CEQUENCE ENERGY ANNOUNCES PROPOSED DEBT TRANSACTION. PRIVATE PLACEMENT AND CREDIT FACILITY RENEWAL UPDATE

CALGARY, May 23, 2019 – Cequence Energy Ltd. ("Cequence" or the "Company") (TSX: CQE) is pleased to announce a proposed debt restructuring transaction, private placement and credit facility renewal update.

Under the terms of a first amending agreement to the Company's $60.0 million Term Loan entered into between the Company and the Term Loan debtholders, the Company has agreed to pre-pay $10.0 million of the Company's $60.0 million Term Loan plus accrued and unpaid interest on such amount. In addition, the Term Loan will be amended to:

- (i) extend the maturity date from October 3, 2022 to October 3, 2023,
- (ii) fix the interest rate at 5% by removing the interest rate escalation to 10% when funds flow from operations is equal to or greater than $40.0 million, and
- (iii) cancel all the issued and outstanding 1.8 million warrants all of which warrants are held by Term Loan debtholders.

Proforma net debt(1) following the debt repayment of $10.0 million at March 31, 2019 would have been $61.8 million and the net debt(1) to trailing twelve month EBITDA(1) ratio would decline from 3.6 times at March 31, 2019 to proforma 3.1 times at March 31, 2019. The transaction is expected to lower annual finance costs and improve the Company's cash flow by $0.5 million or $2.1 million over the new term.

In consideration of the Term Loan amendments, the Company agreed to pay the Term Loan debtholders fees in the amount of $1.2 million, which includes a restructuring fee and the prepayment of due diligence costs payable in accordance with the Term Loan agreement, eliminating a future obligation of the Company under the agreement.

Prior to the Board of Directors approval of the proposed transactions, the Term Loan debtholders repurchased all interests in the Term Loan and warrants which were held by the two Company directors. As of May 13, 2019, no directors or officers held any interest in the Term Loan.

A number of the Term Loan debtholders have entered into subscription agreements pursuant to which they have agreed to purchase approximately 17.2 million common shares of the Company at a price of $0.65 per share for aggregate gross proceeds of $11.2 million. The shares will be issued on a Canadian development expense "flow-through" basis. Upon completion of the private placement the Company expects to have approximately 41.8 million common shares outstanding.

Following these transactions, Mr. G.A. Cumming is expected to own approximately 25% percent or (10.3 million common shares) of Cequence. Closing of the private placement is subject to the receipt of shareholder approval as required under the Rules of the TSX as a result of the number of shares proposed to be issued and the percentage of shares held by Mr. Cumming following the private placement. The Company's shareholders will be asked to vote on the private placement at the Company's upcoming annual and special meeting of shareholders on June 27, 2019 in Calgary. The Company's information circular in respect of this meeting, which will include details of the proposed private placement, will be mailed to shareholders in early June.

Don Archibald, Chairman of the Board of Directors said, "the partial debt repayment, amendment of the debt agreement, and subsequent equity private placement represents another and important step in the recapitalization of Cequence. The $50.0 million Term Loan is a very competitive instrument with an attractive interest rate and the extended term provides long term stability and certainty to the balance sheet. These transactions not only improve the financial strength of the company but also represent the cooperative approach of the debt holders in working with the company to provide for its future success."

The Company's credit facility, which has a credit limit of $7.0 million and is undrawn except for $1.6 million in letters of credit outstanding, expires on May 31, 2019. Management and the Company's lender are working on renewal of the credit facility and have extended the expiry date to June 14, 2019.

1. See "Non-IFRS Measures" below

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 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 "believe", "expect", "plan", "estimate", "project", "forecast", or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this press release may include, but are not limited to, statements or information with respect to: the prepayment of the Term Loan and the amendments thereto, including the cancellation of the outstanding warrants held by the holders of the Term Loan, and the impact of these transactions on the Company's cash flow and balance sheet; the number and percentage of common shares of the Company owned or controlled by Mr. G.A. Cumming following the private placement; the conditions to which completion of the private placement is subject; and the timing and details of the Company's annual and special meeting of shareholders, and the timing for mailing the Company's information circular in respect of such meeting. 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. In addition to other factors and assumptions which may be identified in this press release, assumptions have been made regarding, among other things: the impact of increasing competition; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters; and the ability of the Company to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.

Forward-looking 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.

Non-IFRS Measures

Throughout this press release, certain terms that are not specifically defined in International Financial Reporting Standards ("IFRS") are used to analyze Cequence's operations. In addition to the primary measures of net loss and comprehensive loss and net loss and comprehensive loss per share in accordance with IFRS, Cequence believes that certain measures not recognized under IFRS assist both Cequence and the reader in assessing performance and understanding Cequence's results. Each of these measures provides the reader with additional insight into the Company's ability to fund principal debt repayments and capital programs. These terms and financial measures are therefore unlikely to be comparable to similar measures presented by other companies and should not be used to make comparisons between companies. These measures should not be considered alternatives to net loss and comprehensive loss and net loss and comprehensive loss per share as calculated in accordance with IFRS.

EBITDA is defined in the Company's credit facility agreement as net income (loss) plus finance costs, share-based payment expense, income tax expense (recovery), unrealized loss (gain) on commodity contracts, loss (gain) on sale of property and equipment, depletion and depreciation less costs related to onerous contracts. The Company's management discussion and analysis dated March 31, 2019 (the "MD&A") provides a reconciliation of EBITDA to the closest IFRS measure net loss and comprehensive loss.

Net debt is a measure that provides Cequence's total indebtedness. It is calculated as working capital deficiency (excluding commodity contracts and lease liability) plus amounts outstanding in the Company's Credit Facility plus the principal value of the Term Loan. Cequence uses net debt as an estimate of the Company's assets and obligations expected to be settled in cash. The "Liquidity and Capital Resources" table in the MD&A reconciles net debt.

OVERVIEW OF CEQUENCE

Cequence is engaged in the exploration for and the development of oil and natural gas reserves. The Company's primary focus is the development of its Simonette asset in the Alberta Deep Basin with other non-core assets in Northeast British Columbia and the Peace River Arch of Alberta. Further information can be found at www.cequence-energy.com.

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

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