CEQUENCE ENERGY ANNOUNCES FIRST QUARTER 2018 FINANCIAL AND OPERATING RESULTS

CALGARY, May 15, 2018 – Cequence Energy Ltd. ("Cequence" or the "Company") (TSX: CQE) is pleased to announce its operating and financial results for the three month period ended March 31, 2018. The Company's Consolidated Financial Statements and Management's Discussion and Analysis are available at cequence-energy.com and on SEDAR at www.sedar.com.

First quarter & subsequent Company highlights include:

- Achieved average quarterly production of 6,970 boe/d (17% liquids), an increase of four percent from the fourth quarter 2017;
- Funds flow from operations was $3.2 million or $0.01 per share;
- Operating costs were $10.18/boe down from $12.91/boe in the fourth quarter of 2017 as the water transfer project nears completion;
- Completed and tied in 3.0 gross (2.0 net) Dunvegan horizontal oil wells. The wells have produced an average of 440 bbl oil per operating day per well since early April;
- Entered into a transaction to dispose all of the Company's B.C. assets for nominal consideration. The transaction closed on April 18th with an effective date of April 1, 2018; and
- On May 1st, the Company sold approximately 145 boe/d (90% gas) in the Gordondale area of Alberta for $1.5 million.

(000's except per share and per unit amounts)	Three months ended March 31,		
	2018	**2017**	% Change
FINANCIAL			
Total revenue(1)(5)	**14,443**	19,354	**(25)**
Comprehensive income (loss)	**(3,725)**	5,251	**(171)**
Per share – basic and diluted	**(0.02)**	0.02	**(200)**
Funds flow from operations (2)(5)	**3,236**	7,346	**(56)**
Per share, basic and diluted	**0.01**	0.03	**(67)**
Capital expenditures, before acquisitions (dispositions)	**7,454**	15,046	**(50)**
Capital expenditures, including acquisitions (dispositions)	**7,458**	15,046	**(50)**
Net debt (3)(5)	**(74,477)**	(71,943)	**4**
Weighted average shares outstanding – basic	**245,528**	245,528	**-**
Weighted average shares outstanding – diluted	**245,528**	248,889	**(1)**
OPERATING			
Production volumes			
Natural gas (Mcf/d)	**34,828**	45,214	**(23)**
Crude oil (bbls/d)	**245**	481	**(49)**
Natural gas liquids (bbls/d)	**274**	270	**1**
Condensate (bbls/d)	**647**	814	**(21)**

Total (boe/d)	**6,970**	9,101	**(23)**
Sales prices			
Natural gas, including realized hedges ($/Mcf)	**2.70**	2.79	**(3)**
Crude oil and condensate, including realized hedges ($/bbl)	**62.59**	62.50	**-**
Natural gas liquids ($/bbl)	**38.30**	29.92	**28**
Total ($/boe)	**23.02**	23.63	**(3)**
Netback ($/boe)			
Price, including realized hedges	**23.02**	23.63	**(3)**
Royalties	**(1.18)**	(1.65)	**(28)**
Transportation	**(2.30)**	(1.60)	**44**
Operating costs	**(10.18)**	(8.28)	**23**
Operating netback(5)	**9.36**	12.10	**(23)**
General and administrative	**(1.99)**	(1.28)	**55**
Interest(4)	**(2.36)**	(1.95)	**21**
Cash netback(5)	**5.01**	8.87	**(44)**

(1) Total revenue is presented gross of royalties and includes realized gains (loss) on commodity contracts.
(2) Funds flow from operations is calculated as cash flow from operating activities before adjustments for decommissioning liabilities expenditures and net changes in non-cash working capital.
(3) Net debt is calculated as working capital (deficiency) less the principal value of senior notes, and excluding assets held for sale and liabilities associated with assets held for sale.
(4) Represents finance costs less amortization on transaction costs and accretion expense on senior notes and provisions.
(5) Non-GAAP measure. See "*Non-GAAP Measurements*" below, for additional information.

Financial

Funds flow from operations for the first quarter was $3.2 million, which reflects increased production volumes from the fourth quarter of 2017, but lower volumes than the first quarter of 2017. Realized sales prices (including hedging) decreased three percent from the comparative period in 2017. Comprehensive loss for the quarter ended March 31, 2018 was $3.7 million compared to income of $5.3 million in the first quarter of 2017.

Capital expenditures, net of dispositions, were $7.5 million in the first quarter primarily associated with the completion and tie-in of the Company's winter drilling program of 3.0 gross (2.0 net) Dunvegan horizontal oil wells and drilling 1.0 gross (1.0 net) Dunvegan vertical well at Simonette.

Effective April 1, 2018, the Company disposed of its remaining British Columbia assets for nominal consideration. Upon closing of this transaction, Cequence became a pure Alberta operating entity with an Alberta Energy Regulatory Licensee Liability Rating of 5.7. In addition, on May 1st, 2018, the Company sold approximately 145 boe/d (90% gas) in the Gordondale area of Alberta for $1.5 million. No changes were required to the Company's borrowing base as a result of the above two transactions.

Beginning on April 1, 2018, the Company has been selling 10,850 GJ/d of production in the Dawn market. Proforma to the above disclosed transactions, the Dawn marketing arrangement will provide the Company diversification away from AECO for approximately 1/3 of its gas production.

The Company has $74.5 million in net debt as at March 31, 2018, which is comprised of $60 million in senior notes carrying a five year term (maturing in October 2018) and a working capital deficiency of $14.5 million. The senior credit facility of $12 million remains undrawn other than letters of credit of $1.5 million. The Company's bank review is scheduled to be completed by the end of May 2018.

The challenging Canadian gas commodity pricing environment has affected the Company's cash flows, liquidity and current debt. The Company's financial statements show that there is significant doubt about the Company's ability to continue as a going concern. The Company is actively pursuing various strategies to improve its liquidity position including ongoing discussions with CPPIB Credit Investments Inc. as the sole noteholder, debt or equity financing, potential business combinations or other restructuring. Management is hopeful that it will be able to implement one or more of these strategies prior to the CPPIB senior notes maturing, although that is not guaranteed. Further details are set forth in the financial statements available on SEDAR.

Operational Update

Average production in the first quarter of 2018 of 6,970 boe/d (17% liquids) increased four percent from the fourth quarter of 2017. The production increase was primarily associated with reactivating production that was curtailed in the fourth quarter due to the low AECO gas commodity prices. Cequence is considering curtailing gas production as the low AECO prices have persisted into the second quarter of 2018.

The previously announced 3.0 gross (2.0 net) horizontal Dunvegan oil wells were completed and tied into permanent facilities in the quarter. The wells produced more consistently in April and have exhibited encouraging performance with the three wells averaging 440 bbl oil per operating day per well. The below table outlines the performance of the three wells:

				Daily Operating Average (gross)		**Last 7 Operating days (gross)**	
Well UWI	**CQE Interest %**	**Reference Date**	**Operating Days**	**Oil (bbl/d)**	**Gas (mcf/d)**	**Oil (bbl/d)**	**Gas (mcf/d)**
15-04-062-26W5	100%	April 11, 2018	23	699	600	909	1,200
12-14-062-26W5	50%	April 7, 2018	30	375	389	588	700
11-14-062-26W5	50%	April 17, 2018	17	262	220	359	333

Challenging spring break up conditions, trucking, and 3rd party infrastructure restrictions have prevented the three wells from producing at the same time. In order to accommodate the increased oil volumes, the new wells have been rotationally produced, base Dunvegan oil production has been curtailed, and weight restricted trucking has occurred. While management is very encouraged by the early production results from these wells, such results are not necessarily indicative of long-term performance or of ultimate recovery from the wells.

Cequence estimates there are approximately 26.5 net Dunvegan oil locations remaining on its land.

Operating costs for the quarter were $10.18/boe down 21% from the fourth quarter of 2017. The Company had previously disclosed that it had incurred increased costs associated with accelerating a water handling and disposal project in the second half of 2017. Operating costs in the first quarter of 2018 decreased primarily as a result of the reduction in these water costs.

Outlook

The Company guidance for the first six months of 2018 includes the results of the first quarter, the $1.5 million of divestitures completed, and results of the 3.0 gross (2.0 net) Dunvegan oil wells coming on at Simonette. Volumes will be lower in the second quarter of 2018 as the Company divested approximately 750 boe/d of northeast British Columbia assets and 145 boe/d of Gordondale assets, while bringing on oil volumes at Simonette. As a result, the liquids weighting of the Company's production is expected to increase from approximately 17% in the first quarter of 2018 to a forecasted 27% in the second quarter of 2018.

Transportation costs are forecast to increase in the second quarter of 2018 as the Company's gas transportation contract to the Dawn, Ontario market begins.

(000's, except per share and per unit references)	**Six Months Ended June 30, 2018**
Average production, BOE/d [(1)]	6,300
Funds flow from operations ($)[(2)(4)]	5,200
Funds flow from operations per share[(2)(4)]	0.02
Capital expenditures, ($)	6,600
Operating and transportation costs ($/boe)	14.40
G&A costs ($/boe)	2.05
Royalties (% revenue)	6
Crude – WTI (US$/bbl)	65.00
Natural gas – AECO (CDN$/GJ)	1.45
Period end, net debt ($) [(3)(4)]	71,400
Weighted average basic shares outstanding	245,500

(1) Average production estimates on a per BOE basis are comprised of 79% natural gas and 21% oil and natural gas liquids.
(2) Funds flow from operations is calculated as cash flow from operating activities before adjustments for decommissioning liabilities expenditures and net changes in non-cash working capital.
(3) Net debt is calculated as working capital (deficiency) less the aggregate principal amount of the senior notes.
(4) Non-GAAP measure. See "*Non-GAAP Measurements*" below, for additional information.

About Cequence

Cequence is a publicly traded Canadian energy company involved in the acquisition, exploitation, exploration, development and production of natural gas and crude oil in western Canada. Further information about Cequence may be found in its continuous disclosure documents filed with Canadian securities regulators at www.sedar.com.

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Advisories

Boe Conversions: Barrel of oil equivalent ("boe") amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel of oil (1 bbl). Boe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalent of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Mcfe Conversions: Thousands of cubic feet of gas equivalent ("Mcfe") amounts have been calculated by using the conversion ratio of one barrel of oil (1 bbl) to six thousand cubic feet (6 Mcf) of natural gas. Mcfe amounts may be misleading, particularly if used in isolation. A conversion ratio of 1 bbl to 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. Given that the value ratio based on the current price of natural gas as compared to oil is significantly different from the energy equivalent of 1:6, utilizing a conversion on a 1:6 basis may be misleading as an indication of value.

NON-GAAP MEASUREMENTS

This press release refers to terms commonly used in the oil and gas industry, including operating netback, cash netback, net debt, funds flow from (used in) operations and total revenue. These financial measures are considered "non-GAAP measures", as they do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Operating netback is not defined by IFRS in Canada and is referred to as a non-GAAP measure. Operating netback equals per boe revenue less royalties, operating costs and transportation costs. Management utilizes this measure to analyze operating performance of its assets and operating areas, compare results to peers and to evaluate drilling prospects.

Cash netback is not defined by IFRS in Canada and is referred to as a non-GAAP measure. Cash netback equals operating netback less per boe general and administrative expenses and interest expense. Management utilizes this measure to analyze the Company's per boe profitability for future capital investment or repayment of debt after considering cash costs not specifically attributable to its assets or operating areas.

Net debt is a non-GAAP measure that is calculated as working capital (deficiency) less the principal value of senior notes and excluding assets held for sale and liabilities associated with assets held for sale. For this calculation, Cequence uses the principal value of the senior notes rather than the carrying value on the statement of financial position as it reflects the amount that will be repaid upon maturity. Cequence uses net debt as it provides an estimate of the Company's assets and obligations expected to be settled in cash.

Funds flow from (used in) operations is a non-GAAP term that represents cash flow from operating activities before adjustments for decommissioning liabilities expenditures and net changes in non-cash working capital. The Company evaluates its performance based on earnings and funds flow from (used in) operations. The Company considers funds *flow from (used in) operations a key measure as it demonstrates the Company's ability to generate the cash flow necessary to fund future growth through capital investment and to repay debt. The Company's calculation of funds flow from (used in) operations may not be comparable to that reported by other companies.*

Funds flow from (used in) operations per share is calculated using the same weighted average number of shares outstanding used in the calculation of comprehensive income (loss) per share.

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.

Forward-looking Statements or Information

Certain statements included in this press release constitute forward-looking statements or forward-looking information under applicable securities legislation. Such forward-looking statements or information, including the forward-looking financial information under the Outlook heading, are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this press release include, but are not limited to, statements relating to the Company's production and future performance expectations of the recently completed Dunvegan wells, the possible curtailing of gas production due to low AECO prices, the estimated number of oil locations remaining on the Company's land, and management's hope to implement a debt or equity financing, potential business combinations or other restructuring prior to the maturity date of the CPPIB senior notes. Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements or information. These risks and uncertainties may cause actual results to differ materially from the forward-looking statements or information. The material risk factors affecting the Company and its business are contained in the Company's Annual Information Form which is available on SEDAR at www.sedar.com.

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

The TSX has neither approved nor disapproved the contents of this news release.