cequence energy ltd

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2018

Dated March 28, 2019

TABLE OF CONTENTS

ABBREVIATIONS AND CONVERSIONS

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
NGL	natural gas liquids

Natural Gas

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

Other

AECO	Alberta Energy Company, the Canadian reference price paid at the Suffield Facility in southeastern Alberta for natural gas
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

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

To convert from	To	Multiply by
Mcf	cubic metres of gas	28.174
cubic metres of gas	cubic feet of gas	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

PRESENTATION OF OIL AND GAS RESERVES AND PRODUCTION INFORMATION

All oil and natural gas reserves information contained in this Annual Information Form has been prepared and presented in accordance with National Instrument 51-101– *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). Certain terms used in this Annual Information Form and the Appendices attached hereto but not otherwise defined in the Glossary of Terms are defined in NI 51-101 and, unless the context requires otherwise, shall have the same meanings herein as in NI 51-101. Actual oil and natural gas reserves and future production may be greater than or less than the estimates provided in this Annual Information Form. The estimated future net revenue from the production of the disclosed oil and natural gas reserves does not represent the fair market value of these reserves. The Company has adopted the standard of 6 Mcf:1 BOE when converting natural gas to barrels of oil equivalent. A BOE conversion ratio of 6 Mcf:1 BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. BOEs may be misleading as an indication of value, particularly given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1.

For fiscal 2018 the ratio between the average price of West Texas Intermediate ("**WTI**") crude oil at Cushing and NYMEX natural gas was approximately 20:1 ("**Value Ratio**"). The Value Ratio is obtained using the 2018 WTI average price of $65.20 (US$/Bbl) for crude oil and the 2018 NYMEX average price of $3.20 (US$/mcf) for natural gas. This Value Ratio is significantly different from the energy equivalency ratio of 6:1 and using a 6:1 ratio would be misleading as an indication of value.

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.

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

"**CCIR**" means the *Carbon Competitiveness Incentive Regulation* (Alberta).

"**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.

"**CII**" means CPPIB Credit Investments Inc., a wholly-owned subsidiary of the Canada Pension Plan Investment Board.

"**CII Loan Agreement**" means the loan agreement dated July 26, 2018 between Cequence and CII pursuant to which the CPPIB Notes were refinanced with the Term Loan.

"**CPPIB Notes**" means the $60 million aggregate principal amount of unsecured five-year senior notes due October 3, 2018 which were held by CII.

"**Credit Facility**" means the Company's $7 million senior secured credit facility with a Canadian chartered bank.

"**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 natural gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(a) gain access to and prepare well locations for drilling, including surveying 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 natural gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as "**prospecting costs**") and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs");

(b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;

(c) dry hole contributions and bottom hole contributions;

(d) costs of drilling and equipping exploratory wells; and

(e) costs of drilling exploratory type stratigraphic test wells.

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

"**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; and

(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 Company'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 forecasted revenue, estimated using forecast prices and costs, arising from the anticipated development and production of resources, net of the associated royalties, operating costs, development costs and decommissioning and reclamation costs.

"**GHG emissions**" or "**GHGs**" means, collectively, carbon dioxide, methane, nitrous oxide and other greenhouse gas 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 11, 2019 and effective December 31, 2018.

"**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.

“**IFRS**” means International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board.

"**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**" or "**NGL**" 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-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 Company's stock option plan.

"**production**" means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and natural gas. "Production" can also refer to the cumulative quantity of petroleum that has been recovered at a given date.

"**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 natural gas.

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

"**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 Offering**” means the offering to Shareholders of record as of August 9, 2018 of rights to subscribe for flow-through Shares that closed on September 13, 2018.

"**RSU**" means a restricted share unit issued pursuant to the Company's Restricted Share Unit Plan dated effective April 28, 2013.

“**SARA**” means the *Species at Risk Act* (Canada).

"**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".

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

"**Tax Act**" means the *Income Tax Act* (Canada), together with any and all of the regulations promulgated thereunder, as amended from time to time.

"**Term Loan**" means the $60 million second lien senior secured term loan facility due October 3, 2022, which refinanced the CPPIB Notes.

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

"**UNFCCC**" means the United Nations Framework Convention on Climate Change.

"**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.

“**Warrants**” means the 1,841,459 share purchase warrants that were issued to CII in connection with the Term Loan on September 13, 2018, each of which the holder thereof to purchase a Share for $2.00 at any time until September 13, 2022.

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

RESERVES DEFINITIONS

The determination of oil and natural 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.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains certain forward-looking statements and forward-looking information (collectively referred to as "**forward-looking statements**") within the meaning of applicable Canadian provincial securities legislation. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "predict", "project", "should", "target", "will", or similar words suggesting future outcomes or language suggesting an outlook. In particular, this Annual Information Form contains forward-looking statements pertaining to the following:

- commodity prices;
- the impact and anticipated benefits of acquisitions or dispositions on Cequence's operations, infrastructure, inventory and opportunities, financial condition, access to capital and overall strategy;
- development and drilling plans for the assets of Cequence and transportation and infrastructure availability;
- the performance characteristics of the oil and natural gas properties of Cequence;
- Cequence's 2019 capital program;
- business plans, strategies and objectives;
- expectations that Cequence will not pay dividends during its current phase of development;
- the ability of Cequence to achieve drilling success consistent with management's expectations;
- quantity of the reserves of Cequence;
- net present values of future net revenues from reserves;
- production levels and mix of the assets of Cequence;
- timing and cost of bringing on production;
- future production rates;

- expected plans and costs of drilling;
- drilling inventory and presence of oil pools or gas accumulations;
- supply and demand for oil and natural gas;
- ability and cost of increasing plant capacity;
- expected levels of royalty rates, operating costs, general and administrative costs, costs of services and other costs and expenses;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- expectations regarding the ability of Cequence to meet its commitments under certain agreements including the ability of Cequence to repay or refinance its Term Loan prior to maturity;
- assessments of the value of acquisitions and exploration and development programs;
- geological, technical, drilling and processing problems;
- expectations regarding the payment of income taxes;
- treatment under governmental regulatory regimes and tax laws;
- the impact of climate change initiatives on operating costs and future capital expenditures; and
- the impact of Western Canada pipeline maintenance and constraints.

Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future.

Undue reliance should not be placed on forward-looking statements as they are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to Cequence and the Shareholders. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Reliance on such information may not be appropriate for other purposes, such as making investment decisions.

Forward-looking statements are based on Cequence's current beliefs as well as assumptions made by, and information currently available to Cequence concerning, among other things, anticipated geological, well and financial performance, business prospects, strategies, any regulatory and tax developments, future commodity prices, future production levels of the assets of Cequence, the ability to obtain equipment, services, supplies and personnel in a timely manner to carry out development activities, the ability to obtain drilling success consistent with expectations, the ability to market oil and natural gas successfully to current and new customers, the impact of increasing competition, the ability to obtain financing on acceptable terms, the ability to add production and reserves through the acquisition and development and exploration activities based on historical cost structures, and that there will be no significant events occurring outside of the normal course of business of Cequence. Although the management of Cequence considers these assumptions to be reasonable based on information currently available, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific), some of which are beyond the control of Cequence, that such forward-looking statements will not come to pass. These factors include, but are not limited to, risks associated with oil and gas exploration, reservoir performance, prices, markets and marketing, uncertainty in global financial markets, the market price of the Shares, failing to realize anticipated benefits of acquisitions and dispositions, variations in exchange rates and interest rates, government regulation, environmental matters, climate change, decommissioning and reclamation costs, bank financing, additional funding requirements, reserves estimates, royalty rates, competition, availability of drilling equipment and access thereto, title to properties and other assets, hedging, issuance of debt, credit risk, seasonality, conflicts of interest, dependence on key personnel, expiration of licences and leases, management of growth, litigation, uninsurable risks, cyber security, breaches of confidentiality and alternatives to and changing demand for petroleum products. There is also the risk and uncertainty of access to, or expansion of, infrastructure including appropriate pipelines on acceptable terms or costs. See "*Risk Factors*" in this Annual Information Form.

The success of Cequence's drilling program is a key assumption to future production estimates. The primary risk factors which could lead to Cequence not meeting its drilling targets are a weak natural gas pricing environment, a lack of access to drilling rigs and related equipment on a timely basis and at reasonable prices, poor weather preventing access to the drill sites, delays in obtaining consent for surface and road access and delays in obtaining well licences and drilling permits. Increases in capital costs from forecast amounts can result from the foregoing reasons as well as general cost inflation in the industry. Additionally, Cequence may choose to decrease capital expenditures based on lower commodity prices than those anticipated in its budget projections, consequently not meeting its drilling targets and affecting production estimates for the 2019 financial year.

There are many factors that could result in production levels being less than anticipated, including greater than anticipated declines in existing production due to poor reservoir performance, the unanticipated encroachment of water or other fluids into the producing formation, mechanical failures, human error or inability to access production facilities, among other factors.

The price of natural gas in North America is primarily related to the domestic supply and demand equation. Demand is primarily affected by industrial usage and also by heating requirements in winter and cooling requirements in summer, with slower industrial activity and/or warm winters and/or cool summers having a negative demand influence. Supplies are generally domestic and respond to prices, but an increase in the deliverability of global natural gas liquids into the North American market as well as the export of natural gas out of the North American market both also influence the supply situation at times. Recently, the spot price of natural gas in North America, in particular AECO prices in Alberta, has reached historically low prices. The price of crude oil is set in U.S. dollars on the world market and is influenced by global supply and demand factors as well as external events, such as terrorist activity in oil exporting countries. Canadian producers realize a Canadian dollar price for crude oil, natural gas liquids and natural gas, all of which are determined in large part by the U.S. dollar price for such products adjusted for the U.S. to Canadian dollar exchange rate. The exchange rate is influenced by many factors, which have and may continue to result in high volatility.

Any estimates of cash flow and debt levels are based on assumptions regarding production and sales rates, production mix, natural gas, NGL and oil commodity prices, royalty rates, operating costs, general and administrative costs and capital expenditures. The risk that cash flow from operations may be less than expected or debt levels may be higher than expected is the aggregate of all risks affecting the individual components thereof.

Investors are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, investors are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Investors are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by Cequence that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Furthermore, the forward-looking statements contained in this Annual Information Form are made as of the date hereof, and Cequence does not undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement.

NON-GAAP MEASURES

In this Annual Information Form, management of Cequence uses certain financial reporting measures that are commonly used as benchmarks within the oil and natural gas industry. These measures include "netbacks" and "total revenue". These measures are not defined under IFRS and should not be considered in isolation or as an alternative to conventional IFRS measures. Certain of these measures are not necessarily comparable to a similarly titled measure of another company. These measures should be given careful consideration by the investor.

Specifically, management of Cequence uses netbacks and total revenue as they are non-GAAP measures used extensively in the Canadian energy sector for comparative purposes. Netbacks are calculated through total revenue less royalties, operating costs and transportation costs. Management utilizes this measure to analyze operating performance. Total revenue equals production revenue gross of royalties and including realized gain (loss) on commodity contracts. Management utilizes this measure to analyze revenue and commodity pricing and its impact on operating performance.

Non-GAAP measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. The Company's Management Discussion and Analysis ("MD&A") for the year ended December 31, 2018 provides a reconciliation of netbacks and total revenue to their closest IFRS measure. The MD&A and audited financial statements for the year ended December 31, 2018 can be found under Cequence's profile on SEDAR at www.sedar.com.

CORPORATE STRUCTURE

Cequence Energy Ltd. 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."; (viii) on August 17, 2009, to consolidate the issued and outstanding Shares on a four-for-one basis; (ix) on July 1, 2010, the Company amalgamated with Peloton Exploration Corp.; and (x) on January 1, 2011, the Company amalgamated with Cequence Acquisitions Ltd., a wholly owned subsidiary of the Company.

The Company's principal office is located at 1400, 215 – 9th Avenue S.W., Calgary, Alberta, T2P 1K3 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

The following is a summary of significant events in the development of Cequence's business over the last three completed financial years.

2016

In March 2016, Cequence undertook certain management changes in order to strengthen the engineering and financial expertise among its senior officers. On March 29, 2016, Todd Brown was promoted to Chief Executive Officer and David Gillis was promoted to Executive Vice President and Chief Financial Officer, while certain other executives ceased employment with Cequence on the same date.

The Company focused on operating and general and administrative cost reduction throughout 2016. Through the reduction of staff and office space, as well as other cost-saving initiatives, the Company achieved a 22% reduction in general and administrative expenses prior to restructuring charges in 2017 as compared to 2015. Cequence also initiated a number of operating cost efficiency projects at Simonette, resulting in a decrease of 7% from 2015 operating costs.

Cequence continued to develop its Simonette assets in the Deep Basin during 2016, including the completion of its longest Montney well drilled to-date at 16-33-61-27W5 and the commencement of drilling two offsetting wells. The Company also completed a shallow cut refrigeration upgrade at the Simonette natural gas processing facility in January 2016, and a water injection well in the third quarter. In the fourth quarter, Cequence drilled 2.0 gross (1.0 net) Dunvegan oil wells in section 11-62-26W5.

On June 30, 2016, the Company's maximum borrowing capacity under its credit facility was reduced to $20 million (previously $60 million) and the total debt to EBITDA covenant was removed.

On August 11, 2016, Cequence closed the sale of a compression facility and certain assets at Simonette for approximately $5 million.

On October 28, 2016 Cequence closed a private placement of 34,500,000 Shares, issued on a "flow-through" basis pursuant to the Tax Act, for aggregate gross proceeds of approximately $10 million. The proceeds from this offering were used to incur eligible Canadian development expenses prior to December 31, 2017.

2017

For the year ended December 31, 2017, capital expenditures of $25.9 million included the drilling of 3.0 gross (2.0 net) Dunvegan wells, the completion of 2.0 Montney wells and related surface facilities plus the completion and equipping of a water disposal well. Annual production averaged 8,139 boe/d.

In the third quarter, the Company advanced the start date of approximately 26,000 mcf/d of natural gas transportation to December 17, 2017 from April 2018, increasing it total firm service from its Simonette (Deep Basin) property to AECO of 35,000 mcf/d until March 2026. In addition, the Company has contracted to ship 10,850 GJ/d of natural gas to the Dawn hub at a cost of $0.77/GJ for a period of 10 years beginning April 1, 2018. The transportation commitment provides market diversification from AECO for approximately 20 percent of its current natural gas production.

On November 28, 2017 the Company's maximum borrowing capacity under its credit facility was reduced to $12 million.

2018

On May 1, 2018, the Company disposed of certain assets and associated decommissioning liabilities at Gordondale for proceeds of $1.5 million prior to closing adjustments.

On July 27, 2018, Cequence announced a series of transactions to refinance the Company's balance sheet and provide greater flexibility and liquidity to execute the ongoing business plan of the Company. Cequence entered into the CII Loan Agreement, a second lien secured loan agreement with CII to refinance the CPPIB Notes, which were due on October 3, 2018, with the Term Loan. Pursuant to the CII Loan Agreement, Cequence granted security to CII over all of the Company's present and after-acquired real and personal property (with the exception of its Simontte joint-venture property). The interest rate on the Term Loan is 5% per annum, payable quarterly, increasing to 10% per annum if and when 12-month trailing funds flow from operations exceeds $40 million. In connection with the Term Loan, Cequence also issued 1,841,459 share purchase warrants to CII (the "**Warrants**"), each of which entitled CII to purchase a Share for $2.00 at any time until September 13, 2022. At the same time Cequence launched a rights offering entitling Shareholders as of August 9, 2018 to subscribe for flow-through Shares of the Company at a price of $0.70 (the "**Rights Offering**"). The Rights Offering was fully subscribed for and closed on September 13, 2018 with 12,276,394 flow-through Shares being issued for gross proceeds of $8.6 million. On December 17, 2018, the Term Loan and the Warrants were purchased from CII by an individual who, in subsequent transactions, sold interests in the Term Loan and the Warrants to a small group of persons, including two of the Company's directors. See "*Interest of Management and Others in Material Transactions*".

Concurrently with the closing of the Term Loan and the Rights Offering, Cequence also entered into an amended and restated credit agreement with its senior lenders to amend its Credit Facility. Under the terms of the amended and restated credit agreement, the Credit Facility was extended to May 31, 2019 with a borrowing base of $7 million.

On October 22, 2018, the Company's shareholders approved a share consolidation on the basis of one new Share for every 20 pre-consolidation Shares.

In 2018, the Company completed 5.0 (4.0 net) Dunvegan oil wells at Simonette. Annual production averaged 6,507 boe/d and was composed of 23% crude oil and liquids production.

The Company's production is weighted towards natural gas and the prolonged period of low prices has reduced the size of the Company's development program in recent years. Drilling activity has focused on the Dunvegan formation in the Deep Basin which has a higher oil content than much of the Company's well inventory. Currently, Cequence does not anticipate natural gas drilling in 2019.

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. During the year ended December 31, 2018, the Company focused its activities in the Deep Basin area of Northwest Alberta. Cequence pursues a strategy of drilling for low decline, long life, liquids rich natural gas and crude oil targets with multiple prospective horizons.

Corporate Strategy

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

- drill for long-life, liquids-rich natural gas and crude oil;
- invest in areas with large, scalable resources to target;
- cultivate and develop an engineering-focused senior management, and capitalize on in-house technical expertise to generate drilling opportunities and take advantage of property and corporate acquisitions and dispositions that add value to Shareholders;
- use the Company's existing infrastructure as leverage to enhance the Company's position in its core areas; and
- be financially-disciplined and efficiently manage capital resources.

As a result of the current challenging environment of low commodity prices, the Company's financial discipline strategy has included reduced development expenditures and managing operational and administrative costs. To-date, this has led the Company to undertake various cost-saving initiatives such as improving transportation and other operational efficiencies, reducing field chemical costs, and implementing a water disposal scheme.

The Board may, in its discretion, approve asset or corporate acquisitions or investments that do not conform to the guidelines discussed above.

Capital Expenditures

Cequence may approve future capital expenditures or farm-outs. Future capital expenditures on the Company's assets are intended to maintain or improve production from the Company's properties. Cequence may finance capital expenditures from cash flow, drawings on its bank loan facility, proceeds from issuance of additional Shares or other securities, proceeds of disposition of oil and natural gas properties, farm-outs or with working capital.

The Company may acquire additional properties and related tangible equipment and fund such acquisitions from cash flow, drawings on its bank loan facility, proceeds from issuance of additional Shares or other securities, proceeds of disposition of oil and natural gas properties, farm-outs or with working capital. The Company may sell any of its interests in properties. In connection with the sale of any interests in Cequence's properties, the Board will determine whether the net proceeds of the sale should be reinvested in additional properties or capital expenditures, used to repay borrowings or distributed to Shareholders.

Ongoing Acquisition and Disposition Activities

Potential Acquisitions

Cequence evaluates potential acquisitions of all types of oil and natural gas and other energy related assets as part of its on-going asset management program. The Company is normally in the process of evaluating several potential acquisitions at any one time which individually or together could be material. As of the date hereof, Cequence has not reached agreement on the price or terms of any potential material acquisitions and cannot predict whether any current or future opportunities will result in one or more acquisitions.

Potential Dispositions and Farm-Outs

Cequence also evaluates potential dispositions of its oil and natural gas assets as part of the Company's ongoing asset management program. In recent years the Company has disposed of a number of assets that it has determined to be non-core to its Deep Basin development activity. In addition, Cequence evaluates potential farm-out opportunities with other industry participants in respect of its oil and natural gas assets in circumstances where the Company believes it is prudent to do so based on, among other things, its capital program, development plan timelines and the risk profile of such assets. The Company is normally in the process of evaluating several potential dispositions of assets and farm-out opportunities at any one time, which individually or together could be material. As of the date hereof, the Company has not reached an agreement on the price or terms of any potential material dispositions or farm-outs and cannot predict whether any current or future opportunities will result in one or more dispositions or farm-outs.

Environmental Policies

The oil and gas industry is subject to environmental regulations pursuant to applicable legislation. Such legislation provides for restrictions and prohibitions on releases or emissions of various substances produced or used in association with certain oil and gas industry operations, and requires that well, pipeline and facility sites be decommissioned and reclaimed to the satisfaction of environmental authorities. As at December 31, 2018, Cequence recorded a liability on its balance sheet of $35.6 million for asset decommissioning and reclamation obligations. The Company is committed to managing and operating in a safe, efficient, environmentally responsible manner in association with its industry partners and is committed to continually improving the Company's environmental, health, safety and social performance. To fulfill this commitment, the Company's operating practices and procedures are consistent with the requirements established for the oil and gas industry. Cequence supports and endorses the Environmental Operating Procedures developed by the Canadian Association of Petroleum Producers. Key environmental considerations include air quality and climate change, water conservation, spill management, waste management plans, lease and right-of-way management, natural and historic resource protection, and liability management (including site assessment, remediation and reclamation). These practices and procedures apply to the Company's employees and Cequence monitors all activities and makes reasonable efforts to ensure that companies who provide services to Cequence will operate in a manner consistent with this environmental policy.

The Company believes that it meets all existing environmental standards and regulations and includes sufficient amounts in its capital expenditure budget to continue to meet current environmental protection requirements. These requirements apply to all operators in the Western Canadian oil and gas industry; therefore, it is not anticipated that the Company's competitive position within the industry will be adversely affected by changes in applicable legislation. However, no assurance can be given that the application of environmental laws to the business and operations of Cequence will not result in a curtailment or cessation 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. Cequence has internal procedures designed to ensure that detailed due diligence reviews to assess environmental liabilities and regulatory compliance are completed prior to proceeding with new acquisitions and developments.

The Company's environmental management plan and operating guidelines focus on minimizing the environmental impact of Cequence's operations while meeting regulatory requirements and corporate standards. The environmental program includes: an internal environmental compliance audit and inspection program; a suspended well inspection program to meet regulatory requirements and support future development or eventual decommissioning; appropriate remediation, reclamation and decommissioning standards for wells, pipelines and facilities ready for decommissioning; an effective surface reclamation program; a groundwater monitoring program; a spill prevention, response, and clean-up program; a fugitive emission survey and repair program; and an environmental liability assessment program. The Company participates in both the Canadian federal and provincial regulated GHG emissions reporting programs and continues to quantify annual GHG emissions for internal reporting purposes. See "*Risk Factors - Environmental*", "*Risk Factors – Climate change*", "*Risk Factors – Decommissioning and Reclamation*", "*Industry Conditions - Environmental Regulation*" and "*Industry Conditions – Greenhouse Gas Emissions*" in this Annual Information Form.

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 occupational health, safety and environmental programs in place to reduce potential loss exposure.

Cyclical and Seasonal Impact of Industry

The Company's operational results and financial condition will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on the Company's financial condition.

Competition

The oil and natural gas industry is competitive in all of 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 much 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 similar to that of other oil and gas issuers of similar size and at a similar stage of development.

Personnel

As of the date of this AIF, Cequence had 14 head office employees, two field employees and eight office 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, 2018, 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, due to rounding, may contain slightly different numbers than such report and certain columns may not add exactly. In addition, the estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

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 decommissioning 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 expenses, 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, Natural Gas and NGL Reserves

	Light and Medium Crude Oil		Tight Oil		Conventional Natural Gas		Shale Gas		NGL		Total Oil Equivalent	
Reserves Category	Gross(2) (Mbbl)	Net(3) (Mbbl)	Gross(2) (Mbbl)	Net(3) (Mbbl)	Gross(2) (MMcf)	Net(3) (MMcf)	Gross(2) MMcf	Net(3) MMcf	Gross(2) (Mbbl)	Net(3) (Mbbl)	Gross(2) (MBOE)	Net(3) (MBOE)
Proved												
Developed Producing	735	615	0	0	18,615	16,961	33,153	28,325	1,259	826	10,623	8,989
Developed Non-Producing	12	9	0	0	2,569	2,267	4,328	3,569	146	90	1,307	1,072
Undeveloped	649	564	0	0	3,688	3,369	223,813	194,944	6,541	5,485	45,107	39,101
Total Proved	1,396	1,187	0	0	24,872	22,596	261,293	226,838	7,946	6,402	57,036	49,161
Probable	1,193	965	0	0	58,926	54,068	311,007	259,564	9,524	7,070	72,372	60,306
Total Proved plus Probable	2,589	2,152	1	0	83,799	76,665	572,300	486,402	17,470	13,471	129,409	109,468

Notes:

(1) Columns may not add due to rounding.

(2) "Gross" reserves means the Company's working interest (operated and non-operated) share before deduction of royalties payable to others and without including any royalty interests of the Company.

(3) “Net” reserves means the Company’s working interest (operated and non-operated) share after deduction of royalty obligations plus the Company’s royalty interest in reserves.

Summary of Net Present Value of Future Net Revenue

	Before Future Income Tax Expenses Discounted at (%/year)					
Reserves Category	0 (M$)	5 (M$)	10 (M$)	15 (M$)	20 (M$)	10 ($/mcfe)
Proved						
Developed Producing	90,358	81,708	74,036	67,593	62,231	1.37
Developed Non-Producing	11,110	8,846	7,134	5,855	4,889	1.11
Undeveloped	311,475	175,301	96,640	49,580	20,458	0.41
Total Proved	412,943	265,855	177,810	123,028	87,577	0.60
Probable	875,166	460,970	267,145	166,182	108,799	0.74
Total Proved plus Probable	1,288,109	726,824	444,955	289,210	196,377	0.68

	After Future Income Tax Expenses Discounted at (%/year)				
Reserves Category	0 (M$)	5 (M$)	10 (M$)	15 (M$)	20 (M$)
Proved					
Developed Producing	90,358	81,708	74,036	67,593	62,231
Developed Non-Producing	11,110	8,846	7,134	5,855	4,889
Undeveloped	311,475	175,301	96,640	49,580	20,458
Total Proved	412,943	265,855	177,810	123,028	87,577
Probable	678,622	369,651	220,181	140,117	93,468
Total Proved plus Probable	1,091,566	635,505	397,991	263,145	181,046

Notes:
(1) Columns may not add due to rounding.
(2) It should not be assumed that the undiscounted and discounted future net revenues estimated by GLJ represent the fair market value of the reserves.

Total Future Net Revenue (Undiscounted)

Reserves Category	Revenue (M$)	Royalties (M$)	Operating Costs (M$)	Capital Development Costs (M$)	Abandonment and Reclamation Costs (M$)	Future Net Revenue Before Future Income Tax Expenses (M$)	Future Income Tax Expenses (M$)	Future Net Revenue After Future Income Tax Expenses (M$)
Total Proved	1,611,942	111,793	601,968	462,720	22,518	412,943	-	412,943
Total Proved plus Probable	3,890,561	324,825	1,379,871	859,026	38,729	1,288,109	196,543	1,091,566

Future Net Revenue by Production Group

Reserves Category and Product Group	Future Net Revenue Before Future Income Tax Expenses (Discounted at 10%/year) (M$)	Unit Value Before Future Income Tax Expenses (Discounted at 10%/year) [1] ($/BOE)	($/Mcfe)
Total Proved	177,810	3.62	0.60
Light and Medium Crude Oil[1]	37,336	14.64	2.44
Tight Oil[1]	7	15.83	2.64
Conventional Natural Gas (associated and non-associated)[2]	11,041	4.17	0.70
Shale Gas [2]	129,426	2.94	0.49
Total Proved plus Probable	444,955	4.06	0.68
Light and Medium Crude Oil[1]	70,019	15.23	2.54
Tight Oil[1]	12	17.91	2.98
Conventional Natural Gas (associated and non-associated)[2]	28,028	2.45	0.41
Shale Gas [2]	346,896	3.71	0.62

Notes:
(1) Including solution gas and other by-products
(2) Including by-products but excluding solution gas
(3) Other company revenue and costs not related to a specific production group have been allocated proportionally to production groups. Unit values are based on Company Net Reserves

Summary of Pricing Assumptions and Inflation Rate Assumptions

GLJ employed the following pricing, exchange rate and inflation rate assumptions as of January 1, 2019 in the GLJ Report in estimating Cequence's reserves data using forecast prices and costs:

	Conventional Natural Gas		Light and Medium Crude Oil		Pentanes Plus	Inflation	
	Henry Hub	AECO Gas Price	WTI	Edmonton	Edmonton	Rates	Exchange Rate
Year	($US/MMBtu)	($Cdn/MMBtu)	($US/bbl)	($Cdn/bbl)	($Cdn/bbl)	%/year	($US/$Cdn)
Forecast							
2019	3.00	1.85	56.25	63.33	67.67	2.0	0.750
2020	3.15	2.29	63.00	75.32	79.22	2.0	0.770
2021	3.35	2.67	67.00	79.75	83.54	2.0	0.790
2022	3.50	2.90	70.00	81.48	85.49	2.0	0.810
2023	3.63	3.14	72.50	83.54	87.80	2.0	0.820
2024	3.70	3.23	75.00	86.06	90.30	2.0	0.825
2025	3.77	3.34	77.50	89.09	93.33	2.0	0.825
2026	3.85	3.41	80.41	92.62	96.86	2.0	0.825
2027	3.93	3.48	82.02	94.57	98.81	2.0	0.825
2028	4.00	3.54	83.66	96.56	100.80	2.0	0.825
2029+	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	2.0	0.825

The weighted average realized sales prices for Cequence for the year ended December 31, 2018 were $2.40/Mcf for natural gas, $66.91/bbl for light and medium crude oil, and $57.35/bbl for NGL (condensate sales are included with 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, 2018 and the corresponding estimates as at December 31, 2017, using forecast prices and costs:

Factors	Light and Medium Crude Oil (Mbbl)	Tight Oil (Mbbl)	Conventional Natural Gas (associated & non-associated) (MMcf)	Shale Gas (MMcf)	NGL (Mbbl)	Total Oil Equivalent (MBOE)
TOTAL PROVED						
December 31, 2017	919	0	63,021	252,444	8,407	61,903
Extensions & Improved Recovery	746	1	3,600	1	33	1,379
Technical Revisions	18	2	(21,297)	14,641	36	(1,056)
Discoveries	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0
Dispositions	0	0	(1,721)	0	(22)	(309)
Economic Factors	(9)	0	(13,087)	(521)	(243)	(2,520)
Production	(278)	(2)	(5,643)	(5,271)	(264)	(2,361)
December 31, 2018	1,396	0	24,872	261,293	7,946	57,036
TOTAL PROBABLE						
December 31, 2017	567	0	58,670	261,162	8,425	62,297
Extensions & Improved Recovery	579	0	3,051	0	28	1,115
Technical Revisions	41	(0)	(3,315)	49,855	1,057	8,855
Discoveries	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0
Dispositions	0	0	(1,092)	0	(14)	(196)
Economic Factors	6	0	1,612	(11)	29	301
Production	0	0	0	0	0	0
December 31, 2018	1,193	0	58,926	311,007	9,524	72,372
TOTAL PROVED PLUS PROBABLE						
December 31, 2017	1,486	0	121,690	513,605	16,832	124,200
Extensions & Improved Recovery	1,325	1	6,651	2	61	2,495
Technical Revisions	59	2	(24,612)	64,496	1,093	7,799
Discoveries	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0
Dispositions	0	0	(2,813)	0	(37)	(505)
Economic Factors	(3)	0	(11,475)	(532)	(215)	(2,219)
Production	(278)	(2)	(5,643)	(5,271)	(264)	(2,361)
December 31, 2018	2,589	1	83,799	572,300	17,470	129,409

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:

	Light and Medium Oil		Tight Oil		Conventional Natural Gas		Shale Gas		NGL		Total Oil Equivalent	
	(Mbbl)		(Mbbl)		(MMcf)		(MMcf)		(Mbbl)		(Mbbl)	
Financial Year End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End
2016	84	687	1,070	6,023	518	32,271	61,530	235,487	79	647	11,574	51,983
2017	389	645	0	0	2,639	27,587	11,814	206,937	763	6,513	3,560	46,245
2018	446	649	0	0	2,146	3,688	0	223,813	20	6,541	824	45,107

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 five years in accordance with the Company's development program and cash flows set out in the reserve report.

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:

	Light and Medium Oil		Tight Oil		Conventional Natural Gas		Shale Gas		NGL		Total Oil Equivalent	
	(Mbbl)		(Mbbl)		(MMcf)		(MMcf)		(Mbbl)		(Mbbl)	
Financial Year End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End
2016	208	1,006	1,184	6,958	1,333	39,536	45,348	269,037	120	790	9,292	60,183
2017	188	450	0	0	627	45,479	8,043	245,777	600	7,756	2,233	56,749
2018	640	870	0	0	3,299	51,126	0	298,068	30	9,033	1,219	68,103

Probable undeveloped reserves relate to wells to be drilled, tied in and brought on-stream in the future. The majority of the Company's undeveloped reserves are associated with its Deep Basin Montney development. The Company's probable undeveloped reserves are forecasted to be developed during the following 6 years in accordance with the Company's development program and cash flows set out in the reserve report. Under the pricing assumptions in the GLJ report, the Company believes that deferring future development capital to a time period with higher prices increases the value of the Company’s inventory.

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 natural 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 natural 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 (M$)	Proved Plus Probable Reserves (M$)
2019	26,675	37,725
2020	103,275	126,389
2021	97,146	141,418
2022	100,717	156,272
2023	134,906	225,286
2024	0	171,937
Remaining Years	0	0
Total Undiscounted	462,720	859,026

Under current commodity price assumptions, the Company anticipates limited development expenditures for 2019. The Company's undeveloped locations are weighted to natural gas wells that benefit from improved economics in future years under the pricing assumptions contained within the GLJ report. The Company believes that the long-term value of the reserves is improved by deferring development activity to future years.

Cequence considers three sources of funding to finance its capital expenditure program: internally generated cash flow from operations; new equity issues, if available on favorable terms; and debt financing, if available and when appropriate. Cequence estimates that under the pricing assumptions contained within the GLJ Report, future development costs as disclosed above will be funded from internally generated cash flow.

Cequence expects to fund its total 2019 capital program with internally generated cash flow and through accessing its bank debt.

Description of Principal Properties

Cequence's principal properties are located in: (i) the Simonette Area located in the Deep Basin area of Northwest Alberta (ii) the Peace River Arch area of Northwest Alberta; and (iii) Northeast British Columbia. The Company owns a total of approximately 350,681 gross acres (208,198 net acres) of oil and natural gas leases with the potential for multi-zone production at an average working interest of approximately 60 percent.

Simonette Deep Basin

Cequence's Simonette Deep Basin assets are located in Northwest Alberta. These assets include an average working interest of approximately 80 percent in 127,053 gross (102,119 net) acres of undeveloped land. The Deep Basin assets include fields located in the Simonette, Resthaven and Kaybob areas.

Production from the Deep Basin assets are weighted 76 percent to natural gas with the balance being light crude oil and NGL. Cequence is a 50 percent working interest owner in its infrastructure at Simonette including an extensive pipeline and gathering system and a 100 mmcf/d gas plant. Under terms of the agreements, Cequence is contracted to deliver 42 mmcf/d of natural gas to the gas plant until 2030. As of February 2017, Cequence has two delivery options for its natural gas from Simonette field with a 120 mmcf/d meter station connected to the Alliance system and a 200 mmcf/d meter station connected to the NGTL system. At Simonette, the Company has 35,000 mcf/d of firm service on the NGTL system and 10,850 GJ/d of Long Term Fixed Price ("LTFP") Service on TransCanada's Mainline from Empress, Alberta to Dawn, Ontario.

During the year ended December 31, 2018, Cequence completed and tied in 5.0 gross (4.0 net) Dunvegan wells and 1 gross (1 net) successful stratigraphic oil well test. The Company plans to drill 2 gross (2 net) oil wells in 2019 at the Simonette field in the Deep Basin.

Peace River Arch

Cequence's Peace River Arch assets are located in Northwest Alberta. These assets include an average working interest of approximately 40 percent in 116,020 gross (45,906 net) acres of undeveloped land. The Peace River Arch assets include fields located in the Fourth Creek, George, Blueberry, Valhalla, Knopcik and Cecil areas.

Production from the Peach River Arch assets are weighted 77 percent to natural gas with the balance being light crude oil and NGL. 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, 2018, Cequence did not drill any wells in the area and does not plan to drill any wells in the Peace River Arch area in 2019.

Northeast British Columbia

Cequence's Northeast British Columbia assets include an average working interest of approximately 55 percent in approximately 107,608 gross (60,173 net) acres of undeveloped land. The properties include assets located in the Silver, Noel and Gunnell areas. Production from the Northeast British Columbia assets are weighted 86 percent to natural gas with the balance being light crude oil and NGL. Production is pipelined to a third party owned facility that includes NGL handling and gas processing with a sales gas connection to the Spectra and Altagas pipelines.

During the year ended December 31, 2018, Cequence did not drill any wells in the area and does not plan to drill any wells in the Northeast British Columbia area in 2019.

Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which Cequence has a working interest as at December 31, 2018:

	Light and Medium Crude Oil		Natural Gas	
	Gross	Net	Gross	Net
Producing				
Alberta	17	11.2	102	64.3
British Columbia	-	-	47	22.5
Non-producing				
Alberta	17	6.0	137	67.4
British Columbia	1	0.8	44	26.9
Total	35	18.0	330	181.1

CQE Land Expiry Summary

The following table summarizes the undeveloped gross and net acres of Cequence working interest properties. The table details the number of net acres that will expire, within one year, without further Exploration, Development or Exploitation activity on or within close proximity of the expiring acreage.

	Gross Acres	Net Acres	Net Acres Expiring Within One Year
Alberta	243,073	148,025	5,909
British Columbia	107,608	60,173	0
Total	350,681	208,198	5,909

Cequence measures its land acreage based on its mineral rights and mineral licences underlying a given section of land. Land acreage may exceed the overlying surface area as Cretaceous and Montney rights are considered to be discrete mineral rights.

Commitments

In 2015, Cequence entered into a 15-year take or pay agreement with the operator of the Simonette facility. The minimum volume commitment under the take or pay is 42 mmcf/d with the total remaining commitment is $47.1 million.

Cequence has total commitments of $51.7 million for sales pipeline capacity under various terms over the next 10 years. Cequence's forward hedge contracts are set forth in its management's discussion and analysis for the year-ended December 31, 2018.

The Company does not have any material work commitments.

Additional Information Concerning Decommissioning and Reclamation Costs

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

The expected total decommissioning and reclamation costs, net of salvage value, included in the GLJ Report for 109 net wells under the proved reserves category is $22.5 million undiscounted ($3.2 million discounted at 10 percent), none of which is estimated to be incurred in 2019, 2020 and 2021.

Cequence will be liable for its share of ongoing environmental obligations and for the ultimate reclamation of the properties held by it upon decommissioning. Ongoing environmental obligations are expected to be funded out of cash flow.

Tax Horizon

Based on production from existing reserves and the current outlook for commodity prices, Cequence estimates that it will not be required to pay income taxes in the next three 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, 2018:

Property Acquisition Costs			
Proved Properties	Unproved Properties	Exploration Costs	Development Costs
(M$)	(M$)	(M$)	(M$)
-	-	1,015	22,785

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, 2018:

	Gross		Net	
	Exploratory	Development	Exploratory	Development
Light and Medium Crude Oil Wells	-	2.0	-	2.0
Natural Gas Wells	-	-	-	-
Dry Wells	-	-	-	-
Service Wells[(1)]	-	-	-	-
Total	-	2.0	-	2.0

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 Crude Oil (bbl/d)	Tight Oil (bbl/d)	Conventional Natural Gas (Mcf/d)	Shale Gas (Mcf/d)	NGL (bbl/d)	Total Oil Equivalent (BOE/d)
Proved						
Deep Basin- Dunvegan Oil	1,224	0	5,601	0	51	2,208
Deep Basin – Simonette Montney & Other	6	0	7,268	16,400	602	4,553
	1,229	0	12,869	16,400	653	6760
Probable						
Deep Basin – Dunvegan Oil	434	0	1,400	0	13	680
Deep Basin – Simonette Montney & Other	0	0	279	702	27	190
	434	0	1,678	702	40	870
Total Proved Plus Probable						
Deep Basin – Dunvegan Oil	1,657	0	7,001	0	64	2,888
Deep Basin – Simonette Montney & Other	6	0	7,546	17,102	629	4,743
	1,663	0	14,547	17,102	693	7,631

Production History

The following table sets forth, on a quarterly basis for the year ended December 31, 2018, certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback:

	Three Months Ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Average Daily Gross Production Volume				
Light and Medium Crude Oil (bbl/d)	245	864	1,198	736
Conventional Natural Gas (Mcf/d)	16,322	12,920	15,828	15,447
Shale Gas (Mcf/d)	18,507	15,708	13,548	12,198
NGL (bbl/d)[(1)]	921	699	641	654
Total (BOE/d)	6,970	6,334	6,734	5,997
Average Prices Received				
Light and Medium Crude Oil ($/bbl)	68.76	78.68	76.50	37.03
Conventional Natural Gas ($/Mcf)	2.49	2.48	2.65	3.49
Shale Gas ($/Mcf)	2.10	1.85	1.68	2.40
NGL ($/bbl)	60.47	62.33	64.89	40.39
Total ($/boe)	21.80	27.27	29.39	22.82
Royalties Paid				
Light and Medium Crude Oil ($/bbl)	9.61	6.18	10.18	7.51
Natural Gas ($/Mcf)	(0.48)	(0.68)	(0.67)	(0.40)
Shale Gas ($/Mcf)	0.07	0.28	0.27	0.26
NGL ($/bbl)	13.37	15.08	16.50	8.29
Total ($/BOE)	1.18	1.81	2.35	1.33
Operating Costs				
Light and Medium Crude Oil ($/bbl)	10.18	11.72	8.87	9.86
Conventional Natural Gas ($/Mcf)	1.95	2.33	0.84	1.78
Shale Gas ($/Mcf)	1.47	1.64	2.22	1.47
NGL ($/bbl)	10.18	11.72	8.87	9.86
Total ($/BOE)	10.18	11.72	8.87	9.86
Transportation Costs				
Light and Medium Crude Oil ($/bbl)	3.04	1.53	1.52	4.10
Conventional Natural Gas ($/Mcf)	0.27	0.64	0.61	0.67
Shale Gas ($/Mcf)	0.27	0.64	0.61	0.67
NGL ($/bbl)	6.52	(0.76)	1.19	2.30
Total ($/BOE)	2.30	3.00	3.03	3.84
Netback Received				
Light and Medium Crude Oil ($/bbl)	45.93	59.24	55.93	15.56
Conventional Natural Gas ($/Mcf)	0.75	0.19	1.87	1.44
Shale Gas ($/Mcf)	0.29	(0.70)	(1.42)	0.00
NGL ($/bbl)	30.39	36.30	38.34	19.94
Total ($/BOE)	8.15	10.74	15.15	7.79

Notes:

(1) NGLs as defined by GLJ include condensate, butane, ethane and propane.

(2) A number of assumptions has been made to allocate operating costs between oil, natural gas, shale gas and NGL.

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, 2018:

Field	Light and Medium Oil (bbl/d)	Conventional Natural Gas (Mcf/d)	Shale Gas (Mcf/d)	NGL (bbl/d)	Total Oil Equivalent (BOE/d)	%
Deep Basin	728	10,639	14,969	610	5,605	86
Peace River Arch	35	1,176	-	22	254	4
Northeast BC	-	3,314	-	96	649	10
Total	763	15,129	14,969	728	6,507	100

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, 24,552,788 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 ahead of 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 rights of holders of any other class of shares ranking ahead of 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.

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.

MARKET FOR SECURITIES

Trading Price and Volume

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.

2018	High ($)	Low ($)	Close ($)	Volume
January	2.40	1.40	1.40	761,992
February	1.50	1.10	1.30	461,726
March	1.30	0.80	0.80	884,182
April	1.20	0.80	1.10	667,559
May	1.80	1.00	1.40	768,902
June	1.70	1.20	1.60	439,792
July	2.60	1.50	2.20	916,256
August	2.30	1.00	1.20	2,216,627
September	1.20	0.80	1.00	1,416,127
October	1.10	0.63	0.68	860,597
November	1.00	0.64	0.87	592,397
December	0.94	0.55	0.59	460,455

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, 2018 to December 31, 2018 and the number of securities of the class issued at that price and the date on which the securities were issued.

Date of Issue/Grant	Number and Designation of Securities	Issue/Exercise Price
September 13, 2018	1,841,460 warrants	$2.00
November 19, 2018	980,000 Options	$0.72
November 19, 2018	393,000 RSUs	n/a

DIRECTORS AND OFFICERS

Directors and Officers

The following table sets forth the names, province or state and country of residence, present positions with Cequence as of the date of this Annual Information Form 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)
Todd Brown Alberta, Canada	Chief Executive Officer and Director	Chief Executive Officer of Cequence since March 2017. Prior thereto, from August 2014 until March 2017, Chief Operating Officer of Cequence. Prior thereto, from May 2014 until August 2014, Chief Operating Officer of Touchstone Exploration Inc.
Allan Mowbray[(5)] Alberta, Canada	Vice President, Finance and Chief Financial Officer	Vice President, Finance and Chief Financial Officer of Cequence since March 2019. Prior thereto, from 2013 to March 2019, Vice President, Finance and Chief Financial Officer of Essential Energy Services Ltd.
David Robinson Alberta, Canada	Vice President, Geology	Vice President, Geology of Cequence since September 2010.
Christopher Soby Alberta, Canada	Vice President, Land	Vice President, Land of Cequence since September 2010.
Erin Thorson Alberta, Canada	Controller	Controller of Cequence since July 2009.
Kirk Litvenenko Alberta, Canada	Corporate Secretary	Partner of Norton Rose Fulbright Canada LLP.
Donald Archibald[(1)(2)(3)] Alberta, Canada	Chairman of the Board and Director	Executive Chairman of Cequence from April 2018 to March 2019. President of Cypress Energy Corp., a private investment company, since March 2008.
Peter Bannister[(1)(4)] Alberta, Canada	Director	President of Destiny Energy Inc., a private oil and gas company, since February 2007.
Howard Crone[(3)(4)] Alberta, Canada	Director	Executive Vice President from April 2018 to March 2019 and Interim Chief Financial Officer from April 2018 to July 2018 of Cequence. Independent businessman since August 2014. Prior thereto, from September 2010 to August 2014, Executive Vice President and Chief Operating Officer of Cequence.
Brian Felesky LLD(Hon.), CM, Q.C[(2)(3)] Alberta, Canada	Director	Independent businessman since October 2014. Prior thereto, from February 2011 until September 2014, Vice Chairman, Investment Banking of Credit Suisse Securities (Canada), Inc., an investment banking firm.
Dan O'Neil[(6)] Alberta, Canada	Director	Independent businessman since May 2013. Prior thereto, from April 2010 to May 2013 President and Chief Executive Officer of Surge Energy Inc.
Daryl Gilbert Alberta, Canada[(2)(3)(4)(7)]	Director	Managing Director and Investment Committee Member of JOG Capital Inc., a private equity fund manager, since May 2008.

Notes:
(1) Member of the Corporate Governance Committee.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.
(4) Member of the Reserves and Environment, Health & Safety Committee.
(5) Mr. Mowbray assumed the role of Vice President, Finance and Chief Financial Officer effective March 15, 2019.
(6) As announced on March 12, 2019, Mr. O'Neil was appointed to the board effective March 12, 2019.
(7) As announced on March 12, 2019, Mr. Gilbert resigned from Cequence's Board effective March 12, 2019.

Messrs. Crone, Archibald and Bannister have been directors since July 2009. Mr. Felesky has been a director since September 2010. Mr. Gilbert was a director from October 2012 to March 12, 2019. Mr. Brown has been a director since November 2017. Mr. O'Neil was appointed as a director on March 12, 2019. 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 3,252,247 Shares representing 13.2 percent of the issued and outstanding Shares. The directors and executive officers of Cequence, as a group, hold Options to purchase 1,192,000 Shares and RSUs to receive 337,918 Shares.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of management, except as otherwise disclosed herein, 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: (i) while that person was acting in that capacity, 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 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; or (ii) 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.

Mr. Gilbert was a director of Globel Direct Inc. ("**Globel**"), a public business process outsource company, from May 1998 until June 2009. On June 12, 2007, Globel was granted creditor protection under the *Companies Creditor Arrangement Act* (the "**CCAA**") pursuant to an order granted by the Court of Queen's Bench of Alberta. After a failed re-structuring effort, and the expiry of the CCAA protection on December 7, 2007, Globel was placed into receivership under a receiver-manager appointed on December 12, 2007. Globel's stock was cease-traded in September 2008.

Mr. Gilbert was a director of LGX Oil and Gas Inc. ("**LGX**") from August 2013 until June 2017. On June 7, 2017 a consent receivership was granted by the Court of Queen's Bench of Alberta upon application by LGX's senior lender. LGX's stock was cease-traded shortly thereafter. A receiver-manager has been appointed and a liquidation process is underway.

Mr. Gilbert has been a director of Connacher Oil & Gas Limited ("**Connacher**") since October 2014. On May 17, 2017 Connacher applied for and was granted protection from its creditors under the CCAA pursuant to an order of the Court of Queen's Bench of Alberta. Connacher was cease-traded immediately after the order was made. On February 16, 2019 Connacher announced that it was proceeding to close on a transaction with its supporting lenders that is expected to be consummated and, if successful, will result in Connacher exiting the CCAA process in the first half of 2019.

Mr. Felesky was a director of RS Technologies Inc. ("**RST**") from February 2007 until March 2013. On March 14, 2013, RST was granted protection under CCAA and a monitor (the "**Monitor**") was appointed. On September 13, 2013, RST announced that in accordance with a court-sanctioned order obtained by the Monitor, RST's Plan of Arrangement had been implemented and that, as a result, RST had emerged from its CCAA proceedings.

Mr. Archibald was a director of Waldron Energy Corporation ("**Waldron**") from December 31, 2009 to August 17, 2015. On August 6, 2015, the secured subordinated lender of Waldron demanded repayment in full of all amounts owed to it under its credit facility and gave notice of its intention to enforce its security. This repayment demand created a cross-default between Waldron and its secured bank lender, which subsequently demanded repayment in full of all amounts owed to it under its credit facility and also gave notice of its intention to enforce its security. After various discussions between Waldron and both its lenders, Waldron consented to the appointment of a receiver and manager on August 13, 2015. On August 17, 2015, a receiver and manager was appointed over the assets, undertakings and property of Waldron pursuant to an order of the Court of Queen's Bench of Alberta.

Mr. Crone was a director of Virginia Hills Oil Corp. ("**Virginia**") from April 2015 until February 24, 2017. On January 31, 2017 Virginia announced that its syndicated credit facility had matured and remained unpaid, which constituted an event of default and entitled the lenders thereunder to enforce their security and appoint a receiver to manage the affairs of Virginia. On February 13, 2017, Virginia received from its lenders a demand notice and notice of intention to enforce security, and a receiver and manager was appointed over the assets, properties and undertakings of Virginia pursuant to an order of the Court of Queen's Bench of Alberta.

Personal Bankruptcies

To the knowledge of management, no director nor 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 nor 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 with 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 consisted of Messrs. Felesky (Chair), Archibald and Gilbert prior to Mr. Gilbert’s resignation as a director and from the Audit Committee on March 12, 2019. A replacement will be appointed to the Audit Committee by the Board of Directors prior to the next scheduled Audit Committee meeting. 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.

Brian Felesky, LLD(Hon.), CM, Q.C. (Chair)

Mr. Felesky is the former Vice-Chair, Investment Banking of Credit Suisse Securities (Canada), Inc. and has over 30 years' experience as a tax lawyer involved in structuring company financings, reorganizations, acquisitions and dispositions. Mr. Felesky currently also serves as a director for various public and private companies. Mr. Felesky holds a Bachelor of Arts degree and a Bachelor of Laws degree. For more information with respect to Mr. Felesky's principal occupations during the past five years, see "*Directors and Officers*" in this Annual Information Form.

Donald Archibald

Mr. Archibald has over 20 years' experience in the oil and gas industry. Mr. Archibald also currently serves as a director for a number of public and private companies. 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*" in this Annual Information Form.

Daryl Gilbert

Mr. Gilbert is the Managing Director and Investment Committee Member of JOG Capital Inc., a private equity fund manager. Mr. Gilbert serves as a director for a number of public and private entities. For more information with respect to Mr. Gilbert's principal occupations during the past five years, see "*Directors and Officers*" in this Annual Information Form. As described above, Mr. Gilbert resigned as a director of the Company effective March 12, 2019.

Auditors' Fees

Deloitte LLP, Chartered Accountants, became Cequence's auditors on December 1, 2009. Fees paid to Cequence's auditors for the years ended December 31, 2018 and 2017 are detailed below:

Fee	For the year ended December 31, 2018	For the year ended December 31, 2017
Audit Fees[(1)]	$204,000	$217,500
Audit-Related Fees[(2)]	-	-
Tax Fees[(3)]	11,000	20,500
All Other Fees[(4)]	-	-
Total	$215,000	$238,000

Notes:
(1) "Audit Fees" include the aggregate fees billed by external auditor in respect of the financial year and include quarterly review fees of $49,500.
(2) "Audit-Related Fees" include the aggregate fees billed for assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not included under "Audit Fees".
(3) "Tax Fees" include the aggregate fees paid to external auditors for tax compliance, tax advice, tax planning and advisory services, including preparation of tax returns.
(4) "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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. As at December 31, 2018, the Company had net debt of $72.1 million comprised of the Term Loan ($60 million) and a working capital deficiency of $12.1 million (excluding commodity contracts). The Company’s capital comprises shareholders’ equity, the Credit Facility, the Term Loan and working capital. The prolonged period of low commodity prices, in particular natural gas, beginning in 2015 has reduced the Company’s funds flow from operations and limited the availability of new capital to repay debt or expand development activity. As of the date of this Annual Information Form, the Credit Facility had a borrowing base of $7 million available from a Canadian chartered bank and is currently undrawn other than letters of credit outstanding of $1.5 million. The Credit Facility matures on May 31, 2019 and may be extended beyond the initial term, if requested by the Company and accepted by the lenders. The next scheduled review is expected to be completed in May 2019 and there is no assurance that the Credit Facility will extend beyond that date. The Company’s ongoing liquidity is also impacted by various external events and conditions, including commodity price fluctuations and the global economic environment.

Funding Requirements

The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities or to fund transactions to acquire assets or shares of other corporations. 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. Financing if available may not be available at favorable terms or may increase the Company’s financing levels above industry standards. 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.

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.

Prices, Markets and Marketing

Oil, NGL and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and natural gas have fluctuated widely in recent years and are determined by supply and demand factors and a variety of other factors which are beyond the Company's control, including without limitation, worldwide and domestic supplies of, and demand for, oil, NGL and natural gas; price levels and expectations about future prices of oil, NGL and natural gas; the price and level of foreign imports; OPEC's policies and actions; speculative trading in oil, NGL and natural gas derivative contracts; conflict in oil and natural gas producing regions, including the Middle East, Africa, South America and Russia; and the overall domestic and global economic environment. Oil, NGL and natural gas prices are expected to remain volatile and at relatively low prices for the near future because of market uncertainties over the supply and the demand of these commodities due to Canadian market access constraints, OPEC policies and actions and sanctions imposed on certain oil producing nations by other countries and ongoing credit and liquidity concerns. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of the Company's oil and gas reserves. The Company might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Company are in part determined by the borrowing base of the Company. A sustained material decline in prices from historical average prices could limit or reduce the Company's borrowing base, therefore reducing the bank credit available to the Company, and could require that a portion of any existing bank debt of the Company be repaid.

In addition to establishing markets for its oil and natural gas, the Company must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by the Company will be affected by numerous factors beyond its control. The Company will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by the Company. The ability of the Company to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Company will also likely 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 and 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 has limited direct experience in the marketing of oil and natural gas.

The lack of firm pipeline capacity continues to affect the oil and natural gas industry and can limit the ability to produce and to market natural gas production and NGLs. In addition, the pro-rationing of capacity on the interprovincial pipeline systems also continues to affect the ability to export oil and natural gas. The Company continues to evaluate alternatives to market its natural gas and NGLs.

Capital Requirements

The Company anticipates making 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.

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, pricing or cost 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 or mechanical conditions.

To the extent the Company is not the operator of its oil and gas properties, the Company is 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, but not limited to, 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, pipelines, 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.

Market Price of Shares

The trading price of securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Company's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market. Similarly, the market price of the Shares could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors. In addition, recently concerns of the effects of the use of fossil fuels on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of oil products during transportation and indigenous rights, have affected public and investor sentiment towards investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and natural gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. These factors effect the price at which the Company's Shares trade and cannot be accurately predicted. They may also affect the Company's access to capital, cost of capital and liquidity of the Company's Shares.

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.

Changes in legislation

Oil and gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that could choose to amend from time to time the income tax laws, environmental laws, tariff laws or other laws that affect the Company. See "*Industry Conditions*" in this Annual Information Form. The Company's operations may require licences and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain or renew all necessary licences and permits that may be required to carry out exploration and development of its projects and the obtaining of such licences and permits may delay operations of the Company.

On November 22, 2015, the Government of Alberta announced its Climate Leadership Plan which proposed, among other things, the introduction of a carbon tax on all emitters. On June 13, 2016, the *Climate Leadership Act* was enacted introducing an initial economy-wide levy of $20 per tonne effective January 1, 2017. As of January 1, 2018, this levy had increased to $30 per tonne with planned federally imposed increases to $40 per tonne in 2021 and $50 per tonne in 2022. On December 9, 2016, the Government of Canada announced the Pan Canadian Framework on Clean Growth and Climate Change. On October 23, 2018, the federal government confirmed the implementation of a Canada-wide carbon pricing structure beginning in 2019. The introduction of both pieces of legislation is expected to have a negative impact on oil and natural gas industry costs, making the Canadian and Alberta markets less competitive in the North American oil and natural gas industry.

On May 12, 2017, the Government of Canada introduced Bill C-48, a new piece of legislation that, if enacted would place a moratorium on tankers carrying more than 12,500 tonnes (approximately 90,000 barrels) of crude oil or persistent oil from stopping, loading and unloading at any ports along British Columbia's north coast. If passed by the Senate of Canada, Bill C-48 would prevent Canadian oil from reaching tidewater and getting to Asian markets via British Columbia's north coast. On February 8, 2018, the Government of Canada introduced Bill C-69, a new piece of legislation that, if enacted in its current form, would overhaul the Canadian environmental review process for major energy projects, including pipelines. The draft bill includes changes to the *Impact Assessment Act* which would greatly broaden the scope of the assessment process. This would include enhanced consultation with key stakeholders including indigenous groups that may be affected by a particular project. The legislation, as is currently written, is overly broad, which could open the door to added regulatory burden and increased investor uncertainty in the Canadian oil and natural gas industry.

Changes to regulations such as Alberta's Climate Leadership Plan, Bill C-48 and Bill C-69 in the oil and natural gas industry 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 national, provincial, territorial and local laws and regulations. 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 drilled, constructed, operated, maintained, abandoned, remediated 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 suspension or forfeiture of requisite licences or permits obtained from the various governmental authorities. The release 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 laws and regulations, no assurance can be given that environmental laws and regulations will not result in a curtailment or cessation 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*", "*Industry Conditions – Greenhouse Gas Emissions*", and "*Industry Conditions – Species at Risk*" in this Annual Information Form.

Climate Change

Cequence's exploration and production facilities and other operations and activities emit GHGs and which may require the Company to comply with GHG emissions legislation in the provinces of Alberta and British Columbia and federally or that may be enacted in other provinces. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the UNFCCC, and as a participant to the UNFCCC's Paris Agreement, Canada agreed to reduce its emissions at least 30% below 2005 levels by 2030. However, these GHG emission reduction targets are not binding. Although it is not the case today, some of the Company's assets and activities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions. The direct or indirect costs of compliance with these regulations may have a material adverse effect on the business, financial condition, results of operations and prospects of Cequence. Given the evolving nature of the debate related to climate change and the control of GHG and resulting requirements, it is not possible to predict the impact on the Company and its operations and financial condition. See "*Industry Conditions – Greenhouse Gas Emissions*."

Decommissioning and Reclamation

Cequence is responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding decommissioning and reclamation in respect of its properties, which decommissioning, and reclamation costs may be substantial. Alberta and British Columbia have developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, decommissioning, remediation and reclamation of wells, facilities and pipelines in the event that a licencee or permit holder is unable to satisfy its regulatory obligations. These programs involve an assessment of the ratio of a licencee's deemed assets to deemed liabilities. If a licencee's deemed liabilities exceed its deemed assets, a security deposit is generally required. Changes to the required ratio of the Company's deemed assets to deemed liabilities or other changes to the requirements of liability management programs may result in significant increases to the Company's compliance obligations. In addition, the liability management regime may prevent or interfere with the Company's ability to acquire or dispose of assets, as both the vendor and the purchaser of oil and natural gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the applicable regulatory agency to allow for the transfer of such assets. This is of particular concern to junior oil and natural gas companies that may be disproportionately affected by price instability.

On January 31, 2019, the Supreme Court of Canada released its decision in *Orphan Well Association v. Grant Thornton Limited* (commonly referred to as the "Redwater" case because it originated from the bankruptcy of Redwater Energy Corporation). Reversing the lower court decisions, the Supreme Court of Canada held that the Alberta Energy Regulator may use the provincial legislative scheme to prevent a trustee in bankruptcy from renouncing a debtor's uneconomic oil and gas assets and require a trustee to satisfy certain environmental obligations in priority to the claims of secured and unsecured creditors. While it is not yet clear how market participants will respond to the Supreme Court of Canada's decision in Redwater, the decision is anticipated to reduce the availability and increase the cost of credit for borrowers with relatively high levels of decommissioning and reclamation obligations within their asset bases, thereby negatively affecting the financial capacity of such borrowers, result in additional or more stringent decommissioning and reclamation related covenants being imposed on borrowers, and result in increased scrutiny of oil and gas assets and associated decommissioning and reclamation liabilities. The impact and consequences of the Supreme Court of Canada's decision in the Redwater case on the Alberta Energy Regulator's rules and policies, lending practices in the oil and natural gas sector and on the nature and determination of secured lenders to take enforcement proceedings will evolve as the consequences of the decision are evaluated and considered by regulators, lenders and receivers/trustees.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGL 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, natural gas and NGL, 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, decommissioning and reclamation expenditure, 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.

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.

Variations in Foreign Exchange Rates and Interest Rates

World oil and natural 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 fluctuates over time. 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.

Royalty Rates

The potential for future changes in the royalty regimes in Alberta and British Columbia creates 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, NGL and natural gas exploration is intensely competitive in all of 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, NGL and natural gas properties and in the marketing of oil, NGL 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, NGL 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, NGL 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.

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 oil, NGL 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.

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 may at times 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, wildfires and floods may lead to declines in exploration and production activity and corresponding declines in the demand for the oil, natural gas and NGL produced by 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 natural 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 requirements 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.

Litigation

In the normal course of Cequence's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to Cequence and as a result, could have a material adverse effect on its assets, liabilities, business, financial condition and results of operations.

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.

Cyber Security

The Company is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company's information technology systems by third parties or insiders. Although the Company has security measures and controls in place that are designed to mitigate these risks, a breach of its security measures and/or a loss of information could occur and result in a loss of material and confidential information and reputation, breach of privacy laws and a disruption to its business activities. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company attempts to prevent such breaches through, among other things, the implementation of various technology security measures, segregation of control systems from its general business network, engaging skilled consultants and employees to manage the Company's technology applications, and adopting policies and procedures as appropriate. To date, Cequence has not been subject to a cyber security breach that has resulted in a material impact on its business or operations; however, there is no guarantee that the measures the Company takes to protect its information technology systems will be effective in protecting against a breach in the future.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to the business, operations or affairs of the Company. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and energy generation devices could reduce the demand for oil, natural gas and other liquid hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Disclosure and Internal Controls

Effective disclosure and internal controls are put in place by the Company to provide reasonable assurance regarding the reliability of the Company's disclosures, financial reporting and the preparation of financial statements and to prevent fraud. Management assesses the design effectiveness of disclosure controls and internal controls over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework 2013. All disclosure controls and internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable, but not absolute assurance, that disclosures and financial information are accurate and complete. If the Company or its independent auditors discover a material internal control weakness, such disclosure could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive laws and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation, and marketing) imposed 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 laws 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 laws and regulations are a matter of public record and the Company is unable to predict what additional laws and regulations or amendments may be enacted. Outlined below are some of the principal aspects of the 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. Worldwide supply and demand impacts oil prices (with regional and continental factors also influencing prices). 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 (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB.

In Canada, the price of natural gas and NGL sold is determined by negotiation between buyers and sellers. Natural gas and NGL 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 must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas (other than propane, butane and ethane) export for a term of less than two years or for a term of two to 20 years (in quantities of not more than 30,000 m^3/day) must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 40 years) or for a larger quantity requires an exporter to obtain an export licence from the NEB.

Gaining access to the market is currently a concern for the industry as a whole. Any producer's ability to market its product largely depends upon its ability to acquire space on pipelines that deliver crude oil and natural gas to commercial markets or to arrange for alternate transportation such as rail. The absence of pipeline capacity can increase the price differentials in local markets, as is currently the case with Canadian oil, NGL and natural gas prices. While several pipeline expansions and proposed projects have been commenced, announced or are waiting for regulatory approval, the lack of firm pipeline capacity and regulatory delays for the approval of certain projects continue to affect the oil and natural gas industry and limit producers' ability to market their oil and natural gas production.

Royalties

Alberta and British Columbia each have legislation and regulations which govern royalties. The royalty regime is a significant factor in the profitability of oil, NGL and natural gas production. 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 for the oil, NGL and natural gas, 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 of its phases. Cequence competes with other companies that may have greater technical or financial resources. Many such companies not only explore for and produce oil, NGL 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

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to international conventions and national, provincial, territorial and municipal laws. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases, discharges, or emissions of various substances produced or used in association with oil and gas operations, as well as requirements with respect to oilfield waste handling, storage and disposal, land reclamation, habitat and endangered species protection and minimum setbacks of oil and gas activities from surface water bodies.

Environmental legislation in the Province of Alberta is, for the most part, set out in the *Environmental Protection and Enhancement Act*, the *Oil and Gas Conservation Act*, *the Pipeline Act*, the *Water Act* and the *Climate Change and Emissions Management Act* which impose strict environmental standards with respect to the releases of effluents and emissions, including monitoring and reporting obligations, and impose significant penalties for non-compliance.

Environmental legislation also requires that wells, pipelines and facility sites be designed, constructed, operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such laws can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material, or in the suspension or revocation of necessary licences and approvals. Cequence may also be subject to civil liability for damage caused by pollution. Certain environmental protection legislation may subject Cequence to statutory strict liability in the event of an accidental spill or discharge from a facility, meaning that fault on the part of Cequence need not be established if such a spill or discharge is found to have occurred.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, and potentially increased capital expenditures and operating costs. The discharge of oil, NGL, natural gas or other pollutants into the air, soil or water may give rise to liabilities to third parties or regulators or result in the suspension or revocation of regulatory approvals and may require Cequence to incur costs to remedy such a discharge in an event not covered by Cequence's insurance, which insurance is in line with industry practice.

Furthermore, Cequence expects incremental costs associated with compliance and increasingly complex environmental protection requirements with respect to GHG emissions or otherwise.

Curtailment

On December 2, 2018, the Government of Alberta announced that, commencing January 1, 2019, it would mandate a short-term reduction in provincial oil production. The Curtailment Rules (Alberta), stipulated that on a monthly basis, oil producers producing more than 10,000 bbls/d would be required to curtail their production according to a pre-determined formula that apportions production limits proportionately amongst those operators. This took effect on January 1, 2019, limiting province-wide production of oil to 3.56 million bbls/d—a reduction of approximately 8.7% of total daily average oil production in Alberta during December 2018. The Government of Alberta indicated that it expected the curtailment rate to gradually drop over the course of 2019, and effective February 1, 2019, the allowable province-wide production amount was increased by 75,000 bbls/d. As of the date hereof, the Company is not subject to a curtailment order.

Greenhouse Gas Emissions

Federal

Over the last several years, the federal government has undertaken a number of initiatives to achieve domestic GHG reductions. These measures include regulations, codes and standards, targeted investments, incentives, tax measures and programs aimed at reducing GHG emissions.

The federal government participated in the United Nations Climate Change Conference in Paris where 195 nations agreed to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to encourage the parties to take action. The Paris Agreement came into force on November 4, 2017.

On October 3, 2017, the Government of Canada announced its intention to implement a national carbon pricing system, which came into effect on January 1, 2019. Canadian provinces and territories were required to introduce carbon pricing schemes consisting of either a carbon tax or an emissions levy on a broad set of emission sources that met the minimum federal government requirements by December 31, 2018 or would be subject to the federal government plan. In those provinces and territories that did not introduce a carbon pricing scheme the federal carbon tax will come into effect at $10 per metric tonne of GHGs and will increase by $10 per tonne per year until it reaches $50 per tonne in 2023. Two provinces have challenged the constitutionality in court of the federal governments pricing scheme.

The federal government has lowered the threshold for reporting GHG emissions from facilities under the Greenhouse Gas Reporting Program from 50,000 metric tonnes of GHG per year to 10,000 tonnes per year. Cequence will have additional reporting obligations as result of this change.

In addition, on June 29, 2017, Canada joined the United States and Mexico in agreeing to reduce emissions of methane, a potent GHG, from the oil and gas sector by up to 45% by 2025 by developing and implementing federal regulations for both existing and new sources of venting and fugitive methane emissions. Previously, on March 10, 2017 Canada and the United States committed to take action on methane emissions through federal regulations as expeditiously as possible. The draft regulations were published in June, 2017.

Alberta

The Alberta government imposes GHG emission intensity limits on industrial facilities that emit more than 100,000 metric tonnes of GHGs per year pursuant to the CCIR. As the Company does not operate any facilities that emit more than 100,000 tonnes per year it does not have any compliance obligations under the CCIR.

In 2016, the Alberta government passed the *Carbon Leadership Act* and enacted the *Carbon Leadership Regulation* pursuant to which the economy-wide carbon tax on emissions from transportation and heating fuels has been imposed effective January 1, 2017. The current tax rate is $30 per tonne of emissions.

Emissions from flaring at oil and gas wells, pipelines and facilities, and from produced natural gas that is used by oil and gas companies as fuel gas in operating oil and gas wells, pipelines and facilities, will become subject to $30 per tonne tax commencing January 1, 2023 (unless the facility is already subject to compliance obligations under the CCIR, in which case the facility operator will receive a rebate in respect of any carbon levies paid).

It is proposed that the $30 per tonne levy will increase at a rate equal to the rate of inflation plus two percent per year so long as it does not significantly exceed carbon prices in comparable jurisdictions, or that are imposed by any national carbon pricing scheme.

Methane emissions reduction in the oil and gas industry is also a key element of Alberta's GHG reduction plan. Under Directive 60 published by the Alberta Energy Regulator, oil and gas companies are required to detect and repair fugitive leaks of methane and other hydrocarbons. In addition, the Alberta government has set to target of reducing methane emissions form the oil and gas industry by 45 percent by 2025. This target is to be achieved by:

- putting in place more stringent methane emissions design standards for new oil and gas facilities; and
- utilizing a multi-stakeholder joint initiative to identify and implement methane emission reduction measures at existing oil and gas facilities (with regulated emission standards for existing facilities to be implemented as a backstop by 2020).

In 2017, the Alberta government amended the *Specific Gas Reporting Regulation* to require companies to report the annual GHG emissions from facilities emitting more than 10,000 tonne per year. The previous threshold was 50,000 tonne per year. Cequence will have additional reporting obligations as a result of this change.

British Columbia

British Columbia's *Oil and Gas Activities Act* regulates the oil and gas industry, including imposing environmental standards, requiring compliance, reporting and monitoring obligations and imposing penalties.

In 2008, British Columbia implemented a carbon tax that applies to the purchase or use of fossil fuels by end users in the province and is designed to encourage individuals, businesses and industries to consume less fossil fuel and thus reducing the emission of GHG. Accordingly, to the extent the Company consumes fossil fuel as part of its exploration, development and production operations in British Columbia, the Company is required to pay a carbon tax.

At present it is not possible to predict the specific changes or the impact that the new climate change policies of Alberta, British Columbia and the federal government will have on the business, operations and/or finances of the Company. Future GHG emission reduction regulations may require the restriction or reduction of GHG emissions or emissions intensity from our future operations and facilities, payments to technology funds or the purchase of emission reductions or offset credits. The reductions may not be technically or economically feasible for our operations and the failure to meet such emission reduction or emission intensity reduction requirements or other compliance mechanisms may materially adversely affect our business and result in fines, penalties and the suspension of operations. As well, equipment from suppliers which can meet future emission standards may not be available on an economic basis and other compliance methods of reducing emissions or emission intensity to levels required in the future may significantly increase our operating costs or reduce output. Emission reductions or offset credits may not be available on an economic basis.

The North American Free Trade Agreement

NAFTA became effective on January 1, 1994. NAFTA carried 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.

On November 30, 2018, the U.S., Canada, and Mexico signed an authorization for a new trade deal that will replace NAFTA, referred to as the United States-Mexico-Canada Agreement ("USMCA"). The USMCA requires ratification by the legislative bodies of the three signatory countries before it becomes effective, however, political uncertainty in Canada, Mexico and the U.S. has made it unclear when this. NAFTA remains in place until this can be completed. As the U.S. is Canada's largest trade partner and the largest international market for the export of oil and natural gas the implementation of the USMCA could have an impact on western Canada's oil and natural gas industry at large, including the Company's business. Although the full effect of the USMCA on the Canadian energy industry and the Company in particular is not yet fully understood, certain changes under the USMCA may have a positive effect on the Canadian energy industry, including the elimination of the energy proportionality rules under Article 605 of NAFTA. The elimination of this proportionality clause removes a barrier in Canada's transition to a more diversified energy export portfolio. While diversification depends on the construction of infrastructure allowing more Canadian production to reach Eastern Canada, Asia, and Europe, the USMCA may allow for greater export diversification than currently exists under NAFTA.

Land Tenure

The respective provincial governments predominantly own crude oil and natural gas located in the western provinces. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences, and permits for varying terms, and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Private ownership of oil and natural gas also exists in such provinces 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.

Each of the provinces of Alberta and British Columbia have implemented legislation providing for the reversion to the Crown of mineral rights to deep, non-productive geological formations at the conclusion of the primary term of a lease or licence.

Alberta also has a policy of "shallow rights reversion" which provides for the reversion to the Crown of mineral rights to shallow, non-productive geological formations for all leases and licences. For leases and licences issued subsequent to January 1, 2009, shallow rights reversion will be applied at the conclusion of the primary term of the lease or licence. Holders of leases or licences that were issued prior to January 1, 2009 were to receive a notice regarding the reversion of the shallow rights, which was to be implemented three years from the date of the notice but the government has placed an indefinite hold on sending such notices. The Government of British Columbia expanded its policy of deep rights reversion for leases issued after March 29, 2007 to provide for the reversion of both shallow and deep formations that cannot be shown to be capable of production at the end of the primary term.

Species at Risk

Southern mountain and boreal woodland caribou located in the Little Smokey and A La Peche areas of Alberta are considered a threatened species under SARA. The government of Alberta has prepared a draft Little Smoky and La Peche Caribou Range Plan, to directly address federal recovery requirements under SARA. In 2017, the Alberta government undertook public and stakeholder consultation on the draft plans, and on December 19, 2017, released its Draft Provincial Woodland Caribou Range Plan. The final content of the plan and the timing of its implementation is not know at this time but recommendations will likely include the restoration of legacy seismic lines to caribou habitat and providing permanent protection for key caribou habitat. The Company's Simonette asset may be impacted by the Little Smoky and A La Peche range plans.

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 may at times 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*" in this Annual Information Form.

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, 2018, nor is Cequence aware of any such contemplated legal proceedings that 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, 2018, 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

As part of the Rights Offering, Cequence entered into two standby purchase agreements (collectively, the "**Standby Purchase Agreements**") to backstop the Rights Offering for a total aggregate standby commitment of $5 million (the "**Standby Commitment**"). One Standby Purchase Agreement was with Don Archibald and the second Standby Purchase Agreement was with Howard Crone. Each of Messrs. Archibald and Crone (the "**Standby Purchasers**") were, and are still, current directors of Cequence and Mr. Crone was at the time also the Interim Chief Financial Officer of Cequence. However, the Standby Commitment was not required because the Rights Offering was over-subscribed, and consequently no Shares issued to the Standby Purchasers, under the Standby Purchase Agreements. As existing Shareholders, Messrs. Archibald and Crone did acquire Shares through the Rights Offering pursuant to the basic and additional subscription privileges that were available to all Shareholders under the Rights Offering.

On December 14, 2018, Cequence was advised that the Term Loan as well as the Warrants issued in conjunction with the Term Loan had been purchased from CII. The Term Loan and Warrants were purchased by an individual who, in subsequent transactions, sold interests in the Term Loan and Warrants to a small group of persons, including two of the Company's directors, Don Archibald (Chairman) and Howard Crone (who was also the Executive Vice-President of the Company at the time of the transaction) (together with the aforementioned original purchasing individual, the "**Consortium**"). Pursuant to an agreement among the members of the Consortium, Messrs. Archibald and Crone each acquired 9.6% of the outstanding Term Loan and 9.6% of the Warrants. The Warrants have an exercise price of $2.00 per Share and are exercisable at any time until September 13, 2022.

Except as disclosed above and elsewhere 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

Computershare Trust Company of Canada, 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 and contracts described elsewhere in this Annual Information Form, 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. See "*General Development of the Business – Three Year History*".

INTERESTS OF EXPERTS

Reserve estimates contained in this Annual Information Form have been prepared by GLJ. As at December 31, 2018, 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 LLP, are independent with respect to the Company, in accordance with the Rules of Professional Conduct of the Chartered Professional 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, 2018.

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 under the Company's electronic profile on SEDAR at www.sedar.com.

APPENDIX "A"

FORM 51-101F2

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, 2018. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2018, 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.

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of 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 for the year ended December 31, 2018, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

			Net Present Value of Future Net Revenue (before income taxes, 10% discount rate - $M)			
Independent Qualified Reserves Evaluator or Auditor	**Effective Date of Evaluation Report**	**Location of Reserves (Country or Foreign Geographic Area)**	**Audited**	**Evaluated**	**Reviewed**	**Total**
GLJ Petroleum Consultants	Dec. 31, 2018	Canada	-	444,955	-	**444,955**

6. 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, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.

8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, March 11, 2019

(signed) "*Tim Freeborn* "
Tim R. Freeborn, P. Eng.
Vice President

APPENDIX "B"

FORM 51-101F3

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 and probable reserves and related future net revenue as at December 31, 2018, 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, 2018.

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.

(signed) "*Todd Brown*"
Todd Brown
Chief Executive Officer

(signed) "*Allan Mowbray*"
Allan Mowbray
Vice President, Finance and Chief Financial Officer

(signed) "*Don Archibald*"
Don Archibald
Chair of the Board of Directors

(signed) "*Peter Bannister*"
Peter Bannister
Director

Dated March 28, 2019

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 an officer or employee of the Corporation or any subsidiary of the Corporation. In addition, 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 Board with the assistance of the Corporate Governance and Nominating Committee, if requested by the Board.

Members of the Committee shall be appointed by the Board. The Corporate Governance and Nominating Committee of the Board shall recommend to the 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:

- 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;

- the Chair of the Committee shall preside as chair at each Committee meeting and lead Committee discussion on meeting agenda items;

- 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;

- a resolution in writing, signed by all of the members of the Committee, is as valid as if it had been passed at a meeting of the Committee;

- 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;

- 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;

- 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;

- the President and Chief Executive Officer, the Executive 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

- 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

Relationship with External Auditor

The Committee shall:

- 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 laws;

- consider and make a recommendation to the Board as to the compensation of the external auditor which is to be paid by the Corporation;

- 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;

- 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;

- as may be required by applicable securities laws, rules and guidelines, either:

    - pre-approve all non-audit services to be provided by the external auditor to the Corporation (and its subsidiaries, if any); or

    - adopt specific policies and procedures for the engagement of the external auditor for the purposes of the provision of non-audit services; and

- 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.

Financial Statements and Financial Reporting

The Committee shall:

- 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;

- upon completion of each audit, review with the external auditor the results of such audit. This process may include but is not limited to reviewing:

    - the scope and quality of the audit work performed;

    - the capability of the Corporation's financial personnel;

    - the co-operation received from the Corporation's financial personnel during the audit;

    - the internal resources used;

    - significant transactions outside of the normal business of the Corporation;

    - significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems;

- review with management and recommend to the Board for approval, any financial statements of the Corporation (excluding proforma financial statements, unless such review is requested by the Board) 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;

- 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

- review accounting, tax, legal and financial aspects of the operations of the Corporation as the Committee considers appropriate.

Internal Controls

The Committee shall:

- 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;

- read the external auditor's recommendations regarding any matters, including internal control and management information systems and procedures, and management's responses thereto; and

- 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.

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 Corporate Governance and Nominating Committee shall review and reassess the adequacy of these terms of reference 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.