



ANNUAL INFORMATION FORM

For the Year Ended December 31, 2009

Dated March 29, 2010

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ABBREVIATIONS AND CONVERSION

In this Annual Information Form, the following abbreviations have the meanings set forth below.

Oil and Natural Gas Liquids

bbl	barrel
Mbbl	thousand barrels
bbl/d	barrel per day
NGLs	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMBtu	million British Thermal Units
Bcf	billion cubic feet

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. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 1 BOE for 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead
BOE/d	barrel of oil equivalent per day
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

Conversions

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units)

<u>To convert from</u>	<u>To</u>	<u>Multiply by</u>
Mcf	1,000 cubic metres of gas	0.028
1,000 cubic metres of gas	Mcf	35.493
bbl	cubic metres of oil	0.158
cubic metres of oil	bbl	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

DEFINITIONS

In this Annual Information Form, the following words and phrases have the meanings set forth below, unless otherwise indicated.

"**ABCA**" means the *Business Corporations Act* (Alberta), together with any or all regulations promulgated thereunder, as amended from time to time.

"**ABCP**" means asset backed commercial papers.

"**Acquired Assets**" means collectively, the Minor Assets and the PRA Assets.

"**associated gas**" means the gas cap overlying a crude oil accumulation in a reservoir.

"**Board**" means the board of directors of the Company.

"**CBM**" means coalbed methane.

"**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 (Petroleum Society), as amended from time to time.

"**Company**" or "**Cequence**" means Cequence Energy Ltd.

"**COP 15**" means the United Nation's Framework Convention on Climate Change 15th session of the Conference of Parties.

"**crude oil**" or "**oil**" as described in the COGE Handbook means a mixture consisting mainly of pentanes and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbons but does not include liquids obtained from the processing of natural gas.

"**development costs**" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and 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 and acquiring 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 the 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 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.

"**exploratory well**" means a well that is not a development well, a service well or a stratigraphic test well.

"**Framework**" means the 'Regulatory Framework for Air Emissions' paper released by the Government of Canada on April 26, 2007.

"**Federal Plan**" means the Framework as amended by the Update.

"**field**" means a defined geographical area consisting of one or more pools.

"**forecast prices and costs**" means future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future;
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Company is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

"**future income tax expenses**" means future income tax expenses estimated (generally, year-by-year):

- (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;
- (b) without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income;
- (c) taking into account estimated tax credits and allowances (for example, royalty tax credits); and
- (d) applying to the future pre-tax net cash flows relating to the reporting issuer's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.

"**future net revenue**" means the estimated net amount to be received with respect to the development and production of reserves (including synthetic oil, CBM and other non-conventional reserves) estimated using forecast prices and costs.

"**GHG emissions**" means, collectively, carbon dioxide, methane, nitrous oxide and other emissions.

"**GLJ**" means GLJ Petroleum Consultants Ltd.

"**GLJ Report**" means the independent engineering evaluation of the oil and natural gas reserves attributable to the properties of the Company prepared by GLJ dated March 4, 2010 and effective December 31, 2009.

"**gross**" means:

- (a) in relation to the Company'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 Company;
- (b) in relation to wells, the total number of wells in which the Company has an interest; and
- (c) in relation to properties, the total area of properties in which the Company has an interest.

"**HFG**" means HFG Holdings Inc.

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

"**Minor Assets**" means the oil and gas producing properties located in the Gordondale area of Northwest Alberta acquired by Cequence effective August 1, 2009.

"**NAFTA**" means the North American Free Trade Agreement among the Governments of Canada, the U.S. and Mexico.

"**natural gas**" as described in the COGE Handbook means a mixture of lighter hydrocarbons that exist either in the gaseous phase or in solution in crude oil in reservoirs but are gaseous at atmospheric conditions. Natural gas may contain sulphur or other non-hydrocarbon compounds.

"**natural gas liquids**" of "**NGLs**" as described in the COGE Handbook means those hydrocarbon components that can be recovered from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of non-hydrocarbons.

"**NEB**" means the National Energy Board.

"**net**" means

- (a) in relation to the Company'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 the Company's interest in wells, the number of wells obtained by aggregating the Company's working interest in each of its gross wells; and
- (c) in relation to the Company's interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company.

"**NI 51-101**" means National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities*.

"**non-associated gas**" means an accumulation of natural gas in a reservoir where there is no crude oil.

"**Non-Voting Shares**" means the non-voting shares in the capital of the Company.

"**OPEC**" means the Organization of Petroleum Exporting Countries.

"**operating costs**" or "**production costs**" means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities.

"**Option**" means an option to acquire a Share pursuant to the Stock Option Plan of the Company.

"**Performance Warrants**" means warrants to acquire Non-Voting Shares at a price of \$0.47 per Non-Voting Share and exercisable upon reaching certain Share trading price thresholds.

"PRA Assets" means the petroleum and natural gas property interests and facilities in the Peace River Arch area of Northwest Alberta acquired by Cequence effective June 1, 2009.

"PrivateCo Acquisition" means the acquisition of all the shares of a private oil and gas company owned by certain members of the new Cequence management team in exchange for the issuance of an aggregate of approximately 1.5 million Shares at a price of \$0.37 per Share which was completed on July 30, 2009.

"Private Placement" means the private placement of approximately 25.5 million Shares issued to certain directors, officers and certain employees and consultants of Cequence and Mr. Marshall Abbott, a member of the Company's prior management, at a price of \$0.37 per Share for gross proceeds of approximately \$9.44 million which was completed on July 30, 2009.

"production" means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas.

"property" includes:

- (a) fee ownership or a lease, concession, agreement, permit, licence or other interest representing the right to extract oil or gas subject to such terms as may be imposed by the conveyance of that interest;
- (b) royalty interests, production payments payable in oil or gas, and other non-operating interests in properties operated by others; and
- (c) an agreement with a foreign government or authority under which a reporting issuer participates in the operation of properties or otherwise serves as "producer" of the underlying reserves (in contrast to being an independent purchaser, broker, dealer or importer).

A property does not include supply agreements, or contracts that represent a right to purchase, rather than extract, oil or gas.

"property acquisition costs" means costs incurred to acquire a property (directly by purchase or lease, or indirectly by acquiring another corporate entity with an interest in the property), including:

- (a) costs of lease bonuses and options to purchase or lease a property;
- (b) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee; and
- (c) brokers' fees, recording and registration fees, legal costs and other costs incurred in acquiring properties.

"proved property" means a property or part of a property to which reserves have been specifically attributed.

"Reorganization Transactions" means collectively, the matters and transactions which resulted in the reorganization and recapitalization of the Company which were completed on July 30, 2009 and included the appointment of a new management team and Board, the Private Placement, the PrivateCo Acquisition, the issuance of 20,800,000 Performance Warrants to the new management team and certain directors, the implementation of the Rights Plan and certain amendments to the articles of the Company.

"reservoir" means a porous and permeable subsurface rock formation that contains a separate accumulation of petroleum that is confined by impermeable rock or water barriers and is characterized by a single pressure system.

"Rights" means the rights issued pursuant to the Rights Plan.

"Rights Plan" means the Shareholder Rights Plan of the Company.

"Rights Plan Agreement" means the Shareholder Rights Plan Agreement dated July 30, 2009 between the Company and Valiant Trust Company.

"**Securityholders**" means, collectively, the holders of Shares and/or Non-Voting Shares and "**Securityholder**" means any one of them.

"**Separation Time**" means the close of business on the date of separation with respect to the Rights Plan.

"**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.

"**Shareholders**" means the holders of Shares and "**Shareholder**" means any one of them.

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

"**solution gas**" means natural gas dissolved in crude oil.

"**stratigraphic test well**" means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as: (a) "exploratory type" if not drilled into a proved property; or (b) "development type", if drilled into a proved property. Development type stratigraphic wells are also referred to as "evaluation wells".

"**Subscription Receipts**" means the subscription receipts issued pursuant to the Subscription Receipt Offering.

"**Subscription Receipt Offering**" means the private place of 53,590,000 Subscription Receipts at a price of \$0.86 per Subscription Receipt for gross proceeds of \$46.08 million.

"**Subscription Rights**" means rights issued pursuant to the Subscription Rights Offering.

"**Subscription Rights Offering**" means the public offering of 38,460,514 Subscription Rights to subscribe for 27,027,027 Shares at a price of \$0.37 per Share to Shareholders of record on July 13, 2009.

"**support equipment and facilities**" means equipment and facilities used in oil and gas activities, including seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district or field offices.

"**Threshold Voting Interest**" means the beneficial ownership of 20 percent or more of the Shares or 20 percent or more of the Non-Voting Shares.

"**TSX**" means the Toronto Stock Exchange.

"**unproved property**" means a property or part of a property to which no reserves have been specifically attributed.

"**Update**" means the "Turning the Corner: Regulatory Framework for Industrial Greenhouse Gas Emissions" paper released by the Government of Canada on March 10, 2008.

"**U.S.**" or "**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia.

"**well abandonment costs**" means costs of abandoning a well (net of salvage value) and of disconnecting the well from the surface gathering system. They do not include costs of abandoning the gathering system or reclaiming the wellsite.

RESERVES DEFINITIONS

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible 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.

"**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.

"**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.

"**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.

Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

FORWARD-LOOKING STATEMENTS

Certain information included in this Annual Information Form constitutes forward-looking information under applicable securities legislation. Such forward-looking information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this Annual Information Form may include, but is not limited to, information with respect to:

- volumes and estimated value of Cequence's oil and gas reserves;
- the life of each of Cequence's reserves;
- volume and product mix of Cequence's oil and gas production;
- future oil and gas prices and interest rates in respect of Cequence's commodity risk management programs;
- the amount and timing of future asset retirement obligations;

- future liquidity, creditworthiness and financial capacity;
- future interest rates;
- future results from operations and operating metrics;
- future development, exploration and other expenditures;
- future costs, expenses and royalty rates; and
- Cequence's tax pools.

Forward-looking information is based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking information is reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this Annual Information Form, assumptions have been made regarding and are implicit in, among other things:

- field production rates and decline rates;
- the ability of the Company to secure adequate product transportation;
- the impact of increasing competition in or near the Company's Doig/Montney plays;
- the timely receipt of any required regulatory approvals;
- the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner to develop its business;
- Cequence's ability to operate the properties in a safe, efficient and effective manner;
- the ability of the Company to obtain financing on acceptable terms;
- the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration;
- the timing and costs of pipeline, storage and facility construction and expansion;
- future oil and natural gas prices;
- currency, exchange and interest rates;
- the regulatory framework regarding royalties, taxes and environmental matters; and
- the ability of the Company to successfully market its oil and natural gas products.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.

Forward-looking information is based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking information. Additional risk factors affecting the Company and its business are contained in this Annual Information Form under the heading "Risk Factors".

The forward-looking information contained in this Annual Information Form are made as of the date of such documents and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward-looking information contained in this Annual Information Form are expressly qualified by this cautionary statement.

SHARE CONSOLIDATION

On August 17, 2009, Cequence consolidated its Shares on a one-for-four basis. As such, unless otherwise specifically stated, information contained herein in respect of Cequence's share capital which is: (i) as of a date that is prior to August 17, 2009, is presented on a pre-consolidation basis; and (ii) as of a date that is on or after August 17, 2009, is presented on a post-consolidation basis.

CEQUENCE ENERGY LTD.

The Company was originally incorporated pursuant to the provisions of the *Business Corporations Act* (Ontario) as "Metrophotonics Inc." on April 4, 2000 and was continued under the ABCA as "Sabretooth Energy Ltd." on September 5, 2005. In addition, the articles of the Company have been amended as follows: (i) on January 31, 2005, to add an unlimited number of Non-Voting Shares to its authorized capital, to consolidate the issued and outstanding Shares on a hundred-for-one basis and to reduce the stated capital of the issued and outstanding Shares; (ii) on February 4, 2005, to change its name to "1395177 Ontario Inc."; (iii) on February 15, 2006, the Company amalgamated with Stratagem Energy Corp. and the amalgamated corporation continued under the name "Sabretooth Energy Ltd."; (iv) on July 18, 2007, to convert all the issued and outstanding Non-Voting Shares into Shares and, immediately thereafter, to consolidate the issued and outstanding Shares on a four-for-one basis; (v) on January 1, 2008, the Company amalgamated with its wholly-owned subsidiary, Sabretooth Resources Inc. (formerly Bear Ridge Resources Inc.), and the amalgamated corporation continued under the name "Sabretooth Energy Ltd."; (vi) on July 30, 2009, to change the rights, privileges, restrictions and conditions attached to the Non-Voting Shares to ensure equitable economic treatment between holders of Shares and Non-Voting Shares in certain circumstances; (vii) on July 31, 2009, to change its name to "Cequence Energy Ltd."; and (viii) on August 17, 2009, to consolidate the issued and outstanding Shares on a four-for-one basis.

The Company's principal office is located at 2400, 240 - 4th Avenue S.W., Calgary, Alberta, T2P 4H4 and its registered office is located at 3700, 400 - 3rd Avenue S.W., Calgary, Alberta, T2P 4H2.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

On August 21, 2007, the Company acquired all of the issued and outstanding common shares of Bear Ridge Resources Inc., for aggregate consideration of 18.6 million Shares and approximately \$57.25 million in cash by way of plan of arrangement.

On December 24, 2008, the Company sold 59 net sections of Montney petroleum and natural gas rights, and certain wells and seismic access and interpretations to HFG in exchange for 156,546,590 HFG Shares at a deemed price of \$0.20 per HFG Share. The Company also assumed a \$1.0 million tie-in commitment and purchased 5,000,000 HFG Shares for cash at a price of \$0.20 per HFG Share. As a result of these transactions, the Company acquired approximately 71 percent of the issued and outstanding HFG Shares.

On June 18, 2009, Cequence completed the Subscription Receipt Offering and on July 30, 2009, the Subscription Receipts were converted, for no additional consideration and without further action, into Shares upon the closing of the Reorganization Transactions.

On July 30, 2009, Cequence completed the Reorganization Transactions. The Reorganization Transactions were approved by Shareholders at the annual and special meeting of Shareholders held on July 29, 2009.

On August 14, 2009, Cequence completed the Subscription Rights Offering pursuant to which Shareholders subscribed for and purchased an aggregate of 26,460,570 Shares at a price of \$0.37 per Share for gross proceeds of approximately \$9.8 million.

On August 18, 2009, Cequence announced the entering into of two separate purchase and sale agreements, one with a private oil and gas company providing for the acquisition by Cequence of the Minor Assets and one with a subsidiary of a major publicly traded oil and gas company providing for the acquisition by Cequence of the PRA Assets. The purchase price for the Minor Assets was \$4.0 million and the purchase price for the PRA Assets was \$13.25 million, both subject to adjustment. The acquisition of the PRA Assets was completed on September 24, 2009 with an effective date of June 1, 2009 and the acquisition of the Minor Assets was completed in late August with an effective date of August 1, 2009.

The Acquired Assets include 31,000 net acres of undeveloped land, various facility and pipeline working interests with the majority of production being operated. The acquisitions were financed through Cequence's existing

working capital. Production at the time of acquisition of the Acquired Assets was approximately 850 BOE/d (90 percent natural gas).

On October 6, 2009, the Company commenced an insider bid for all the HFG Shares not already held by or on behalf of Cequence. On November 12, 2009, Cequence took-up and paid for the HFG Shares tendered to its bid and on November 13, 2009, Cequence completed the acquisition of all of the issued and outstanding HFG Shares, not already held by or on behalf of Cequence by means of the compulsory acquisition procedures under the ABCA. In aggregate, Cequence issued 2.6 million Shares to acquire all of the HFG Shares.

On December 21, 2009, Cequence provided an operational update with respect to its Doig/Montney resource plays in Northwest Alberta. A well was drilled into the Basal Doig at Sinclair in Northwest Alberta with a stabilized rate of 5.0 MMcf/d. A second horizontal well was drilled in late 2009 and completed in 2010 with an initial sustained rate of 3.5 MMcf/d. The Company announced that it also spud a 100 percent working interest Lower Montney well at Gordondale.

Significant Acquisitions

The acquisition of the PRA Assets was a significant acquisition for which disclosure was required under Part 8 of National Instrument 51-102, *Continuous Disclosure Obligations*. A Business Acquisition Report on Form 51-102F4 was filed on December 2, 2009 in respect of the acquisition, a copy of which is available on SEDAR at www.sedar.com.

GENERAL DESCRIPTION OF THE BUSINESS

Cequence is a public company engaged in the acquisition, exploration, development and production of petroleum and natural gas reserves in Western Canada. The Company currently focuses its activities in the Montney unconventional gas fairway in Alberta and British Columbia, the Peace River Arch area of Northwest Alberta and the Gunnell area of Northeast British Columbia. Cequence intends to pursue a strategy of drilling for low decline, long life natural gas targets at medium to shallow depths with multiple prospective horizons.

Corporate Strategy

Cequence's business strategy is to increase production, cash flow and Shareholder value in a cost-effective manner by focused drilling, strategic acquisitions and operational efficiency. The Company manages risk by following its investment guidelines, namely:

- Drill for low-decline, long-life, natural gas.
- Drill for selected conventional targets at medium to shallow depths for multiple prospective horizons.
- Invest in areas with year-round access and existing infrastructure.
- Capitalize on the Company's extensive in-house technical expertise to generate drilling opportunities and take advantage of property and corporate acquisitions that add value to Shareholders.
- Use the Company's existing infrastructure and extensive seismic data base as a potential profit centre and as leverage to enhance the Company's position in its core areas.
- Use financial expertise to efficiently raise capital.

In general, Cequence 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 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 and asset quality.

Competition

The oil and natural gas industry is competitive in all its phases. Cequence competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Cequence's competitors include resource companies which have greater financial resources, staff and facilities than those of Cequence. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Cequence believes that its competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development.

Seasonal Factors

The exploration for and development of oil and natural gas reserves is dependent on access to areas where production is to be conducted. Seasonal weather variations, including freeze-up and break-up, affect access in certain circumstances.

Environmental Regulation

The oil and gas industry is subject to environmental regulations pursuant to applicable legislation. Such legislation provides for restrictions and prohibitions on release or emission of various substances produced in association with certain oil and gas industry operations, and requires that well and facility sites be abandoned and reclaimed to the satisfaction of environmental authorities. As at December 31, 2009, Cequence recorded an obligation on its balance sheet of \$4.06 million for asset retirement. The Company maintains an insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts, pollution and other operating accidents or disruptions. The Company also has operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure. No assurance can be given that the application of environmental laws to the business and operations of Cequence will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Cequence's financial condition, results of operations or prospects. See "Risk Factors – Environmental" and "Industry Conditions - Environmental Regulation".

Personnel

As of December 31, 2009, Cequence had 18 head office employees and 6 part time consultants.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

In accordance with NI 51-101, GLJ prepared the GLJ Report. The GLJ Report evaluated, as at December 31, 2009, the oil, NGL and natural gas reserves attributable to the properties of Cequence.

The tables below are a summary of the oil, NGL and natural gas reserves attributable to the properties of Cequence and the net present value of future net revenue attributable to such reserves as evaluated in the GLJ Report based on forecast price and cost assumptions. The tables summarize the data contained in the GLJ Report 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 GLJ. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by GLJ 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 values shown for income taxes and future net revenue after income taxes were calculated on a stand-alone basis in the GLJ Report. The values shown may not be representative of future income tax obligations, applicable tax horizon or after tax valuation.

The GLJ Report is based on certain factual data supplied by Cequence and GLJ'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 Cequence to GLJ. GLJ accepted this data as presented and neither title searches nor field inspections were conducted.

Summary of Oil and Gas Reserves

Reserves Category	Light and Medium Crude Oil		NGLs		Natural Gas		Total Oil Equivalent	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (MBOE)	Net (MBOE)
Proved								
Developed Producing	369	327	203	143	20,099	17,559	3,922	3,396
Developed Non-Producing	88	63	89	67	9,186	8,212	1,708	1,499
Undeveloped	11	8	85	61	10,424	9,500	1,833	1,652
Total Proved	<u>468</u>	<u>398</u>	<u>376</u>	<u>270</u>	<u>39,709</u>	<u>35,271</u>	<u>7,463</u>	<u>6,546</u>
Probable	<u>201</u>	<u>170</u>	<u>260</u>	<u>176</u>	<u>28,758</u>	<u>25,064</u>	<u>5,254</u>	<u>4,523</u>
Total Proved plus Probable	<u>669</u>	<u>568</u>	<u>636</u>	<u>446</u>	<u>68,467</u>	<u>60,335</u>	<u>12,717</u>	<u>11,069</u>

Summary of Net Present Value of Future Net Revenue

Reserves Category	Before Future Income Tax Expenses Discounted at (%/year)				
	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)
Proved					
Developed Producing	115,390	89,087	73,501	63,195	55,842
Developed Non-Producing	42,929	28,410	21,527	17,372	14,541
Undeveloped	<u>35,623</u>	<u>16,071</u>	<u>8,186</u>	<u>4,290</u>	<u>2,108</u>
Total Proved	<u>193,941</u>	<u>133,569</u>	<u>103,213</u>	<u>84,857</u>	<u>72,491</u>
Probable	<u>157,730</u>	<u>84,306</u>	<u>54,476</u>	<u>38,900</u>	<u>29,417</u>
Total Proved plus Probable	<u>351,671</u>	<u>217,874</u>	<u>157,689</u>	<u>123,757</u>	<u>101,908</u>
Reserves Category	After Future Income Tax Expenses Discounted at (%/year)				
	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)
Proved					
Developed Producing	115,390	89,087	73,501	63,195	55,842
Developed Non-Producing	42,348	28,324	21,512	17,370	14,540
Undeveloped	<u>26,728</u>	<u>12,821</u>	<u>6,836</u>	<u>3,678</u>	<u>1,811</u>
Total Proved	<u>184,466</u>	<u>130,233</u>	<u>101,849</u>	<u>84,242</u>	<u>72,193</u>
Probable	<u>118,193</u>	<u>64,612</u>	<u>42,880</u>	<u>31,426</u>	<u>24,327</u>
Total Proved plus Probable	<u>302,659</u>	<u>194,845</u>	<u>144,729</u>	<u>115,668</u>	<u>96,520</u>

Total Future Net Revenue (Undiscounted)

Reserves Category	Revenue	Royalties	Operating Costs	Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Future Income Tax Expenses	Future Income Tax Expenses	Future Net Revenue After Future Income Tax Expenses
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Total Proved	401,352	43,925	129,617	30,169	3,699	193,941	9,475	184,466
Total Proved plus Probable	718,361	80,673	228,041	53,054	4,920	351,671	49,013	302,659

Future Net Revenue by Production Group

Reserves Category and Product Group	Future Net Revenue Before Future Income Tax Expenses (Discounted at 10%/year)	Unit Value Before Future Income Tax Expenses (Discounted at 10%/year) ⁽¹⁾
	(M\$)	(\$/Mcf) (\$/bbl)
Total Proved		
Light and Medium Crude Oil ⁽²⁾	12,026	34.99
Natural Gas (associated & non-associated) ⁽³⁾	91,187	2.45
Total Proved plus Probable		
Light and Medium Crude Oil ⁽²⁾	15,411	33.32
Natural Gas (associated & non-associated) ⁽³⁾	142,278	2.24

Notes:

- (1) Unit values are based on net reserve volumes.
- (2) Including solution gas and other by-products.
- (3) Including by-products but excluding solution gas and by-products from oil wells

Summary of Pricing Assumptions and Inflation Rate Assumptions

GLJ employed the following pricing, exchange rate and inflation rate assumptions as of December 31, 2009 in the GLJ Report in estimating Cequence's reserves data using forecast prices and costs:

Year	Natural Gas		Light Crude Oil		NGL Mix	Inflation Rates %/year	Exchange Rate (\$US/\$Cdn)
	Henry Hub	AECO Gas Price	WTI	Edmonton	Edmonton		
	(\$US/MMBtu)	(\$Cdn/MMBtu)	(\$US/bbl)	(\$Cdn/bbl)	(\$Cdn/bbl)		
Forecast							
2010	6.00	5.96	80.00	83.26	84.93	2.0	0.95
2011	7.00	6.79	83.00	86.42	88.15	2.0	0.95
2012	7.10	6.89	86.00	89.58	91.37	2.0	0.95
2013	7.15	6.95	89.00	92.74	94.59	2.0	0.95
2014	7.35	7.05	92.00	95.90	97.82	2.0	0.95
2015	7.50	7.16	93.84	97.84	99.79	2.0	0.95
2016	7.75	7.42	95.72	99.81	101.81	2.0	0.95
2017	8.25	7.95	97.64	101.83	103.86	2.0	0.95
2018	8.79	8.52	99.59	103.88	105.96	2.0	0.95
2019	8.96	8.69	101.58	105.98	108.10	2.0	0.95

Thereafter escalation rate of 2%

The weighted average realized sales prices for Cequence for the year ended December 31, 2009 were \$7.46/Mcf for natural gas, \$65.09/bbl for light and medium crude oil and \$53.91/bbl for NGLs.

Reconciliation of Company Gross Reserves by Product Type

The following table sets forth the changes between the Company's reserve volume estimates made as at December 31, 2009 and the corresponding estimates as at December 31, 2008, using forecast prices and costs:

Factors	Light and Medium	Natural Gas	NGLs	Total Oil
	Crude Oil	(associated & non-associated)		
	(Mbbbl)	(MMcf)	(Mbbbl)	(MBOE)
TOTAL PROVED				
December 31, 2008	449	24,398	251	4,766
Extensions & Improved Recovery	-	-	-	-
Technical Revisions	(78)	(154)	19	(83)
Discoveries	-	8,809	29	1,497
Acquisitions	154	9,820	109	1,899
Dispositions	-	-	-	-
Economic Factors	(2)	(129)	(2)	(25)
Production	(55)	(3,034)	(30)	(591)
December 31, 2009	468	39,709	376	7,463
TOTAL PROBABLE				
December 31, 2008	194	13,955	168	2,688
Extensions & Improved Recovery	-	-	-	-
Technical Revisions	(68)	(1,919)	28	(360)
Discoveries	-	11,997	31	2,030
Acquisitions	74	4,715	34	894
Dispositions	-	-	-	-
Economic Factors	1	9	-	2
Production	-	-	-	-
December 31, 2009	201	28,758	260	5,254
TOTAL PROVED PLUS PROBABLE				
December 31, 2008	643	38,353	419	7,454
Extensions & Improved Recovery	-	-	-	-
Technical Revisions	(146)	(2,073)	47	(443)
Discoveries	-	20,806	60	3,527
Acquisitions	228	14,535	143	2,793
Dispositions	-	-	-	-
Economic Factors	(1)	(120)	(2)	(23)
Production	(55)	(3,034)	(30)	(591)
December 31, 2009	669	68,467	636	12,717

Proved Undeveloped Reserves

The following table sets forth the volumes of proved undeveloped reserves that were first attributed for each of the Company's product types for each of the most recent three financial years and, in the aggregate, before that time, using forecast prices and costs:

Financial Year End	Light and Medium	Natural Gas	NGLs	Total Oil Equivalent
	Oil Crude	(MMcf)	(Mbbbl)	(MBOE)
	(Mbbbl)	(MMcf)	(Mbbbl)	(MBOE)
December 31, 2006 and prior thereto	-	480	3	83
December 31, 2007	-	2,312	14	399
December 31, 2008	16	2,898	25	524
December 31, 2009	11	4,423	10	758

Proved undeveloped reserves are generally those reserves related to planned infill drilling locations. The Company's proved undeveloped reserves are forecasted to be developed during the next two years.

Probable Undeveloped Reserves

The following table sets forth the volumes of probable undeveloped reserves that were first attributed for each of the Company's product types for each of the most recent three financial years and, in the aggregate, before that time, using forecast prices and costs:

Financial Year End	Light and Medium Oil Crude	Natural Gas	NGLs	Total Oil Equivalent
	(Mbbbl)	(MMcf)	(Mbbbl)	(MBOE)
December 31, 2006 and prior thereto	-	1,449	17	259
December 31, 2007	-	2,294	9	391
December 31, 2008	38	3,368	42	641
December 31, 2009	20	9,941	22	1,699

Probable undeveloped reserves relate to wells to be drilled, tied in and brought on-stream in future. The Company's probable undeveloped reserves are forecasted to be developed during the following two years in accordance with the Company's development program and budget.

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, the 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 gas prices, and reservoir performance. Such revisions can be either positive or negative.

Future Development Costs

The table below sets out the development costs deducted in the estimation in the GLJ Report of future net revenue attributable to proved reserves and proved plus probable reserves, using forecast prices and costs:

Year	Proved Reserves	Proved Plus Probable Reserves
	(M\$)	(M\$)
2010	7,357	17,062
2011	7,355	19,660
2012	6,947	7,742
2013	8,149	7,406
2014	-	758
Remaining Years	359	426
Total Undiscounted	30,169	53,054

Cequence estimates that its internally generated cash flow will be sufficient to fund the future development costs disclosed above. Cequence typically has available three sources of funding to finance its capital expenditure

program; internally generated cash flow from operations, new equity issues, if available on favourable terms, and debt financing when appropriate. Debt financing is available to Cequence at its lender's prevailing lending rates plus an applicable margin (dependent upon debt to trailing cash flow).

Cequence expects to fund its total 2010 capital program with internally generated cash flow and through accessing its bank debt and, although quarterly fluctuations in funding levels are expected, the objective is to remain within the Company's debt capacity throughout the 2010 financial year. Cequence's objective is to maintain its debt to cash flow ratio at less than 2.0 times estimated future cash flows.

Description of Principal Properties

Cequence's principal properties are located in the: (i) Peace River Arch area of Northwest Alberta; (ii) Northeast British Columbia and Northwest Alberta area; (iii) Gunnell area of Northeast British Columbia; and (iv) Deep Basin area of Northwest Alberta. The Company owns a total of approximately 334,964 gross acres (184,664 net acres) of oil and natural gas leases with the potential for multi-zone production at an average working interest of approximately 55 percent.

Peace River Arch

Cequence's Peace River Arch assets are located in Northwest Alberta and Northeast British Columbia. These assets include an average working interest of approximately 51 percent in 186,752 gross acres (95,546 net acres) of undeveloped land. The Peach River Arch assets include fields located in the Fourth Creek, George, Blueberry and Cecil areas. The Peace River Arch assets also include 13.0 gross (5.7 net) producing oil wells, 8.0 gross (4.9 net) non-producing oil wells, 30.0 gross (15.4 net) producing gas wells and 67.0 gross (40.0 net) non-producing gas wells.

Production from the Peach River Arch assets are weighted 80 percent to natural gas with the balance being light crude oil and NGLs. Production is pipelined to third party owned processing facilities that include fluid handling and gas processing with a sales gas connection to the Nova and Alliance pipelines.

During the year ended December 31, 2009, Cequence drilled 1.0 gross (1.0 net) well in the Peace River Arch area. In 2010, Cequence plans to drill 4.0 gross (4.0 net) wells in the Peace River Arch.

Northeast British Columbia and Northwest Alberta

Cequence's Northeast British Columbia and Northwest Alberta assets include an average working interest of approximately 90 percent in approximately 44,346 gross (39,966 net) acres of undeveloped land. The properties include fields located in the Gordondale, Sinclair, Mica and Red Creek areas. The assets also include 2.0 gross (1.8 net) producing oil wells, 1.0 gross (1.0 net) non-producing oil well, 14.0 gross (9.5 net) producing gas wells and 27.0 gross (21.0 net) non-producing gas wells.

Production from the Northeast British Columbia and Northwest Alberta assets are weighted 82 percent to natural gas with the balance being light crude oil and NGLs. Production is pipelined to a third party owned facility that includes NGL handling and gas processing with a sales gas connection to Nova Pipeline.

During the year ended December 31, 2009, Cequence drilled 2.0 gross (2.0 net) vertical wells and 3.0 gross (3.0 net) horizontal wells in this area with discoveries at Sinclair.

In 2010, Cequence plans to drill 3.0 gross (2.5 net) wells in the Northeast British Columbia and Northwest Alberta area.

Gunnell

Cequence's Gunnell assets are located in Northeast British Columbia. These assets include an average working interest of approximately 29 percent in 19,396 gross (5,571 net) acres of undeveloped land. The Gunnell assets also include 32.0 gross (7.4 net) producing gas wells and 5.0 gross (0.9 net) non-producing gas wells.

Production from the Gunnell assets is primarily natural gas. Production is processed at a partner owned facility and then shipped through the Nova Pipeline.

During the year ended December 31, 2009, Cequence did not drill any wells in the Gunnell area. In 2010, Cequence plans to drill up to 3.0 gross (1.0 net) horizontal wells in the Gunnell area.

Deep Basin

Cequence's Deep Basin assets are located in Northwest Alberta. These assets include an average working interest of approximately 86 percent in 4,800 gross (4,146 net) acres of undeveloped land. The Deep Basin assets include fields located in the Valhalla, Knopcik and Wembley areas. The Deep Basin assets also include 1.0 gross (0.3 net) producing oil wells, 1.0 gross (0.6 net) non-producing oil wells, 3.0 gross (1.6 net) producing gas wells and 7.0 gross (2.8 net) non-producing gas wells.

Production from the Deep Basin assets are weighted 89 percent to natural gas with the balance being light crude oil and NGLs. Production is pipelined to a third party owned facility that includes NGL handling and gas processing with a sales gas connection to the Nova Pipeline.

During the year ended December 31, 2009, Cequence did not drill any wells in the Deep Basin area. In 2010, Cequence plans to drill up to 7.0 gross (5.3 net) horizontal wells in the Deep Basin area.

Oil and Gas Wells

The following table sets forth the number and status of wells in which Cequence has a working interest as at December 31, 2009:

	Light and Medium Crude Oil		Natural Gas	
	Gross	Net	Gross	Net
Producing				
Alberta	14.0	6.0	44.0	25.3
British Columbia	2.0	1.8	35.0	8.7
Non-producing				
Alberta	9.0	5.5	96.0	60.2
British Columbia	1.0	1.0	10.0	4.5
Total	26.0	14.3	185.0	98.7

Properties With No Attributed Reserves

The following table summarizes the undeveloped gross and net acres of properties with no attributed reserves in which Cequence has an interest and also the number of net acres for which Cequence's rights to explore, develop or exploit will, absent further action, expire within one year:

	Gross Acres	Net Acres	Net Acres Expiring Within One Year
Alberta	177,822	103,178	22,084
British Columbia	77,473	42,051	6,874
Total	255,295	145,229	28,958

Cequence is committed to use the services of a third party drilling company as a result of the settlement of a lawsuit, at fair market value, in the amount of \$3 million over the two years following the date of settlement. Cequence is obligated to spend a minimum of \$1.5 million in each of the two years following the date of settlement to avoid any penalties under the commitment. Other than the foregoing, the Corporation does not have any other material work commitments.

Forward Contracts

The following table sets forth all positions for the commodity contracts outstanding as at December 31, 2009:

Term	Volume	Price	Basis
January 1, 2010 to March 31, 2010	6,000 GJ/day	\$7.85	AECO

Additional Information Concerning Abandonment and Reclamation Costs

Cequence typically estimates well abandonment costs area by area. Such costs are included in the GLJ Report as deductions in arriving at future net revenue.

The expected total abandonment and disconnect costs, net of salvage value, included in the GLJ Report for 66 net wells under the proved reserves category is \$3.7 million undiscounted (\$1.3 million discounted at 10 percent), of which a total of \$0.6 million undiscounted is estimated to be incurred in 2010, 2011 and 2012. This estimate does not include expected reclamation for surface leases of \$7.2 million undiscounted (\$1.4 million discounted at 10 percent).

Cequence 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 production from existing reserves, Cequence estimates that it will not be required to pay income taxes in the next five years.

Costs Incurred

The following table summarizes capital expenditures (net of incentives and net of certain proceeds and including capitalized general and administrative expenses) incurred by Cequence for the year ended December 31, 2009:

Property Acquisition Costs		Exploration Costs (M\$)	Development Costs (M\$)
Proved Properties (M\$)	Unproved Properties (M\$)		
19,966	1,791	20,305	4,531

Exploration and Drilling Activity

The following table summarizes the gross and net exploratory and development wells Cequence has drilled, or has participated in for the year ended December 31, 2009:

	Gross		Net	
	Exploratory	Development	Exploratory	Development
Light and Medium Crude Oil Wells	-	-	-	-
Natural Gas Wells	4	1	4	1
Dry Wells	-	-	-	-
Service Wells ⁽¹⁾	-	-	-	-
Total	4	1	4	1

Note:

- (1) A service well is 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.

Production Estimates

The following table sets forth for each product type the average daily volume of production estimated by GLJ in the GLJ Report for the first year reflected in the estimates of gross proved reserves, gross probable reserves and gross proved plus probable reserves as disclosed above:

Reserve Category	Light and Medium	Natural Gas	NGLs	Total Oil Equivalent
	Crude Oil			
	(bbl/d)	(Mcf/d)	(bbl/d)	(BOE/d)
Proved				
Peace River Arch	161	6,544	58	1,311
Gunnell	-	2,127	13	368
Northeast BC and Northwest AB	72	5,457	74	1,056
Deep Basin	7	654	7	123
	<u>240</u>	<u>14,783</u>	<u>153</u>	<u>2,857</u>
Probable				
Peace River Arch	6	963	9	175
Gunnell	-	29	-	5
Northeast BC and Northwest AB	7	1,977	12	349
Deep Basin	-	33	-	6
	<u>13</u>	<u>3,002</u>	<u>22</u>	<u>535</u>
Total Proved Plus Probable				
Peace River Arch	166	7,508	67	1,484
Gunnell	-	2,156	13	373
Northeast BC and Northwest AB	79	7,434	88	1,406
Deep Basin	7	688	7	129
	<u>252</u>	<u>17,785</u>	<u>175</u>	<u>3,392</u>

Production History

The following table sets forth, on a quarterly basis for the year ended December 31, 2009, certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback:

	Three Months Ended			
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Average Daily Production Volume				
Light and Medium Crude Oil (bbl/d)	140	106	128	230
Natural Gas (Mcf/d)	8,164	8,077	6,734	10,696
NGLs (bbl/d)	104	96	67	76
Total (BOE/d)	<u>1,602</u>	<u>1,548</u>	<u>1,317</u>	<u>2,089</u>
Average Prices Received				
Light and Medium Crude Oil (\$/bbl)	50.26	68.00	66.85	71.65
Natural Gas (\$/Mcf)	7.71	7.50	7.69	6.97
NGLs (\$/bbl)	35.28	52.12	66.76	68.82
Total (\$/BOE)	<u>45.97</u>	<u>47.00</u>	<u>49.20</u>	<u>46.05</u>
Royalties Paid				
Light and Medium Crude Oil (\$/bbl)	1.02	9.91	8.71	8.82
Natural Gas (\$/Mcf)	1.07	0.27	1.56	0.44
NGLs (\$/bbl)	1.38	11.03	16.54	26.75
Total (\$/BOE)	<u>5.63</u>	<u>2.78</u>	<u>9.65</u>	<u>4.21</u>
Operating Expenses				
Light and Medium Crude Oil (\$/bbl)	24.96	27.62	34.68	18.03
Natural Gas (\$/Mcf)	2.54	2.52	3.35	2.26
NGLs (\$/bbl)	15.21	15.14	20.12	13.57
Total (\$/BOE)	<u>16.07</u>	<u>16.00</u>	<u>21.53</u>	<u>14.06</u>

	Three Months Ended			
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Netback Received				
Light and Medium Crude Oil (\$/bbl)	24.28	30.48	23.45	44.80
Natural Gas (\$/Mcf)	4.10	4.70	2.78	4.27
NGLs (\$/bbl)	18.69	25.95	30.10	28.50
Total (\$/BOE)	24.27	28.22	18.02	27.78

Production Volume by Field

The following table sets forth the average daily production from each of the Company's important fields for the year ended December 31, 2009:

Field	Light and Medium Oil (bbl/d)	Natural Gas (Mcf/d)	NGLs (bbl/d)	Total Oil Equivalent (BOE/d)	%
Peace River Arch	103	3,239	28	672	41
Gunnell	2	2,792	18	485	30
Northeast BC and Northwest AB	45	2,168	37	442	27
Deep Basin	1	150	2	28	2
Total	151	8,349	85	1,627	100

Finding, Development and Acquisition Costs

Finding, development and acquisition costs ("FD&A") and finding and development costs ("F&D") both including and excluding future development capital ("FDC") have been calculated in accordance with NI 51-101. Cequence's finding, development and acquisition costs are as follows:

	Capital Expenditures (\$000s)	Proved Reserve Additions (MBOE)	Proved Costs (\$/BOE)	Proved Plus Probable Reserve Additions (MBOE)	Proved Plus Probable Costs (\$/BOE)
FD&A Including Change in FDC					
2009 Proved	63,895	3,296	19.39	N/A	N/A
2009 Proved Plus Probable	80,150	N/A	N/A	5,863	13.67
2008 Proved	42,098	1,274	33.04	N/A	N/A
2008 Proved Plus Probable	43,473	N/A	N/A	1,671	26.02
2007 Proved	108,431	4,469	24.26	N/A	N/A
2007 Proved Plus Probable	112,407	N/A	N/A	6,137	18.32
3 year average Proved	71,475	3,013	23.72	N/A	N/A
3 year average Proved Plus Probable	78,677	N/A	N/A	4,557	17.26
FD&A Excluding Change in FDC					
2009 Proved	49,894	3,296	15.14	N/A	N/A
2009 Proved Plus Probable	49,894	N/A	N/A	5,863	8.51
2008 Proved	35,525	1,274	27.88	N/A	N/A
2008 Proved Plus Probable	35,525	N/A	N/A	1,671	21.26
2007 Proved	99,163	4,469	22.19	N/A	N/A
2007 Proved Plus Probable	99,163	N/A	N/A	6,137	16.16
3 year average Proved	61,527	3,013	20.42	N/A	N/A
3 year average Proved Plus Probable	61,527	N/A	N/A	4,557	13.50
F&D Including Change in FDC					
2009 Proved	35,645	1,387	25.69	N/A	N/A
2009 Proved Plus Probable	51,900	N/A	N/A	3,059	16.97
2008 Proved	42,098	1,274	33.04	N/A	N/A
2008 Proved Plus Probable	43,473	N/A	N/A	1,671	26.02

	Capital Expenditures	Proved Reserve Additions	Proved Costs	Proved Plus Probable Reserve Additions	Proved Plus Probable Costs
	(\$000s)	(MBOE)	(\$/BOE)	(MBOE)	(\$/BOE)
2007 Proved	41,822	1,278	32.72	N/A	N/A
2007 Proved Plus Probable	43,853	N/A	N/A	1,764	24.86
3 year average Proved	39,855	1,313	30.35	N/A	N/A
3 year average Proved Plus Probable	46,409	N/A	N/A	2,165	21.44
F&D Excluding Change in FDC					
2009 Proved	24,694	1,387	17.80	N/A	N/A
2009 Proved Plus Probable	24,694	N/A	N/A	3,059	8.07
2008 Proved	35,525	1,274	27.88	N/A	N/A
2008 Proved Plus Probable	35,525	N/A	N/A	1,671	21.26
2007 Proved	36,223	1,278	28.34	N/A	N/A
2007 Proved Plus Probable	36,223	N/A	N/A	1,764	20.53
3 year average Proved	32,147	1,313	24.48	N/A	N/A
3 year average Proved Plus Probable	32,147	N/A	N/A	2,165	14.85

DESCRIPTION OF CAPITAL STRUCTURE

Cequence is authorized to issue an unlimited number of Shares and an unlimited number of Non-Voting Shares. As at the date hereof, 39,530,031 Shares and no Non-Voting Shares were issued and outstanding.

Shares

Each Share entitles the holder thereof to one vote at all meetings of Shareholders (except meetings at which only holders of another specified class of shares are entitled to vote); to receive dividends as and when declared by the Board (provided that Cequence shall not pay dividends on Shares unless, at the same time Cequence declares and pays dividends on Non-Voting Shares in a proportionate amount); and subject to the prior rights of holders of any other class of shares ranking prior to Shares and on a *pari passu* basis together with the holders of Non-Voting Shares, to receive the remaining property of Cequence upon liquidation, dissolution or wind-up of Cequence.

Non-Voting Shares

Holders of Non-Voting Shares are not, as such, entitled to receive notice of or to attend any meeting of Shareholders or to vote at any such meeting, subject to the provisions of the ABCA. Holders of Non-Voting Shares are entitled to dividends as and when declared by the Board (provided that Cequence shall not pay dividends on Non-Voting Shares unless, at the same time, Cequence also declares and pays dividends on Shares in a proportionate amount); and, subject to the prior rights of holders of any other class of shares ranking prior to Non-Voting Shares on a *pari passu* basis together with the holders of Shares, to receive the remaining property of Cequence upon the liquidation, dissolution or wind-up of Cequence.

Rights Plan

The Rights Plan was implemented as part of the Reorganization Transactions and is intended to ensure that the holders of Shares and Non-Voting Shares are treated equitably in the event a take-over bid is made for either the Shares or the Non-Voting Shares or in certain other circumstances. The Rights Plan will have the practical effect of requiring that certain acquisitions of the Shares or of the Non-Voting Shares be undertaken by way of an offer for all shares of both classes at the same price per share. The following is a summary of the significant terms of the Rights Plan and is qualified in its entirety by reference to the Rights Plan Agreement, a copy of which is available on SEDAR at www.sedar.com.

Term of Rights Plan

In accordance with the Rights Plan Agreement, the Rights Plan will expire on the date immediately following the date of Cequence's annual meeting of Shareholders to be held in 2019, after which time, the rights expire unless terminated, redeemed or exchanged earlier by the Board, provided that the Rights Plan may be extended beyond such dates by the Shareholders.

Exercise Price of Rights

The exercise price for Rights issued pursuant to the Rights Plan is \$40.00, subject to adjustment or revision in the event of the occurrence of a Flip in Event (as defined below).

Flip in Event

Upon the occurrence of a Flip in Event, the holders of the Rights, other than the Securityholder responsible for triggering the Flip in Event and certain other affiliated persons, will have the right to purchase additional shares of Cequence of the same class as those held by the Securityholder to which the Right under the Rights Plan relate from Cequence at a significant discount (i.e. 50 percent of the then market price), thereby significantly diluting the holdings of a hostile bidder. For greater certainty, in such an event, holders of Non-Voting Shares will have the right to acquire Non-Voting Shares and holders of Shares will have the right to acquire Shares.

A Flip in Event occurs when a Securityholder or Securityholders acting in concert with such Securityholder (referred to as an "Acquiring Person") becomes the beneficial owner of 20 percent of the Shares or 20 percent of the Non-Voting Shares. An exemption from the definition of Acquiring Person is provided in respect of securities held for clients by portfolio managers, trust companies.

Rights Plan Operation

Ten business days after: (i) the acquisition of the Threshold Voting Interest; or (ii) the commencement of or announcement of a person's intention to commence a take-over bid, other than a Permitted Bid (as described below), which would result in such person acquiring a Threshold Voting Interest, the Rights will separate from the shares to which they initially relate. At the Separation Time, the Rights will become exercisable to purchase shares and will be represented by certificates (rather than remaining represented by the certificates for the Shares or Non-Voting Shares to which they initially relate). The Rights Plan allows the Board to determine an earlier or later date for the Separation Time.

Notwithstanding that the initial exercise price will be substantially above the then current market trading price, the operation of the Rights Plan (as described below) virtually assures Cequence that no person would intentionally acquire the number of Shares or Non-Voting Shares that would trigger the Rights Plan. The exercise price of the Rights may be adjusted by the Board, if necessary.

Upon the occurrence of a Flip in Event, holders of Rights (other than an Acquiring Person and its affiliates, associates and joint actors) may exercise the Rights issued to them pursuant to the Rights Plan to acquire a significant number of shares of the same class as those held by the Securityholder at a price which, in effect, provides a significant discount to the market value of such shares. Rights held by an Acquiring Person and its related parties are declared void and are not exercisable. The Acquiring Person's investment in Cequence would thereby be significantly diluted. This dilution is so great that it is virtually certain that no person would acquire a Threshold Voting Interest and thereby trigger the Rights Plan. As a result, the bidder is forced to negotiate a waiver of the Rights Plan with the Board or to comply with the requirements of the Permitted Bid.

Redemption of Rights

The Rights Plan provides for the redemption of Rights at the option of the Board for no or nominal consideration prior to the occurrence of a Flip in Event at \$0.0000001 per Right. A deemed redemption will occur in certain circumstances, including the successful completion of a Permitted Bid as discussed below.

Adjustments to the Number of Rights

The Rights Plan contains certain adjustment provisions. The exercise price, the number and kind of shares to be purchased upon exercise of each Right and the number of Rights outstanding may be adjusted upon certain changes to the share capital of Cequence. No such change will allow a holder of Non-Voting Shares to acquire Shares pursuant to the Rights unless the articles of the Company are amended to convert all Non-Voting Shares into Shares. The adjustment provisions are designed to ensure that the number of shares which may be purchased upon exercise of the Rights and payment of the exercise price remains proportionally constant with the number of shares

outstanding at the time the Rights are issued and are not subject to any dilution which may result from changes to the share capital of Cequence.

Exempt Transactions

Under the Rights Plan, certain transactions will not result in a Flip in Event even where the 20 percent threshold has been reached. For example, "Corporate Acquisitions", which include acquisitions of shares by Cequence or a subsidiary or, alternatively, redemptions of shares by Cequence, which by reducing the number of shares outstanding increases the proportionate number of shares held by any person, will not give rise to a Flip in Event. Similarly, transactions identified as "Corporate Distributions" will not result in a Flip in Event. Corporate Distributions will include any acquisition of shares resulting from a stock dividend, stock split, dividend reinvestment or share purchase plan or any other event which entitles all Securityholders to receive shares on a pro rata basis. Likewise, any "Permitted Bid Acquisition" of shares in compliance with the Permitted Bid provisions discussed below will be exempted, as are certain "Exempt Acquisitions" and "Convertible Security Acquisitions". Finally the Board is able, in certain circumstances, to waive the application of the Rights Plan to a particular acquisition, as discussed below, with the result that such acquisitions would also be exempt.

However, under the Rights Plan, even where a Securityholder has acquired 20 percent or more of the Shares or Non-Voting Shares pursuant to an exempt transaction, any subsequent acquisitions of such additional shares constituting one percent or more of the outstanding shares of Cequence which are not exempt will still result in a Flip in Event.

Permitted Bid

A Permitted Bid is summarized below.

- (a) The take-over bid must be made to all holders of record of Shares and all holders of record of Non-Voting Shares, for the same price and on the same conditions, regardless of the jurisdiction in which the holder resides.
- (b) The take-over bid must be open for a minimum of 35 days following the date of the bid and no Shares or Non-Voting Shares may be taken up prior to such time.
- (c) Take up and payment for Shares may not occur unless the take-over bid is accepted by persons holding more than 50 percent of the outstanding Shares and Non-Voting Shares. The required 50 percent acceptance level is exclusive of Shares and Non-Voting Shares deposited by any person who has announced an intention to make or has made a take-over bid for the Shares and Non-Voting Shares or the respective affiliates and associates of either such persons or persons acting jointly or in concert with any of them.
- (d) If the take-over bid is accepted by the requisite percentage specified in (c) above, the bidder must, in order to enable Securityholders the opportunity to decide to tender without undue pressure, agree to extend the bid for a period of 10 Business Days to allow other Securityholders to tender into the bid should they so wish and the bidder must make a public announcement to such effect.

If a bidder proposes a take-over bid which does not meet these conditions, the bid would have to be withdrawn in order to avoid triggering the operation of the Rights Plan.

A Permitted Bid need not be approved by the Board and may be taken directly to the Securityholders. Acquisitions of Shares and Non-Voting Shares made pursuant to a Permitted Bid are deemed "Permitted Bid Acquisitions" and do not give rise to a Flip in Event.

Permitted Lock Up Agreements

The Rights Plan permits lock-up agreements if the agreement allows the signing Securityholders to tender into a competing bid if the price for that competing bid exceeds by more than a specified amount the price under the original bid.

Waiver of the Rights Plan

The Board has the discretion to waive application of the Rights Plan to a take-over bid made to all Securityholders.

Once the Board has exercised its discretion to waive application of the Rights Plan in respect of any particular take-over bid, the application of the Rights Plan will be automatically waived for all other subsequent take-over bids made by take-over bid circular (except bids that are not made to all Securityholders).

Modifications to the Rights Plan

Any amendments or supplements to its terms, other than amendments to cure clerical or typographical errors, will normally require Securityholder approval. All changes to the provisions of the Rights Plan respecting the rights agent require the written concurrence of the rights agent.

DIVIDENDS

Cequence has not declared or paid any dividends on the Shares or the Non-Voting Shares since incorporation. It is not currently expected that dividends will be paid in respect of the Shares and/or Non-Voting Shares during the current phase of development of Cequence's business and operations. The payment of dividends in the future will be at the discretion of the Board and will be dependent on the future earnings and financial condition of the Company and such other factors as the Board considers appropriate.

PRIOR SALES

The following table sets forth, for each class of securities of the Company that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the period from January 1, 2009 to the date hereof and the number of securities of the class issued at that price and the date on which the securities were issued.

Date of Issue	Number and Designation of Securities	Price
June 18, 2009	53,590,000 Subscription Receipts ⁽¹⁾	\$0.86
July 16, 2009	38,460,514 Subscription Rights ⁽²⁾	Nil
August 27, 2009	900,000 Options ⁽³⁾	Nil
February 5, 2010	110,000 Options ⁽⁴⁾	Nil
February 12, 2010	60,000 Options ⁽⁵⁾	Nil
February 19, 2010	7,500 Options ⁽⁶⁾	Nil
March 5, 2010	5,000 Options ⁽⁷⁾	Nil

Notes:

- (1) Each Subscription Receipt entitled the holder thereof to be issued one Share for no additional consideration and without further action upon satisfaction of the applicable release condition.
- (2) Each Subscription Right entitled the holder thereof to purchase 0.7027214 of a Share, such that a holder was entitled to exercise 1.423039 Subscription Rights to purchase one Share at a price of \$0.37 per Share.
- (3) Each Option entitles the holder thereof to purchase one Share at an exercise price of \$4.32 per Share.
- (4) Each Option entitles the holder thereof to purchase one Share at an exercise price of \$3.05 per Share.
- (5) Each Option entitles the holder thereof to purchase one Share at an exercise price of \$2.99 per Share.
- (6) Each Option entitles the holder thereof to purchase one Share at an exercise price of \$3.13 per Share.
- (7) Each Option entitles the holder thereof to purchase one Share at an exercise price of \$3.07 per Share.

MARKET FOR SECURITIES

The Shares are listed and posted for trading on the TSX under the symbol "CQE". The following table sets forth the price ranges and volume traded of Shares as reported by the TSX for the periods indicated.

2009	High	Low	Close	Volume
January	\$0.53	\$0.25	\$0.37	1,043,856
February	\$0.50	\$0.33	\$0.34	277,530
March	\$0.43	\$0.19	\$0.39	2,318,074
April	\$0.45	\$0.34	\$0.34	451,708
May ⁽¹⁾	\$1.75	\$0.35	\$1.28	13,383,564

2009	High	Low	Close	Volume
June	\$1.90	\$1.28	\$1.79	6,284,737
July	\$1.79	\$1.11	\$1.20	4,489,494
August ⁽²⁾	\$4.80 ⁽³⁾	\$0.95 ⁽⁴⁾	\$4.26 ⁽³⁾	7,864,161
September	\$4.44	\$3.75	\$3.82	5,215,532
October	\$4.10	\$3.37	\$3.50	3,101,368
November	\$3.51	\$3.01	\$3.16	4,998,379
December	\$3.70	\$2.80	\$3.64	2,962,116

Notes:

- (1) Cequence announced the Reorganization Transactions prior to the opening of markets on May 25, 2009. The Shares closed at \$0.43 on May 22, 2009, the last trading day prior to the announcement of the Reorganization Transactions and closed at \$1.48 on May 25, 2009.
- (2) On August 21, 2009, the Shares began trading on the TSX on a four-for-one consolidated basis.
- (3) Presented on a consolidated basis.
- (4) Presented on a pre-consolidated basis.

ESCROWED SECURITIES

As of the date hereof, the following Shares were held in escrow:

Designation of Class	Number of Securities Held in Escrow	Percentage of Class
Shares	5,067,568	12.8%

Note:

- (1) Pursuant to an escrow agreement dated July 30, 2009 between the Company, the officers, directors, employees and consultants of the Company and a former officer of the Company (collectively, the "Escrow Shareholders") and Valiant Trust Company, as Escrow Agent, the Company deposited 20,270,272 Shares (or 5,067,568 Shares on a consolidated basis) with Valiant Trust Company for the benefit of the Escrow Shareholders.

DIRECTORS AND OFFICERS

Directors and Officers

The following table sets forth the names, province or state and country of residence, present positions with Cequence and principal occupations during the past five years of the officers and directors of Cequence.

Name and Residence	Position(s) with Cequence	Principal Occupation(s)
Hany Beshry Alberta, Canada	Vice President, Exploration	From July 2009 to present, Vice President, Exploration of Cequence. Prior thereto, from December 2008 to July 2009, Vice President, Exploration of a privately held oil and gas company ("PrivateCo"). Prior thereto, from July 2004 to March 2008, Manager, Geology of Cyries Energy Inc. ("Cyries"), a public oil and gas company. Prior thereto, from January 2002 to June 2004, Senior Geologist of Cequel Energy Inc. ("Cequel"), a public oil and gas company.
Robin Bieraugle Alberta, Canada	Vice President, Operations	From July 2009 to present, Vice President, Operations of Cequence. Prior thereto, from December 2008 to July 2009, Vice President, Operations of PrivateCo. Prior thereto, from July 2004 to March 2008, Operations Manager of Cyries. Prior thereto, from September 2002 to June 2004, Operations Engineer of Cequel.
Howard Crone Alberta, Canada	President, Chief Executive Officer and Director	From July 2009 to present, President and Chief Executive Officer of Cequence. Prior thereto, from May 2009 to July 2009, President of PrivateCo. Prior thereto, from July 2004 to May 2009, an independent businessman. Prior thereto, from August 2003 to June 2004, Vice-President and Chief Operating Officer of Cequel.
David Gillis Alberta, Canada	Chief Financial Officer and Vice President, Finance	From July 2009 to present, Chief Financial Officer and Vice President, Finance of Cequence. Prior thereto, from June 2009 to July 2009, Director of PrivateCo. Prior thereto, from March 2008 to June 2009, an independent consultant. Prior thereto, from July 2004 to March 2008, Treasurer of Cyries. Prior thereto, from November 2003 to June 2004, Manager of Financial Reporting of Cequel.

<u>Name and Residence</u>	<u>Position(s) with Cequence</u>	<u>Principal Occupation(s)</u>
Nathan MacBey Alberta, Canada	Vice President, Land	From July 2009 to present, Vice-President, Land of Cequence. Prior thereto, from December 2008 to July 2009, Vice President, Land of PrivateCo. Prior thereto, from February 2007 to September 2008, Vice President, Negotiations of Cadence Energy Inc. (formerly Kereco Energy Inc.), a public oil and gas company. Prior thereto, from February 2005 to February 2007, Vice President, Land of Mission Oil & Gas Inc. ("Mission"), a public oil and gas company. Prior thereto, from September 2003 to February 2005, Land Manager with StarPoint Energy Ltd. ("StarPoint"), a public oil and gas company.
Richard Thompson Alberta, Canada	Executive Vice President and Director	From July 2009 to present, Executive Vice-President of Cequence. Prior thereto, from December 2008 to July 2009, Executive Vice President of PrivateCo. Prior thereto, from June 2004 to March 2008, Vice-President, Exploration of Cyries. Prior thereto, from January 2002 to June 2004, Vice-President, Geophysics of Cequel.
Erin Thornson Alberta, Canada	Controller	From July 2009 to present, Controller of Cequence. Prior thereto, from June 2004 to March 2008, Chief Financial Officer and Controller of Cyries. Prior thereto, from August 2003 to June 2004, Controller of Cequel.
Kirk Litvenenko Alberta, Canada	Corporate Secretary	From 2006 to present, Partner of Macleod Dixon LLP, a law firm. Prior thereto, from 1999 to 2005, associate of Macleod Dixon LLP.
Donald Archibald ⁽¹⁾⁽²⁾⁽³⁾ Alberta, Canada	Chairman and Director	From March 2008 to present, an independent businessman. Prior thereto, from June 2004 to March 2008, Chairman and Chief Executive Officer of Cyries. Prior thereto, from January 2002 to June 2004, President and Chief Executive Officer of Cequel.
Peter Bannister ⁽¹⁾⁽⁴⁾⁽⁵⁾ Alberta, Canada	Director	From February 2007 to present, President of Destiny Energy Inc., a private oil and gas company. Prior thereto, from January 2006 to February 2007, Vice-President, Exploration of Mission. Prior thereto, from April 2004 to January 2005, Vice President, Exploration of StarPoint. Prior thereto, from January 2001 to April 2004, President of Impact Energy Inc., a public oil and gas company.
Paul Colborne ⁽²⁾⁽³⁾ Alberta, Canada	Director	From October 2006 to present, President of Star Valley Oil and Gas Ltd., a private oil and gas company. Prior thereto, from January 2005 to January 2006, President and Chief Executive Officer of StarPoint Energy Trust, a public oil and gas trust. Prior thereto, from September 2003 to January 2005, President and Chief Executive Officer of StarPoint.
Douglas Dafoe ⁽¹⁾⁽⁴⁾⁽⁵⁾ Alberta, Canada	Director	From September 2008 to present, President and Chief Executive Officer of Ember Resources Inc. ("Ember"), a public oil and gas company. Prior thereto, from July 2005 to September 2008, Chairman and Chief Executive Officer of Ember. Prior thereto, from October 1995 to July 2005, President and Chief Executive Officer of Thunder Energy Inc., a public oil and gas company.
Brent Perry, Q.C. ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Alberta, Canada	Director	From 1989 to present, Partner of Felesky Flynn LLP, a law firm.

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Nominating Committee.
- (4) Member of the Reserves Committee.
- (5) Member of the Environment, Health & Safety Committee.

Mr. Perry has been a director of Cequence since 2005. Messrs. Crone, Thompson, Archibald, Colborne and Bannister have been directors since July 30, 2009. Mr. Dafoe has been a director since December 17, 2009. Each of the directors has been elected or appointed to serve as such until the next annual meeting of the Shareholders or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the articles or by-laws of the Company.

As of the date hereof, the directors and executive officers of Cequence as a group beneficially owned, directly or indirectly, or exercised control or direction over 7,611,199 Shares representing 19 percent of the issued and outstanding Shares. In addition, the directors and executive officers of Cequence, as a group, hold Options to purchase 595,000 Shares and Performance Warrants entitling the holders thereof to acquire 5,200,000 Non-Voting Shares.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of management, no director or executive officer of Cequence is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days; or (ii) was subject to an event that resulted, after the person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days.

To the knowledge of management, no director, executive officer of Cequence is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer 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.

Personal Bankruptcies

To the knowledge of management, no director, executive officer of Cequence has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

Penalties or Sanctions

To the knowledge of management, no director, executive officer of Cequence has: (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, other than penalties for late filing of insider reports; or (ii) 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

Circumstances may arise where Board members are directors or officers of corporations which are in competition to the interests of Cequence. No assurances can be given that opportunities identified by such Board members will be provided to Cequence. Pursuant to the ABCA, directors who have an interest in a proposed transaction upon which the Board is voting are required to disclose their interests and refrain from voting on the transaction.

AUDIT COMMITTEE

Composition of the Audit Committee

The Audit Committee of the Board operates under written terms of reference that set out its responsibilities and composition requirements. A copy of the terms of reference is attached to this Annual Information Form as Appendix "C". The Audit Committee consists of Messrs. Dafoe (Chairman), Archibald and Bannister. All members of the Audit Committee are independent and financially literate (as determined by National Instrument 52-110, *Audit Committees*).

In considering criteria for the determination of financial literacy, the Board looked at the ability to read and understand a balance sheet, an income statement and cash flow statement of a public company as well as the director's past experience in reviewing or overseeing the preparation of financial statements. The following sets out the education and experience of each director relevant to the performance of his duties as a member of the Audit Committee.

Douglas Dafoe

Mr. Dafoe is the President and Chief Executive Officer of Ember Resources Inc. and has over 25 years experience in the oil and gas industry. Mr. Dafoe currently also serves as a director of Ember Resources Inc. Mr. Dafoe holds a

Bachelor of Arts (Science) degree and is a Chartered Accountant. For more information with respect to Mr. Dafoe's principal occupations during the past five years, see "Directors and Officers".

Donald Archibald

Mr. Archibald was the Chief Executive Officer and Chairman of Cyries Energy Inc. and has over 20 years experience in the oil and gas industry. Mr. Archibald currently also serves as chairman of Iteration Energy Ltd., and as a director of Progress Energy Resources Corp., Spartan Exploration Ltd. and Triton Energy Corp. Mr. Archibald holds a Bachelor of Commerce degree and a Masters in Business Administration degree. For more information with respect to Mr. Archibald's principal occupations during the past five years, see "Directors and Officers".

Peter Bannister

Mr. Bannister is the President of Destiny Energy Inc. and has over 28 years experience in the oil and gas industry. Mr. Bannister currently also serves as chairman of Crescent Point Energy Corp. and as a director of Breaker Energy Ltd. and Shelter Bay Energy Inc. Mr. Bannister holds a Bachelor of Commerce (Geology) degree. For more information with respect to Mr. Bannister's principal occupations during the past five years, see "Directors and Officers".

Auditors' Fees

Deloitte & Touche LLP, Chartered Accountants, became Cequence's auditors on December 1, 2009 in order to fill the vacancy created by the resignation of Collins Barrow Calgary LLP, Chartered Accountants. Collins Barrow Calgary LLP had served as Cequence's auditors since incorporation and resigned at the request of the Company. Fees paid to Cequence's auditors for the years ended December 31, 2009 and 2008 are detailed below:

Fee	For the year ended December 31, 2009	For the year ended December 31, 2008
Audit Fees ⁽¹⁾	\$179,900	\$278,200
Tax Fees ⁽²⁾	\$20,000	\$1,000
All Other Fees ⁽³⁾	\$112,200	\$30,000
Total	\$312,100	\$309,200

Notes:

- (1) "Audit Fees" include the aggregate professional fees paid to the external auditors for the audit of the annual consolidated financial statements and other annual regulatory audits and filings. It also includes the aggregate fees paid to the external auditors for services related to the audit services, including reviewing quarterly financial statements and management's discussion thereon and consulting with the Board and Audit Committee regarding financial reporting and accounting standards.
- (2) "Tax Fees" include the aggregate fees paid to external auditors for tax compliance, tax advice, tax planning and advisory services, including namely preparation of tax returns.
- (3) "Other Fees" include fees for assurance procedures in connection with filings statements and information circulars and services related to underwriter's due diligence.

All permissible categories of non-audit services require pre-approval by the Audit Committee, subject to certain statutory exemptions.

RISK FACTORS

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Company will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation

or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Company.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions.

To the extent the Company is not the operator of its oil and gas properties, the Company will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. In accordance with standard industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable. Although the Company maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a material 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 encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Company will be affected by numerous factors beyond its control. The Company's ability to market its natural gas and oil may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. The Company may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities, and related to operational problems with such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

The Company's revenues, profitability and future growth and the carrying value of its oil and gas properties are substantially dependent on prevailing prices of oil and gas which are volatile and subject to fluctuations. The Company's ability to borrow and to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Company. These factors include economic conditions, in the United States and Canada, the actions of OPEC and Russia, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, the price of foreign imports and the availability of alternative fuel sources. Fluctuations in the price of oil and gas could have an adverse effect on the Company's carrying value of its proved reserves, borrowing capacity, revenues, profitability and funds flows from operations.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing credit and liquidity concerns.

Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, financial resources available to the Company are in part determined by the Company's borrowing base. A sustained material decline in prices from historical average prices could reduce the Company's borrowing base, therefore reducing the bank credit available to the Company which could require that a portion, or all, of the Company's bank debt to be repaid.

Investment in Asset Backed Notes

As at December 31, 2009, the Company held Canadian third party ABCP with an original cost of \$24,147,000. These investments matured during the third quarter of 2007 but, as a result of the liquidity issues in the ABCP market, did not settle on maturity. As a result, the Company classified its investment in ABCP as a long-term investment in its financial statement and management discussion and analysis and attributed a value of \$13,968,000 to its ABCP investment as of December 31, 2008.

On January 21, 2009, upon completion of the restructuring process overseen by the Pan-Canadian Investors Committee, the Company's investment in ABCP was exchanged for new notes of various classes issued by a trust referred to as Master Asset Vehicle 2. The estimated fair value of the replacement notes was unchanged from the December 31, 2008 estimated fair value. As at December 31, 2009, the fair value of the notes was \$13,738,000.

There are currently no market quotations available for the new replacement notes and the estimate fair market value attributed to such notes by the Company is based on assumptions which may prove to be inaccurate. Continuing uncertainties regarding the value of the assets which underlie the ABCP, the amount and timing of cash flows, the evolution of the liquidity of the market for the new notes issued following the restructuring and the evolution of the prevailing financial crisis and other factors could give rise to a further change in the value of the Company's investment in ABCP which could negatively impact the Company's earnings.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to and reductions in commodity prices. These conditions worsened in 2008 and continued to a certain extent in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, restricted access to debt or equity financing, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted the Company's valuations and will impact the performance of the global economy going forward.

Due to the current global credit crisis and recession, oil and natural gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, the actions of the OPEC and the ongoing global credit and liquidity concerns.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/United States dollar exchange rates, which will fluctuate over time. In recent years, the Canadian dollar has increased materially in value against the United States dollar. Material increases in the value of the Canadian dollar negatively impact the Company's production revenues. Future Canadian/United States dollar exchange rates could accordingly impact the future value of the Company's reserves as determined by independent evaluators.

To the extent that the Company engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Company may contract.

An increase in interest rates could result in a significant increase in the amount the Company pays to service debt, which could negatively impact the market price of the Shares.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time, See "Industry Conditions". The Company's operations may require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects and the obtaining of such licences and permits may delay operations of the Company. Changes to the regulation of the oil and gas industry in jurisdictions in which the Company operates may adversely impact the Company's ability to economically develop existing reserves and add new reserves.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and international, national, provincial, state and local law and regulation. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of same can result in the imposition of clean-up orders, fines and/or penalties, some of which may be material, as well as possible forfeiture of requisite approval obtained from the various governmental authorities. The discharge of GHG emissions and other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects. See "Industry Conditions - Environmental Regulation".

Substantial Capital Requirements

The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. In the event the Company's revenues or reserves decline, the Company 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. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

Additional Funding Requirements

The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Company may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Company's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing to meet these requirements will be available at all or on terms acceptable to the Company.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGLs reserves and cash flows to be derived therefrom, including many factors beyond the Company's control. The reserve and associated cash flow information set forth in this Annual Information Form represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, future commodity prices, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, GLJ has used forecast price and cost estimates in calculating reserve quantities included herein. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and revenues derived therefrom will vary from the estimates contained in the GLJ Report and such variations could be material. The GLJ Report is based in part on the assumed success of activities the Company intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the GLJ Report will be reduced to the extent that such activities do not achieve the level of success assumed in the GLJ Report.

Royalty Rates

The potential for additional future changes and corresponding changes in the royalty regimes applicable in the provinces of Alberta and British Columbia, have created uncertainty surrounding the ability to accurately estimate future royalties, resulting in additional volatility and uncertainty in the oil and gas market. Increases to royalty rates in jurisdictions in which the Company operates may negatively impact the Company's results from operations and its ability to economically develop existing reserves or add new reserves.

Competition

Oil and gas exploration is intensely competitive in all its phases and involves a high degree of risk. The Company competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company's ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Competition may also be presented by alternate fuel sources.

Availability of Drilling Equipment and Access

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 the Company and may delay exploration and development activities. To the extent the Company is not the operator of its oil and gas properties, the Company will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Title to Assets

It is the practice of the Company when acquiring significant oil and gas leases or interest in oil and gas leases to examine the title to the interest under the lease. In the case of minor acquisitions the Company may rely upon the judgment of oil and gas lease brokers or landmen who perform the field work in examining records in the appropriate governmental office before attempting to place under lease a specific interest. The Company believes that this practice is widely followed in the oil and gas industry. Nevertheless, there may be title defects which affect lands comprising a portion of the Company's properties which may adversely affect the Company.

Hedging

From time to time the Company 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, the Company will not benefit from such increases. Similarly, from time to time the Company may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Company would not benefit from the fluctuating exchange rate for the fixed price agreement amount.

Issuance of Debt

From time to time the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Depending on future exploration and development plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its by laws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time, could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Credit Risk

The majority of the Company's accounts receivable are due from joint venture partners in the oil and gas industry and from purchasers of the Company's petroleum and natural gas production and are subject to the same industry factors such as commodity price fluctuations and escalating costs. The Company generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Company makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Cequence. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non core assets are periodically disposed of, so that the Company can focus its efforts and resources more efficiently. Depending on the state of the market for such non core assets, certain non core assets of the Company, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Company.

Seasonal Impact on Industry

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of drilling rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of Cequence.

Conflicts of Interest

There are potential conflicts of interest to which some of the directors and officers of the Company will be subject in connection with the operations of the Company. Some of the directors and officers are engaged and will continue to be engaged in the search of oil and gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Company.

Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Company, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Reliance on Key Personnel

The Company's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company. The Company does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of the Company are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company.

Expiration of Licences and Leases

The Company's properties are held in the form of licences and leases and working interests in licences and leases. If the Company or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Company's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Company's results of operations and business.

Management of Growth

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expend, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects.

Insurance

The Company's involvement in the exploration for and development of oil and natural gas properties may result in the Company becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although prior to drilling the Company will obtain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums

associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation, and marketing) imposed by legislation enacted by various levels of governments and with respect to pricing and taxation of oil and natural gas by agreements among the Governments of Canada, Alberta and British Columbia, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect the Company's operations in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

Pricing and Marketing

In Canada, oil producers negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, and the value of refined products. Oil exports may be made under export contracts having terms not exceeding one year in the case of light oil, and not exceeding two years in the case of heavy oil, provided that an order approving any such export has been approved by the NEB. Any oil export to be made pursuant to a contract of longer duration requires an exporter to obtain an export licence from the NEB and the issue of such a licence requires the approval of the Government of Canada.

In Canada, the price of natural gas sold is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that export contracts in excess of two years must continue to meet certain criteria prescribed by the NEB and the Government of Canada. Natural gas exports for a term of less than two years must be made pursuant to an NEB order, or, in the case of exports for a longer duration, pursuant to an NEB licence and Government of Canada approval.

The provincial governments of Alberta and British Columbia also regulate the removal of gas from their jurisdictions for consumption elsewhere based upon such factors as reserve availability, transportation arrangements and market considerations.

Royalties

In addition to federal regulations, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other related matters. The royalty regime is a significant factor in the profitability of oil and gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production, and the royalty rate payable generally depends in part on the prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced.

Royalties payable on production from lands other than Crown lands are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Other royalties and royalty-like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

Competitive Conditions

The oil and natural gas industry in Canada is intensely competitive in all its phases. Cequence competes with a substantial number of other companies that may have greater technical or financial resources. Many of such companies not only explore for and produce oil and natural gas, but also carry on refining operations and market oil and other products on a worldwide basis. Generally there is intense competition for the acquisition of undeveloped or producing resource properties considered to have commercial potential. Prices paid for oil and natural gas properties are subject to market fluctuations and will directly affect the profitability of producing any oil or natural gas reserves that may be acquired or developed by the Company.

Environmental Regulation

Federal

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol which was established thereunder to set legally binding targets to reduce nationwide GHG emissions. The Government of Canada has originally indicated an intention to regulate the emissions of industrial GHG emissions from a range of industries in the Framework, which Framework was updated on March 10, 2008 pursuant to the Update. The Federal Plan (which is comprised of the Framework, as amended by the Update) outlines a number of policies to reduce GHG emissions intensity of regulated facilities starting in 2010. New facilities (which are defined as those facilities whose first year of operation is 2004 or later) will face intensity reduction requirements beginning in their fourth year of commercial production, of two percent per year from their "baseline" emissions intensity (which baseline is the emissions intensity for such facility's third year of commercial production) until at least 2020. Compliance options for new facilities under the Federal Plan include: making emissions intensity improvements; making investments in certified carbon capture and storage projects; buying offsets or emissions performance credits; and for a portion of each entity's emissions reduction obligations, making payments of \$15 per tonne until 2012, \$20 per tonne in 2013 and an escalating annual rate per tonne thereafter; to the federal technology fund.

The Federal Plan also includes proposed requirements to be implemented by the Government of Canada which would govern the emission of industrial air pollutants beginning in 2010. Certain of the proposed requirements include fixed emissions caps, an emissions credit trading system, and several options from which companies can choose to meet their GHG emission reduction targets. At present, the status of these proposals is unclear.

The Government of Canada is also working with the provinces and territories to develop a cap and trade system which is to ultimately be aligned with the emerging cap and trade system being developed by the United States. No assurance can be given that either a modified Federal Plan or a North American cap and trade system will or will not be implemented, or what kinds of obligations will be imposed under such a system.

In February 2009, the United States and Canada established the 'Clean Energy Dialogue' in order for the two countries to collaborate on the development of clean energy science and technologies to reduce GHG emissions and combat climate change. A number of working groups have been created to develop recommendations for joint initiatives.

At the July 2009 G8 Summit in Italy, Canada and the other G8 members agreed to work together toward achieving at least a 50 percent reduction of global GHG emissions by 2050.

In December 2009, Canada participated in COP 15 in Denmark, the goal of which was to reach a new agreement for fighting global climate change. COP 15 resulted in the Copenhagen Accord, which committed Canada and the other participating countries to implement the quantified economy-wide emissions targets by 2020. Canada submitted its targets on January 30, 2010, noting that: (a) the emissions reduction target it set of 17 percent for the baseline year of 2005 is aligned with the final economy-wide emissions target and base year of the United States; and (b) its submission is dependant on the other parties to the Copenhagen Accord submitting emissions targets and mitigation actions in accordance with such Accord.

There has been much public debate surrounding Canada's ability to meet emission targets and the strategies proposed for controlling climate change and the control of GHG emission. Whether such strategies meet the requirements set forth in the Kyoto Protocol, the July 2009 G8 Summit in Italy or the Copenhagen Accord, it is

likely that any such strategy will materially impact the nature of oil and gas operations, including those carried out by the Company. At present, it is not possible to predict the impact such strategy will have on the business, operations and/or finances of the Company.

Alberta

Environmental legislation in the Province of Alberta has largely been consolidated into the *Environmental Protection and Enhancement Act* (Alberta), the *Water Act* (Alberta), and the *Oil and Gas Conservation Act* (Alberta). These statutes impose environmental standards, require compliance, reporting and monitoring obligations, and impose penalties. In addition, the emission reduction requirements in the *Climate Change and Emissions Management Act* (Alberta) came into effect on July 1, 2007. Under this legislation, Alberta facilities emitting more than 50,000 tonnes of GHG emissions per year must report such emission to Alberta Environment and Environment Canada while facilities emitting more than 100,000 tonnes of GHG emissions per year must reduce their emissions intensity by 12 percent. The Company has four options to choose from in order to meet the reduction requirements outlined in this legislation, and these are: making improvement to operations that result in reductions; purchasing emission credits from other sectors or facilities that have reduced their emissions below the required emission intensity reduction levels; purchasing off-set credits from other sectors or facilities that have emissions below the 100,000 tonne threshold and are voluntarily reducing their emissions in Alberta; or contributing to the 'Climate Change and Emissions Management Fund'. The Company can choose one of these options or a combination thereof, however it should be noted that the price of off-set credits could be raised, and the required reductions in GHG emissions intensity presently set forth can be increased to unspecified levels.

British Columbia

British Columbia's *Environmental Assessment Act* creates an environmental assessment process for reviewing the potential environmental impact of major energy projects within the province.

On February 27, 2007, the Government of British Columbia unveiled the BC Energy Plan, which outlines the province's energy strategy. The BC Energy Plan sets targets for reducing GHG emissions, promoting investments in innovation, and sustainable environmental management. The BC Energy Plan's objectives are to achieve clean energy through conservation and energy efficient practices, and to increase competitiveness in order to attract new investment in the oil and natural gas industry. The changes proposed include: (i) the creation of policies and measures for the reduction of emissions; (ii) the elimination of routine flaring at producing wells; (iii) the establishment of the Innovative Clean Energy Fund, in order to find new technologies that will help solve energy and environmental issues; (iv) a new Oil and Gas Technology Transfer Incentive Program, which encourages the research, development and use of innovative technologies to responsibly develop new oil and gas reserves and increase recoveries from existing reserves; and (v) the development of unconventional resources such as tight gas and coalbed gas.

In furtherance of these initiatives, the Government of British Columbia introduced the *Carbon Tax Act* on July 1, 2008. The carbon tax applies to fuels such as gasoline, diesel, natural gas, propane and coal, and it is revenue-neutral, meaning tax revenues will be returned to taxpayers through reductions in other provincial taxes.

On April 3, 2008, the Government of British Columbia introduced the *Greenhouse Gas Reduction (Cap and Trade) Act*, which will allow participation in the Western Climate Initiative cap and trade systems being developed. The proposed system establishes a limit on GHG emissions, and allows regulated emitters to buy/sell GHG emission allowances or offset emits. The emitter is obliged to obtain GHG emission allowances (compliance units) which are equal to the amount of GHG emitted within a certain period of time, which are then to be surrendered to the British Columbia government as proof of compliance.

Pipeline Capacity

Although pipeline expansions are ongoing, the lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to produce and to market natural gas production. In addition, the pro-rationing of capacity on the inter provincial pipeline systems also continues to affect the ability to export oil and natural gas.

The North American Free Trade Agreement

NAFTA became effective on January 1, 1994. NAFTA carries forward most of the material energy terms contained in the Canada U.S. Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions are justified under certain provisions of the General Agreement on Tariffs and Trade, and further provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to the total supply of the energy resource (based upon the proportion prevailing in the most recent 36 month period or in such other representative period as the parties may agree), (ii) impose an export price higher than the domestic price subject to an exception with respect to certain measures which only restrict the volume of exports, and (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum or maximum export or import price requirements, provided, in the case of export price requirements, prohibition in any circumstances in which any other form of quantitative restriction is prohibited, and in the case of import price requirements, such requirements do not apply with respect to enforcement of countervailing and anti dumping orders and undertakings.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory border restrictions and export taxes. NAFTA also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes and to minimize disruption of contractual arrangements and avoid undue interference with pricing, marketing and distribution arrangements, which is important for Canadian natural gas exports.

Land Tenure

Crude oil and natural gas located in the western Canadian provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licenses and permits for varying periods and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of drilling rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. See "Risk Factors – Seasonal Impact on Industry".

LEGAL AND REGULATORY PROCEEDINGS

Cequence is not a party to any legal proceeding nor was it a party to, nor is or was any of its property the subject of any legal proceeding, during the financial year ended December 31, 2009, nor is Cequence aware of any such contemplated legal proceedings, which involve a claim for damages, exclusive of interest and costs, that may exceed 10 percent of the current assets of Cequence.

During the year ended December 31, 2009, there were no: (i) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this Annual Information Form, no director, officer or principal Shareholder, nor any affiliate or associate of such a person, has or has had any material interest in any transaction or any proposed transaction

within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Cequence.

TRANSFER AGENT AND REGISTRAR

Valiant Trust Company, at its principal offices in Calgary, Alberta and Toronto, Ontario, is the transfer agent and registrar for the Shares.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the Company has not entered into any material contracts within the most recently completed financial year, or before the most recently completed financial year that are still in effect, other than the Rights Plan Agreement (see "Description of Capital Structure - Rights Plan.").

INTERESTS OF EXPERTS

Reserve estimates contained in this Annual Information Form have been prepared by GLJ. As at December 31, 2009, the effective date of those estimates, and as of the date hereof, the principals, directors, officers and associates of GLJ, as a group, owned, directly or indirectly, less than one percent of the outstanding Shares.

The auditors of the Company, Deloitte & Touche LLP, are independent with respect to the Company, in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information, including information as to directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Proxy Statement and Information Circular of the Company prepared in connection with the most recent annual meeting of Shareholder that involved the election of directors. Additional financial information is provided in the Company's financial statements and management discussion and analysis for the year ended December 31, 2009.

Copies of this Annual Information Form, any interim financial statements of the Company subsequent to the annual financial statements, the Company's Proxy Statement and Information Circular and other additional information relating to the Company are available on SEDAR at www.sedar.com.

APPENDIX "A"

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

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.

To the Board of Directors of Cequence Energy Ltd. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2009. The reserves data are estimates of proved and probable reserves and related future net revenue as at December 31, 2009, 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 in the COGE Handbook.
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 for the year ended December 31, 2009, 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 (10% discount rate)			
			Audited (M\$)	Evaluated (M\$)	Reviewed (M\$)	Total (M\$)
GLJ Petroleum Consultants Ltd.	March 4, 2010	Canada	-	157,689	-	157,689

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their preparation dates.
7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Executed as to our report referred to above:

GLJ Petroleum Consultants Ltd.

(signed) *"Bryan M. Joa"*

Bryan Joa, P. Eng.
Vice-President

Dated March 29, 2010

APPENDIX "B"

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

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 Cequence Energy Ltd. (the "Company") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved, probable and possible reserves and related future net revenue as at December 31, 2009, estimated using forecast prices and costs.

Independent qualified reserves evaluators have evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluators is presented in Appendix "A" to the Annual Information Form of the Company effective as at December 31, 2009.

The Reserves Committee of the Board of Directors of the Company has:

- (a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluators;
- (b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Reserves Committee of the Board of Directors has reviewed the Company'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 approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluators 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. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

(signed) "Howard Crone"
Howard Crone
President and Chief Executive Officer

(signed) "Robin Bieraugle"
Robin Bieraugle
Vice President, Operations

(signed) "Don Archibald"
Don Archibald
Chairman

(signed) "Peter Bannister"
Peter Bannister
Director

Dated March 29, 2010

APPENDIX "C"

AUDIT COMMITTEE TERMS OF REFERENCE

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of Cequence Energy Ltd. (the "Corporation") shall have the oversight responsibility, authority and specific duties as described below.

Composition

The Committee will be comprised of three or more directors as determined by the Board, none of whom shall be or shall have been, unless the period prescribed by applicable securities rules or regulations has elapsed since the end of service or employment, an officer or employee of the Corporation or any subsidiary of the Corporation. Each Committee member shall satisfy the independence, financial literacy and experience requirements of applicable securities laws, rules or guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules. Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the full Board.

Members of the Committee shall be appointed by the Board. The Nominating Committee of the Board shall recommend to the full Board eligible directors to fill vacancies on the Committee. Each member shall serve until his successor is appointed, unless he shall resign or be removed by the Board or he shall otherwise cease to be a director of the Corporation. The Board shall fill any vacancy if the membership of the Committee is less than three directors.

The Chair of the Committee may be designated by the Board or, if it does not do so, the members of the Committee may elect a Chair by vote of a majority of the full Committee membership.

Communication, Expenses and Authority to Engage Advisors

The Committee shall have access to such officers and employees of the Corporation, the Corporation's external auditor and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.

The Committee provides an avenue for communication, particularly for outside directors, with the external auditor and financial and senior management and the Board. The external auditor shall have a direct line of communication to the Committee through its Chair and shall report directly to the Committee. The Committee, through its Chair, may directly contact any employee in the Corporation as it deems necessary, and any employee may bring before the Committee, on a confidential basis, any matter involving the Corporation's financial practices or transactions.

The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set the compensation for any such counsel and advisors. Any engagement of independent counsel or other advisors is to be at the Corporation's expense.

The Corporation shall be responsible for all expenses of the Committee that are deemed necessary or appropriate by the Committee in carrying out its duties.

Meetings and Record Keeping

Meetings of the Committee shall be conducted as follows:

1. the Committee shall meet at least four times annually at such times and at such locations as the Chair of the Committee shall determine, provided that meetings shall be scheduled so as to permit timely review of the quarterly and annual financial statements and reports. The external auditor or any two members of the Committee may also request a meeting of the Committee. The Chair of the Committee shall hold *in camera* sessions of the Committee, without management present, at every meeting;

2. the Chair of the Committee shall preside as chair at each Committee meeting and lead Committee discussion on meeting agenda items;
3. the quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to hear each other;
4. if the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting shall be chosen by the Committee to preside at the meeting;
5. the Chair shall, in consultation with management and the external auditor, establish the agenda for the meetings and instruct management to circulate properly prepared agenda materials to the Committee with sufficient time for study prior to the meeting;
6. every question at a Committee meeting shall be decided by a majority of the votes cast; in the event of a tie vote on any matter, such matter shall be presented to the Board for its consideration and determination;
7. the President and Chief Executive Officer, the Vice President, Finance and Chief Financial Officer and the Controller shall be available to advise the Committee, shall receive notice of meetings and may attend meetings of the Committee at the invitation of the Chair of the Committee. Other management representatives may be invited to attend as necessary; and
8. a Committee member, or any other person selected by the Committee, shall be appointed at each meeting to act as secretary for the purpose of recording the minutes of each meeting.

The Committee shall provide the Board with a copy of the minutes of such meetings. Where minutes have not yet been prepared, the Chair shall provide the Board with oral reports on the activities of the Committee. All material information reviewed and discussed by the Committee at any meeting shall be referred to in the minutes and made available for examination by the Board upon request to the Chair.

Responsibilities

The Committee is part of the Board. Its primary functions are to assist the Board in fulfilling its oversight responsibilities with respect to: (i) the oversight, review and approval of the financial statements and the accounting and financial reporting processes of the Corporation; (ii) the assessment of the system of internal controls that management has established; and (iii) the external audit process. In addition, the Committee shall assist the Board, as requested, in fulfilling its oversight responsibilities with respect to: (a) financial policies and strategies; (b) financial risk management practices; and (c) transactions or circumstances which could materially affect the financial profile of the Corporation.

The Committee shall be directly responsible, in its capacity as a committee of the Board, for recommending to the Board the nomination of the external auditor and the compensation and retention of the external auditor and overseeing the work of the external auditor and the relationship of the external auditor with the Corporation (including the resolution of disagreements between management and the external auditor regarding financial reporting).

The Committee should have a clear understanding with the external auditor that they must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the external auditor is to the shareholders of the Corporation.

Specific Duties

A. Relationship with External Auditor

The Committee shall:

1. consider and make a recommendation to the Board as to the nomination or re-appointment of the external auditor for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services, ensuring that such auditor is a participant in good standing pursuant to applicable securities laws;
2. consider and make a recommendation to the Board as to the compensation of the external auditor which is to be paid by the Corporation;
3. oversee the work of the external auditor in performing their audit, review or attest services and oversee the resolution of any disagreements between management of the Corporation and the external auditor;
4. review and discuss with the external auditor all significant relationships that the external auditor and its affiliates have with the Corporation and its affiliates in order to determine the external auditor's independence;
5. as may be required by applicable securities laws, rules and guidelines, either:
 - (a) pre-approve all non-audit services to be provided by the external auditor to the Corporation (and its subsidiaries, if any), or, in the case of *de minimus* non-audit services, approve such non-audit services prior to the completion of the audit; or
 - (b) adopt specific policies and procedures for the engagement of the external auditor for the purposes of the provision of non-audit services; and
6. review and approve the hiring policies of the Corporation regarding partners and employees and former partners and employees of the present and former external auditor of the Corporation.

B. Financial Statements and Financial Reporting

The Committee shall:

1. review with management and the external auditor, and recommend to the Board for approval, the annual and interim financial statements of the Corporation and related annual and interim financial reporting, including management's discussion and analysis and earnings press releases;
2. upon completion of each audit, review with the external auditor the results of such audit. This process should include but not be limited to reviewing:
 - (a) the scope and quality of the audit work performed;
 - (b) the capability of the Corporation's financial personnel;
 - (c) the co-operation received from the Corporation's financial personnel during the audit;
 - (d) the internal resources used;
 - (e) significant transactions outside of the normal business of the Corporation; and
 - (f) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems;

3. review with management and recommend to the Board for approval, any financial statements of the Corporation which have not previously been approved by the Board and which are to be included in a prospectus or other public disclosure document of the Corporation;
4. consider and be satisfied that adequate policies and procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of such procedures; and
5. review accounting, tax, legal and financial aspects of the operations of the Corporation as the Committee considers appropriate.

C. Internal Controls

The Committee shall:

1. review with management and the external auditor, the adequacy and effectiveness of the internal control and management information systems and procedures of the Corporation (with particular attention given to accounting, financial statements and financial reporting matters) and determine whether the Corporation is in compliance with applicable legal and regulatory requirements and with the Corporation's policies;
2. read the external auditor's recommendations regarding any matters, including internal control and management information systems and procedures, and management's responses thereto; and
3. establish procedures for the receipt, retention and treatment of complaints, submissions and concerns regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

D. Financial Risk Management

The Committee may, if requested by the Board, review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to accounting and management reporting. The Committee may, if requested by the Board, also review the financial risks arising from the Corporation's exposure to such things as commodity prices, interest rates, foreign currency exchange rates and credit, the activities of the Corporation's marketing group, the Corporation's insurance program and tax or government audits and report the results of such reviews to the Board for the purpose of assisting the Board in identifying the principal business risks associated with the business of the Corporation.

Review of Terms of Reference

The Committee shall review and reassess the adequacy of these terms of reference at least annually, and otherwise as it deems appropriate and recommend changes to the Board. Such review shall include the evaluation of the performance of the Committee against criteria defined in the Committee and Board terms of reference.