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CEQUENCE ENERGY LTD. ANNOUNCES SECOND QUARTER RESULTS

CALGARY, ALBERTA (August 16, 2010) Cequence Energy Ltd. ("Cequence" or the "Company") (TSX: "CQE") is pleased to announce its operating and financial results for the second quarter ended June 30, 2010. The unaudited financial statements and notes are available on the Cequence website at www.cequence-energy.com and on www.sedar.com.

Financial results include the operations of Peloton Exploration Corp. ("Peloton") following the close of the acquisition on June 11, 2010.

Financial and Operating Highlights

(000's except per share amounts)	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Financial (\$)				
Production revenue, including realized hedge	\$ 9,174	\$ 6,547	\$ 19,267	\$ 13,174
Net income (loss)	(3,751)	(2,444)	(4,776)	996
Per share, basic and diluted	(0.09)	(0.25)	(0.12)	0.10
Funds flow from operations ⁽¹⁾	2,842	1,517	7,340	3,429
Per share, basic and diluted	0.07	0.16	0.18	0.36
Production volumes				
Natural gas (Mcf/d)	16,559	8,077	14,587	8,031
Crude oil (bbls/d)	253	106	260	121
Natural gas liquids (bbls/d)	184	96	131	99
Total (boe/d)	3,197	1,548	2,823	1,559
Sales prices				
Natural gas, including realized hedges (\$/Mcf)	\$ 4.21	\$ 7.50	\$ 5.34	\$ 7.61
Crude oil (\$/bbl)	70.22	68.00	73.59	57.91
Natural gas liquids (\$/bbl)	72.07	52.12	71.99	43.36
Total (\$/boe)	\$ 31.53	\$ 47.00	\$ 37.71	\$ 46.44
Operating Netbacks (\$/boe)				
Price	\$ 31.53	\$ 47.00	\$ 37.71	\$ 46.44
Royalties	(2.40)	(2.76)	(3.55)	(4.18)
Transportation	(2.88)	(1.71)	(3.10)	(1.71)
Operating costs	(11.66)	(15.88)	(12.27)	(15.86)
Operating Netback	\$ 14.59	\$ 26.65	\$ 18.79	\$ 24.69
Capital Expenditures	\$ 5,007	\$ 209	\$ 31,419	\$ 4,976
Corporate Acquisitions ⁽⁴⁾	29,369	-	29,369	-
Property Acquisitions (net)	-	-	279	-
Total capital expenditures	\$ 34,376	\$ 209	\$ 61,067	\$ 4,976

Net working capital (deficiency) ⁽²⁾	(25,226)	(16,863)	(25,226)	(16,863)
Long-term debt related to investments ⁽³⁾	(18,000)	(18,120)	(18,000)	(18,120)
Weighted average shares outstanding (basic and diluted)	42,048	9,615	40,796	9,618
Undeveloped land (net acres)	179,000	142,000	179,000	142,000

Notes:

- (1) Funds flow from operations is calculated as cash flow from operating activities before adjustments for asset retirement expenditures and net changes in non-cash working capital.
- (2) Net working capital is calculated as cash, net working capital less derivative contract asset and demand credit facilities.
- (3) The long-term debt related to investments is a stand-alone credit facility with Cequence's lender to provide short term liquidity to the Company in light of the restructuring of the asset backed MAV II notes (as defined herein). As at June 30, 2010 the MAV II notes have an estimated fair value of \$14,100.
- (4) Corporate acquisitions for the three and six months ended June 30, 2010 includes \$29,319 related to the acquisition of Peloton (\$695 cash).

ACCOMPLISHMENTS

The second quarter of 2010 was highlighted by:

- On June 11, 2010, closed the acquisition of Peloton for total consideration of \$30.9 million (consisting of approximately 12.1 million shares of Cequence and the transaction costs of \$0.6 million). The assets are comprised of 58 net sections of undeveloped land throughout West Central and Northwest Alberta, including key land at Garrington targeting Cardium light oil and Elkton liquids rich natural gas. Peloton results are included in the Cequence financial statements beginning June 11, 2010;
- Increased average production by 30 percent over the first quarter of 2010. Average production in the second quarter was 3,197 boe/d and production as of August 16, 2010 is approximately 3,600 boe/d;
- Increased funds flow by 87 percent to \$2.8 million from \$1.5 million in the second quarter of 2009;
- Operating costs per boe were improved to \$11.66, an improvement of 27 percent from the second quarter of 2009;
- General and administrative expenses per boe were reduced by 70 percent to \$4.09 / boe from \$13.52 / boe in the second quarter of 2009;
- Spent \$5 million on drilling, recompletions and land in the second quarter of 2010; and
- Increased undeveloped land holdings from 143,000 net acres at the end of the first quarter of 2010 to 179,000 net acres at the end of the second quarter of 2010.

OPERATIONS REVIEW

In the second quarter of 2010, Cequence managed a relatively high level of activity, in spite of challenges relating to the weather and spring break up conditions within our core operating areas. Cequence participated in the drilling of two wells (0.58 net) targeting Jean Marie natural gas in the Gunnell area of Northeast British Columbia. Both wells were successful and tied in during the quarter.

Production results continue to be encouraging for Cequence's Peace River Arch Triassic exploration. The Company continues to tie-in recent successes and expand our land holdings in the area. Cequence also participated in a successful, non-operated well at Fourth Creek in the Peace River Arch. Completion efforts are currently underway for this well.

SUBSEQUENT EVENTS

On July 28, 2010, Cequence announced a series of transactions that in combination are expected to result in a larger, well capitalized natural gas resource-based Company with a focus in the Deep Basin.

Cequence announced the acquisition of Temple Energy Inc. (“Temple”). Pursuant to a Plan of Arrangement, Cequence will, subject to certain conditions, acquire all of the issued and outstanding common shares of Temple. Under the terms of the Plan of Arrangement, Temple shareholders will receive 0.355 of a Cequence common share for each Temple share held for a total of 46,711 Cequence common shares. Temple’s recent exploration activity has focused on liquids rich natural gas resource plays in the Wilrich and Montney formations in the Simonette area of the Deep Basin. The transaction is expected to close on September 10, 2010 subject to, among other things, the receipt of the requisite approvals.

In addition, Cequence also announced a significant property acquisition with production as of July 28, 2010 of approximately 2,100 boe/d (the “Property Acquisition”). The acquired properties are concentrated in the Greater Simonette and Kaybob areas of Alberta and are synergistic with the Temple assets. Total consideration for the Property Acquisition is \$85 million before final closing adjustments. The transaction is expected to close in early September 2010 subject to, among other things, the receipt of the requisite approvals.

On July 27, 2010, Cequence closed the disposition of the Company’s entire non-producing interest in the Sinclair area of Alberta (the “Sinclair Disposition”) for proceeds of \$36.9 million. Proceeds of the sale will be used to fund future capital expenditures and repay a portion of debt under existing credit facilities.

On July 28, 2010, Cequence announced that it had entered into an agreement with a syndicate of underwriters (the “Underwriters”) pursuant to which Cequence will issue 18,545,000 subscription receipts at a price of \$2.10 per subscription receipt for total proceeds of \$38,944,500. Each subscription receipt will be convertible into one common share of Cequence without payment of additional consideration. Cequence also granted the Underwriters an over allotment option to purchase up to an additional 2,500,050 subscription receipts at \$2.10 per subscription receipt for total proceeds, if exercised in full, of approximately \$5,250,105. The issuance of common shares to holders of subscription receipts is contingent on all conditions to the completion of the Property Acquisition being satisfied but for the payment of the purchase price. Cequence further announced that it had entered into an agreement with a syndicate of agents (the “Agents”) to sell, on a private placement basis, common and flow-through shares of up to 7,020,000 shares for total consideration of up to \$16,196,000.

Cequence also announced on July 28, 2010, that it has initiated a process to begin selling the long term floating rate notes which Cequence holds as a result of the previously announced restructuring of the asset backed commercial paper inherited with the recapitalization of Sabretooth Energy Ltd. (the “MAV II Notes”). Market conditions permitting, Cequence expects this sale of the MAV II Notes to conclude prior to the completion of the combination with Temple.

The combined company's pro forma key attributes after giving effect to the foregoing transaction are as follows:

- Significant production of greater than 8,000 boe/d, approximately 10 percent of which is light oil and natural gas liquids;
- Proved plus probable reserves of approximately 43.3 million boe estimated as of July 1, 2010 and 24.2 million boe on a proved basis estimated as of July 1, 2010 (excluding reserves attributable to Sinclair);
- Large inventory of drilling locations in key resource plays, including high impact Wilrich, Gething and Montney liquids rich natural gas locations at Simonette and Cardium oil locations at Garrington;
- Attractive operating costs of less than \$11 / boe; and
- Estimated pro forma Q2 net debt of approximately \$68 million, including exercise of the over allotment.

FINANCIAL

For the quarter ended June 30, 2010, Cequence reported funds flow from operations of \$2.8 million compared to \$1.5 million in the second quarter of 2009. Increase in funds flow relates to higher production volumes and lower per barrel operating expenses, general and administrative expenses and interest expense. Compared to the second quarter of 2009, the Company improved operating costs by 27 percent to \$11.66 / boe. As a result, netbacks per barrel prior to hedging increased to \$14.37 / boe in the second quarter from \$8.78 per boe in the second quarter of 2009.

The Company exited the second quarter of 2010 with consolidated net working capital deficiency of \$25.2 million and \$24.55 million available for draws under its credit facilities. This financial flexibility is expected to allow the Company to continue to execute and deliver on its 2010 planned activity using estimated cash flow and existing bank lines.

The Company's financial statements and management's discussion and analysis for the period ended June 30, 2010 are available on SEDAR at www.sedar.com.

Outlook

The Property Acquisition, the Sinclair Disposition, the \$60 million financing and the proposed merger with Temple, if completed on terms as currently contemplated, will transform the Company into an intermediate sized entity that is rich in resource opportunities. Our plans for the second half of the year include drilling, completing and evaluating a number of key resources in the Simonette and Garrington areas. Specifically, the Company will be using our expertise in drilling horizontal wells and multi-stage fracturing techniques on prospects at Simonette (Wilrich and Montney natural gas) and Garrington (Cardium oil). If successful, these opportunities are expected to evaluate and expand numerous additional opportunities on pro forma Cequence lands.

For the remainder of 2010 Cequence has budgeted a capital program approximately equal to its cash flow, which will assist in maintaining a strong balance sheet and providing optimal flexibility in the current natural gas environment. If, as anticipated by the Company, natural gas prices strengthen in 2011 Cequence will have multiple opportunities for capital expansion and per share growth in reserves, production and cash flow.

Forward-Looking Information

Certain information included in this press release 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 press release may include, but are not limited to, statements or information with respect to its guidance and forecasts: business strategy and objectives; development, exploration, acquisition and disposition plans and the timing thereof; reserve quantities and the discounted present value of future net cash flows from such reserves; and future production levels. 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 Cequence believes that the expectations reflected in such forward-looking information is reasonable, undue reliance should not be placed on forward-looking information because Cequence 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 press release, assumptions have been made regarding and are implicit in, among other things: field production rates and decline rates; the ability of Cequence to secure adequate product transportation; the ability of Cequence 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 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 Cequence 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 Cequence and described in the forward-looking information. The material risk factors affecting Cequence and its business are contained in Cequence's Annual Information Form which is available under Cequence's issuer profile on SEDAR at www.sedar.com.

The forward-looking information contained in this press release is made as of the date hereof and Cequence 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 press release is expressly qualified by this cautionary statement.

Additional Advisories

This press release contains references to terms commonly used in the oil and gas industry. Netback is not defined by GAAP in Canada and is referred to as a non-GAAP measure. Netbacks equal total revenue less royalties, operating costs and transportation costs. Management utilizes this measure to analyze operating performance.

Funds flow from operations is a non-GAAP term that represents cash flow from operating activities before adjustments for asset retirement expenditures and changes in working capital. The Company evaluates its performance based on earnings and funds flow from operations. The Company considers funds flow from operations a key measure as it demonstrates the Company's ability to generate the cash flow necessary to fund future growth through capital investment and to repay debt. The Company's calculation of funds flow from operations may not be comparable to that reported by other companies. Funds flow from operations per share is calculated using the same weighted average number of shares outstanding used in the calculation of income (loss) per share.

The foregoing outlook and guidance has been provided to assist readers in analyzing the Company's anticipated development strategies and prospects and it may not be appropriate for other purposes and actual results could differ from the guidance provided above.

The measurement of net asset value per share has been provided to assist the reader in determining the value of the Company's underlying assets on a per share basis. Investors should be aware that the market price of the Company's shares have been subject to wide fluctuations in price which have not necessarily been related to the value of its underlying assets, its operating performance or its future prospects. It is likely that the market price for the Company's shares will continue to be subject to market trends generally notwithstanding the financial and operational performance of the Company.

Boes are presented on the basis of one Boe for six Mcf of natural gas. Disclosure provided herein in respect of Boes may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The offering of subscription receipts is only made by prospectus. The prospectus contains important detailed information about the securities being offered. Copies of the prospectus may be obtained from the Underwriters. Investors should read the prospectus before making an investment decision.

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