentive Plan. Value based on the value of the underlying TORC Shares as at the April 2011 date of grant, being \$3.00 per TORC Share. TORC Incentive Shares attributable to this amount vest as to 1/3 per year for a period of three years from the date of grant.
- (2) Comprised of TORC Options granted pursuant to the TORC Stock Option Plan. All of these TORC Options granted vest as to 1/3 per year for a period of 3 years from the date of grant. Value based on the fair value of the applicable awards calculated using the Black-Scholes-Merton method as at the April 2011 grant date with the following assumptions: risk-free interest rate of 1.4%; expected volatility of 40%; an expected life of three years and a forfeiture rate of Nil.
- (3) Performance bonuses were accrued in 2011, and approved by the TORC Board and paid in the second quarter of 2012.
- (4) The value of perquisites received by each of the Named Executive Officers, including property or other personal benefits provided to the Named Executive Officers that are not generally available to all employees, were not in the aggregate greater than \$50,000 or 10% of the Named Executive Officer's total salary for the financial year.

Share-Based Awards and Option-Based Awards

The following table outlines, for each Named Executive Officers, all share-based or option-based awards outstanding for the year ended December 31, 2011.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised TORC Options ⁽¹⁾ (#)	TORC Option Exercise Price (\$)	TORC Option Expiration Date	Value of unexercised in-the-money options ⁽¹⁾⁽²⁾	Number of TORC Incentive Shares that have not Vested ⁽²⁾ (#)	Market or payout value of Vested TORC Incentive Shares not paid out or distributed ⁽³⁾
Brett Herman	700,000	3.00	Apr. 27-2016	N/A	100,000	N/A
Jason Zabinsky	462,000	3.00	Apr. 27-2016	N/A	66,000	N/A
Eric Strachan	462,000	3.00	Apr. 27-2016	N/A	66,000	N/A
Jeremy Wallis	462,000	3.00	Apr. 27-2016	N/A	66,000	N/A

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised TORC Options ⁽¹⁾ (#)	TORC Option Exercise Price (\$)	TORC Option Expiration Date	Value of unexercised in-the-money options ⁽¹⁾⁽²⁾	Number of TORC Incentive Shares that have not Vested ⁽²⁾ (#)	Market or payout value of Vested TORC Incentive Shares not paid out or distributed ⁽³⁾
Mike Wihak	462,000	3.00	Apr. 27-2016	N/A	66,000	N/A

Notes:

- (1) The TORC Shares are not, and have never been, listed or posted for trading on any stock exchange.
- (2) TORC Options and TORC Incentive Shares were granted in April 2011 and nil TORC Options and TORC Incentive Shares vested during the year ended December 31, 2011.
- (3) Nil TORC Incentive Shares vested during the year ended December 31, 2011.

Change of Control Benefits

As of the date hereof, TORC has no contracts, agreements, plans, or arrangements in place that provide for payments to a Named Executive Officer at, following, or in connection with any termination (whether voluntary, involuntary, or constructive), resignation, retirement, change in control of TORC or change in a Named Executive Officer's responsibilities.

Pursuant to the terms of the TORC Option Plan, all unvested TORC Options vest upon change of control of TORC. Similarly, pursuant to the terms of the TORC Stock Incentive Plan, all unvested TORC Incentive Shares vest upon change of control of TORC. The Arrangement is not a change of control for the purposes of the TORC Option Plan or the TORC Incentive Plan.

DIRECTOR COMPENSATION

Summary of Director Compensation

The following table outlines, for the year ended December 31, 2011, information concerning the compensation paid to TORC's directors other than directors who are also Named Executive Officers.

Name	Fees Earned (\$)	Share-Based Awards ⁽¹⁾ (\$)	Option-Based Awards ⁽²⁾ (\$)	All Other Compensation (\$)	Total (\$)
Raymond Chan	Nil	43,200	85,680	Nil	128,880
John Brussa	Nil	43,200	85,680	Nil	128,880
M. Bruce Chernoff	Nil	43,200	85,680	Nil	128,880
David Johnson	Nil	43,200	85,680	Nil	128,880
Dale Shwed	Nil	43,200	85,680	Nil	128,880
Hank Swartout	Nil	43,200	85,680	Nil	128,880

Notes:

- (1) Based on the value of the TORC Shares underlying the TORC Incentive Shares granted to the director as of the April 2011 grant date, being \$3.00 per TORC Share. TORC Incentive Shares attributable to this amount vest as to 1/3 per year for a period of three years from the date of grant
- (2) Based on the fair value of the TORC Options granted to the director calculated using the Black-Scholes-Merton method as at the April 2011 grant date.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth for each of the directors of TORC, other than directors who are also Named Executive Officers, all option-based and share-based awards outstanding at the end of the year ended December 31, 2011.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised TORC Options ⁽¹⁾ (#)	TORC Option Exercise Price (\$)	TORC Option Expiration Date	Value of unexercised in-the-money options ⁽¹⁾⁽²⁾	Number of TORC Incentive Shares that have not Vested ⁽¹⁾ (#)	Market or payout value of Vested TORC Incentive Shares not paid out or distributed ⁽³⁾
Raymond Chan	100,800	3.00	Apr. 27-2016	N/A	14,400	N/A
John Brussa	100,800	3.00	Apr. 27-2016	N/A	14,400	N/A
M. Bruce Chernoff	100,800	3.00	Apr. 27-2016	N/A	14,400	N/A
David Johnson	100,800	3.00	Apr. 27-2016	N/A	14,400	N/A
Dale Shwed	100,800	3.00	Apr. 27-2016	N/A	14,400	N/A
Hank Swartout	100,800	3.00	Apr. 27-2016	N/A	14,400	N/A

Notes:

- (1) The TORC Shares are not, and have never been, listed or posted for trading on any stock exchange.
- (2) TORC Options and TORC Incentive Shares were granted in April 2011 and nil TORC Options and TORC Incentive Shares vested during the year ended December 31, 2011.
- (3) Nil TORC Incentive Shares vested during the year ended December 31, 2011.

Securities Authorized for Issuance under Equity Compensation Plans

The TORC Stock Option Plan and the TORC Stock Incentive Plan are the only compensation plans pursuant to which equity securities of TORC are authorized for issuance. The aggregate number of TORC Shares that may be reserved for issuance under the TORC Option Plan and the TORC Stock Incentive Plan shall not exceed 10% of the number of TORC Shares, on a non-diluted basis, outstanding at that time. The table below sets out information concerning the TORC Stock Option Plan and TORC Stock Incentive Plan as at December 31, 2011.

	Number of TORC Shares Issuable upon the Exercise or Vesting of Outstanding TORC Options/TORC Incentives Shares	Weighted Average Exercise Price ⁽¹⁾	Number of TORC Shares Remaining Available for Future Issuance (excluding the TORC Shares issuable on the exercise of the securities referred to in the first column) ⁽²⁾
TORC Stock Option Plan ⁽³⁾	6,298,200	\$3.06	4,945,382
TORC Stock Incentive Plan ⁽³⁾	899,700	Nil	

Notes:

- (1) There is no exercise price attributable to the TORC Incentive Shares.
- (2) The maximum number of Shares reserved for issuance under the TORC Stock Option Plan and the Incentive Plan is set at 10% of the outstanding TORC Shares at any time. Accordingly, the number of TORC Shares remaining available for future issuance will increase as the outstanding number of TORC Shares increases.
- (3) The TORC Stock Option Plan and TORC Stock Incentive Plan have not been approved by TORC Shareholders.

INDEBTEDNESS OF DIRECTOR AND EXECUTIVE OFFICERS

At no time since the beginning of the financial year ended December 31, 2011 did any director or senior officer, or any associate or affiliate of any of them, owe any indebtedness to TORC or owe any indebtedness to any other entity which is, or at any time has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by TORC, other than routine indebtedness and indebtedness that was entirely repaid prior to the date of the Information Circular.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

Composition of the Audit Committee, Charter and Review of Services

The members of the Audit Committee of the TORC Board are Raymond Chan, M. Bruce Chernoff and Dale Shwed. Raymond Chan is the Chair of the Audit Committee.

The Audit Committee of the TORC Board operates under a written charter that sets out its responsibilities and composition requirements. A copy of the charter is attached to this Appendix I as Schedule "C".

The Audit Committee charter requires all members of the Audit Committee to be financially literate and independent within the meaning of applicable securities laws. All current members of the Audit Committee meet these requirements.

The Audit Committee charter requires that any non-audit services by TORC's auditors must be pre-approved by the Audit Committee.

Education and Experience of Members

The education and experience of each director relevant to the performance of his duties as a member of the Audit Committee are described below.

Raymond Chan (Chair)

Raymond Chan holds a Bachelor of Commerce degree from the University of Saskatchewan and is a Chartered Accountant. Mr. Chan currently serves as Executive Chairman of Baytex Energy Corp. Mr. Chan has extensive financial and accounting experience obtained through senior executive positions in the Canadian oil and gas industry since 1982, including: Chief Financial Officer of Baytex Energy Ltd., Tarragon Oil and Gas Limited; Chief Financial Officer of American Eagle Petroleum Ltd.; and Chief Financial Officer of Gane Energy Corporation.

M. Bruce Chernoff

M. Bruce Chernoff holds a Bachelor of Applied Science Degree in Chemical Engineering from Queen's University. Mr. Chernoff is a Professional Engineer with over 20 years of experience in the oil and gas industry. He has held various senior positions including Executive Vice President and Chief Financial Officer of Pacalta Resources Ltd. Mr. Chernoff is President of Caribou Capital Corp. and is a director of several other public companies. Please see section below titled *Composition of the TORC Board* for more details.

Dale Shwed

Mr. Shwed holds a Bachelor of Science degree specializing in Geology from the University of Alberta. Mr. Shwed has been President and Chief Executive Officer of Crew Energy Inc. since September of 2003. Prior thereto, he was President and Chief Executive Officer of Baytex Energy from 1993 to August 2003. Mr. Shwed commenced his career in the oil and gas industry in 1980.

Auditor's Fees

KPMG LLP is the auditor of TORC. The following table sets out the aggregate fees billed by KPMG LLP to TORC in each of the last two fiscal years.

Year	Audit Fees⁽¹⁾	Audit-Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees
2011	\$67,000	\$Nil	\$Nil	\$Nil
2010	\$10,000	\$Nil	\$Nil	\$Nil

Notes:

- (1) Audit fees consist of fees for the audit of annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements. The services provided in this category include quarterly review fees.
- (2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of TORC's financial statements and are not reported as Audit Fees. The services provided in this category included research of accounting and audit-related issues and review of internal controls.
- (3) Fees for tax compliance, tax advice and tax planning.

Corporate Governance Disclosure***Composition of the TORC Board***

The TORC Board of directors currently consists of seven directors, six of whom are independent based upon the tests for independence set under applicable securities laws. Raymond Chan, John Brussa, M. Bruce Chernoff, David Johnson, Dale Shwed and Hank Swartout are independent directors. Brett Herman is not an independent director by virtue of his serving as the president and chief executive officer of TORC. Raymond Chan, the chair of the TORC Board, is an independent director.

The executive officers of TORC report upon the operations of TORC on a quarterly basis. While management who are not directors attend TORC Board meetings to report to the board and participate in discussions, they are not eligible to vote on matters requiring TORC Board approval. The directors meet at any time they consider necessary. TORC's auditors, legal counsel, financial advisors and employees are invited to attend TORC Board meetings from time to time. The independent directors hold meetings without the presence of non-independent directors when matters arise that require their independent approval. The directors meet at any time they consider necessary without any members of management, including the non-independent directors, being present.

The following table identifies those directors of the Company who are presently directors of other issuers that are reporting issuers (or the equivalent) in a Canadian jurisdiction or a foreign jurisdiction:

Director	Reporting Issuer	Stock Exchange
Raymond Chan	Baytex Energy Corp.	TSX
John Brussa	Argent Energy Ltd.	TSX
	(Administrator of Argent Energy Trust)	TSX
	Baytex Energy Corp.	TSX
	Calmena Energy Services Inc.	TSX
	Chinook Energy Inc.	TSX
	Crew Energy Inc.	TSXV
	Deans Knight Income Corporation	TSX
	Enseco Energy Services Corp.	TSX
	Guide Exploration Ltd. (formerly Galleon Energy Inc.)	TSXV
	Just Energy Group Inc.	TSX
	Penn West Petroleum Ltd.	
	Pinecrest Energy Inc.	TSX
	RMP Energy Inc. (formerly Orleans Energy Ltd.)	TSX
	Storm Resources Ltd.	TSXV
	Twin Butte Energy Ltd.	
	WestFire Energy Ltd.	
	Yoho Resources Inc.	
M. Bruce Chernoff	Artek Exploration Ltd.	TSX
	Calmena Energy Services Inc.	TSX
	Maxim Power Corp.	TSX
	PetroShale Inc.	TSXV
David Johnson	Secure Energy Services Inc.	TSX
	Pinecrest Energy Inc.	TSXV
	Zedi Inc.	TSXV
Dale Shwed	Baytex Energy Corp.	TSX
	Crew Energy Ltd.	TSX
Hank Swartout	Calmena Energy Service Inc.	TSX
Brett Herman	PetroShale Inc.	TSXV

The attendance record of the directors at meetings of the Board and its committee since January 1, 2011 has been 100% with the following exceptions: (i) M. Bruce Chernoff has missed one TORC Board meeting and one Audit Committee meeting; (ii) Dale Shwed has missed one TORC Board meeting and one Audit Committee meeting; and (iii) Hank Swartout has missed one TORC Board meeting.

Board Mandate

The TORC Board has not adopted a formal board mandate.

The TORC Board maintains three standing committees: the Audit Committee, the Reserves Committee and the Compensation Committee.

Orientation and Continuing Education

While TORC does not have a formal orientation and training program, new board members are provided with access to management and all relevant corporate information and, as required, access to legal counsel. Members of the TORC Board are encouraged to communicate with management, legal counsel and, where applicable auditors and technical consultants of TORC; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit the TORC's operations. TORC Board members have full access to the records of TORC.

Ethical Business Conduct and Nomination of Directors

The TORC Board is committed to a high standard of corporate governance practices and has adopted a whistle blower policy. Please see Schedule C – *Audit Committee Charter* to this Appendix I.

The TORC Board is responsible for identifying and assessing potential board of director candidates.

Assessments

The TORC Board, with the assistance of the Committee, is responsible for assessing the effectiveness of the TORC Board and its committees. The TORC Board and its committees are assessed with reference to their respective mandates or charters, while individual directors are assessed with reference to any applicable position descriptions, as well as the competencies and skills that each individual director is expected to bring to the TORC Board.

Compensation Committee

The members of the Compensation Committee are John Brussa (Chair), Raymond Chan, and David Johnson. Each of the members of the Compensation Committee is an independent director. The primary function of the Compensation Committee is to assist the TORC Board in carrying out its responsibilities for reviewing compensation and human resources issues and making recommendations to the TORC Board as appropriate, in particular with respect to compensation of senior officers. The Compensation Committee is required to convene at least semi-annually or otherwise as circumstances warrant.

Reserves Committee

The members of the Reserves Committee are David Johnson (Chair), Dale Shwed and Hank Swartout. The primary function of the Reserves Committee is to assist the TORC Board in the selection, engagement and instruction of an independent reserves evaluator for TORC. This involves ensuring that processes are in place to provide all relevant reserves data to the independent reserves evaluator, monitoring the preparation of the independent reserves evaluation of TORC and reviewing the annual independent reserves evaluation of TORC and any interim independent reserves evaluations prepared for TORC. The Reserves Committee meets at least once annually or otherwise as circumstances warrant.

RISK FACTORS

An investment in TORC Shares would be subject to certain risks. Investors should carefully consider the following risk factors:

Operational Risks

Oil and natural gas exploration operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering and oil spills, each of which could result in substantial damage to oil and natural gas wells, producing facilities, other property and the environment or in personal injury. In accordance with industry practice, TORC is not fully insured against all of these risks, nor are all such risks insurable. Although TORC maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event TORC could incur significant costs that could have a materially adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to TORC and may delay exploration and development activities.

Oil and natural gas exploration and development activities are dependent on access to areas where operations are to be conducted. Seasonal weather variations, including freeze-up and break-up, affect access in certain circumstances. Unexpected adverse weather conditions, such as flooding or prolonged break-up, can have a significant negative impact on capital expenditures, operations and costs.

To the extent TORC is not the operator of its oil and natural gas properties, it is dependent on such operators for the timing of activities related to such properties and is largely unable to direct or control the activities of the operators. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent. Although TORC intends to operate the majority of its properties, there is no guarantee that it will remain operator of such properties or that TORC will operate other properties it may acquire in the future.

In addition, the success of TORC will be largely dependent upon the performance of its management and key employees. TORC does not have any key man insurance policies and, therefore, there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on TORC.

TORC's ability to market oil and natural gas from its wells also depends upon numerous other factors beyond its control, including, among other things, the availability of natural gas processing and storage capacity, the availability of pipeline capacity, the price of oilfield services and the effects of inclement weather. Because of these factors, TORC may be unable to market some or all of the oil and natural gas it produces or to obtain favourable prices for the oil and natural gas it produces.

Sour Natural Gas

TORC's Monarch property includes wells that produce sour natural gas and facilities that process sour natural gas. An accidental discharge or leak of sour natural gas can be fatal or cause serious injury. The dangers associated with drilling for, producing, processing and transporting sour natural gas necessitate increased environmental, health and safety compliance costs to TORC and any accidental discharge or leak of sour natural gas could lead to significant liabilities to TORC. TORC has implemented policies and protocols to address this risk, but it is not possible for any issuer to eliminate all of the risks associated with producing, processing and transporting sour natural gas.

Environmental Concerns

Many aspects of the oil and natural gas business present environmental risks and hazards, including the risk that TORC may be in noncompliance with an environmental law, regulation, permit, licence, or other regulatory approval, possibly unintentionally or without knowledge. Such risks may expose TORC to fines or penalties, third party liabilities or to the requirement to remediate, which could be material.

The operational hazards associated with possible blowouts, accidents, oil spills, natural gas leaks, fires, or other damage to a well or a pipeline may require TORC to incur costs and delays to undertake corrective actions, could result in environmental damage or contamination or could result in serious injury or death to employees, consultants, contractors or members of the public, creating the potential for significant liability to TORC. Also, the occurrence of any such incident could damage TORC's reputation in the surrounding communities and make it more difficult for TORC to pursue its operations in those areas.

Compliance with environmental laws and regulations could materially increase TORC's costs. TORC may incur substantial capital and operating costs to comply with increasingly complex laws and regulations covering the protection of the environment and human health and safety. In particular, TORC may be required to incur significant costs to comply with future federal or provincial greenhouse gas emissions reduction requirements or other regulations, if enacted.

Although TORC maintains insurance consistent with prudent industry practice, it is not fully insured against certain environmental risks, either because such insurance is not available or because of high premium costs. In particular, insurance against risks from environmental pollution occurring over time (as opposed to sudden and catastrophic damages) is not available on economically reasonable terms. Accordingly, TORC's properties may be subject to liability due to hazards that cannot be insured against, or that have not been insured against due to prohibitive premium costs or for other reasons. It is also possible that changing regulatory requirements or emerging jurisprudence could render such insurance of less benefit to TORC.

Hydraulic Fracturing

The proliferation in certain jurisdictions in the United States of the use of hydraulic fracturing as a recovery technique employed in natural gas drilling has given rise to increased public scrutiny of its environmental aspects, particularly with respect to its potential impact on local aquifers. TORC utilizes hydraulic fracturing in a significant portion of the light oil wells it drills and completes. Negative public perception of hydraulic fracturing may place pressure on governments in the jurisdictions where TORC operates to implement additional regulatory requirements or limitations on the utilization of hydraulic fracturing, which in turn could restrict TORC's operations and increase its costs.

Availability of Services

The availability of the services necessary to drill and complete the types of horizontal oil wells that form a substantial portion of TORC's planned exploration and development activities in 2012 remains constrained due to increased demand and competition for such services. Such constraint may increase the costs of such services or result in the delay of planned exploration and development activities.

Reserve Estimates

There are numerous uncertainties inherent in evaluating quantities of reserves and the net present value of future net revenue to be derived therefrom, including many factors beyond the control of TORC. The reserves information contained in the TORC Reserves Reports and set forth herein, including information

respecting the net present value of future net revenue from reserves, represents an estimate only. This estimate is based on a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the TORC Reserves Reports were prepared and many of these assumptions are subject to change and are beyond the control of TORC. Ultimately, the actual reserves attributable to TORC's properties will vary from the estimates contained in the TORC Reserves Reports and those variations may be material and affect the market price of the TORC Shares.

Reserve Replacement

TORC's future oil and natural gas reserves and production and the cash flows to be derived therefrom are highly dependent on successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves TORC may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in reserves will depend not only on TORC's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that TORC's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Industry Regulation and Competition

There is strong competition relating to all aspects of the oil and natural gas industry. TORC will actively compete for capital, skilled personnel, undeveloped land, reserve acquisitions, access to drilling rigs, service rigs and other equipment, access to processing facilities and pipeline and refining capacity, and in all other aspects of its operations with a substantial number of other organizations, many of which may have greater technical and financial resources than TORC. Some of those organizations not only explore for, develop and produce oil and natural gas but also carry on refining operations and market petroleum and other products on a world-wide basis and as such have greater and more diverse resources on which to draw. TORC's ability to increase reserves and production in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling.

The marketability of oil and natural gas acquired or discovered will be affected by numerous factors beyond the control of TORC. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulation. Oil and natural gas operations (exploration, production, pricing, marketing, transportation and royalty rates) are subject to extensive controls and regulations imposed by various levels of government, including those described above under the heading "Industry Conditions", which may be amended from time to time. TORC's oil and natural gas operations may also be subject to compliance with federal, provincial and local laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment. Changes to the regulation of the oil and gas industry in jurisdictions in which TORC operates may adversely impact TORC's ability to economically develop existing reserves and add new reserves.

Volatility of Oil and Natural Gas Prices and Markets

TORC's financial performance and condition are substantially dependent on the prevailing prices of oil and natural gas which are unstable and subject to fluctuation. Fluctuations in oil or natural gas prices could have an adverse effect on TORC's operations and financial condition and the value and amount of

its reserves. Prices for crude oil fluctuate in response to global supply of and demand for oil, market performance and uncertainty and a variety of other factors which are outside the control of TORC including, but not limited, to the world economy and OPEC's ability to adjust supply to world demand, government regulation, political stability and the availability of alternative fuel sources. Natural gas prices are influenced primarily by factors within North America, including North American supply and demand, economic performance, weather conditions and availability and pricing of alternative fuel sources.

Decreases in oil and natural gas prices typically result in a reduction of TORC's net production revenue and may change the economics of producing from some wells, which could result in a reduction in the volume of TORC's reserves. Any further substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future drilling, development or construction programs or the curtailment of production. All of these factors could result in a material decrease in TORC's net production revenue, cash flows and profitability causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to TORC will in part be determined by TORC's borrowing base. A sustained material decline in prices from historical average prices could further reduce such borrowing base, therefore reducing the bank credit available and could require that a portion of its bank debt be repaid.

TORC may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, TORC will not benefit from such increases.

Variations in Foreign Exchange Rates and Interest Rates

TORC's expenses will be denominated in Canadian dollars, while the price of oil and natural gas will generally be denominated in U.S. dollars or impacted by the Canadian dollar to U.S. dollar exchange rate. As the exchange rate for the Canadian dollar versus the U.S. dollar increases, TORC will generally receive fewer Canadian dollars for its production. If the value of the Canadian dollar against the U.S. dollar increases, the financial results of TORC may be negatively affected. TORC's management may initiate certain hedges to mitigate these risks. Future fluctuations in the Canadian/United States foreign exchange rate may impact the future value of TORC's reserves as determined by independent evaluators. In addition, variations in interest rates could result in a significant change in the amount TORC will pay to service debt, potentially adversely affecting the value of the TORC Shares.

No market for TORC Shares

The TORC Shares are not currently listed on any stock exchange. There can be no assurance that an active market for TORC Shares will develop. If an active public market does not develop, the liquidity of an investment in TORC Shares may be limited and holders of TORC Shares may not be able to sell TORC Shares held at any time in the future. The market for mergers and acquisitions of junior oil & gas exploration and production companies is extremely volatile, and there can be no assurance that TORC will be able to enter into a business combination with a counterparty that will provide holder of TORC Shares with liquidity.

Substantial Capital Requirements; Liquidity

TORC may have to make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If revenues or reserves decline, TORC may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available

or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the company. Moreover, future activities may require TORC to alter its capitalization significantly. The inability of the company to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects.

Issuance of Debt

From time to time TORC may enter into transactions to acquire assets or shares of other corporations. These transactions may be financed partially or wholly through debt, which may increase debt levels above industry standards. TORC's articles and by-laws do not limit the amount of indebtedness it may incur. The level of TORC's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Abandonment and Reclamation Costs

TORC will be responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding abandonment and reclamation in respect of its properties, which abandonment and reclamation costs may be substantial. A breach of such legislation or regulations may result in the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made.

Possible Failure to Realize Anticipated Benefits of Future Acquisitions

TORC may complete acquisitions to strengthen its position in the oil and natural gas industry and to create the opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of any future acquisitions depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as TORC's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with its own. The integration of acquired businesses requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect TORC's ability to achieve the anticipated benefits of these and future acquisitions.

Delay in Cash Receipts and Credit Worthiness of Counterparties

In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of TORC's properties, and by the operator to TORC, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, recovery by the operator of expenses incurred in the operation of TORC's properties or the establishment by the operator of reserves for such expenses. In addition, the insolvency or financial impairment of any counterparty owing money to TORC, including industry partners and marketing agents, could prevent TORC from collecting such debts.

Dilution

TORC Shares, including rights, warrants, incentive shares, special warrants, subscription receipts and other securities to purchase, to convert into or to exchange into TORC Shares, may be created, issued, sold and delivered on such terms and conditions and at such times as the Board may determine. In

addition, TORC may issue additional TORC Shares from time to time pursuant to the TORC Stock Option Plan or the TORC Stock Incentive Plan. The issuance of these TORC Shares would result in dilution to holders of TORC Shares.

Net Asset Value

TORC's net asset value will vary depending upon a number of factors beyond the control of TORC's management, including oil and natural gas prices. The trading price of the TORC Shares is also determined by a number of factors which are beyond the control of management and such trading price may be greater than or less than the net asset value of TORC.

Reliance on Management

Shareholders will be dependent on the management of TORC in respect of the administration and management of all matters relating to TORC and its properties and operations. Investors who are not willing to rely on the management of TORC should not invest in TORC Shares.

Permits and Licenses

The operations of TORC may require licenses and permits from various governmental authorities. There can be no assurance that TORC will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects.

Title to Properties

Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells as determined appropriate by management, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat a claim of TORC which could result in a reduction of the revenue received by TORC.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to resources and various properties in western Canada. Such claims, in relation to any of TORC's lands, if successful, could have an adverse effect on its operations.

Corporate Matters

To date, TORC has not paid any dividends on its outstanding TORC Shares. Certain of the directors and officers of TORC are also directors and officers of other oil and gas companies involved in natural resource exploration and development, and conflicts of interest may arise between their duties as officers and directors of TORC, as the case may be, and as officers and directors of such other companies.

Failure to Maintain Listing of the TORC Shares

Pursuant to the Arrangement, the AmalCo Shares shall be listed for trading on the facilities of the TSX. The failure of TORC to meet the applicable listing or other requirements of the TSX in the future may result in the AmalCo Shares ceasing to be listed for trading on the TSX, which would have a material adverse effect on the value of the AmalCo Shares. There can be no assurance that the AmalCo Shares will continue to be listed for trading on the TSX.

Structure of TORC

From time to time, TORC may take steps to organize its affairs in a manner that minimizes taxes and other expenses payable with respect to the operation of TORC and its subsidiaries. If the manner in which TORC structures its affairs is successfully challenged by a taxation or other authority, TORC and the holders of TORC Shares may be adversely affected.

Changes in Legislation

It is possible that the Canadian federal and provincial government or regulatory authorities could choose to change the Canadian federal income tax laws, royalty regimes, environmental laws or other laws applicable to oil and gas companies and that any such changes could materially adversely affect TORC, its shareholders and the market value of the TORC Shares.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings involving claims for damages for which the potential exposure is more than 10% of TORC's current assets to which TORC is or was a party or in respect of which any of its properties are or were subject during the year ended December 31, 2011, nor are there any such proceedings known to TORC to be contemplated.

Since the incorporation of TORC on March 23, 2010 there have been (i) no penalties or sanctions imposed against TORC by a court relating to provincial or territorial securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions imposed by a court or regulatory body against TORC that it believes would likely be considered important to a reasonable investor in making an investment decision; and (iii) no settlement agreements entered into by TORC with a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

James Pasioka, the corporate secretary of TORC, is a partner of the law firm Heenan Blaikie LLP. TORC paid an aggregate of \$701,346 in legal fees to Heenan Blaikie LLP during the year ended December 31, 2011 and \$27,388 in legal fees during the year ended December 31, 2010.

Except as disclosed above or as may be disclosed elsewhere in this Appendix I to the Information Circular, none of the directors, officers or principal shareholders of TORC, and no associate or affiliate of any of them, has or has had any material interest in any transaction or any proposed transaction which has materially affected or is reasonably expected to materially affect TORC or any of its affiliates.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of TORC is KPMG LLP, Chartered Accountants. KPMG LLP has been the auditor of TORC since January 24, 2011.

The transfer agent and registrar for the TORC Shares is Olympia Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

On February 2, 2011 TORC entered into the Credit Facilities with the Bank of Montreal, as amended and restated on May 14, 2012.

On September 12, 2012 TORC entered into the Arrangement Agreement, as amended on September 27, 2012, with Vero whereby TORC, Vero and AcquisitionCo will carry out the Arrangement under the provisions of Section 193 of the ABCA. Upon satisfaction of the Conversion Conditions, and as a step of the Arrangement, the TORC Subscription Receipts shall be converted and exchanged into TORC Shares, pursuant to the terms of the Arrangement Agreement and the Subscription Receipts Agreement. Pursuant to the Arrangement, TORC and AcquisitionCo shall then be amalgamated pursuant to Amalgamation 1 to continue as one corporation under the ABCA as AmalCo 1. Pursuant to Amalgamation 1, the holders of TORC Shares will receive 0.87 of a Vero Share for each TORC Share held. Upon completion of Amalgamation 1, Vero and AmalCo 1 shall be amalgamated pursuant to Amalgamation 2 to continue as AmalCo. Pursuant to Amalgamation 2, the holders of Vero Shares will receive one AmalCo Share for each Vero Share held. Upon completion of Amalgamation 2, each TORC Flow-Through Subscription Receipt will be converted into 0.87 of an AmalCo Share to be issued on a flow-through basis pursuant to the *Income Tax Act* (Canada). The obligations of TORC and Vero to proceed with the Arrangement are subject to certain conditions contained in the Arrangement Agreement. Please refer to the Information Circular – *Details of the Arrangement* for further details regarding the Arrangement.

On October 4, 2012, TORC entered into the Subscription Receipts Agreement among the Lead Underwriter and Olympia Trust Company in respect of the TORC Receipts and the TORC Underwriter Receipts issued under the Arrangement Financing. The TORC Subscription Receipts shall be converted and exchanged into TORC Shares, and the TORC Flow-Through Subscription Receipts shall be converted and exchanged into TORC Shares issued on a flow-through basis under the *Income Tax Act* (Canada), in each instance without payment of additional consideration or any further action, and as a step to the Arrangement, immediately upon satisfaction of the Conversion Conditions. The aggregate gross proceeds of the Arrangement Financing are being held in escrow by Olympia Trust Company until satisfaction of the Escrow Release Conditions. Pursuant to the Subscription Receipts Agreement, if the Arrangement does not complete before December 21, 2012 then the TORC Receipts shall be cancelled and the funds held in escrow, plus accrued interest, shall be returned to the TORC Receipt subscribers.

On October 4, 2012, TORC entered into the Underwriting Agreement with the Underwriters in respect of the Arrangement Financing. Pursuant to the Underwriting Agreement, the Underwriters were granted the Over-Allotment Option to acquire up to 4,620,000 TORC Underwriter Receipts at a subscription price of \$2.60 at any time up to 48 hours prior to the completion of the Arrangement.

TORC has executed the TORC Support Agreements with each director and officer of TORC. Pursuant to the TORC Support Agreements, each director and officer of TORC has agreed to vote all TORC Shares held (including those acquired upon the exercise of TORC Options, TORC Warrants and TORC Incentive Shares) in favour of the Arrangement, and to otherwise support the Arrangement.

INTEREST OF EXPERTS

Certain legal matters pertaining to the Arrangement will be passed upon on behalf of TORC by Heenan Blaikie LLP. Partners and employees of Heenan Blaikie LLP currently own less than 1% percent of the TORC Shares. James Pasioka, a partner of Heenan Blaikie LLP, is currently the corporate secretary of TORC.

The TORC Reserves Reports were prepared by Sproule. As at March 22, 2012, and September 26, 2012 the dates of preparation of the TORC Reserves Reports, the directors, officers, employees and consultants of Sproule who participated in the preparation of the TORC Reserves Reports or who were in a position to directly influence the preparation or outcome of the preparation of the TORC Reserves Reports, as a group, owned, directly or indirectly, less than 1% of the outstanding TORC Shares.

KPMG LLP is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

OTHER MATERIAL FACTS

There are no other material facts that are not disclosed under any other section of this Appendix I to the Information Circular.

SCHEDULE “A”

TORC FINANCIAL STATEMENTS & MANAGEMENT DISCUSSION AND ANALYSIS



**Consolidated Financial Statements
2011**

As at and for the year ended
December 31, 2011

Schedule A - 3
CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The accompanying consolidated financial statements of TORC Oil & Gas Ltd. were prepared by and are the responsibility of management. They have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain assessments that reflect management's best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. The financial information contained elsewhere in Management's Discussion and Analysis has been reviewed to ensure consistency with the consolidated financial statements.

Management has developed and maintains systems of internal controls designed to provide reasonable assurance that all transactions are properly recorded in the Company's financial records, that procedures and policies are adhered to, that the consolidated financial statements realistically report the Company's operating and financial results, and that assets are safeguarded from unauthorized use. Management believes that this system of internal controls has operated effectively for the year ended December 31, 2011.

KPMG LLP, an independent firm of chartered accountants, has been engaged to examine the consolidated financial statements in accordance with Canadian generally accepted auditing standards and to provide an independent auditors' report thereon.

The Board of Directors, through its Audit Committee, has reviewed the consolidated financial statements including notes thereto with management and KPMG LLP. The Audit Committee is composed of three unrelated and independent members of the Board of Directors and meets quarterly with the financial officers of the Company. KPMG LLP has access to the Audit Committee to review the planning and scope of testing and to discuss the results of their audit work. On the recommendation of the Audit Committee, the accompanying consolidated financial statements have been approved by the Board of Directors.

(signed)

Brett Herman
President and
Chief Executive Officer

Calgary, Canada
March 20, 2012

(signed)

Jason Zabinsky
Vice President, Finance and
Chief Financial Officer

Schedule A - 4
CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE SHAREHOLDERS

To the shareholders of TORC Oil & Gas Ltd.

We have audited the accompanying consolidated financial statements of TORC Oil & Gas Ltd., which comprise the consolidated statements of financial position as at December 31, 2011 and December 31, 2010, the consolidated statements of comprehensive income, changes in equity, and cash flows for the year ended December 31, 2011 and for the period from incorporation on March 23, 2010 to December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of TORC Oil & Gas Ltd. as at December 31, 2011 and December 31, 2010, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2011 and for the period from incorporation on March 23, 2010 to December 31, 2010 in accordance with International Financial Reporting Standards.

(signed)

KPMG LLP
Chartered Accountants

Calgary, Canada
March 20, 2012

Schedule A - 5
CONSOLIDATED FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.

Consolidated Statement of Financial Position
(in \$000's of Canadian dollars)

	Note	As at December 31, 2011	As at December 31, 2010
Assets			
Cash		\$ 110,747	\$ 6,666
Trade and other receivables	7	4,062	25
Deposits and prepaid expenses		305	140
Total current assets		115,114	6,831
Exploration and evaluation assets	12	120,708	19,836
Property, plant and equipment	13	132,640	-
Deferred tax asset	15	-	122
Total non-current assets		253,348	19,958
Total assets		\$ 368,462	\$ 26,789
Liabilities			
Trade and other payables		\$ 33,166	\$ 488
Deferred lease incentives	19	177	-
Total current liabilities		33,343	488
Flow-through shares	19	3,733	700
Deferred lease incentives	19	633	-
Decommissioning obligations	14	877	-
Deferred tax liability	15	1,958	-
Total non-current liabilities		7,201	700
Total liabilities		\$ 40,544	\$ 1,188
Equity			
Share capital	16	\$ 329,836	\$ 25,914
Contributed surplus		3,106	44
Deficit		(5,024)	(357)
Total equity		327,918	25,601
Total liabilities and equity		\$ 368,462	\$ 26,789

Commitments (note 19)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board

(signed)

Raymond Chan
Director

(signed)

Brett Herman
Director

CONSOLIDATED FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.**Consolidated Statement of Loss and Comprehensive Loss**

(in \$000's of Canadian dollars, except per share amounts)

	Note	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Revenues			
Petroleum and natural gas sales		\$ 3,369	\$ -
Royalties		(293)	-
		3,076	-
Expenses			
Operating		405	-
Transportation		248	-
General and administrative	8	2,711	441
Finance costs (income)	10	(807)	-
Stock-based compensation	17	1,398	18
Depletion and depreciation		1,979	-
		5,934	459
Loss before income taxes		(2,858)	(459)
Deferred income tax (recovery)	15	1,809	(102)
Loss and comprehensive loss		\$ (4,667)	\$ (357)
Loss per share:			
Basic	18	\$ (0.05)	\$ (0.04)
Diluted	18	\$ (0.05)	\$ (0.04)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Consolidated Statement of Changes in Equity**

(in \$000's of Canadian dollars, unless otherwise noted)

	Number of common shares	Number of warrants	Share capital	Contributed surplus	Retained earnings (deficit)	Total equity
Balance at incorporation, March 23, 2010	-	-	\$ -	\$ -	\$ -	-
Issue of common shares	27,049	-	26,659	-	-	26,659
Flow-through share liability	-	-	(700)	-	-	(700)
Issue of warrants	-	20,000	-	-	-	-
Share issue costs, net of tax of \$0.02 million	-	-	(45)	-	-	(45)
Stock-based compensation	-	-	-	44	-	44
Loss for the period	-	-	-	-	(357)	(357)
Balance at December 31, 2010	27,049	20,000	25,914	44	(357)	25,601
Issue of common shares	93,256	-	320,679	-	-	320,679
Issued on exercise of stock options	1,128	-	1,128	-	-	1,128
Flow-through share liability	-	-	(6,961)	-	-	(6,961)
Share issue costs, net of tax of \$3.7 million	-	-	(10,968)	-	-	(10,968)
Stock-based compensation	-	-	-	3,106	-	3,106
Transfer of stock-based compensation on exercise of stock options	-	-	44	(44)	-	-
Loss for the year	-	-	-	-	(4,667)	(4,667)
Balance at December 31, 2011	121,433	20,000	\$ 329,836	\$ 3,106	\$ (5,024)	327,918

See accompanying notes to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.**Consolidated Statement of Cash Flows**

(in \$000's of Canadian dollars)

	Note	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Cash flows from operating activities:			
Loss for the period		\$ (4,667)	\$ (357)
Stock-based compensation		1,398	18
Depletion and depreciation		1,979	-
Deferred income tax recovery		1,809	(102)
Accretion on decommissioning obligations	10	2	-
Change in non-cash working capital	11	(1,121)	308
Net cash used in operating activities		(600)	(133)
Cash flows from investing activities:			
Additions to exploration and evaluation assets		(199,820)	(19,811)
Additions to property, plant and equipment		(10,376)	-
Change in non-cash working capital	11	30,397	15
Net cash used in investing activities		(179,799)	(19,796)
Cash flows from financing activities:			
Proceeds from issue of share capital		299,095	26,659
Share issue costs		(14,625)	(64)
Change in non-cash working capital	11	10	-
Net cash from financing activities		284,480	26,595
Change in cash		104,081	6,666
Cash, beginning of period		6,666	-
Cash, end of period		\$ 110,747	\$ 6,666

See accompanying notes to the consolidated financial statements.

Schedule A - 9
CONSOLIDATED FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at December 31, 2011 and 2010, for the year ended December 31, 2011 and for the period from incorporation on March 23, 2010 to December 31, 2010

(in \$000's of Canadian dollars, unless otherwise noted)

1. Reporting entity

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

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

2. Basis of preparation

Certain prior period figures have been reclassified to conform to the current year's financial statement presentation.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were authorized for issue by the Board of Directors on March 20, 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments

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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Reserve estimates for crude oil, natural gas and natural gas liquids impact a number of the areas referred to above; in particular, the decision to transfer costs from exploration and evaluation assets to property, plant and equipment, impairment calculations and the calculation of depletion.

3. Principles of consolidation

As at December 31, 2011, the consolidated financial statements include the accounts of TORC and its wholly owned subsidiaries.

Operating expenses in the statement of income and comprehensive income are presented as a combination of function and nature to conform with industry practice. Depletion and depreciation is presented on a separate line by its nature, while operating expenses and general and administrative expenses are presented on a functional basis. Significant expenses such as key management personnel's short-term employee benefits and stock-based compensation are presented by their nature in the notes to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Notes to the Consolidated Financial Statements**

As at December 31, 2011 and 2010, for the year ended December 31, 2011 and for the period from incorporation on March 23, 2010 to December 31, 2010

(in \$000's of Canadian dollars, unless otherwise noted)

4. Significant accounting policies

The accounting policies set out below have been applied consistently to the period presented in the financial statements and reflect those significant policies that are expected to be relevant in future periods.

(a) Basis of consolidation**(i) Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately as a gain in the statement of income and comprehensive income.

(ii) Jointly controlled operations and jointly controlled assets

Many of the Company's oil and natural gas activities involve jointly controlled assets. The financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

(iii) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing consolidated financial statements.

(b) Foreign currency

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Canadian dollars at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in the statement of income and comprehensive income.

CONSOLIDATED FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Notes to the Consolidated Financial Statements**

As at December 31, 2011 and 2010, for the year ended December 31, 2011 and for the period from incorporation on March 23, 2010 to December 31, 2010

(in \$000's of Canadian dollars, unless otherwise noted)

(c) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments are comprised of cash and cash equivalents including bank overdrafts, trade and other receivables, trade and other payables and loans and borrowings. Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents:

Cash and short term deposits on the statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents defined above, net of outstanding bank overdrafts.

Financial assets at fair value through the statement of income and comprehensive income:

Financial assets at fair value through the statement of income and comprehensive income includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through the statement of income and comprehensive income (such as marketable securities).

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract.

Gains or losses on investments held for trading are recognized in the statement of income and comprehensive income.

Other:

Other non-derivative financial instruments, such as loans and borrowings, trade and other receivables and trade and other payables, are measured at amortized cost using the effective interest method, less any impairment losses.

Derivative financial instruments

The Company may enter into certain financial derivative contracts (often known as "hedges") in order to manage the exposure to market risks from fluctuations in commodity prices, interest rates and foreign exchange rates. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus not applied hedge accounting, even though the Company considers all derivative contracts to be economic hedges. As a result, all financial derivative contracts are recorded on the statement of financial position at fair value, with changes in fair value recorded in the statement of income and comprehensive income. Related transaction costs such as trading commissions are recognized in the statement of income and comprehensive income when incurred.

Forward physical delivery and sales contracts of oil and natural gas products are entered into under normal course of business and therefore not recorded at fair value on the statement of financial position. These physical delivery contracts are not considered to be derivative financial instruments or hedges. Settlements on these physical delivery contracts are recognized in oil and natural gas revenue on the statement of income and comprehensive income.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, warrants and share options are recognized as a deduction from equity, net of any tax effects.

CONSOLIDATED FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Notes to the Consolidated Financial Statements**

As at December 31, 2011 and 2010, for the year ended December 31, 2011 and for the period from incorporation on March 23, 2010 to December 31, 2010

(in \$000's of Canadian dollars, unless otherwise noted)

(d) Exploration and evaluation assets ("E&E")

Costs incurred prior to the ownership of licenses and rights to drill on properties are expensed in the statement of income and comprehensive income as incurred, if the related licenses and rights are not subsequently acquired.

The costs incurred to acquire licenses and rights to drill, including seismic costs, and the subsequent drilling and completing costs related to these licenses (including employee remuneration, materials and fuel used, rig costs and payments made to contractors) are capitalized as E&E assets until the drilling of the well is complete and the results have been evaluated.

E&E assets are accumulated in cost centers pending the determination of technical feasibility and commercial viability of the drilling project. Technical feasibility and commercial viability is considered to be achieved when proven reserves are determined to exist. Upon determination of proven reserves, the related E&E assets are reclassified to a different long-term asset category, Drilling and Production ("D&P") assets within Property, Plant and Equipment ("PP&E"), where the assets may be subject to depletion expense.

E&E assets are measured at cost less accumulated impairment losses and not subject to depletion expense until after these assets are reclassified to PP&E. Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income and comprehensive income in the period in which the item is disposed.

As facts and circumstances suggest, E&E assets are tested for impairment. The Company compares the carrying amount of its total E&E assets to the assets' recoverable amount, which, for E&E assets, is generally the fair market value of undeveloped land at the time of impairment testing. In addition, E&E assets related to specific technically feasible and commercially viable cost centers are tested for impairment if and when they are reclassified to PP&E.

Impairment losses recognized in prior periods are assessed as facts and circumstances suggest to evaluate if those losses have decreased or no longer exist. If those impairment losses have decreased or no longer exist (recovered), they are reversed accordingly. Previously recognized impairment losses may be recovered in future reporting periods due to changes in estimates used to determine the recoverable amount. An impairment loss recovery is recorded only to the extent that the E&E asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized. Impairment losses and recoveries are recorded in the statement of income and comprehensive income.

(e) Property, plant and equipment ("PP&E")

There are two categories of PP&E: Drilling and Production ("D&P") assets and Other PP&E assets.

D&P assets include capital costs (i) related to drilling projects where the drilling location is already determined to hold proven reserves, (ii) that have been reclassified from E&E assets because proven reserves have been determined, and (iii) incurred to improve an already technically feasible and commercially viable well.

Other PP&E typically includes furniture, fixtures, leasehold improvements and office equipment.

For statement of financial position presentation, both D&P assets and Other PP&E are included in the PP&E category.

(i) Recognition and measurement

PP&E is measured at cost less accumulated depletion and depreciation and accumulated impairment losses. For the purposes of depletion and depreciation, when significant parts of PP&E have different useful lives, they are accounted for separately so that depletion and depreciation rates appropriately reflect useful lives.

Gains and losses on disposal of PP&E, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of the PP&E sold, and are recognized on a net basis within "other income" or "other expenses" in the statement of income and comprehensive income.

CONSOLIDATED FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Notes to the Consolidated Financial Statements**

As at December 31, 2011 and 2010, for the year ended December 31, 2011 and for the period from incorporation on March 23, 2010 to December 31, 2010

(in \$000's of Canadian dollars, unless otherwise noted)

For the purposes of impairment testing, PP&E is divided and grouped into the smallest group of assets that generate independent cash inflows from continuing use. These groups of assets are called cash generating units ("CGU's").

Impairment testing of PP&E is performed as facts and circumstances suggest by comparing the carrying amount of each CGU to each CGU's recoverable amount. The recoverable amount of a CGU is the greater of (i) its value in use, and (ii) its fair value less selling costs. In calculating value in use for D&P assets, the estimated future cash flows from the production of proven and probable reserves are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For D&P assets, the value of proven and probable reserves from an internally generated or independent reserve report is often the basis for determining value in use.

Impairment losses recognized in prior periods are assessed at each reporting date to evaluate if those losses have decreased or no longer exist. If those impairment losses have decreased or no longer exist (recovered), they are reversed accordingly. Previously recognized impairment losses may be recovered in future reporting periods due to changes in estimates used to determine the recoverable amount. An impairment loss recovery is recorded only to the extent that the PP&E carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized. Impairment losses and recoveries are recorded in the statement of income and comprehensive income.

(ii) Proven and probable reserves

Proven and probable reserves represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable and a 50 percent statistical probability that it will be less. These are initially estimated internally by the Company; however at least annually, reserves are evaluated by independent reserve evaluators.

Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

(iii) Subsequent costs

Subsequent costs are capital costs incurred to improve an existing D&P asset (such as a well) that is technically feasible and commercially viable. These costs are capitalized as D&P assets only if they increase the future economic benefits of the well. All other expenditures are expensed in the statement of income and comprehensive income as incurred. These improvement costs include capital costs of further developing proven reserves or enhancing production. The costs of routine maintenance of D&P assets are recognized in the statement of income and comprehensive income as incurred.

(iv) Depletion and depreciation

The net carrying value of D&P assets is depleted using the unit-of-production method by calculating the ratio of production in the period to the related proven and probable reserves. The carrying value to be depleted includes estimated future development costs necessary to produce proven and probable reserves. Future development costs are estimated by considering the level of development required to produce the proven and probable reserves and are reviewed by independent reserve engineers at least annually.

For Other PP&E, depreciation is recognized in the statement of income and comprehensive income on a straight-line basis over their estimated useful lives. Finance lease assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

CONSOLIDATED FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Notes to the Consolidated Financial Statements**

As at December 31, 2011 and 2010, for the year ended December 31, 2011 and for the period from incorporation on March 23, 2010 to December 31, 2010

(in \$000's of Canadian dollars, unless otherwise noted)

(f) Goodwill

The Company records goodwill relating to corporate acquisitions when the purchase price exceeds the fair value of the net identifiable assets and liabilities acquired by the Company. When goodwill is negative, it is recognized immediately in the statement of income and comprehensive income. The goodwill balance is assessed for impairment annually or as events occur that could result in an impairment. Goodwill is measured at cost less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to CGU's that are expected to economically benefit from the business combination from which the goodwill arose. An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income. Impairment losses identified in a CGU are first charged against any goodwill related to that CGU, with any remaining impairment losses charged against E&E or PP&E assets remaining in that CGU. Impairment losses of goodwill cannot be reversed.

(g) Leased assets

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases and capitalized as PP&E. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expenses are allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognized in the statement of income and comprehensive income on a straight-line basis over the term of the lease and not recognized as a liability on the Company's statement of financial position. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(h) Stock-based compensation

The grant date fair value of stock-based compensation, such as stock options granted to employees, is recognized as stock-based compensation expense, with a corresponding increase in contributed surplus over the vesting period. The inputs used in the calculation of the fair value of stock-based compensation are estimated on the grant date and are reviewed at each reporting period. Any changes to these inputs are reflected as a change in fair value.

(i) Flow-through shares

The Company may finance a portion of its exploration activities through the issuance of flow-through common shares. Under the terms of the flow-through share agreements, the resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation.

The proceeds from the sale of flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the fair market price of the existing shares and the amount the investor pays for the flow-through shares (given no other differences between the securities). A flow-through share liability is recognized for this difference. On a pro-rata basis, the previously recorded flow-through share liability is reversed and a corresponding deferred tax liability (equal to the Company's effective tax rate multiplied by the flow-through commitment) is recognized as qualifying expenditures are incurred. Any difference between the reversal of the flow-through share liability and corresponding deferred tax liability is recognized as deferred tax expense in the statement of income and comprehensive income.

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(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Examples of provisions include dismantling, decommissioning and site disturbance remediation activities, and anticipated losses from lawsuits. Provision is made for the estimated cost of these activities and capitalized in the relevant asset category.

Decommissioning obligations

Decommissioning obligations (also called asset retirement obligations) are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Any changes to such estimates are applied prospectively. The increase in the provision due to the passage of time, known as accretion, is recognized in the statement of income and comprehensive income as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(k) Revenue

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product are transferred to the buyer which is usually when legal title passes to the external party. This is generally at the time product enters a third party pipeline or facility. Revenue is measured net of discounts, customs duties and royalties. With respect to the latter, the entity is acting as a collection agent on behalf of others.

Tariffs and tolls charged to other entities for use of pipelines and facilities owned by the Company are recognized as revenue as they accrue in accordance with the terms of the service or tariff and tolling agreements.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

(l) Finance income and costs

Finance costs comprise of interest expense on borrowings, accretion of the discount on decommissioning obligations, and impairment losses recognized on financial assets.

Interest income is recognized as it accrues in the statement of income and comprehensive income, using the effective interest method.

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(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of income and comprehensive income except to the extent that it relates to items recognized directly in equity, such as share issue costs, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Earnings per share

Basic earnings per share is calculated by dividing the net income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the net income or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees.

5. Changes in accounting policies

On January 1, 2013 (except otherwise noted), the following accounting standards and amendments, issued by the International Accounting Standards Board ("IASB"), may become applicable. The Company has yet to assess the full impact or relevance of these accounting standards and amendments on its consolidated financial statements.

IFRS 9 "Financial Instruments"

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 establishes two categories for measuring financial assets and liabilities: i) amortized cost, and ii) fair value. These two categories eliminate the existing IAS 39 categories of held-to-maturity, available-for-sale, and loans and receivables. IFRS 9 is not effective until January 1, 2015.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 establishes a new approach to determining which investees should be consolidated. Issued in May 2011 by the IASB, IFRS 10 will replace IAS 27 Consolidated and Separate Financial Statements. IFRS 10 uses control as the single determination for consolidation of an entity.

IFRS 11 "Joint Arrangements"

IFRS 11 will replace IAS 31 Interest in Joint Ventures and establishes two categories of joint arrangements: i) joint operations, and ii) joint ventures. IFRS 11 further describes the criteria necessary to classify a joint arrangement as either a joint operation or a joint venture. IFRS 11 requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under existing IAS 31, joint ventures may be proportionately consolidated.

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IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 establishes the required disclosures for interests in joint arrangements and subsidiaries. The new disclosures provide information that is intended to assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in joint arrangements and subsidiaries.

IFRS 13 "Fair Value Measurement"

IFRS 13 replaces the fair value measurement guidance currently dispersed across various IFRS standards with a single definition of fair value measurement. IFRS 13 does not change when an entity is required to use fair value, rather, it describes how to measure fair value when it is required or permitted.

6. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Exploration and evaluation assets, and property, plant and equipment

The fair value of exploration and evaluation assets and property, plant and equipment recognized in a business combination, is based on market value. The market value of E&E assets and PP&E is the estimated amount for which E&E assets and PP&E could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests included in E&E assets and PP&E is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on internally and externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

Cash and cash equivalents, bank overdrafts, trade and other receivables, trade and other payables, and loans and borrowings

The fair value of cash and cash equivalents, bank overdrafts, trade and other receivables, trade and other payables, and loans and borrowings is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2011, the fair value of these balances approximated their carrying value due to their short term to maturity.

Derivatives

The fair value of financial forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the statement of financial position date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate. The fair value of costless collars is based on option models that use published information with respect to volatility, prices and interest rates.

Stock-based compensation

The fair value of stock-based compensation, such as employee stock options, is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, forfeiture rate and the risk-free interest rate.

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7. Financial risk management**(a) Overview**

The Company's activities expose it to a variety of financial risks such as credit risk, liquidity risk and market risk that arise as a result of its exploration, development, production and financing activities.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and market conditions.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

With respect to trade and other receivables, the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Receivables from petroleum and natural gas marketers are collected on the 25th day of each month following production. The Company's policy to mitigate credit risk associated with these balances is to establish relationships with credit-worthy marketers, as well as to carefully assess the extent of credit granted to these parties.

Joint venture receivables are normally collected within one to three months of the joint venture bill being issued to the partner. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of capital expenditures prior to expenditure. However, the receivables are from participants in the petroleum and natural gas sector and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. Further risks exist with joint venture partners as disagreements occasionally arise, increasing the risk of non-collection.

The Company does not typically obtain collateral from petroleum and natural gas marketers or joint venture partners. However, the Company does have the ability to withhold production from joint venture partners in the event of non-payment, as well as requiring prepayment (cash calls) for significant expenditures.

The Company does not anticipate any default as it transacts with credit-worthy customers and management does not expect any losses from non-performance by these customers. As such, a provision for doubtful accounts has not been recorded at December 31, 2011.

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The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

	December 31, 2011	December 31, 2010
Petroleum and natural gas marketing companies	\$ 1,793	\$ -
Joint venture partners	996	-
Other parties ⁽¹⁾	1,213	25
Bank ⁽²⁾	60	-
Total trade and other receivables	\$ 4,062	\$ 25

⁽¹⁾ Other parties is comprised of goods and services tax ("GST") receivable from the federal government.

⁽²⁾ Bank is comprised of short-term deposit interest receivable from the Company's bank.

As at December 31, 2011, the Company's trade and other receivables are aged as follows:

	December 31, 2011	December 31, 2010
Current (less than 90 days)	\$ 4,015	\$ 13
Past due (greater than 90 days)	47	12
Total	\$ 4,062	\$ 25

(c) Liquidity risk

Liquidity risk relates to the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities on the statement of financial position consist of trade and other payables. The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities. The Company has had no defaults or breaches on its financial liabilities.

(d) Market risk

Market risk is the risk that changes in market prices relating to currency, commodity prices and interest rates will affect the Company's net earnings, future cash flows, the value of financial instruments, or the fair value of its assets and liabilities.

Although the Company generally does not sell or transact in foreign currency, the United States dollar influences the price of petroleum and natural gas sold in Canada. Furthermore, exchange rate fluctuations can affect the fair value and cash flow from derivative contracts.

Commodity prices for crude oil, natural gas liquids and natural gas are also impacted by political events, meteorological conditions and changes in supply and demand. The Company may enter into commodity derivative contracts that provide downside price protection in order to provide some stability of cash flows for capital spending and planning purposes. The Company's risk management activities are conducted pursuant to its risk management policies approved by the Board of Directors. As at December 31, 2011, the Company had not entered into any derivative contracts.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in interest rates. As at December 31, 2011, the Company had no bank debt.

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(e) Capital management

The Company's policy is to maintain a strong capital base in order to maintain financial flexibility and to sustain the future development of the business. The Company manages its capital structure and makes adjustments relative to changes in economic conditions and the Company's risk profile. In order to maintain the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels. The Company monitors its working capital in order to optimize capital and operating efficiency.

Credit facility

On March 20, 2012, the Company had available a \$50.0 million credit facility arranged in February 2011 with a major Canadian bank. The credit facility provides that advances may be made by way of direct advances, bankers acceptances, or standby letters of credit/guarantees. The banker's acceptances and standby letters of credit/guarantees bear interest at the applicable banker's acceptance rate, plus a customary stamping fee. Direct advances bear interest at the bank's prime lending rate for Canadian dollar advances and at the bank's U.S. base rate for U.S. dollar advances. The credit facility is convertible to a borrowing base facility based on the Company's proven reserves. There are no standby fees on this credit facility.

The amount available under the facility depends on the amount of cash and cash equivalents held, up to \$25.0 million, and an additional borrowing base amount of up to \$25.0 million for the purpose of buying assets with proven reserves. The amount available under the facility is reduced by outstanding letters of credit, which totaled \$2.0 million as at December 31, 2011 (December 31, 2010 - \$nil). As a result, the amount available under the facility at December 31, 2011 was \$23.0 million. The credit facility is secured by a fixed and floating charge debenture on the assets of the Company. The borrowing base is subject to semi-annual review by the bank.

8. General and administrative expenses

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Consulting and professional	\$ 162	\$ 126	\$ 536	\$ 144
Office and personnel	1,536	236	5,231	410
Transaction related	-	191	-	191
	1,698	553	5,767	745
Recoveries	(376)	-	(641)	-
Capitalized general and administrative expenses	(518)	(196)	(2,415)	(304)
	\$ 804	\$ 357	\$ 2,711	\$ 441

Recoveries refers to those G&A expenditures which under industry practice are reclassified to operating expenses, exploration and evaluation assets, or property, plant and equipment.

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 exploration and evaluation assets, or property, plant and equipment.

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9. Key management personnel compensation

		Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Short-term employee benefits	\$	1,415	\$ 285
Stock-based compensation		1,808	44
		3,223	329
Capitalized portion of total compensation		(1,773)	(197)
	\$	1,450	\$ 132

Key management personnel includes the officers and directors of the Company.

Short-term employee benefits and stock-based compensation include both the capitalized and non-capitalized portion of these expenditures.

10. Finance costs (income)

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Interest income	\$ (306)	\$ -	\$ (851)	\$ -
Financing charges	-	-	42	-
	(306)	-	(809)	-
Accretion on decommissioning obligations	2	-	2	-
	\$ (304)	\$ -	\$ (807)	\$ -

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11. Supplemental cash flow information

Changes in non-cash working capital is comprised of:

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Source/(use) of cash:				
Trade and other receivables	\$ (3,086)	\$ (17)	\$ (4,037)	\$ (25)
Deposits and prepaid expenses	1,437	(140)	(165)	(140)
Trade and other payables	19,553	479	32,678	488
Deferred lease incentives	270	-	810	-
	\$ 18,174	\$ 322	\$ 29,286	\$ 323
Related to operating activities	\$ (2,127)	\$ 307	\$ (1,121)	\$ 308
Related to investing activities	20,461	15	30,397	15
Related to financing activities	(160)	-	10	-
	\$ 18,174	\$ 322	\$ 29,286	\$ 323

The following table summarizes interest and taxes paid/(received):

	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Interest paid/(received)	\$ (850)	\$ -
Taxes paid	-	-
	\$ (850)	\$ -

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12. Exploration and evaluation assets

Balance at incorporation, March 23, 2010	\$	-
Property acquisitions		19,505
Capital expenditures		331
Balance at December 31, 2010	\$	19,836
Property acquisitions		158,454
Property dispositions		(433)
Capital expenditures		66,279
Transferred to property, plant and equipment		(123,428)
Balance at December 31, 2011	\$	120,708

Exploration and evaluation assets ("E&E assets") consist of the Company's exploration projects, principally undeveloped land, which are pending the determination of proven reserves. Property acquisitions and capital expenditures represent the Company's share of costs incurred on E&E assets during the period.

Certain property acquisitions during the year ended December 31, 2011 were funded by the issuance of the Company's common shares ("Common Shares") as described in note 16, totaling \$22.7 million.

Based on the facts and circumstances in place at December 31, 2011, there were no indications of impairment in the Company's exploration and evaluation assets. As a result, under IFRS, an impairment test for exploration and evaluation assets was not required.

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13. Property, plant and equipment

Cost:		
Balance on incorporation, March 23, 2010	\$	-
Capital expenditures		-
Balance at December 31, 2010		-
Capital expenditures		10,376
Change in decommissioning obligations		815
Transferred from exploration and evaluation assets		123,428
Balance at December 31, 2011	\$	134,619
Accumulated depletion and depreciation:		
Balance on incorporation, March 23, 2010	\$	-
Depletion and depreciation for the period		-
Balance at December 31, 2010		-
Depletion and depreciation for the period		1,979
Balance at December 31, 2011	\$	1,979
Carrying value:		
As at December 31, 2010	\$	-
As at December 31, 2011	\$	132,640

Included in the carrying value of property, plant and equipment at December 31, 2011 is office equipment of \$0.3 million, net of depreciation of \$0.07 million (at December 31, 2010: \$nil).

At December 31, 2011, the Company had undepletable property, plant and equipment of \$95.5 million which largely related to undeveloped land. Estimated future development costs of \$0.4 million were included in the depletion calculation.

Based on the facts and circumstances in place at December 31, 2011, there were no indications of impairment in the Company's property, plant and equipment. As a result, under IFRS, an impairment test for property, plant and equipment was not required.

14. Decommissioning obligations

	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Balance, beginning of period	\$ -	\$ -
Obligations incurred	804	-
Obligations acquired	60	-
Change in discount rate	11	-
Accretion	2	-
Balance, end of period	\$ 877	\$ -

The total future decommissioning obligations are based on the Company's net ownership in wells and facilities, estimated costs to reclaim and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The Company has estimated an undiscounted total future liability of \$0.9 million as at December 31, 2011 (at December 31, 2010: \$nil) to be incurred over the next 25 years. The Company's risk-free rate of 2.4 percent and an inflation rate of 2.0 percent per annum were used to calculate the net present value of the decommissioning obligations. Actual costs may differ from estimated costs due to changes in laws and regulations, timing of costs, changes in technology and market conditions.

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15. Taxes

Tax expense/(recovery)

The combined provision for taxes in the statement of loss and comprehensive loss reflects an effective tax rate which differs from the expected statutory rate. The reasons for the difference are as follows:

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Loss before taxes	\$ (302)	\$ (375)	\$ (2,858)	\$ (459)
Statutory income tax rate	26.5%	28.0%	26.5%	28.0%
Expected income tax (recovery)	(80)	(105)	(757)	(129)
Add (deduct):				
Non-deductible stock-based compensation	143	12	370	12
Flow-through share liability	1,614	-	2,164	-
Rate adjustments	(4)	10	23	14
Other non-deductible items	9	-	9	-
Other	(2)	-	-	1
Deferred income tax (recovery)	\$ 1,680	\$ (83)	\$ 1,809	\$ (102)

As a result of the Federal statutory income tax rate decreasing from 18.0% in 2010 to 16.5% in 2011, the combined Federal and Provincial statutory income tax rate decreased from 28.0% in 2010 to 26.5% in 2011.

Deferred tax liability/(asset)

The components of the deferred tax liability/(asset) are as follows:

	As at December 31, 2011	As at December 31, 2010
E&E and PP&E	\$ 14,112	\$ -
Decommissioning obligations	(219)	-
Loss carryforwards	(8,948)	(102)
Share issue costs	(2,987)	(20)
	\$ 1,958	\$ (122)

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The following table summarizes the continuity of the deferred tax liability/(asset):

	As at incorporation, Mar 23, 2010	Recognized in profit or loss	Recognized in equity	Flow-through share premium	As at Dec 31, 2010
E&E and PP&E	\$ -	\$ -	\$ -	\$ -	\$ -
Loss carryforwards	-	(102)	-	-	(102)
Share issue costs	-	-	(20)	-	(20)
	\$ -	\$ (102)	\$ (20)	\$ -	\$ (122)

	As at Jan 1, 2011	Recognized in profit or loss	Recognized in equity	Flow-through share premium	As at Dec 31, 2011
E&E and PP&E	\$ -	\$ 10,185	\$ -	\$ 3,927	\$ 14,112
Decommissioning obligations	-	(219)	-	-	(219)
Loss carryforwards	(102)	(8,157)	(689)	-	(8,948)
Share issue costs	(20)	-	(2,967)	-	(2,987)
	(122)	1,809	(3,656)	3,927	1,958

As at December 31, 2011, the Company has tax deductions of approximately \$225 million (2010: \$20 million) available to shelter future taxable income:

As further described in note 19, at December 31, 2011, the Company has an obligation to incur \$22.4 million of expenditures that qualify as flow-through share costs.

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16. Share capital

Share capital - authorized

At December 31, 2011, the Company was authorized to issue an unlimited number of Class A voting common shares, an unlimited number of Class B non-voting common shares and an unlimited number of preferred shares. The Company has not issued any Class B non-voting common shares nor any preferred shares.

Share capital - issued and outstanding

On December 17, 2010, the Company closed a private placement to insiders and service providers whereby 5.0 million units were issued at \$4.00 per unit, for gross proceeds of \$20.0 million.

On January 6, 2011, stock options granted in December 2010 were exercised resulting in the issuance of 1,127,840 Common Shares for \$1.00 per Common Share for gross proceeds of \$1.1 million.

On January 6, 2011, the Company completed a private placement equity financing by issuing 4,000,000 Common Shares at \$1.50 per Common Share for gross proceeds of \$6.0 million, before share issue costs.

On February 3, 2011, the Company completed a private placement equity financing by issuing 41,734,000 Common Shares at \$3.00 per Common Share for gross proceeds of \$125.2 million, before share issue costs.

On February 18, 2011, as part of the consideration paid to acquire exploration and evaluation assets, the Company issued 7,570,979 Common Shares valued at a deemed price of \$3.00 per share.

On June 14, 2011, the Company completed a private placement equity financing by issuing 31,250,000 Common Shares at \$4.00 per Common Share for gross proceeds of \$125.0 million, before share issue costs.

On September 29, 2011, the Company completed a private placement equity financing by issuing 8,701,000 Common Shares on a flow-through basis at \$4.80 per Common Share for gross proceeds of \$41.8 million, before share issue costs.

The following table summarizes the changes in share capital:

	Number of shares	Amount
Balance at incorporation, March 23, 2010	-	\$ -
Issue of Common Shares	27,049	26,659
Flow-through share liability	-	(700)
Share issue costs, net of tax of \$0.02 million	-	(45)
Balance at December 31, 2010	27,049	\$ 25,914
Issue of Common Shares	93,256	320,679
Issued on exercise of stock options	1,128	1,128
Transfer of stock-based compensation on exercise	-	44
Flow-through share liability	-	(6,961)
Share issue costs, net of tax of \$3.7 million	-	(10,968)
Balance at December 31, 2011	121,433	\$ 329,836

CONSOLIDATED FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at December 31, 2011 and 2010, for the year ended December 31, 2011 and for the period from incorporation on March 23, 2010 to December 31, 2010

(in \$000's of Canadian dollars, unless otherwise noted)

Warrants

On December 17, 2010, the Company closed a private placement (the "Private Placement") to insiders and service providers whereby 5.0 million units ("Units") were issued at \$4.00 per Unit, for gross proceeds of \$20.0 million. Each Unit is comprised of three common shares, one common share issued on a flow-through basis (the "Flow-through Shares") and four common share purchase warrants ("Warrants"). Each Warrant entitles the holder to acquire one common share at a price of \$1.25, subject to the following vesting conditions:

- one-third of the Warrants may be exercised after the Company's stock price (the "Stock Price") exceeds \$2.00;
- one-third of the Warrants may be exercised after the Company's Stock Price exceeds \$2.50;
- one-third of the Warrants may be exercised after the Company's Stock Price exceeds \$3.00; and
- the Stock Price is defined as the weighted average price per share for the 20 consecutive trading days ending immediately before such date on the TSX Venture Exchange, or on any other Canadian stock exchange on which the Company's shares may be listed. If the Company's shares are not listed on a stock exchange, the Stock Price is defined as the value of the consideration issuable or payable per common share in the event of a capital reorganization.

At December 31, 2011, none of the Warrants were exercisable. The Warrants expire five years from the date of grant.

As a condition to the issuance of the Units (the "Escrow Condition"), the Company may repurchase the Units, excluding the Flow-through Shares, without the consent of the subscriber (the "Subscriber") in the event that the Subscriber ceases to be a service provider of the Company. The Company may repurchase the Units, excluding the Flow-through Shares for the lesser of \$3.00 per Unit and the product of three multiplied by the five day weighted trading price of the Common Shares ending on the last trading day immediately prior to the Subscriber ceasing to be a service provider, if applicable. One third of the Units are released from this Escrow Condition after each of the 12th, 18th and 24th month from the date of issue.

17. Stock-based compensation

The Company has an employee stock option plan under which employees and directors are eligible to receive option grants ("Stock Options") and Common Share incentives ("Incentive Shares"). The total aggregate amount of Stock Options and Incentive Shares that can be issued cannot exceed ten percent of the outstanding Common Shares. Stock Options granted under the plan have a term of five years to expiry and vest over three years.

The following table summarizes Stock Option activity:

	Number of Stock Options	Weighted average exercise price
<i>(thousands, unless otherwise noted)</i>		
Balance at incorporation, March 23, 2010	-	\$ -
Granted	1,128	1.00
Forfeited	-	-
Exercised	-	-
Balance at December 31, 2010	1,128	\$ 1.00
Granted	6,298	3.06
Forfeited	-	-
Exercised	(1,128)	1.00
Balance at December 31, 2011	6,298	\$ 3.06
Exercisable at December 31, 2011	-	\$ -

CONSOLIDATED FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at December 31, 2011 and 2010, for the year ended December 31, 2011 and for the period from incorporation on March 23, 2010 to December 31, 2010

(in \$000's of Canadian dollars, unless otherwise noted)

The following table summarizes Stock Options outstanding and exercisable at December 31, 2011:

<i>(thousands, unless otherwise noted)</i>	Number outstanding	Number exercisable	Weighted average remaining term (years)
Exercise price:			
\$3.00	5,934	-	4.3
\$4.00	364	-	4.8
\$3.00 to \$4.00	6,298	-	4.3

The fair value of each Stock Option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Risk free interest rate	1.4%	2.0%
Expected life (years)	3.0	21 days
Expected volatility (%)	40.0%	40.0%
Forfeiture rate (%)	0.0%	0.0%

In December 2010, former management and shareholders were granted 1,127,840 stock options in the Company, exercisable at \$1.00 per stock option (the estimated market price of the Company's common shares at the date of grant). These stock options were exercised in full on January 6, 2011, reflecting a stock option life of 21 days.

The following table summarizes Incentive Share activity:

<i>(thousands)</i>	Number of Incentive Shares
Balance at incorporation on March 23, 2010 and at December 31, 2010	-
Granted	900
Forfeited	-
Common shares issued upon vesting	-
Balance at December 31, 2011	900
Convertible into Common Shares at December 31, 2011	-

Incentive Shares are earned over three years from the date of grant. Upon being earned, the Incentive Shares are converted into Common Shares and issued from treasury at no cost to the Incentive Shareholder. The fair value of Incentive Shares is deemed to equal the stock price on the date of grant.

CONSOLIDATED FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Notes to the Consolidated Financial Statements**

As at December 31, 2011 and 2010, for the year ended December 31, 2011 and for the period from incorporation on March 23, 2010 to December 31, 2010

(in \$000's of Canadian dollars, unless otherwise noted)

18. Earnings per share

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

For the year ended December 31, 2011, the diluted number of shares is equivalent to the basic number of shares due to antidilutive stock options, incentive shares and warrants. Therefore, the diluted per share amounts for net loss and funds flow from operations are equivalent to the basic per share amounts.

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Loss for the period	\$ (1,982)	\$ (292)	\$ (4,667)	\$ (357)
Weighted average number of Common Shares	121,432,819	10,309,870	95,833,852	8,109,071
Basic and diluted loss per Common Share	\$ (0.02)	\$ (0.03)	\$ (0.05)	\$ (0.04)

19. CommitmentsFlow-through shares issued in December 2010

In December 2010, the Company issued 5,000,000 flow-through Shares at a price of \$1.00 per share for gross proceeds of \$5.0 million. As a result, the Company was required to incur qualifying resource expenditures amounting to \$5.0 million before December 31, 2011. The qualifying expenditures were renounced to shareholders as at December 31, 2010. As at December 31, 2011, all qualifying resource expenditures have been incurred and as a result, there is no obligation remaining for this flow-through share issue.

A flow-through share liability of \$700,000 was recorded at December 31, 2010, reflecting the fair value of the liability associated with these shares at that date. The flow-through share liability was reduced on a pro-rata basis as the Company incurred qualifying expenditures. As at December 31, 2011, there was no remaining flow-through share liability related to this flow-through share issue.

Flow-through shares issued in September 2011

In September 2011, the Company issued 8,701,000 flow-through shares at a price of \$4.80 per share for gross proceeds of \$41.8 million. As a result, the Company must incur qualifying resource expenditures amounting to \$41.8 million before December 31, 2012. The qualifying expenditures were renounced to shareholders as at December 31, 2011. The obligation remaining for this flow-through share issue was \$22.4 million as at December 31, 2011.

A flow-through share liability of \$7.0 million was recorded at September 30, 2011, reflecting the fair value of the liability associated with these shares at that date. This flow-through share liability will be reduced on a pro-rata basis as the Company incurs qualifying expenditures. As at December 31, 2011, the remaining flow-through share liability was \$3.7 million.

CONSOLIDATED FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Notes to the Consolidated Financial Statements**

As at December 31, 2011 and 2010, for the year ended December 31, 2011 and for the period from incorporation on March 23, 2010 to December 31, 2010

(in \$000's of Canadian dollars, unless otherwise noted)

Operating lease commitment

(a) Deferred lease incentives

The Company has entered into a lease commitment for office space. The term of the lease is 64 months commencing April 1, 2011, totaling \$5.8 million. Under the terms of the lease, the period from April 1, 2011 until December 31, 2011 does not require any payments. However, the total expenditure will be amortized over the full term. This will result in a liability being recorded and accumulated during the rent free period, which will then reverse and be amortized to income over the remaining term of the office space lease when payments are actually made. The short-term and long-term components of the deferred rent expense liability represent those portions of the accumulated liability that will be amortized within 12 months and beyond that, respectively.

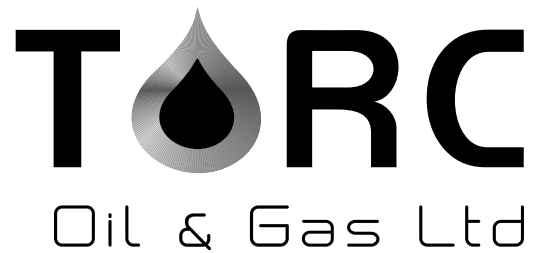
(b) Future lease payments

Future minimum lease payments for the Company's office space as at December 31, 2011 are as follows:

2012	\$	1,257
2013		1,257
2014		1,257
2015		1,257
2016		733
	\$	5,761

Farm-in transactions

The Company has entered into a number of farm-in agreements with third parties to earn interests in additional prospective acreage. At December 31, 2011, the Company's required future commitments are estimated to be \$24 million, which are expected to be completed by the end of 2013 and form part of the Company's on-going capital program.



Condensed Consolidated Interim Financial Statements
Q2 2012

As at and for the three and six months ended
June 30, 2012

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Consolidated Interim Statement of Financial Position****(unaudited)****(in \$000's of Canadian dollars)**

	Note	As at June 30, 2012	As at December 31, 2011
Assets			
Cash		\$ 28,727	\$ 110,747
Trade and other receivables		4,336	4,062
Deposits and prepaid expenses		287	305
Total current assets		33,350	115,114
Exploration and evaluation assets	3	152,950	120,708
Property, plant and equipment	4	170,619	132,640
Total non-current assets		323,569	253,348
Total assets		\$ 356,919	\$ 368,462
Liabilities			
Trade and other payables		\$ 19,232	\$ 33,166
Deferred lease incentives		177	177
Total current liabilities		19,409	33,343
Flow-through shares	8	-	3,733
Deferred lease incentives		545	633
Decommissioning obligations		3,017	877
Deferred tax liability		7,384	1,958
Total non-current liabilities		10,946	7,201
Total liabilities		\$ 30,355	\$ 40,544
Equity			
Share capital		\$ 330,687	\$ 329,836
Contributed surplus		4,332	3,106
Deficit		(8,455)	(5,024)
Total equity		326,564	327,918
Total liabilities and equity		\$ 356,919	\$ 368,462

Commitments (note 8)

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Consolidated Interim Statement of Loss and Comprehensive Loss****(unaudited)****(in \$000's of Canadian dollars, except per share amounts)**

	Note	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenues					
Petroleum and natural gas sales		\$ 5,350	\$ 100	\$ 11,907	\$ 100
Royalties		(489)	(10)	(990)	(10)
		4,861	90	10,917	90
Expenses					
Operating		1,074	28	2,126	28
Transportation		627	6	1,148	6
General and administrative		823	696	1,719	1,174
Finance costs (income)		(85)	(134)	(287)	(245)
Stock-based compensation	5	382	353	935	353
Depletion and depreciation		3,017	186	7,016	200
		5,838	1,135	12,657	1,516
Loss before income taxes		(977)	(1,045)	(1,740)	(1,426)
Deferred income tax (recovery)		(137)	205	1,691	286
Loss and comprehensive loss		\$ (840)	\$ (1,250)	\$ (3,431)	\$ (1,712)
Loss per share:					
Basic	6	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Diluted	6	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Consolidated Interim Statement of Changes in Equity****(unaudited)****(in \$000's of Canadian dollars, unless otherwise noted)**

	Number of common shares	Number of warrants	Share capital	Contributed surplus	Retained earnings (deficit)	Total equity
Balance at December 31, 2010	27,049	20,000	\$ 25,914	\$ 44	\$ (357)	25,601
Issue of common shares	85,683	-	280,042	-	-	280,042
Issued on exercise of stock options	1,128	-	1,128	-	-	1,128
Share issue costs, net of tax of \$3.1 million	-	-	(9,267)	-	-	(9,267)
Stock-based compensation	-	-	-	784	-	784
Transfer of stock-based compensation on exercise of stock options	-	-	44	(44)	-	-
Loss for the period	-	-	-	-	(1,712)	(1,712)
Balance at June 30, 2011	113,860	20,000	\$ 297,861	\$ 784	\$ (2,069)	296,576
Balance at December 31, 2011	121,433	20,000	\$ 329,836	\$ 3,106	\$ (5,024)	327,918
Stock-based compensation	-	-	-	2,074	-	2,074
Issued on vesting of incentive shares	282	-	-	-	-	-
Transfer of stock-based compensation on vesting of incentive shares	-	-	848	(848)	-	-
Share issue cost recovery, net of tax of \$0.002 million	-	-	3	-	-	3
Loss for the period	-	-	-	-	(3,431)	(3,431)
Balance at June 30, 2012	121,715	20,000	\$ 330,687	\$ 4,332	\$ (8,455)	326,564

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Consolidated Interim Statement of Cash Flows****(unaudited)****(in \$000's of Canadian dollars)**

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Cash flows from operating activities:				
Loss for the period	\$ (840)	\$ (1,250)	\$ (3,431)	\$ (1,712)
Stock-based compensation	382	353	935	353
Depletion and depreciation	3,017	186	7,016	200
Deferred income tax	(137)	205	1,691	286
Accretion on decommissioning obligations	6	-	11	-
Settlement of decommissioning obligations	(98)	-	(98)	-
Change in non-cash working capital	220	590	(514)	249
Net cash from (used in) operating activities	2,550	84	5,610	(624)
Cash flows from investing activities:				
Additions to exploration and evaluation assets	(12,896)	(27,361)	(53,267)	(87,717)
Additions to property, plant and equipment	(11,122)	(35,402)	(20,604)	(35,529)
Change in non-cash working capital	(18,513)	(406)	(13,764)	575
Net cash used in investing activities	(42,531)	(63,169)	(87,635)	(122,671)
Cash flows from financing activities:				
Proceeds from issue of share capital	-	125,000	-	257,390
Share issue costs	(5)	(6,204)	5	(12,356)
Change in non-cash working capital	-	88	-	88
Net cash from financing activities	(5)	118,884	5	245,122
Change in cash	(39,986)	55,799	(82,020)	121,827
Cash, beginning of period	68,713	72,694	110,747	6,666
Cash, end of period	\$ 28,727	\$ 128,493	\$ 28,727	\$ 128,493

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Notes to the Condensed Consolidated Interim Financial Statements****As at June 30, 2012 and for the three and six months ended June 30, 2012 and 2011****(unaudited)****(in \$000's of Canadian dollars, unless otherwise noted)****1. Reporting entity**

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

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

2. Basis of preparation

These condensed consolidated interim financial statements and the notes thereto should be read in conjunction with TORC's audited consolidated financial statements as at and for the year ended December 31, 2011, and do not include all of the information required for full annual financial statements.

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

The accounting policies applied for the condensed consolidated interim financial statements as at and for the three and six months ended June 30, 2012 do not differ significantly from those applied for the financial statements as at and for the year ended December 31, 2011 which have been prepared on the basis of IFRS issued by the IASB and interpretations of the IFRIC.

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on August 23, 2012.

3. Exploration and evaluation assets

Balance at December 31, 2010	\$	19,836
Property acquisitions		158,454
Property dispositions		(433)
Capital expenditures		66,279
Transferred to property, plant and equipment		(123,428)
Balance at December 31, 2011	\$	120,708
Property acquisitions		3,051
Capital expenditures		52,773
Transferred to property, plant and equipment		(23,582)
Balance at June 30, 2012	\$	152,950

Exploration and evaluation assets ("E&E assets") consist of the Company's exploration projects, principally undeveloped land, which are pending the determination of proven reserves. Property acquisitions and capital expenditures represent the Company's share of costs incurred on E&E assets during the period.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

As at June 30, 2012 and for the three and six months ended June 30, 2012 and 2011

(unaudited)

(in \$000's of Canadian dollars, unless otherwise noted)

4. Property, plant and equipment

Cost:	
Balance at December 31, 2010	-
Capital expenditures	10,376
Change in decommissioning obligations	815
Transferred from exploration and evaluation assets	123,428
Balance at December 31, 2011	134,619
Property acquisitions	3,994
Capital expenditures	16,610
Change in decommissioning obligations	809
Transferred from exploration and evaluation assets	23,582
Balance at June 30, 2012	\$ 179,614
Accumulated depletion and depreciation:	
Balance at December 31, 2010	-
Depletion and depreciation for the period	1,979
Balance at December 31, 2011	1,979
Depletion and depreciation for the period	7,016
Balance at June 30, 2012	\$ 8,995
Net amount:	
As at December 31, 2011	\$ 132,640
As at June 30, 2012	\$ 170,619

Included in the net amount of property, plant and equipment at June 30, 2012 is office equipment of \$0.2 million, net of depreciation of \$0.1 million (December 31, 2011: \$0.3 million, net of depreciation of \$0.07 million).

At June 30, 2012, the Company had \$92.1 million of property, plant and equipment which was excluded from depletion at the time and largely related to undeveloped land. No future development costs were included in the depletion calculation.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

As at June 30, 2012 and for the three and six months ended June 30, 2012 and 2011

(unaudited)

(in \$000's of Canadian dollars, unless otherwise noted)

5. Stock-based compensation

The Company has an employee stock option plan under which employees and directors are eligible to receive option grants ("Stock Options") and Common Share incentives ("Incentive Shares"). The total aggregate amount of Stock Options and Incentive Shares that can be issued cannot exceed ten percent of the outstanding Common Shares. Stock Options granted under the plan have a term of five years to expiry and vest over three years.

The following table summarizes Stock Option activity:

<i>(thousands, unless otherwise noted)</i>	Number of Stock Options	Weighted average exercise price
Balance at January 1, 2011	1,128	\$ 1.00
Granted	6,298	3.06
Forfeited	-	-
Exercised	(1,128)	1.00
Balance at December 31, 2011	6,298	\$ 3.06
Granted	155	4.00
Forfeited	-	-
Exercised	-	-
Balance at June 30, 2012	6,453	\$ 3.08
Exercisable at June 30, 2012	1,978	\$ 3.00

The following table summarizes Stock Options outstanding and exercisable at June 30, 2012:

<i>(thousands, unless otherwise noted)</i>	Number outstanding	Number exercisable	Weighted average remaining term (years)
Exercise price:			
\$3.00	5,934	1,978	3.8
\$4.00	519	-	4.3
\$3.00 to \$4.00	6,453	1,978	3.9

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TORC Oil & Gas Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

As at June 30, 2012 and for the three and six months ended June 30, 2012 and 2011

(unaudited)

(in \$000's of Canadian dollars, unless otherwise noted)

The following table summarizes Incentive Share activity:

<i>(thousands)</i>	Number of Incentive Shares
Balance at January 1, 2011	-
Granted	900
Forfeited	-
Common shares issued upon vesting	-
Balance at December 31, 2011	900
Granted	21
Forfeited	-
Common shares issued upon vesting	(282)
Balance at June 30, 2012	639
Convertible into Common Shares at June 30, 2012	-

Incentive Shares are earned over three years from the date of grant. Upon being earned, the Incentive Shares are converted into Common Shares and issued from treasury at no cost to the Incentive Shareholder. The fair value of Incentive Shares is deemed to equal the stock price on the date of grant.

6. Earnings per share

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

For the period ended June 30, 2012, the diluted number of shares is equivalent to the basic number of shares due to antidilutive stock options, incentive shares and warrants. Therefore, the diluted per share amounts for net loss are equivalent to the basic per share amounts.

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Loss for the period	\$ (840)	\$ (1,250)	\$ (3,431)	\$ (1,712)
Weighted average number of Common Shares	121,630,260	86,976,324	121,438,367	74,185,128
Basic and diluted loss per Common Share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**TORC Oil & Gas Ltd.****Notes to the Condensed Consolidated Interim Financial Statements****As at June 30, 2012 and for the three and six months ended June 30, 2012 and 2011****(unaudited)****(in \$000's of Canadian dollars, unless otherwise noted)****7. Credit facility**

On May 14, 2012, the Company had available a \$50.0 million credit facility with a major Canadian bank of which \$20.0 million is based on the Company's proven reserves (the "Reserve Borrowing Base Amount") and \$30.0 million is for acquiring assets with proven reserves (the "Acquisition Amount"). The availability of the Acquisition Amount depends on the amount of cash and cash equivalents held.

The Reserve Borrowing Base Amount is available by way of direct advances, bankers acceptances and standby letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances and at the bank's U.S. base rate plus an applicable margin for U.S. dollar advances. The applicable margin charged by the bank is dependent on the Company's debt to trailing cash 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 cash flow ratio. Standby letters of credit/guarantees incur a fee based on the Company's debt to trailing cash flow ratio. Standby fees exist on the undrawn amount of the Reserve Borrowing Base Amount.

The available facility continues to be reduced by outstanding letters of credit, which totaled \$0.7 million as at June 30, 2012 (December 31, 2011: \$2.0 million).

The Reserve Borrowing Base Amount is subject to semi-annual review by the bank due to be completed by March 31 and September 30 every year. The borrowing base is primarily based on the Company's current reserve report, results of operations, current and forecast commodity prices and the current economic environment. The Company's next credit facility evaluation is due to be completed by September 30, 2012.

The entire credit facility is secured by a fixed and floating charge debenture on the assets of the Company.

8. Commitments

In September 2011, the Company issued 8,701,000 flow-through shares at a price of \$4.80 per share for gross proceeds of \$41.8 million. As a result, the Company must incur qualifying resource expenditures amounting to \$41.8 million before December 31, 2012. The qualifying expenditures were renounced to shareholders as at December 31, 2011. As at June 30, 2012, all qualifying resource expenditures were incurred and as a result, there is no obligation remaining for this flow-through share issue.

A flow-through share liability of \$7.0 million was recorded which reflected the fair value of the liability associated with these shares at that date. This flow-through share liability was reduced on a pro-rata basis as the Company incurred qualifying expenditures. As at June 30, 2012, there was no remaining flow-through share liability as all required expenditures had been incurred.



**Management's Discussion and Analysis
2011**

For the three months and year ended
December 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("the MD&A") is dated March 20, 2012. The MD&A should be read in conjunction with TORC Oil & Gas Ltd.'s ("TORC" or the "Company") audited consolidated financial statements as at and for the year ended December 31, 2011. The reader should be aware that historical results are not necessarily indicative of future performance.

TORC was incorporated on March 23, 2010 as 1525893 Alberta Ltd. The Company's name was changed to TORC Oil & Gas Ltd. on December 17, 2010. For the year ended December 31, 2011, the Company's activities initially related to the strategic acquisition of undeveloped land and progressed towards drilling and production operations in the second half of the year. As a result, for the year ended December 31, 2011, the Company's non-capital related expenditures primarily consisted of general and administrative expenses. Until the Company begins to generate significant cash flow from operating activities, TORC has access to capital via current cash reserves, equity financings and credit facilities.

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

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 from operations" and "operating netback" which are not defined by IFRS and therefore may not be comparable to performance measures presented by others. Funds flow from operations represents cash flow from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations. Operating netback represents revenue less royalties, realized hedging gains and losses, operating expenses and transportation expenses and has been presented on a per Boe basis. Management believes that in addition to net income, funds flow from operations and operating netback are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage and liquidity. Investors should be cautioned, however, that these measures should not be construed as an alternative to both net income and net cash used in operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

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

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
<i>(\$ thousands)</i>				
Net cash used in operating activities (as defined by IFRS)	\$ (396)	\$ (50)	\$ (600)	\$ (133)
Changes in non-cash working capital	(2,127)	307	(1,121)	308
Funds flow from operations (as defined above)	\$ 1,731	\$ (357)	\$ 521	\$ (441)

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Forward-Looking Statements

This document contains forward-looking statements. More particularly, this document contains statements concerning future exploration and development activities, the anticipated continuing volatility in crude and natural gas pricing, and the anticipated means of funding capital expenditures.

The forward-looking statements are based on certain key expectations and assumptions made by the Company, including anticipated economic and operating conditions, the availability of capital, prevailing commodity prices, the success of future drilling and development activities, the availability of labour and services, the geological nature of the formations targeted by the Company, and prevailing accounting standards.

Although the Company 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 the Company 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 environmental, health, and safety risks), commodity price and exchange rate fluctuations, changes in applicable laws and policies 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 this document.

The forward-looking statements contained in this document are made as of the date hereof and the Company 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.

Results of Operations

For the year ended December 31, 2011, the Company's activities related initially to the acquisition of undeveloped land which it considers prospective for oil and natural gas development, and also saw the commencement of drilling and other operations related to production and development. As a result, for the year ended December 31, 2011, the Company's non-capital related expenditures primarily consisted of general and administrative expenses.

Production

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Crude oil and NGL (Bbl per day) ^{(1) (2)}	348	-	94	-
Natural gas (Mcf per day) ⁽³⁾	216	-	147	-
Total (Boe per day)	384	-	119	-

⁽¹⁾ "NGL" refers to natural gas liquids.

⁽²⁾ "Bbl" refers to barrels.

⁽³⁾ "Mcf" refers to thousand cubic feet.

Production commenced in the second quarter of 2011 with the Company's first Cardium well in the central Alberta area. By the end of 2011, the Company had eight (5.8 net) producing wells, of which one (1.0 net) well was from the Company's southern Alberta area. An additional five (4.8 net) wells were successfully drilled and awaiting either completion or equipping and tie-in. Approximately 70% of the Company's total production in the three months ended December 31, 2011 was from Cardium wells (for the year ended December 31, 2011: approximately 76%).

The Company's production mix for the three months ended December 31, 2011 was 91% oil and NGL and 9% natural gas (for the year ended December 31, 2011: 79% oil and NGL and 21% natural gas).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pricing

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Average realized prices:				
Crude oil and NGL (\$ per Bbl)	\$ 93.18	\$ -	\$ 92.48	\$ -
Natural gas (\$ per Mcf)	3.22	-	3.42	-
Boe (\$ per Boe)	\$ 86.36	\$ -	\$ 77.84	\$ -

In the three months and year ended December 31, 2011, the Company realized per Boe prices of \$86.36 per Boe and \$77.84 per Boe, respectively. The higher realized Q4 pricing of \$86.36, relative to the entire year of \$77.84, reflects an increasing proportion of crude oil and NGL production relative to natural gas production.

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Average Benchmark Prices:				
Crude oil – WTI (US\$ per Bbl)	94.06	85.17	95.12	79.53
Crude oil – Edmonton Par (CDN\$ per Bbl)	97.86	80.68	95.52	77.82
Natural gas – AECO Daily Spot (\$ per Mcf)	2.89	3.29	3.28	3.62
Natural gas – AECO Monthly Spot (\$ per Mcf)	3.12	3.22	3.31	3.72
Exchange rate – (CDN\$/US\$)	1.02	1.01	0.99	0.99

Revenues

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
<i>(\$ thousands)</i>				
Crude oil and NGL	\$ 2,981	\$ -	\$ 3,178	\$ -
Natural gas	68	-	191	-
	\$ 3,049	\$ -	\$ 3,369	\$ -

The Company commenced production in the second quarter of 2011 and continued its drilling program with a focus on crude oil. The majority of the Company's producing wells were brought on production in the fourth quarter of 2011 resulting in the majority of the year's revenues being recorded in the fourth quarter. By the end of 2011, the Company had eight gross (5.8 net) producing wells.

In the fourth quarter of 2011, approximately 30% and 70% of the Company total revenues came from its southern Alberta and Cardium wells, respectively. For the year ended 2011, approximately 27% and 73% of the Company total revenues came from its southern Alberta and Cardium wells, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Royalties

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
(\$ thousands, unless otherwise noted)				
Royalties	\$ 263	\$ -	\$ 293	\$ -
Percentage of revenue	8.6%	-	8.7%	-

Royalties as a percentage of revenue remained consistent in the three months and year ended December 31, 2011. On qualifying wells that meet the Crown's depth and other criteria, the Company receives certain Crown royalty incentives, which results in reduced Crown royalty rates until certain time and volume thresholds are met.

Operating Expenses

For the three months and year ended December 31, 2011, the Company's operating expenses were \$0.3 million (\$9.27 per Boe) and \$0.4 million (\$9.36 per Boe), respectively. For the three months ended December 31, 2010 and the period since incorporation on March 23, 2010 to December 31, 2010 (the "Corresponding Periods"), the Company did not incur any operating expenses.

Transportation Expenses

For the three months and year ended December 31, 2011, the Company's transportation expenses were \$0.2 million (\$6.52 per Boe) and \$0.2 million (\$5.72 per Boe), respectively. In the Corresponding Periods, the Company did not incur any transportation expenses.

Operating Netbacks

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
(\$ per Boe, unless otherwise noted)				
Total production (Boepd)	384	-	119	-
Crude oil and NGL (\$ per Bbl)	\$ 93.18	\$ -	\$ 92.48	\$ -
Natural gas (\$ per Mcf)	3.22	-	3.42	-
Average Price	86.36	-	77.84	-
Royalties	7.45	-	6.77	-
Operating	9.27	-	9.36	-
Transportation	6.52	-	5.72	-
Operating Netback	\$ 63.12	\$ -	\$ 55.99	\$ -

MANAGEMENT'S DISCUSSION AND ANALYSIS**General and Administrative Expenses**

During the three months and year ended December 31, 2011, the Company incurred the following general and administrative expenses ("G&A"):

<i>(\$ thousands)</i>	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Consulting and professional	\$ 162	\$ 126	\$ 536	\$ 144
Office and personnel	1,536	236	5,231	410
Transaction related	-	191	-	191
	1,698	553	5,767	745
Recoveries ⁽¹⁾	(376)	-	(641)	-
Capitalized general and administrative expenses ⁽²⁾	(518)	(196)	(2,415)	(304)
Total general and administrative	\$ 804	\$ 357	\$ 2,711	\$ 441
G&A per Boe – (\$ per Boe)	\$ 22.78	NMF	\$ 62.62	NMF

"NMF" No Meaningful Figure.

⁽¹⁾ Recoveries refers to those G&A expenditures which under industry practice are reclassified to operating expenses, exploration and evaluation assets, or property, plant and equipment, dependent on their nature.

⁽²⁾ 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 exploration and evaluation assets, or property, plant and equipment, dependent on their nature.

With the reorganization of the Company on December 16, 2010, a significant increase in activity took place in order to carry out land acquisitions and drilling operations. Accordingly, there were significant increases in personnel and office rent costs in 2011 when compared to the Corresponding Periods.

Stock-Based Compensation Expenses

The Company's stock-based compensation expenses for the three months and year ended December 31, 2011 were \$0.5 million and \$1.4 million, respectively. The stock-based compensation expenses reflect the value ascribed to the non-cash compensation provided by the Company, and were calculated utilizing a fair value assessment methodology. These amounts are net of stock-based compensation costs capitalized to exploration and evaluation assets, and property, plant and equipment when they are related to exploration or acquisition activities. For the three months and year ended December 31, 2011, the Company capitalized stock-based compensation expenses of \$0.7 million and \$1.7 million, respectively.

<i>(\$ thousands)</i>	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Stock-based compensation expenses	\$ 1,206	\$ 44	\$ 3,106	\$ 44
Capitalized stock-based compensation expenses	(663)	(26)	(1,708)	(26)
	\$ 543	\$ 18	\$ 1,398	\$ 18

The large majority of stock options and incentive shares were issued in the second quarter of 2011. As a result, stock-based compensation expenses for the three months and year ended December 31, 2011 increased significantly compared to the Corresponding Periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS**Finance Costs (Income)**

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
<i>(\$ thousands)</i>				
Interest income	\$ (306)	\$ -	\$ (851)	\$ -
Financing charges ⁽¹⁾	-	-	42	-
	(306)	-	(809)	-
Accretion on decommissioning obligations	2	-	2	-
	\$ (304)	\$ -	\$ (807)	\$ -

⁽¹⁾ Financing charges relate to the Company's \$50 million credit facility described in *Liquidity and Capital Resources* below.

Under IFRS, non-cash accretion expenses related to decommissioning obligations are presented as part of finance costs.

In 2011, the Company raised gross proceeds of \$298.0 million through private placements resulting in excess cash on hand. From time-to-time, and depending on the Company's short-term cash requirements, TORC invested excess cash on hand in interest bearing bankers acceptances and similar low risk instruments that generate interest income.

Depletion and Depreciation Expenses

For the three months and year ended December 31, 2011, the Company's depletion and depreciation expenses were \$1.5 million (\$42.14 per Boe) and \$2.0 million (\$45.73 per Boe), respectively. In the Corresponding Periods, the Company did not incur any depletion and depreciation expenses.

Taxes

For the three months and year ended December 31, 2011, the Company recorded deferred income tax expenses of \$1.7 million and \$1.8 million, respectively (Corresponding Periods: deferred income tax recoveries of \$0.08 million and \$0.1 million, respectively). The deferred income tax expenses in the year ended December 31, 2011 arise principally due to the deferred tax liability recorded as flow-through share expenditures were incurred.

Net Loss

The net loss for the three months and year ended December 31, 2011 were \$2.0 million and \$4.7 million, respectively (Corresponding Periods: \$0.3 million and \$0.4 million, respectively).

Basic and diluted net loss per share for the three months and year ended December 31, 2011 were \$0.02 and \$0.05, respectively (Corresponding Periods: \$0.03 and \$0.04, respectively).

Funds Flow from Operations

Funds flow from operations for the three months and year ended December 31, 2011 were \$1.7 million and \$0.5 million, respectively (Corresponding Periods: funds outflow from operations of \$0.4 million and \$0.4 million, respectively). As discussed above, the Company was largely in a land accumulation and early operational stage where non-capital expenditures primarily consisted of general and administrative expenses.

Net Cash used in Operating Activities

Net cash used in operating activities for the three months and year ended December 31, 2011 was \$0.4 million and \$0.6 million, respectively (Corresponding Periods: \$0.1 million and \$0.1 million, respectively).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Expenditures

Capital expenditures are summarized as follows:

(\$ thousands)	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Land retention costs	\$ (13)	\$ -	\$ 509	\$ -
Geological and geophysical	(83)	-	1,616	-
Drilling and completions	33,875	-	63,759	-
Equipment and facilities	4,589	-	6,327	-
Administrative assets	6	-	322	-
Capitalized general and administrative expenses	518	196	2,415	304
Exploration and development expenditures	38,892	196	74,948	304
Property acquisitions (dispositions) ⁽¹⁾	(1,927)	14,242	157,961	19,507
Total capital expenditures	\$ 36,965	\$ 14,438	\$ 232,909	\$ 19,811

⁽¹⁾ For the year ended December 31, 2011, includes consideration paid in February 2011 of 7,570,979 Common Shares at a deemed price of \$3.00 per share.

In 2011, the Company's activities related initially to the acquisition of undeveloped land which it considered prospective for oil and natural gas development, and also the commencement of drilling and other operations. During the fourth quarter of 2011, the Company drilled seven (5.7 net) wells. In the year ended December 31, 2011, the Company drilled 14 (11.2 net) wells.

The Company anticipates that its exploration and development capital program for 2012 (excluding acquisitions and dispositions) will be financed primarily through cash on hand, proceeds from equity issuances, bank debt and funds flow from operations.

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 Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec 31, 2011	Period from incorporation on Mar 23, 2010 to Dec 31, 2010
Weighted average outstanding common shares:				
Basic	121,432,819	10,309,870	95,833,852	8,109,071
Diluted ⁽¹⁾	121,432,819	10,309,870	95,833,852	8,109,071
Outstanding Securities:				
Common shares	121,432,819	27,049,000	121,432,819	27,049,000
Stock options	6,298,200	1,127,840	6,298,200	1,127,840
Incentive shares	899,700	-	899,700	-
Warrants	20,000,000	20,000,000	20,000,000	20,000,000

⁽¹⁾ The diluted number of shares is equivalent to the basic number of shares due to stock options, incentive shares and/or warrants being antidilutive as the Company has a net loss. Therefore, the diluted per share amounts for net loss and funds flow from operations are equivalent to the basic per share amounts.

The Company is authorized to issue an unlimited number of Class A voting common shares, an unlimited number of Class B non-voting common shares and an unlimited number of preferred shares.

As at March 20, 2012, the Company had 121,432,819 common shares issued and outstanding, 6,453,200 stock options outstanding, 921,700 incentive shares outstanding and 20,000,000 warrants outstanding.

MANAGEMENT'S DISCUSSION AND ANALYSIS**Liquidity and Capital Resources**

Since January 1, 2011, the Company has issued 94,383,819 Common Shares for total gross proceeds of \$321.8 million.

On March 20, 2012, the Company had in place a \$50.0 million credit facility arranged in February 2011 with a major Canadian bank. The credit facility provides that advances may be made by way of direct advances, bankers acceptances, or standby letters of credit/guarantees. The banker's acceptances and standby letters of credit/guarantees bear interest at the applicable banker's acceptance rate, plus a customary stamping fee. Direct advances bear interest at the bank's prime lending rate for Canadian dollar advances and at the bank's U.S. base rate for U.S. dollar advances. The credit facility is convertible to a borrowing base facility based on the Company's proven reserves. There are no standby fees on this credit facility.

The amount available under the facility depends on the amount of cash and cash equivalents held, up to \$25.0 million, and an additional borrowing base amount of up to \$25.0 million for the purpose of buying assets with proven reserves. The amount available under the facility is reduced by outstanding letters of credit, which totaled \$2.0 million as at December 31, 2011 (December 31, 2010 - \$nil). As a result, the amount available under the facility at December 31, 2011 was \$23.0 million. The credit facility is secured by a fixed and floating charge debenture on the assets of the Company. The borrowing base is subject to semi-annual review by the bank.

Management is confident that there is sufficient liquidity and capital resources to fund its 2012 capital program and its day-to-day operations.

Risk Management - Financial Instruments

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 meteorological 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.

At December 31, 2011, the Company did not have any derivative contracts or hedges outstanding.

Contractual Obligations

The following table lists the Company's contractual obligations as at December 31, 2011 and the expected timing of these obligations:

(\$ thousands)		Total		Less than 1 year		1-2 years		3-5 years		Thereafter
Trade and other payables	\$	33,166	\$	33,166	\$	-	\$	-	\$	-
Operating leases (office rent)		4,949		1,080		1,080		2,160		629
Farm-in transactions		24,000		24,000		-		-		-
Total	\$	62,115	\$	58,246	\$	1,080	\$	2,160	\$	629

Flow-through shares

In December 2010, the Company issued 5,000,000 Flow-through Shares at a price of \$1.00 per share for gross proceeds of \$5.0 million. As a result, the Company had to incur qualifying resource expenditures amounting to \$5.0 million before December 31, 2011. The qualifying expenditures were renounced to shareholders as at December 31, 2010. As at December 31, 2011, all qualifying resource expenditures related to this flow-through share issue had been incurred and as a result, there is no obligation remaining for this flow-through share issue.

In September 2011, the Company issued 8,701,000 Flow-through Shares at a price of \$4.80 per share for gross proceeds of \$41.8 million. As a result, the Company must incur qualifying resource expenditures amounting to \$41.8 million before December 31, 2012. The qualifying expenditures were renounced to shareholders as at December 31, 2011. The obligation remaining for this flow-through share issue was \$22.4 million as at December 31, 2011.

MANAGEMENT'S DISCUSSION AND ANALYSISOperating 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 lease rentals and mineral rights to various landowners, abandonment and reclamation costs 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

During the land accumulation and initial operations stages, the Company is dependent on cash on hand, future financings from equity issues and/or debt. There is little or no positive cash flow from operating activities during this period. Working capital is expected to remain positive, with the Company closely monitoring its capital and administrative expenditures.

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

During the capital intensive exploration, drilling and production phase, the Company may create a negative working capital position. The Company will prudently manage its borrowings in relation to its credit capacity.

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 will be collected in an orderly fashion. To the extent that the Company has joint venture partners in its activities it will collect on a monthly basis the partners' share of capital and operating expenses. 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.

Farm-in transactions

The Company has entered into a number of farm-in agreements with third parties to earn interests in additional prospective acreage. At December 31, 2011, the Company's required future commitments are estimated to be \$24.0 million, which are expected to be completed by the end of 2013 and form part of the Company's on-going capital program.

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.

During the start-up and land accumulation phase, 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.

During its operational phases, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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 will monitor the cost and associated benefit of these instruments and contracts as well as any debt levels and utilization rates on bank lines, and will utilize 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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Stock-based compensation

The calculation of stock-based compensation includes estimates for interest rates, forfeiture rates, stock price volatility and the expected timing of exercise of stock options. These estimates can impact net income and contributed surplus.

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.

Future Accounting Pronouncements

On January 1, 2013, the following accounting standards and amendments, issued by the IASB, may become applicable. The Company has yet to assess the impact of these accounting standards and amendments on its consolidated financial statements.

IFRS 9 "Financial Instruments"

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 establishes two primary measurement categories for financial assets and liabilities, which are amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow characteristics of the financial asset.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 establishes a new approach to determining which investees should be consolidated. It was issued by the IASB in May 2011, and will replace IAS 27 *Consolidated and Separate Financial Statements*. IFRS 10 uses control as the single determination for consolidation of an entity.

IFRS 11 "Joint Arrangements"

IFRS 11 will replace IAS 31 *Interest in Joint Ventures* and is a new standard that defines joint operations and joint ventures and how each will be accounted. IFRS 11 requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately consolidated.

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 establishes the required disclosures for interests in joint arrangements and subsidiaries. The new disclosures provide information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in joint arrangements and subsidiaries.

IFRS 13 "Fair Value Measurement"

IFRS 13 replaces the fair value measurement guidance currently dispersed across various IFRS standards with a single definition of fair value measurement when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value, but rather, describes how to measure fair value under IFRS when it is required or permitted.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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 or by email at info@torcoil.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Quarterly Results

<i>(in \$000's of dollars, except per share amounts)</i>	Q4 2011 (1)	Q3 2011 (1)	Q2 2011 (1)	Q1 2011 (1)	Q4 2010 (1)	Q3 2010 (1)	Q2 2010 (1)	Period from incorporation to Mar 31, 2010 (1)
Petroleum and natural gas sales	3,049	220	100	-	-	-	-	-
Net loss	(1,982)	(974)	(1,248)	(463)	(291)	(34)	(27)	(5)
Per share – basic	(0.02)	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)	-	-
Per share – diluted	(0.02)	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)	-	-
Funds flow from operations ⁽²⁾	1,731	(336)	(504)	(370)	(357)	(43)	(35)	(7)
Per share – basic	0.01	-	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	-
Per share – diluted	0.01	-	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	-
Net cash used in operating activities ⁽³⁾	(396)	422	86	(712)	(50)	(58)	(13)	(13)
Per share – basic	-	-	-	(0.01)	(0.01)	(0.01)	-	-
Per share – diluted	-	-	-	(0.01)	(0.01)	(0.01)	-	-
Total assets	368,462	349,853	301,445	180,358	26,789	6,601	6,652	3,405
Net working capital (Net debt) ⁽⁴⁾	81,138	116,305	127,261	71,732	6,344	1,191	1,466	(101)

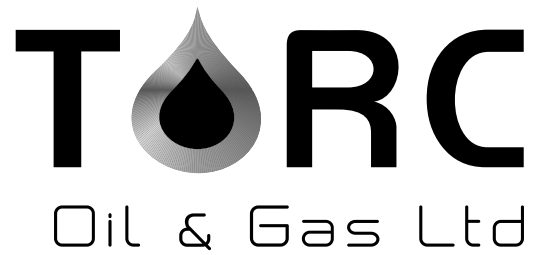
⁽¹⁾ The diluted number of shares is equivalent to the basic number of shares due to stock options, incentive shares and/or warrants being antidilutive as the Company has a net loss. Therefore, the diluted per share amounts for net loss and funds flow from operations are equivalent to the basic per share amounts.

⁽²⁾ Funds flow from operations should not be considered an alternative to, or more meaningful than, net cash used in operating activities as determined in accordance with International Financial Reporting Standards ("IFRS") as an indicator of TORC's performance. Funds flow from operations represents net cash used in operating activities prior to changes in non-cash working capital. TORC also presents funds flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

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

⁽⁴⁾ Net working capital is calculated as current assets less current liabilities and non-current deferred lease incentives.

Since its incorporation on March 23, 2010, the Company has accumulated light oil resource prone acreage, and has begun the delineation of its resource base. This is evident in the increasing trend of total assets comprised largely of land, wells and cash. As the Company commenced production from its resource base in 2011, petroleum and natural gas sales also increased, influenced by commodity prices and commodity mix.



Management's Discussion and Analysis
Q2 2012

For the three and six months ended
June 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("the MD&A") is dated August 23, 2012. The MD&A should be read in conjunction with TORC Oil & Gas Ltd.'s ("TORC" or the "Company") unaudited condensed consolidated interim financial statements as at and for the three and six months ended June 30, 2012 and the audited consolidated financial statements as at and for the year ended December 31, 2011. 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.

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-IFRS Measurements

The MD&A contains the terms "funds flow from (used in) operations" and "operating netback" which are not defined by IFRS and therefore may not be comparable to performance measures presented by others. Funds flow from (used in) operations represents cash flow from (used in) operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations. Operating netback represents revenue less royalties, operating expenses and transportation expenses and has been presented on a per Boe basis. Management believes that in addition to net income, funds flow from (used in) operations and operating netback are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage and liquidity. Investors should be cautioned, however, that these measures should not be construed as an alternative to both net income and net cash from (used in) operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

The reconciliation between funds flow from (used in) operations, as defined above, and net cash from (used in) operating activities, as defined by IFRS, is as follows:

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
<i>(\$ thousands)</i>				
Net cash from (used in) operating activities (defined by IFRS)	\$ 2,550	\$ 84	\$ 5,610	\$ (624)
Settlement of decommissioning obligations	98	-	98	-
Changes in non-cash working capital	(220)	(590)	514	(249)
Funds flow from (used in) operations (as defined above)	\$ 2,428	\$ (506)	\$ 6,222	\$ (873)

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Forward-Looking Statements

This document contains forward-looking statements. More particularly, this document contains statements concerning future exploration and development activities, the anticipated continuing volatility in crude and natural gas pricing, and the anticipated means of funding capital expenditures.

The forward-looking statements are based on certain key expectations and assumptions made by the Company, including anticipated economic and operating conditions, the availability of capital, prevailing commodity prices, the success of future drilling and development activities, the availability of labour and services, the geological nature of the formations targeted by the Company, and prevailing accounting standards.

Although the Company 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 the Company 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; normal collection risks; the uncertainty of estimates and projections relating to production, costs and expenses, and environmental, health, and safety risks), commodity price and exchange rate fluctuations, changes in applicable laws and policies, 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 this document.

The forward-looking statements contained in this document are made as of the date hereof and the Company 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.

Results of Operations

For the three and six months ended June 30, 2012, the Company continues its strategy of accumulating resource prone acreage and the delineation of its resource base.

Production

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Crude oil and NGL (Bbl per day) ^{(1) (2)}	737	7	774	3
Natural gas (Mcf per day) ⁽³⁾	399	143	419	72
Total (Boe per day)	804	31	844	15

⁽¹⁾ "NGL" refers to natural gas liquids.

⁽²⁾ "Bbl" refers to barrels.

⁽³⁾ "Mcf" refers to thousand cubic feet.

The Company's drilling program commenced in the first quarter of 2011 but it only achieved significant production in the fourth quarter of 2011. Accordingly, production in the three and six months ended June 30, 2012 increased significantly compared to the three and six months ended June 30, 2011 (the "Corresponding Periods").

The Company's production mix for both the three and six months ended June 30, 2012 was 92% oil and NGL and 8% natural gas. In the Corresponding Periods, the production mixes were 23% oil and NGL and 77% natural gas, and 20% oil and NGL and 80% natural gas, respectively. This reflects the increased oil exploration in the latter part of 2011 and into 2012.

(continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS

In the second quarter of 2012, 62% and 38% of the Company's total production came from Cardium and southern Alberta wells, respectively. In the six months ended June 30, 2012, 66% and 34% of the Company's total production came from Cardium and southern Alberta wells, respectively. This is compared to the Corresponding Periods, when all of the Company's production came from Cardium wells.

Pricing

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Average realized prices:				
Crude oil and NGL (\$ per Bbl)	\$ 78.75	\$ 66.40	\$ 83.45	\$ 66.40
Natural gas (\$ per Mcf)	1.82	3.73	1.89	3.73
Boe (\$ per Boe)	\$ 73.14	\$ 36.01	\$ 77.56	\$ 36.01

In the three and six months ended June 30, 2012, the Company realized per Boe prices of \$73.14 per Boe and \$77.56 per Boe, respectively. This represents an increase of 103% and 115% compared to the Corresponding Periods, largely reflecting an increase in crude oil and NGL production relative to natural gas production.

During the six months ended June 30, 2012, TORC's discount to WTI converted to Canadian dollars ranged from approximately \$7/Bbl in January, to approximately \$24/Bbl in March and April, and approximately \$8/Bbl in June, averaging approximately \$15/Bbl over the first six months of 2012. This volatility was primarily caused by the C\$WTI to Edmonton Par spread, which approached \$20/Bbl in March and April due to the oversupply of crude oil in Cushing, OK and refinery turnarounds, which resulted to less demand and consequently lower prices for Canadian crude oil.

For the three and six months ended June 30, 2012, the Company's southern Alberta wells received a crude oil price that was 6% and 8% lower, respectively, compared to its Cardium wells. This was largely due to the quality of crude oil and the limited sales points available in the Company's southern Alberta area.

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Average Benchmark Prices:				
Crude oil – WTI (US\$ per Bbl)	93.49	102.56	98.21	98.33
Crude oil – Edmonton Par (CDN\$ per Bbl)	84.42	103.58	88.56	95.99
Natural gas – AECO Daily Spot (\$ per Mcf)	1.71	3.49	1.82	3.46
Natural gas – AECO Monthly Spot (\$ per Mcf)	1.65	3.37	1.96	3.38
Exchange rate – (CDN\$/US\$)	1.01	0.97	1.01	0.98

Revenues

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
<i>(\$ thousands)</i>				
Crude oil and NGL	\$ 5,284	\$ 52	\$ 11,751	\$ 52
Natural gas	66	48	156	48
	\$ 5,350	\$ 100	\$ 11,907	\$ 100

When compared to the Corresponding Periods, revenue in the three and six months ended June 30, 2012 increased significantly due to the increase in drilling activity commencing in the fourth quarter of 2011. In the Corresponding Periods, the Company was only producing from one (0.5 net) well. Crude oil and NGL prices increased compared to the Corresponding Periods, more than offsetting the impact of reduced natural gas prices.

MANAGEMENT'S DISCUSSION AND ANALYSIS**Royalties**

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
<i>(\$ thousands, unless otherwise noted)</i>				
Royalties	\$ 489	\$ 10	\$ 990	\$ 10
Percentage of revenue	9.2%	9.6%	8.3%	9.6%

Royalties as a percentage of revenue remained relatively consistent in the three and six months ended June 30, 2012, and compared to the Corresponding Periods. On qualifying wells that meet the Crown's depth and other criteria, the Company receives certain Crown royalty incentives, which results in reduced Crown royalty rates until certain time and volume thresholds are met.

Operating Expenses

For the three and six months ended June 30, 2012, the Company's operating expenses were \$1.1 million (\$14.69 per Boe) and \$2.1 million (\$13.85 per Boe), respectively. For both the three and six months ended June 30, 2011, the Company's operating expenses were \$0.03 million (\$9.92 per Boe). The increase on a per Boe basis, compared to the Corresponding Periods, largely reflects certain costs associated with increased production activity as well as higher emulsion processing charges, particularly in the Company's southern Alberta and Kaybob properties.

Transportation Expenses

For the three and six months ended June 30, 2012, the Company's transportation expenses were \$0.6 million (\$8.57 per Boe) and \$1.1 million (\$7.47 per Boe), respectively. In both the Corresponding Periods, the Company's transportation expenses were \$0.006 million (\$2.03 per Boe).

Transportation costs in the three and six months ended June 30, 2012, particularly crude oil trucking, increased compared to the Corresponding Periods due to the Company's early stage drilling operations where delivery and transportation infrastructure is continuing to be established, and the effects of wet conditions which made certain transportation operations more difficult.

Operating Netbacks

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
<i>(\$ per Boe, unless otherwise noted)</i>				
Average daily production (Boepd)	804	31	844	15
Crude oil and NGL (\$ per Bbl)	\$ 78.75	\$ 66.40	\$ 83.45	\$ 66.40
Natural gas (\$ per Mcf)	1.82	3.73	1.89	3.73
Average Price	73.14	36.01	77.56	36.01
Royalties	6.70	3.47	6.45	3.47
Operating	14.69	9.92	13.85	9.92
Transportation	8.57	2.03	7.47	2.03
Operating Netback	\$ 43.18	\$ 20.59	\$ 49.79	\$ 20.59

MANAGEMENT'S DISCUSSION AND ANALYSIS**General and Administrative Expenses**

During the three and six months ended June 30, 2012, the Company incurred the following general and administrative expenses ("G&A"):

<i>(\$ thousands)</i>	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Gross general and administrative expenses	\$ 1,743	\$ 1,526	\$ 3,600	\$ 2,520
Recoveries ⁽¹⁾	(391)	(66)	(875)	(94)
Capitalized general and administrative expenses ⁽²⁾	(529)	(764)	(1,006)	(1,252)
Total general and administrative	\$ 823	\$ 696	\$ 1,719	\$ 1,174
G&A per Boe – (\$ per Boe)	\$ 11.26	NMF	\$ 11.20	NMF

"NMF" No Meaningful Figure.

⁽¹⁾ Recoveries refers to those G&A expenditures which under industry practice are reclassified to operating expenses, exploration and evaluation assets, or property, plant and equipment, dependent on their nature.

⁽²⁾ 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 exploration and evaluation assets, or property, plant and equipment, dependent on their nature.

Total general and administrative expenses in the three and six months ended June 30, 2012 increased 18% and 46%, respectively, compared to the Corresponding Periods. This increase was due to additional employee compensation costs, office rent and various administrative costs resulting largely from increased drilling activity and production operations compared to the Corresponding Periods.

Finance Costs (Income)

<i>(\$ thousands)</i>	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Interest income	\$ (111)	\$ (158)	\$ (318)	\$ (286)
Financing charges	20	24	20	41
	(91)	(134)	(298)	(245)
Accretion on decommissioning obligations	6	-	11	-
	\$ (85)	\$ (134)	\$ (287)	\$ (245)

Under IFRS, non-cash accretion expenses related to decommissioning obligations are presented as part of finance costs.

From time-to-time, and depending on the Company's short-term cash requirements, TORC invests excess cash on hand in interest bearing bankers acceptances and similar low risk instruments that generate interest income.

In the second quarter of 2012, the Company earned 30% less interest income compared to the second quarter of 2011. This is largely due to a higher average cash balance in the second quarter of 2011 compared to the second quarter of 2012.

In the six months ended June 30, 2012, the Company earned 11% more interest income compared to the six months ended June 30, 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS**Stock-Based Compensation Expenses**

Stock-based compensation expenses reflect the value ascribed to the non-cash compensation provided by the Company, and were calculated utilizing a fair value assessment methodology. These amounts are net of stock-based compensation costs capitalized to exploration and evaluation assets, and property, plant and equipment when they are related to exploration or acquisition activities.

<i>(\$ thousands)</i>	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Stock-based compensation expenses	\$ 843	\$ 784	\$ 2,074	\$ 784
Capitalized stock-based compensation expenses	(461)	(431)	(1,139)	(431)
	\$ 382	\$ 353	\$ 935	\$ 353

For the three months ended June 30, 2012, stock-based compensation expenses, net of capitalized amounts, increased 8% compared to the same period in 2011.

For the six months ended June 30, 2012, stock-based compensation expenses, net of capitalized amounts, increased 165% compared to the same period in 2011. This increase reflects a full six months of stock-based compensation expenses for the six months ended June 30, 2012, compared to approximately two months in the Corresponding Period.

Depletion and Depreciation Expenses

For the three and six months ended June 30, 2012, the Company's depletion and depreciation expenses totaled \$3.0 million (\$41.25 per Boe) and \$7.0 million (\$45.70 per Boe), respectively. In the Corresponding Periods, the Company's depletion and depreciation expenses totaled \$0.2 million (\$66.88 per Boe) and \$0.2 million (\$71.90 per Boe), respectively. The decrease on a per Boe basis, in the three and six months ended June 30, 2012 compared to the Corresponding Periods, is largely due to increased reserves resulting from the success of the Company's drilling program.

Taxes

For the three and six months ended June 30, 2012, the Company recorded a deferred income tax recovery of \$0.1 million and a deferred income tax expense of \$1.7 million, respectively (Corresponding Periods: deferred income tax recoveries of \$0.2 million and \$0.3 million, respectively).

Net Loss

The net loss for the three and six months ended June 30, 2012 was \$0.8 million and \$3.4 million, respectively (Corresponding Periods: \$1.3 million and \$1.7 million, respectively).

Basic and diluted net loss per share for the three and six months ended June 30, 2012 was \$0.01 and \$0.03, respectively (Corresponding Periods: \$0.01 and \$0.02, respectively).

Funds Flow from Operations

Funds flow from operations for the three and six months ended June 30, 2012 was \$2.4 million and \$6.2 million, respectively (Corresponding Periods: funds outflow from operations of \$0.5 million and \$0.9 million, respectively).

Net Cash from Operating Activities

Net cash from operating activities for the three and six months ended June 30, 2012 was \$2.6 million and \$5.6 million, respectively (Corresponding Periods: net cash from operating activities of \$0.1 million and net cash used in operating activities of \$0.6 million, respectively).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Expenditures

Capital expenditures are summarized as follows:

(\$ thousands)	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Cash:				
Land retention costs	\$ 88	\$ 216	\$ 206	\$ 357
Geological and geophysical	250	65	1,304	90
Drilling and completions	19,490	10,126	59,945	12,218
Equipment and facilities	3,464	565	5,774	619
Administrative assets	6	116	9	247
Capitalized general and administrative expenses	529	764	1,006	1,252
Exploration and development expenditures	23,827	11,852	68,244	14,783
Property acquisitions, net of dispositions	191	28,197	5,627	108,463
Total capital expenditures - cash items	\$ 24,018	\$ 40,049	\$ 73,871	\$ 123,246
Non-cash:				
Shares issued for property acquisition ⁽¹⁾	-	22,713	-	22,713
Decommissioning obligations ⁽²⁾	293	26	2,227	26
Capitalized stock-based compensation	460	431	1,139	428
Total capital expenditures	\$ 24,771	\$ 63,219	\$ 77,237	\$ 146,413

⁽¹⁾ For the three and six months ended June 30, 2011, non-cash consideration was paid consisting of 7,570,979 Common Shares at a deemed price of \$3.00 per share.

⁽²⁾ For the six months ended June 30, 2012, includes non-cash decommissioning obligations of \$1.4 million assumed in an acquisition.

During the second quarter of 2012, the Company drilled four (4.0 net) wells. In the six months ended June 30, 2012, the Company drilled 13 (11.2 net) wells. The Company also continued to add to its land base in the three and six months ended June 30, 2012, although significantly less compared to the Corresponding Periods as the Company proceeded into its delineation phase.

The Company anticipates that its exploration and development capital program for the remainder of 2012 (excluding acquisitions and dispositions) will be financed primarily through cash on hand, proceeds from equity issuances, bank debt and funds flow from operations.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS**Share Capital**

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Weighted average outstanding common shares:				
Basic	121,630,260	86,976,324	121,438,367	74,185,128
Diluted	121,630,260	86,976,324	121,438,367	74,185,128
Outstanding Securities:				
Common shares	121,715,384	112,731,819	121,715,384	112,731,819
Stock options	6,453,200	5,934,200	6,453,200	5,934,200
Incentive shares	639,135	847,700	639,135	847,700
Warrants	20,000,000	20,000,000	20,000,000	20,000,000

The Company is authorized to issue an unlimited number of Class A voting common shares, an unlimited number of Class B non-voting common shares and an unlimited number of preferred shares.

As part of the normal course annual compensation review, the Board of Directors approved an additional grant of 2,082,593 Stock Options and 308,916 Incentive Shares, with a vesting date of April 27, 2015. The exercise price has not yet been determined.

As at August 23, 2012, the Company had 121,715,384 common shares issued and outstanding, 6,453,200 stock options outstanding, 639,135 incentive shares outstanding and 20,000,000 warrants outstanding.

Liquidity and Capital Resources

On May 14, 2012, the Company had available a \$50.0 million credit facility with a major Canadian bank of which \$20.0 million is based on the Company's proven reserves (the "Reserve Borrowing Base Amount") and \$30.0 million is for acquiring assets with proven reserves (the "Acquisition Amount"). The availability of the Acquisition Amount depends on the amount of cash and cash equivalents held.

The Reserve Borrowing Base Amount is available by way of direct advances, bankers acceptances and standby letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances and at the bank's U.S. base rate plus an applicable margin for U.S. dollar advances. The applicable margin charged by the bank is dependent on the Company's debt to trailing cash 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 cash flow ratio. Standby letters of credit/guarantees incur a fee based on the Company's debt to trailing cash flow ratio. Standby fees exist on the undrawn amount of the Reserve Borrowing Base Amount.

The available facility continues to be reduced by outstanding letters of credit, which totaled \$0.7 million as at June 30, 2012 (December 31, 2011: \$2.0 million).

The Reserve Borrowing Base Amount is subject to semi-annual review by the bank due to be completed by March 31 and September 30 every year. The borrowing base is primarily based on the Company's current reserve report, results of operations, current and forecast commodity prices and the current economic environment. The Company's next credit facility evaluation is due to be completed by September 30, 2012.

The entire credit facility is secured by a fixed and floating charge debenture on the assets of the Company.

Management is confident that there is sufficient liquidity and capital resources to fund the remainder of its 2012 capital program and its day-to-day operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Risk Management - Financial Instruments

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 meteorological 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.

At June 30, 2012, the Company did not have any derivative contracts or hedges outstanding.

Contractual Obligations

The following table lists the Company's contractual obligations as at June 30, 2012 and the expected timing of these obligations:

(\$ thousands)			Less than						Thereafter
	Total		1 year		1-2 years		3-5 years		
Trade and other payables	\$ 19,232	\$	19,232	\$	-	\$	-	\$	-
Operating leases (office rent)	4,409		1,080		1,080		2,160		89
Farm-in transactions	13,167		13,167		-		-		-
Flow-through obligation	-		-		-		-		-
Total	\$ 36,808	\$	33,479	\$	1,080	\$	2,160	\$	89

Flow-through shares

In September 2011, the Company issued 8,701,000 flow-through shares at a price of \$4.80 per share for gross proceeds of \$41.8 million. As a result, the Company must incur qualifying resource expenditures amounting to \$41.8 million before December 31, 2012. The qualifying expenditures were renounced to shareholders as at December 31, 2011. As at June 30, 2012, all qualifying resource expenditures were incurred and as a result, there is no obligation remaining for this flow-through share issue.

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 lease rentals and mineral rights to various landowners, abandonment and reclamation costs 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

During the land accumulation and initial operations stages, the Company is dependent on cash on hand, future financings from equity issues and/or debt. As the Company actively engages in drilling operations, positive cashflow becomes increasingly material to the Company's funding plans. The Company may create a negative working capital position. The Company will prudently manage its borrowings in relation to its credit capacity.

The Company manages the pace of its capital spending related to drilling operations by continuously monitoring production, commodity prices and resulting cash flows. Should 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 will be collected in an orderly fashion. To the extent that the Company has joint venture partners in its activities it will collect on a monthly basis the partners' share of capital and operating expenses. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Farm-in transactions

The Company has entered into a number of farm-in agreements with third parties to earn interests in additional prospective acreage. At June 30, 2012, the Company's required future commitments are estimated to be \$13.2 million, which are expected to be completed by the end of 2013 and form part of the Company's on-going capital program.

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.

During the start-up and land accumulation phase, 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.

During its operational phases, 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:

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

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 will monitor the cost and associated benefit of these instruments and contracts as well as any debt levels and utilization rates on bank lines, and will utilize 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.

(continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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.

Stock-based compensation

The calculation of stock-based compensation includes estimates for interest rates, forfeiture rates, stock price volatility and the expected timing of exercise of stock options. These estimates can impact net income and contributed surplus.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Future Accounting Pronouncements

On January 1, 2013, the following accounting standards and amendments, issued by the IASB, may become applicable. The Company has yet to assess the impact of these accounting standards and amendments on its consolidated financial statements.

IFRS 9 "Financial Instruments"

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 establishes two primary measurement categories for financial assets and liabilities, which are amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow characteristics of the financial asset.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 establishes a new approach to determining which investees should be consolidated. It was issued by the IASB in May 2011, and will replace IAS 27 *Consolidated and Separate Financial Statements*. IFRS 10 uses control as the single determination for consolidation of an entity.

IFRS 11 "Joint Arrangements"

IFRS 11 will replace IAS 31 *Interest in Joint Ventures* and is a new standard that defines joint operations and joint ventures and how each will be accounted. IFRS 11 requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately consolidated.

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 establishes the required disclosures for interests in joint arrangements and subsidiaries. The new disclosures provide information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in joint arrangements and subsidiaries.

IFRS 13 "Fair Value Measurement"

IFRS 13 replaces the fair value measurement guidance currently dispersed across various IFRS standards with a single definition of fair value measurement when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value, but rather, describes how to measure fair value under IFRS when it is required or permitted.

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 or by email at info@torcoil.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Quarterly Results

<i>(in \$000's of dollars, except per share amounts)</i>	Q2 2012 (1)	Q1 2012 (1)	Q4 2011 (1)	Q3 2011 (1)	Q2 2011 (1)	Q1 2011 (1)	Q4 2010 (1)	Q3 2010 (1)
Petroleum and natural gas sales	5,350	6,557	3,049	220	100	-	-	-
Net loss	(840)	(2,591)	(1,982)	(974)	(1,248)	(463)	(291)	(34)
Per share – basic	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)
Per share – diluted	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)
Funds flow from (used in) operations ⁽²⁾	2,428	3,794	1,731	(336)	(504)	(370)	(357)	(43)
Per share – basic	0.02	0.03	0.01	-	(0.01)	(0.01)	(0.03)	(0.01)
Per share – diluted	0.02	0.03	0.01	-	(0.01)	(0.01)	(0.03)	(0.01)
Net cash from (used in) operating activities ⁽³⁾	2,550	3,060	(396)	422	86	(712)	(50)	(58)
Per share – basic	0.02	0.03	-	-	-	(0.01)	(0.01)	(0.01)
Per share – diluted	0.02	0.03	-	-	-	(0.01)	(0.01)	(0.01)
Total assets	356,919	376,184	368,462	349,853	301,445	180,358	26,789	6,601
Working capital ⁽⁴⁾	13,396	35,089	81,138	116,305	127,261	71,732	6,344	1,191

⁽¹⁾ The diluted number of shares is equivalent to the basic number of shares due to stock options, incentive shares and/or warrants being antidilutive in periods where the Company has a net loss or funds flow used in operations or net cash used in operating activities. Therefore, the diluted per share amounts in these periods are equivalent to the basic per share amounts.

⁽²⁾ Funds flow from operations should not be considered an alternative to, or more meaningful than, net cash used in operating activities as determined in accordance with International Financial Reporting Standards ("IFRS") as an indicator of TORC's performance. Funds flow from operations represents net cash used in operating activities prior to changes in non-cash working capital. TORC also presents funds flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

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

⁽⁴⁾ Net working capital is calculated as current assets less current liabilities and non-current deferred lease incentives.

Since its incorporation on March 23, 2010, the Company has accumulated light oil resource prone acreage, and has begun the delineation of its resource base. This is evidenced by the increase in total assets, comprised largely of land, wells and cash. As the Company commenced production from its resource base, petroleum and natural gas sales also increased, influenced by commodity prices and commodity mix.

Schedule B - 1

SCHEDULE "B"

51-101 FORMS

**REPORT ON RESERVES DATA BY INDEPENDENT
QUALIFIED RESERVES EVALUATOR OR AUDITOR**

AND

**REPORT OF MANAGEMENT AND DIRECTORS ON
RESERVES DATA AND OTHER INFORMATION**

Schedule B - 2

FORM 51-101F2

**REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR
OR AUDITOR**

Form 51-101F2
Report on Reserves Data
by Independent Qualified Reserves Evaluator or Auditor

Report on Reserves Data

To the Board of Directors of TORC Oil & Gas Ltd. (the "Company"):

1. We have evaluated the Company's 2011 drilling activity reserves data as at December 31, 2011. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2011, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook"), prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

Sproule

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us as of December 31, 2011, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's management and Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of Evaluation Report	Location of Reserves (Country)	Net Present Value of Future Net Revenue Before Income Taxes (10% Discount Rate)			
			Audited (M\$)	Evaluated (M\$)	Reviewed (M\$)	Total (M\$)
Sproule	Evaluation of the P&NG Reserves of TORC Oil & Gas Ltd. 2011 Drilling Activity, As of December 31, 2011, prepared December 2011 to March 2012	Canada				
Total			Nil	28,396	Nil	28,396

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are presented in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update the report referred to in paragraph 4 for events and circumstances occurring after its preparation date.
7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Sproule Associates Limited
Calgary, Alberta
March 22, 2012

Original Signed by Robert R. Warholm, P.Eng.

Robert R. Warholm, P.Eng.
Manager, Engineering and Partner

Original Signed by Scott W. Pennell, P.Eng.

Scott W. Pennell, P.Eng.
Manager, New Plays & Technology and Partner

Original Signed by Meghan M. Klein, P.Eng.

Meghan M. Klein, P.Eng.
Petroleum Engineer and Partner

Original Signed by George Strother-Stewart, P.Geol.
on behalf of Ian K. Kirkland, P.Geol.

Ian K. Kirkland, P.Geol.
Senior Petroleum Geologist and Associate

Original Signed by Alec Kovaltchouk, P.Geol.

Alec Kovaltchouk, P.Geol.
Manager, Geoscience and Partner

Original Signed by Harry J. Helwerda, P.Eng., FEC

Harry J. Helwerda, P.Eng., FEC
Executive Vice-President and Director

FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Terms to which a meaning is ascribed in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities have the same meaning herein.

Management of TORC Oil & Gas Ltd. (the "**Corporation**" or "**TORC**") is responsible for the preparation and disclosure of information with respect to TORC's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2011, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated and reviewed TORC's reserves data. The report of the independent qualified reserves evaluator is presented in Schedule "B" to Appendix I of the joint management information circular of Vero Energy Ltd. and TORC Oil & Gas Ltd. dated October 19, 2012 (the "**Circular**")

The Reserves Committee of the Board of Directors of TORC has:

- (a) reviewed TORC's procedures for providing information to the independent qualified reserves evaluator, Sproule Associates Limited ("**Sproule**");
- (b) met with Sproule to determine whether any restrictions affected the ability of Sproule to report without reservation; and
- (c) reviewed the reserves data with management and with Sproule.

The Reserves Committee of the Board of Directors has reviewed TORC's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1, incorporated into the Circular, containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2, which is the report of Sproule on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(signed) "Brett Herman"

Brett Herman, President & Chief Executive Officer

(signed) "Mike Wihak "

Mike Wihak, Vice-President, Operations

(signed) "David Johnson"

David Johnson, Director & Chairman of the Reserves Committee

(signed) "Raymond Chan"

Raymond Chan, Director & Chairman of the Audit Committee

October 19, 2012

SCHEDULE "C"

AUDIT COMMITTEE CHARTER

TORC OIL & GAS LTD.

AUDIT COMMITTEE CHARTER

Role of the Audit Committee

The Audit Committee is a committee of the Board of Directors ("**Board**") of TORC Oil & Gas Ltd. (the "**Corporation**") to which the Board has delegated its fiduciary responsibility for oversight of the material financial risks of the Corporation. Financial risks include risk of: material misstatement in the financial statements or disclosures; and non-compliance with related regulations.

The Audit Committee ("**Committee**") carries out its responsibilities in cooperation with management, external auditors and external advisors on behalf of the Board. Following each meeting of the Committee, the Chairman of the Committee will make a report to the Board.

Composition of the Committee

The Chairman and members of the Committee are appointed by the Board and are required to be financially literate and independent of the Corporation.

- The Audit Committee shall consist of at least three independent directors.
- A director appointed by the Board to the Audit Committee shall be a member of the Audit Committee until replaced by the Board or until his or her resignation.

A director is independent if the director has no direct or indirect material relationship with the Corporation. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of the director's independent judgment. In determining whether a director is independent of management, the Board shall make reference to National Instrument 52-110 – Audit Committees or the then current legislation, rules, policies and instruments of applicable regulatory authorities.

In order to be financially literate, a director must be, at a minimum, able to read and understand financial statements that present a breadth and complexity of accounting issues generally comparable to the breadth and complexity of issues expected to be raised by the Corporation's financial statements.

Authority of the Committee

The Committee shall have complete access to Company personnel and the books and records of the Corporation. The Committee has the authority to engage external advisors if necessary to discharge its responsibilities and has the authority to fix compensation and authorize payment.

Audit Committee Meetings

The Committee carries out its duties through scheduled regular scheduled meetings or special meetings that may be requested by the Board, officers of the Corporation or the external auditor. The schedule, time and location of regular Audit Committee meetings is determined by the Chairman of the Committee and they generally coincide with the timing of the quarterly financial statements, management discussion and analysis, and financial press release.

Notice **and** Conduct of Meetings

- A.** Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee. The auditors shall be given notice of each meeting of the Audit Committee at which financial statements of the Corporation are to be considered and such other meetings as determined by the Chair and shall be entitled to attend each such meeting of the Audit Committee.
- B.** Notice of a meeting of the Audit Committee shall:
 - be in writing;
 - state the nature of the business to be transacted at the meeting in reasonable detail;
 - to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
 - be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.
- C.** A quorum for the transaction of business at a meeting of the Audit Committee shall consist of a majority of the members of the Audit Committee. However, it shall be the practice of the Audit Committee to require review, and, if necessary, approval of certain important matters by all members of the Audit Committee.
- D.** A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
- E.** In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting. In addition, the members of the Audit Committee shall choose one of the persons present to be the Secretary of the meeting.
- F.** The Chairman of the Board, senior management of the Corporation and other parties may attend meetings of the Audit Committee; however the Audit Committee (i) shall meet with the external auditors independent of management as necessary, in the sole discretion of the Committee, but in any event, not less than quarterly; and (ii) may meet separately with management.
- G.** Minutes shall be kept of all meetings of the Audit Committee and shall be signed by the Chair and the Secretary of the meeting.

Responsibilities of the Audit Committee

A. Committee Member Responsibilities

(1) Knowledge of the business, financial and regulatory requirements

Committee members shall have and maintain a sufficient knowledge of company operations and changes in operations including the principal risks, systems and abilities of key personnel involved in financial reporting and disclosure processes to reasonably discharge their duties.

(2) Independence

Audit Committee members have an obligation to remain independent of the affairs of the Corporation and shall disclose any circumstances that create a conflict of interest with role of a Committee member or may appear to create a conflict of interest.

B. Committee Responsibilities

The Audit Committee shall, in the exercise of its powers, authorities and discretion so authorized, conform to any regulations or restrictions that may from time to time be made or imposed upon it by the Board or the legislation, policies or regulations governing the Corporation and its business.

(1) Management Oversight

It is the responsibility of the Audit Committee to satisfy itself on behalf of the Board that management has:

- identified the principal financial, regulatory and fraud risks; and,
- designed and implemented an adequate system of internal controls to mitigate the risks.

(2) Review of the Corporation's Financial Statements & Disclosures

It is the responsibility of the Audit Committee to critically review the financial statements and disclosures of the Corporation and, if deemed appropriate, recommend the financial statements to the Board for approval. This process should also include but not be limited to review of:

- Changes in Accounting Policies
- Significant Management estimates
- Material or unusual transactions
- Material agreements

(3) Review and Approve Significant Matters

It is the responsibility of the Audit Committee to review significant policies and matters that may materially impact financial statements and disclosures including but not limited to the following:

(a) Accounting policies

The Audit Committee shall review the appropriateness of the accounting policies of the Corporation and approve significant policies.

(b) Risk Management

The Audit Committee shall review the risk management policies and procedures of the Corporation (i.e. hedging, litigation, insurance and marketing counterparty credit risk), including the annual review of insurance coverage and make appropriate recommendations to the Board with respect thereto.

(c) Limits of authority

The Audit Committee shall periodically review the manner of delegation and limits of authority that management has implemented throughout the Corporation.

(d) Litigation

The Audit Committee shall review the status of outstanding litigation at each regular Committee meeting.

(4) Accounting Principle Changes

The Audit Committee shall schedule periodic updates on changes in accounting principles, regulations and emerging issues that may be relevant to the Corporation.

(5) External Audit Responsibilities

It is the responsibility of the Audit Committee to oversee the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting. The external auditors shall report directly to the Audit Committee.

(a) Appointment of external auditors

The Audit Committee shall:

- recommend to the Board the appointment of the external auditors;
- review the performance of the external auditors and make recommendations to the Board regarding the replacement or termination of the external auditors when circumstances warrant;
- oversee the independence of the external auditors by, among other things, requiring the external auditors to deliver to the Audit Committee, on a periodic basis, a formal written statement delineating all relationships between the external auditors and the Corporation and its subsidiaries;
- recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors shall report directly to the Committee; and,
- when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.

(b) Annual Audit Plan review

Audit Committee shall review the annual audit plan with the external auditors; monitor progress; and, upon completion of the audit, review their reports on the financial statements of the Corporation and its subsidiaries. The review should consider scope, approach, audit team experience and fees.

(c) Non-Audit Services

The Audit Committee must pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by external auditors. The Audit Committee may delegate, to one or more members, the authority to pre-approve non-audit services, provided that the member report to the Audit Committee at the next scheduled meeting and such pre-approval and the member comply with such other procedures as may be established by the Audit Committee from time to time.

(d) Meet Separately from Management

The Audit Committee shall meet with the external auditors apart from management at each regular meeting to receive assessments relating to audit scope limitations, management cooperation and any issues relating to financial competencies.

(6) Recommendations to Board

The Audit Committee is responsible for reviewing financial statements, disclosures and other significant policies and providing recommendations to the Board. Standing recommendations include:

- Appointment of external auditors
- Approval of financial statements, MD&A and other disclosure documents.
- Significant policies

(7) Complaint System (Whistleblower policy)

The Audit Committee shall establish and maintain procedures for:

- the receipt, retention and treatment of complaints received by the Corporation regarding ethical matters and business practices; and
- the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable ethical matters and business practices.

APPENDIX J

INFORMATION CONCERNING VERO

General

Vero is an Alberta based corporation which has been engaged in the business of acquiring crude oil and natural gas properties and exploring for, developing and producing crude oil and natural gas in western Canada since it began active operations in November of 2005. The business plan of Vero has been to create sustainable and profitable growth in the oil and gas industry in western Canada. To accomplish this, Vero has focused on enhancing its asset base through land acquisition and exploratory and development drilling within its core project areas in Alberta.

Further details concerning Vero, including information with respect to Vero's assets, operations and history, are provided in the Vero AIF and other documents incorporated by reference into this Information Circular. Readers are encouraged to thoroughly review these documents as they contain important information about Vero. See "*Background*" and "*General Development of the Business*" in the Vero AIF.

Vero is a reporting issuer or the equivalent in each of the provinces of Canada, other than Quebec. The head office of Vero is located at Suite 900, 520 – 3rd Avenue S.W., Calgary, Alberta, T2P 0R3 and its registered office is located at Suite 2400, 525 – 8th Avenue S.W., Calgary, Alberta, T2P 1G1.

Significant Acquisitions

There are no acquisitions that Vero has completed within 75 days prior to the date of this Information Circular that is a significant acquisition for the purposes of Part 8 of NI 51-102. In addition, other than the proposed Arrangement, there are no proposed acquisitions that have progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high and would be a significant acquisition for the purposes of Part 8 of NI 51-102 if completed as of the date of this Information Circular.

Documents Incorporated by Reference

Information has been incorporated by reference in this Information Circular from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Interim Chief Financial Officer of Vero at Suite 900, 520 – 3rd Avenue S.W., Calgary, Alberta, T2P 0R3, telephone (403) 218-2063. In addition, copies of the documents incorporated herein by reference may be obtained by accessing the disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

The following documents of Vero filed with the various securities commissions or similar authorities in the provinces of Canada are specifically incorporated by reference into and form an integral part of this Information Circular:

- (a) the Vero AIF;
- (b) the Vero Financial Statements;
- (c) the Vero MD&A;
- (d) the information circular – proxy statement of Vero dated February 7, 2012 relating to the special meeting of shareholders held on March 7, 2012;
- (e) the information circular – proxy statement of Vero dated July 4, 2012 relating to the annual and special meeting of shareholders held on August 8, 2012;

- (f) the material change report of Vero dated January 11, 2012 in respect of the sale of natural gas assets of the Corporation; and
- (g) the material change report of Vero dated September 20, 2012 in respect of the Arrangement.

Any documents of the type required by National Instrument 44-101 – Short Form Prospectus Distributions to be incorporated by reference in a short form prospectus, including any material change reports (excluding confidential reports), comparative interim financial statements, comparative annual financial statements and the auditor's report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms and business acquisition reports filed by Vero with the securities commissions or similar authorities in Canada subsequent to the date of this Information Circular and before the Effective Date, are deemed to be incorporated by reference in this Information Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Information Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Circular. Information contained on or otherwise accessed through Vero's website at www.veroenergy.ca, or any website, other than those documents specifically incorporated by reference herein and filed on SEDAR, does not constitute part of this Information Circular.

Consolidated Capitalization

See "*Pro Forma Information of New TORC After Giving Effect to the Arrangement*" for the consolidated capitalization of Vero as at June 30, 2012 before and after giving effect to the Arrangement.

Description of Vero Share Capital

Vero is authorized to issue an unlimited number of Vero Shares and an unlimited number of first preferred shares, issuable in series. As at October 12, 2012, being the record date for the Vero Meeting, there were 48,992,479 Vero Shares and no preferred shares issued and outstanding.

Holders of Vero Shares are entitled to one vote per share at meetings of shareholders of Vero and are entitled to dividends if, as and when declared by the Vero Board of Directors and, upon liquidation, dissolution or winding up, to receive the remaining property of Vero.

Prior Sales

Vero has not sold or issued any Vero Shares or securities convertible into Vero Shares during the 12 month period prior to the date of this Information Circular other than an aggregate of 2,237,000 Vero Options to acquire an equal number of Vero Shares were granted during this period pursuant to the Vero Option Plan at a weighted average exercise price of \$2.79 per Vero Share.

Price Range and Trading Volume of Vero Shares

The outstanding Vero Shares are listed and posted for trading on the TSX under the symbol "VRO". The following table sets forth the price range and trading volumes for the Vero Shares as reported by the TSX for the periods indicated:

Period	Price Range (\$)		Volume (000)
	High	Low	
2011			
October	3.35	2.08	6,056
November	3.10	2.15	7,753
December	2.30	1.66	4,539
2012			
January	2.92	2.53	21,478
February	3.48	2.80	15,884
March	3.40	2.53	5,400
April	2.78	2.17	5,571
May	2.74	2.07	2,622
June	2.28	1.49	2,732
July	1.97	1.58	2,712
August	2.26	1.71	4,337
September	2.26	1.71	18,394
October (1-18)	2.89	2.48	8,595

Risk Factors

An investment in the Vero Shares is subject to certain risks. Readers should consider carefully the risk factors included elsewhere in this Information Circular and as described under "Risk Factors" in the Vero AIF which are incorporated into and form part of this Information Circular. All statements regarding Vero's business should be viewed in light of these risk factors. Readers should consider carefully whether an investment in the Vero Shares is suitable for them in the light of the information set forth in this Information Circular and in the documents incorporated by reference. Such information does not purport to be an exhaustive list. If any of the identified risks were to materialize, Vero's business, financial position, results and/or future operations may be materially affected. Additional risks and uncertainties not presently known to Vero, or which Vero currently deems immaterial, may also have an adverse effect upon Vero. **Readers should carefully review and consider all other information contained in this Information Circular and in the documents incorporated by reference before making an investment decision and consult their own professional advisors where necessary.**

Auditor, Transfer Agent and Registrar

The auditor of Vero is PricewaterhouseCoopers LLP, Chartered Accountants, Suite 3100, 111 – 5th Avenue S.W., Calgary, AB T2P 5L3. Computershare Trust Company of Canada, at its principal offices in Calgary, Alberta and Toronto, Ontario is the transfer agent and registrar of the Vero Shares.

Additional Information

Additional information relating to Vero is available on SEDAR at www.sedar.com. Financial information concerning Vero is provided in its financial statements for the year ended December 31, 2011 and the three and six months ended June 30, 2012, along with the accompanying management's discussion and analysis, all of which are incorporated herein and can be accessed on SEDAR.

APPENDIX K

TORC STOCK OPTION PLAN

TORC OIL & GAS LTD.

STOCK OPTION PLAN

ARTICLE 1 - PURPOSE OF THE PLAN

The purpose of the Plan is to provide certain Eligible Participants with an opportunity to purchase Common Shares and to benefit from the appreciation thereof. This will provide an increased incentive for Eligible Participants to contribute to the future success and prosperity of the Corporation, thus enhancing the value of the Common Shares for the benefit of all the shareholders and increasing the ability of the Corporation and its Subsidiaries to attract and retain individuals of exceptional skill.

ARTICLE 2 - DEFINED TERMS

Where used herein, the following terms shall have the following meanings:

- (a) **"Board"** means the board of directors of the Corporation;
- (b) **"Common Shares"** means the class "A" common shares of the Corporation or, in the event of an adjustment contemplated by Article 6 hereof; such other shares to which a Participant may be entitled upon the exercise of an Option as a result of such adjustment;
- (c) **"Change of Control"** means any of the following:
 - (i) the sale by the Corporation of all of the assets of the Corporation or substantially all of the assets of the Corporation;
 - (ii) the acquisition by any Person (whether from the Corporation or from any other Person) of Common Shares or other securities of the Corporation having rights of purchase, conversion or exchange into Common Shares which together with securities of the Corporation held by such Person, together with Persons acting jointly or in concert (as those terms are defined by the *Securities Act* (Alberta)) with such Person, exceeds 51% of the issued and outstanding Common Shares, (assuming, for either test, the purchase, conversion or exchange of such other securities, whether then purchasable, convertible or exchangeable or not, into the highest number of Common Shares, such Person or Persons would be entitled to);
 - (iii) the amalgamation or merger of the Corporation with or into any one or more other corporations (other than: (a) an amalgamation or merger of the Corporation with or into a subsidiary (as such term is defined in the Alberta Business Corporations Act) of the Corporation; or (b) an amalgamation or merger of the Corporation unanimously recommended by the Board of Directors provided that the former holders of Common Shares receive, in the aggregate and in their capacities as such, shares of the amalgamated or merged Corporation having attached thereto not less than 51% of the votes attached to all shares of such amalgamated or merged Corporation);
 - (iv) the election at a meeting of the Corporation's shareholders of that number of persons which would represent a majority of the Board of Directors as directors of the Corporation, who are not included in the slate for election as directors proposed to the Corporation's shareholders by management of the Corporation;

- (v) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in subsections (i), (ii), (iii) or (iv) referred to above; or
 - (vi) a determination by the Board of Directors that there has been a change, whether by way of a change in the holding of the Common Shares, in the ownership of the Corporation's assets or by any other means, as a result of which any person or group of persons acting jointly or in concert is in a position to exercise effective control of the Corporation.
- (d) **"Corporation"** means TORC Oil & Gas Ltd. and includes any successor corporation thereof;
 - (e) **"Eligible Participants"** means the directors, officers, employees and consultants of the Corporation and its Subsidiaries;
 - (f) **"Exchange"** means the Toronto Stock Exchange or, if the Common Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange in Canada on which such shares are listed and posted for trading as may be selected for such purpose by the Board;
 - (g) **"Insider"** has the meaning ascribed thereto in the Toronto Stock Exchange Company Manual;
 - (h) **"Market Price per Share"** shall mean the volume weighted average trading price per share for the Common Shares on the Exchange for the five (5) consecutive trading days ending on the last trading day preceding the date that the applicable Option is granted;
 - (i) **"Option"** means an option to purchase Common Shares granted by the Board to certain Eligible Participants of the Corporation and its Subsidiaries, subject to the provisions contained herein;
 - (j) **"Option Price"** means the price per share at which Common Shares may be purchased under the Option, as the same may be adjusted in accordance with Article 4 and Article 6 hereof;
 - (k) **"Participants"** means certain Eligible Participants to whom Options are granted and which Options or a portion thereof remain unexercised;
 - (l) **"Plan"** means this Stock Option Plan of the Corporation, as the same may be amended or varied from time to time;
 - (m) **"Subsidiaries"** means any corporation that is a subsidiary of the Corporation, as such term is defined under subsection 2(4) of the *Business Corporations Act* (Alberta), as such provision is from time to time amended, varied or re-enacted; and
 - (n) **"Take-over Proposal"** means (i) any proposal or offer by a third person, whether or not subject to a due diligence condition and whether or not in writing, to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 50% of the Corporation's outstanding voting shares whether by way of arrangement, amalgamation, merger, consolidation or other business combination, including any single or multi-step transaction or series of related transactions that is structured to permit such third person to acquire in any manner, directly or indirectly, more than 50% of its outstanding voting shares, or (ii) any proposal, offer or agreement for a merger,

consolidation, amalgamation, arrangement, recapitalization, liquidation, dissolution or similar transaction or other business combination involving the Corporation.

ARTICLE 3 - ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Board. The Corporation shall effect the grant of Options under the Plan, in accordance with determinations made by the Board pursuant to the provisions of the Plan as to:

- (a) the Eligible Participants to whom Options will be granted; and
- (b) the number of Common Shares that shall be the subject of each Option;

by the execution and delivery of instruments in writing in the form approved by the Board.

The Board may, from time to time, adopt such rules and regulations for administering the Plan as it may deem proper and in the best interests of the Corporation. The Board may, subject to applicable law, pass a resolution delegating its powers hereunder to administer the Plan to a committee of the Board.

ARTICLE 4 - GRANTING OF OPTIONS

The Board from time to time shall grant Options to certain Eligible Participants. The grant of Options will be subject to the conditions contained herein and may be subject to additional conditions determined by the Board from time to time.

The aggregate number of Common Shares that may be reserved for issuance under the Plan together with any Common Shares reserved for issuance under any other share compensation arrangement implemented by the Corporation shall be equal to 10% of the number of Common Shares, on a non-diluted basis, outstanding at that time. This prescribed maximum may be subsequently increased to any other specified amount, provided the change is authorized by a vote of the shareholders of the Corporation. If any Options granted under this Plan shall expire, terminate or be cancelled for any reason without having been exercised in full, any unpurchased Common Shares to which such Options relate shall be available for the purposes of the granting of further Options under this Plan. No fractional shares may be purchased or issued hereunder.

Any grant of Options under the Plan shall be subject to the following restrictions:

- (a) the aggregate number of Common Shares reserved for issuance pursuant to Options granted to any one person, when combined with any other share compensation arrangement, may not exceed 5% of the outstanding Common Shares (on a non-diluted basis);
- (b) the aggregate number of Common Shares reserved for issuance pursuant to Options granted to Insiders pursuant to the Plan, when combined with any other share compensation arrangement, may not exceed 10% of the outstanding Common Shares (on a non-diluted basis);
- (c) the aggregate number of Common Shares reserved for issuance pursuant to Options granted to the independent directors of the Corporation, when combined with any other share compensation arrangement, may not exceed 1% of the outstanding Common Shares (on a non-diluted basis);
- (d) the aggregate number of Common Shares issued within any one year period to Insiders pursuant to Options, when combined with any other share compensation arrangement, may not exceed 10% of the outstanding Common Shares (on a non-diluted basis).

The aforementioned limits of Common Shares reserved for issuance may be formulated on a diluted basis with the consent of the Exchange.

The Option Price shall be fixed by the Board but under no circumstances shall any Option Price at the time of the grant be lower than the Market Price per Share. The Option Price as calculated above is intended to be the fair market value of the Common Shares at the date of grant and, subject to the approval of the Board, the Exchange and the shareholders of the Corporation (where required), the Option Price may be adjusted if necessary to achieve that result.

An Option must be exercised within a period of five years from the date of the granting of the Option. The vesting period or periods within this five year period during which an Option or a portion thereof may be exercised by a Participant shall be determined by the Board. Further, the Board may, in its sole discretion at any time or in the Option agreement in respect of any Options granted, accelerate or provide for the acceleration of, vesting of Options previously granted.

ARTICLE 5 - EXERCISE OR DISPOSITION OF OPTIONS

Subject to the provisions of the Plan and the terms of the granting of the Option, an Option or a portion thereof may be exercised from time to time by delivery to the Corporation's principal office in Calgary, Alberta of a notice in writing signed by the Participant or the Participant's legal personal representative and addressed to the Corporation. This notice shall state the intention of the Participant or the Participant's legal personal representative to exercise the said Option or a portion thereof; the number of Common Shares in respect of which the Option is then being exercised and shall be accompanied by payment in full of the Option Price for the Common Shares which are the subject of the exercise. Alternatively, a Participant may offer to dispose of his or her vested, unexercised Options or any of them to the Corporation for cash in an amount not to exceed the fair market value thereof and the Corporation has the right, but not the obligation, to accept the Participant's offer. The Participant shall make an offer to dispose of his or her Options by providing a written notice to the Corporation at its head office in Calgary, Alberta or such other place as may be specified by the Corporation, specifying the number of vested and unexercised options the Participant is proposing to dispose of.

ARTICLE 6 - ADJUSTMENTS IN SHARES

Appropriate adjustments in the number of Common Shares subject to the Plan and, as regards Options granted or to be granted, in the number of Common Shares optioned and in the Option Price, shall be made by the Board to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations or reclassifications of the Common Shares, the payment of stock dividends by the Corporation (other than dividends in the ordinary course) or other relevant changes in the authorized or issued capital of the Corporation, which changes occur subsequent to the approval of the Plan by the Board.

Options granted to Participants hereunder are non-assignable unless the prior written consent of the Corporation and the Exchange has been obtained and, except in the case of the death of a Participant (which is provided for in Article 8), are exercisable only by the Participant to whom the Options have been granted.

ARTICLE 7 - DECISIONS OF THE BOARD

All decisions and interpretations of the Board respecting the Plan or Options granted thereunder shall be conclusive and binding on the Corporation and the Participants and their respective legal personal representatives and on all Eligible Participants under the provisions of the Plan.

ARTICLE 8 - TERMINATION OF EMPLOYMENT/DEATH

In the event of the Participant ceasing to be a director, officer, employee or consultant of the Corporation or a Subsidiary for any reason other than death (including the resignation or retirement of the Participant as a

director, officer or employee of the Corporation or the termination by the Corporation of the employment of the Participant or the termination by the Corporation or the Participant of the consulting arrangement with the Participant), Options held by such Participant shall cease and terminate on the earlier of:

- (a) the expiry time of such Option, and
- (b) the thirtieth (30th) day following:
 - (i) the effective date of such resignation or retirement,
 - (ii) the date notice of termination of employment is given by the Corporation, or
 - (iii) the date notice of termination of the consulting arrangement is given by the Corporation or the Participant, as the case may be,

and thereafter shall be of no further force or effect whatsoever as to the Common Shares in respect of which such Option has not previously been exercised. In no circumstances shall the operation of this Article extend the expiry date of such Option beyond the five year period prescribed by Article 4. Notwithstanding the foregoing, in the event of termination for cause, such Option shall cease and terminate immediately upon the date notice of termination of employment for cause is given by the Corporation and shall be of no further force or effect whatsoever as to the Common Shares in respect of which an Option has not previously been exercised.

In the event of the death of a Participant on or prior to the expiry time of an Option, such Option may be exercised as to such of the Common Shares in respect of which such Option has not previously been exercised (and as the Participant would have been entitled to purchase), by the legal personal representatives of the Participant at any time up to and including (but not after) the earlier of the date that is six (6) months following the date of death of the Participant and the expiry time of such Option.

The Plan does not confer upon a Participant any right with respect to continuation of employment by the Corporation or any of its Subsidiaries, nor does it interfere in any way with the right of the Participant or the Corporation to terminate the Participant's employment at any time.

Options shall not be affected by any change of employment of the Participant where the Participant continues to be employed by the Corporation or any of its Subsidiaries.

ARTICLE 9 - CHANGE OF CONTROL

In the event of a Change of Control is contemplated or has occurred, all Options which have not otherwise vested in accordance with their terms shall vest and be exercisable at such time as is determined by the Board, notwithstanding the other terms of the Options, for a period of time ending on the earlier of the expiry time of the Option and the thirtieth (30th) day following the Change of Control.

If approved by the Board, Options may provide that, whenever the Corporation's shareholders receive a Take-over Proposal, such Option may be exercised as to all or any of the Common Shares in respect of which such Option has not previously been exercised (including in respect of Common Shares not otherwise vested at such time) by the Participant (the "Take-over Acceleration Right"). The Take-over Acceleration Right shall commence at such time as is determined by the Board, provided that, if the Board approves the Take-over Acceleration Right but does not determine commencement and termination dates regarding same, the Take-over Acceleration Right shall commence on the date of the Take-over Proposal and end on the earlier of the expiry time of the Option and the tenth (10th) day following the expiry date of the Take-over Proposal. Notwithstanding the foregoing, the Take-over Acceleration Right may be extended for such longer period as the Board may resolve.

If the Participant elects to exercise its option to purchase Common Shares following the merger or consolidation of the Corporation with any other corporation, whether by amalgamation, plan of arrangement or otherwise, the Participant shall be entitled to receive, and shall accept, in lieu of the number of Common Shares of the Corporation to which he was theretofore entitled upon such exercise, the kind and amount of shares and other securities or property which such holder could have been entitled to receive as a result of such merger or consolidation if, on the effective date thereof, he had been the registered holder of the number of Common Shares of the Corporation to which he was theretofore entitled to purchase upon exercise.

ARTICLE 10 - AMENDMENT OR DISCONTINUANCE OF PLAN

The Board may amend the Plan and any securities granted thereunder in any manner, or discontinue it at any time, without the approval of the holders of a majority of the Common Shares, provided that:

- (a) the consent of the applicable Participants must be obtained for any amendment that would adversely affect any outstanding Options;
- (b) the approval of the holders of a majority of the Common Shares present and voting in person or by proxy at a meeting of holders of Common Shares must be obtained for any amendment that would have the effect of:
 - (i) increasing the maximum percentage of Common Shares that may be reserved for issuance under the Plan;
 - (ii) increasing the maximum percentage of Common Shares that may be reserved for issuance under the Plan to non-employee directors, Insiders or any one person;
 - (iii) increasing the maximum percentage of Common Shares that may be issued under the Plan within any one year period to Insiders;
 - (iv) changing the amendment provisions of the Plan;
 - (v) changing the terms of any Options held by Insiders;
 - (vi) reducing the Option Price of any outstanding Option (including the reissue of an Option within 90 days of cancellation which constitutes a reduction in the Option Price);
 - (vii) amending the definition of Participants to expand the categories of individuals eligible for participation in the Plan;
 - (viii) extending the expiry date of an outstanding Option or amending the Plan to allow for the grant of an Option with an expiry date of more than five (5) years from the grant date; or
 - (ix) amending Article 6 to permit the transferability of Options, except to permit a transfer to a family member, an entity controlled by the Participant, a charity or for estate planning or estate settlement purposes.

ARTICLE 11 – EXTENSION OF EXPIRY TIME DURING BLACKOUT PERIODS

Notwithstanding the provisions contained herein for the expiry of Options, in the event that the expiry date of an Option falls during or within two business days following the end of a black out period that is self

imposed by the Corporation pursuant to its policies (a “Black Out Period”), the expiry date of such Option shall be extended for a period of ten (10) business days following the end of the Black Out Period.

ARTICLE 12 - GOVERNMENT REGULATION

The Corporation’s obligation to issue and deliver Common Shares under any Option is subject to:

- (a) the satisfaction of all requirements under applicable securities laws in respect thereof and obtaining all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Common Shares to listing on any stock exchange on which such Common Shares may then be listed; and
- (c) the receipt from the Participant of such representations, warranties, agreements and undertakings as to future dealings in such Common Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection, the Corporation shall take all reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Common Shares in compliance with applicable securities laws and for the listing of such Common Shares on any stock exchange on which such Common Shares are then listed.

ARTICLE 13 - PARTICIPANTS’ RIGHTS

A Participant shall not have any rights as a shareholder of the Corporation until the issuance of a certificate for Common Shares-upon the exercise of an Option or a portion thereof; and then only with respect to the Common Shares represented by such certificate or certificates.

ARTICLE 14 – WITHHOLDINGS

If the Corporation is required under the *Income Tax Act* (Canada) or any other applicable law to remit to any governmental authority an amount on account of tax on the value of any taxable benefit associated with the exercise or disposition of Options by a Participant, then the Participant shall, concurrently with the exercise or disposition:

- (a) pay to the Corporation, in addition to the exercise price for the Options, if applicable, sufficient cash as is determined by the Corporation to be the amount necessary to fund the required tax remittance;
- (b) authorize the Corporation, on behalf of the Participant, to sell in the market on such terms and at such time or times as the Corporation determines such portion of the Common Shares being issued upon exercise of the Options as is required to realize cash proceeds in the amount necessary to fund the required tax remittance; or
- (c) make other arrangements acceptable to the Corporation to fund the required tax remittance.

ARTICLE 15 – APPROVALS

The Plan shall be subject to:

- (a) the approval of the shareholders of the Corporation; and

- (b) acceptance by the Exchange.

Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless such approval and acceptance is given.

ARTICLE 16 – OPTION AGREEMENT

The Option agreement between the Corporation and each Participant to whom an Option is granted hereunder will be in writing and will set out the number of Common Shares subject to option, the Option Price, the vesting dates, the expiry date and any other terms approved by the Board, all in accordance with the provisions of this Plan. The agreement will be in such form as the Board may from time to time approve or authorize the officers of the Corporation to enter into and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options in the income tax or other laws in force in any country or jurisdiction of which the person to whom the Option is granted may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.

ARTICLE 17 – PLAN HISTORY

March 15, 2011	Approved by the Board of Directors
October 18, 2012	Amendment approved by the Board of Directors

APPENDIX L

TORC STOCK INCENTIVE PLAN

TORC OIL & GAS LTD.

STOCK INCENTIVE PLAN

ARTICLE 1 - PURPOSE OF THE PLAN

The purpose of the Plan is to provide the directors, officers, employees and consultants of the Corporation with incentive bonus compensation in the form of Common Shares issuable after defined vesting periods. This will provide an increased incentive for such individuals to contribute to the future success and prosperity of the Corporation, thus enhancing the value of the Common Shares for the benefit of all the shareholders and increasing the ability of the Corporation and its Subsidiaries to attract and retain individuals of exceptional skill.

ARTICLE 2 - DEFINED TERMS

Where used herein, the following terms shall have the following meanings:

- (a) **"Board"** means the board of directors of the Corporation;
- (b) **"Common Shares"** means the class "A" common shares of the Corporation or, in the event of an adjustment contemplated by Article 6 hereof, such other shares to which a Participant may be entitled upon the exercise of an Incentive as a result of such adjustment;
- (c) **"Change of Control"** means any of the following:
 - (i) the sale by the Corporation of all of the assets of the Corporation or substantially all of the assets of the Corporation;
 - (ii) the acquisition by any Person (whether from the Corporation or from any other Person) of Common Shares or other securities of the Corporation having rights of purchase, conversion or exchange into Common Shares which together with securities of the Corporation held by such Person, together with Persons acting jointly or in concert (as those terms are defined by the *Securities Act* (Alberta)) with such Person, exceeds 51% of the issued and outstanding Common Shares, (assuming, for either test, the purchase, conversion or exchange of such other securities, whether then purchasable, convertible or exchangeable or not, into the highest number of Common Shares, such Person or Persons would be entitled to);
 - (iii) the amalgamation or merger of the Corporation with or into any one or more other corporations (other than: (a) an amalgamation or merger of the Corporation with or into a subsidiary (as such term is defined in the Alberta Business Corporations Act) of the Corporation; or (b) an amalgamation or merger of the Corporation unanimously recommended by the Board of Directors provided that the former holders of Common Shares receive, in the aggregate and in their capacities as such, shares of the amalgamated or merged corporation having attached thereto not less than 51% of the votes attached to all shares of such amalgamated or merged corporation);
 - (iv) the election at a meeting of the Corporation's shareholders of that number of persons which would represent a majority of the Board of Directors as directors of the Corporation, who are not included in the slate for election as directors proposed to the Corporation's shareholders by management of the Corporation;

- (v) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in subsections (i), (ii), (iii) or (iv) referred to above; or
 - (vi) a determination by the Board of Directors that there has been a change, whether by way of a change in the holding of the Common Shares, in the ownership of the Corporation's assets or by any other means, as a result of which any person or group of persons acting jointly or in concert is in a position to exercise effective control of the Corporation.
- (d) **"Corporation"** means TORC Oil & Gas Ltd. and includes any successor corporation thereof;
 - (e) **"Exchange"** means the Toronto Stock Exchange or, if the Common Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange in Canada on which such shares are listed and posted for trading as may be selected for such purpose by the Board;
 - (f) **"Grant Date"** means the date upon which an Incentive is granted pursuant to the terms of the Plan;
 - (g) **"Incentive"** means a stock incentive granted pursuant to Article 4 of this Plan;
 - (h) **"Insider"** has the meaning ascribed thereto in the Toronto Stock Exchange Company Manual;
 - (i) **"Participants"** means the directors, officers, employees and consultants of the Corporation and its Subsidiaries;
 - (j) **"Plan"** means this stock incentive plan of the Corporation, as the same may be amended or varied from time to time;
 - (k) **"Subsidiaries"** means any corporation that is a subsidiary of the Corporation, as such term is defined under subsection 2(4) of the *Business Corporations Act* (Alberta), as such provision is from time to time amended, varied or re-enacted; and
 - (l) **"Take-over Proposal"** means (i) any proposal or offer by a third person, whether or not subject to a due diligence condition and whether or not in writing, to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 50% of the Corporation's outstanding voting shares whether by way of arrangement, amalgamation, merger, consolidation or other business combination, including any single or multi-step transaction or series of related transactions that is structured to permit such third person to acquire in any manner, directly or indirectly, more than 50% of its outstanding voting shares, or (ii) any proposal, offer or agreement for a merger, consolidation, amalgamation, arrangement, recapitalization, liquidation, dissolution, reorganization into a royalty trust or income fund or similar transaction or other business combination involving the Corporation.

ARTICLE 3 - ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Board. The Board may, from time to time, adopt such rules and regulations for administering the Plan as it may deem proper and in the best interests of the Corporation. The Board may, subject to applicable law, pass a resolution delegating its powers hereunder to administer the Plan to a committee of the Board.

ARTICLE 4 - GRANTING OF INCENTIVES

The Board from time to time may grant Incentives to such Participants as it chooses and, subject to the restrictions herein, in such numbers as it chooses. The grant of Incentives will be subject to the conditions contained herein and may be subject to additional conditions determined by the Board from time to time. Any grants of an Incentive shall be reflected in an agreement between the Corporation and the applicable Participant, such agreement to be in such form as the Board may from time to time approve or authorize.

The aggregate number of Common Shares that may be reserved for issuance pursuant to Incentives granted under the Plan together with any Common Shares reserved for issuance under any other share compensation arrangement implemented by the Corporation shall be equal to 10% of the number of Common Shares, on a non-diluted basis, outstanding at that time. This prescribed maximum may be subsequently increased to any other specified amount, provided the change is authorized by a vote of the shareholders of the Corporation. No fractional shares may be purchased or issued hereunder.

Any grant of Incentives under the Plan shall be subject to the following restrictions:

- (a) the aggregate number of Common Shares reserved for issuance pursuant to Incentives granted to any one person, when combined with any other share compensation arrangement, may not exceed 5% of the outstanding Common Shares (on a non-diluted basis);
- (b) the aggregate number of Common Shares reserved for issuance pursuant to Incentives granted to Insiders pursuant to the Plan, when combined with any other share compensation arrangement, may not exceed 10% of the outstanding Common Shares (on a non-diluted basis);
- (c) the aggregate number of Common Shares reserved for issuance pursuant to Incentives granted to the independent directors of the Corporation pursuant to the Plan, when combined with any other share compensation arrangement, may not exceed 1% of the outstanding Common Shares (on a non-diluted basis); and
- (d) the aggregate number of Common Shares issued within any one year period to Insiders pursuant to Incentives, when combined with any other share compensation arrangement, may not exceed 10% of the outstanding Common Shares (on a non-diluted basis).

The aforementioned limits of Common Shares reserved for issuance may be formulated on a diluted basis with the consent of the Exchange.

ARTICLE 5 – VESTING AND REDEMPTION OF INCENTIVES

Subject to earlier vesting in accordance with the terms of this Plan, Incentives granted hereunder shall vest as to 33 ⅓% on each of the first, second and third anniversaries of the Grant Date, or such other vesting scheduled as determined by the Board on the Grant Date.

In the event a Change of Control is contemplated or has occurred, all Incentives which have not otherwise vested in accordance with their terms shall vest upon the occurrence of the Change of Control or such earlier or later time as is determined by the Board.

Further, the Board may, in its sole discretion at any time, and without restricting the generality of the foregoing, including upon receipt of a Take-over Proposal, accelerate or provide for the acceleration of, the vesting of Incentives previously granted.

Upon the vesting of an Incentive, the Participant shall be deemed to have redeemed such Incentive in exchange for one Common Share, subject to adjustment in accordance with the terms of this Plan, without

the payment of any additional consideration. After redemption, an Incentive shall be of no further force or effect whatsoever.

If Incentives to acquire Common Shares vest following the merger or consolidation of the Corporation with any other corporation, whether by amalgamation, plan of arrangement or otherwise, and provided that the Board does not elect to vest such Incentives immediately upon the occurrence of a Change of Control, then the Participant shall be entitled to receive, and shall accept, in lieu of the number of Common Shares of the Corporation to which he was theretofore entitled upon the vesting of such Incentives, the kind and amount of shares and other securities or property which such holder could have been entitled to receive as a result of such merger or consolidation if, on the effective date thereof, he had been the registered holder of the number of Common Shares of the Corporation to which he was theretofore entitled to acquire upon the vesting of such Incentives.

A Participant may offer to dispose of his or her unvested Incentives or any of them to the Corporation for cash in an amount not to exceed the fair market value thereof and the Corporation has the right, but not the obligation, to accept the Participant's offer. The Participant shall make an offer to dispose of his or her Incentives by providing a written notice to the Corporation at its head office in Calgary, Alberta or such other place as may be specified by the Corporation, specifying the number of unvested Incentives the Participant is proposing to dispose of. For the purposes of this Article, the fair market value of any unvested Incentives shall be determined by the Board, but shall not, in any event, exceed the five day weighted average trading price of the Common Shares as of the date of the notice provided by the Participant to the Corporation hereunder.

ARTICLE 6 - ADJUSTMENTS IN SHARES

Appropriate adjustments in the number of Common Shares issuable upon the vesting of an Incentive shall be made by the Board to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations or reclassifications of the Common Shares, the payment of stock dividends by the Corporation (other than dividends in the ordinary course) or other relevant changes in the authorized or issued capital of the Corporation, which changes occur subsequent to the approval of the Plan by the Board.

Incentives granted to Participants hereunder are non-assignable unless the prior written consent of the Corporation and the Exchange has been obtained.

ARTICLE 7 - DECISIONS OF THE BOARD

All decisions and interpretations of the Board respecting the Plan or Incentives granted thereunder shall be conclusive and binding on the Corporation and the Participants and their respective legal personal representatives, including without limitation, determinations with respect to vesting pursuant to Article 5.

ARTICLE 8 - TERMINATION OF EMPLOYMENT/DEATH

In the event of the resignation, retirement or death of a Participant, or the termination of the employment of a Participant, whether with or without cause or reasonable notice, prior to the vesting of an Incentive, such Incentive shall immediately cease and terminate and thereafter shall be of no further force or effect whatsoever.

The Plan does not confer upon a Participant any right with respect to continuation of employment by the Corporation or any of its Subsidiaries, nor does it interfere in any way with the right of the Participant or the Corporation to terminate the Participant's employment at any time.

Incentives shall not be affected by any change of employment of the Participant where the Participant continues to be employed by the Corporation or any of its Subsidiaries.

ARTICLE 9 - AMENDMENT OR DISCONTINUANCE OF PLAN

The Board may amend the Plan or any Incentive outstanding under the Plan in any manner or discontinue it at any time without the approval of the holders of the Common Shares, except that: (i) the consent of the applicable Participants must be obtained for any amendment that would adversely affect any outstanding Incentives and (ii) the approval of the holders of the Common Shares of the Corporation must be obtained for any amendment that would have the effect of increasing the maximum percentage of Common Shares that may be reserved for issuance under the Plan, increasing the maximum percentage of Common Shares that may be issued under the Plan within any one year period to Insiders, changing the amendment provisions of the Plan, changing the terms of any Incentives held by Insiders, amending the definition of Participants to expand the categories of individuals eligible for participation in the Plan.

ARTICLE 10 - GOVERNMENT REGULATION

The Corporation's obligation to issue and deliver Common Shares under any Incentive is subject to:

- (a) the satisfaction of all requirements under applicable securities laws in respect thereof and obtaining all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Common Shares to listing on any stock exchange on which such Common Shares may then be listed; and
- (c) the receipt from the Participant of such representations, warranties, agreements and undertakings as to future dealings in such Common Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection, the Corporation shall take all reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Common Shares in compliance with applicable securities laws and for the listing of such Common Shares on any stock exchange on which such Common Shares are then listed.

ARTICLE 11 - PARTICIPANTS' RIGHTS

A Participant shall not have any rights as a shareholder of the Corporation until the issuance of a certificate for Common Shares upon the redemption of an Incentive and then only with respect to the Common Shares represented by such certificate or certificates.

ARTICLE 12 – WITHHOLDINGS

If the Corporation is required under the *Income Tax Act* (Canada) or any other applicable law to remit to any governmental authority an amount on account of tax on the value of any taxable benefit associated with the redemption or disposition of Incentives by a Participant, then the Participant shall, concurrently with the redemption or disposition:

- (a) pay to the Corporation, if applicable, sufficient cash as is determined by the Corporation to be the amount necessary to fund the required tax remittance;
- (b) authorize the Corporation, on behalf of the Participant, to sell in the market on such terms and at such time or times as the Corporation determines such portion of the Common Shares being issued upon redemption of the Incentives as is required to realize cash proceeds in the amount necessary to fund the required tax remittance; or
- (c) make other arrangements acceptable to the Corporation to fund the required tax remittance.

ARTICLE 13 – APPROVALS

The Plan shall be subject to:

- (a) the approval of the shareholders of the Corporation; and
- (b) acceptance by the Exchange.

Any Incentives granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Incentives may vest and be redeemed unless such approval and acceptance is given.