

CEQUENCE ENERGY ANNOUNCES THIRD QUARTER 2018 FINANCIAL RESULTS

CALGARY, November 8, 2018 – Cequence Energy Ltd. ("Cequence" or the "Company") (TSX: CQE) is pleased to announce its operating and financial results for the three and nine-month periods ended September 30, 2018. The Company's Condensed Consolidated Financial Statements and Management's Discussion and Analysis are available at cequence-energy.com and on SEDAR at www.sedar.com.

Third quarter and subsequent Company highlights include:

- Achieved average quarterly production of 6,734 boe/d (27% liquids);
- Third quarter oil production was 1,198 bbls/d up 209% from the same period of 2017;
- Funds flow from operations for the third quarter was \$5.6 million or \$0.38 per weighted average share (\$0.23 per share based on the September 30, 2018 outstanding common shares of 24,553,000);
- Included within funds flow from operations for the third quarter of 2018 is \$948,000 of non-recurring finance expenses for the renegotiation of the Senior Notes (\$0.06 per weighted average share);
- As previously announced on July 27th, 2018, the Company entered into a series of transactions that refinanced the Company's balance sheet;
- The Rights Offering closed on September 14, 2018 and raised \$8.59 million of gross proceeds;
- The \$60 million Senior Notes were refinanced with a 5% interest rate and now mature in October 2022;
- On October 13, 2018, the Company commenced its planned winter drilling program consisting of 2 gross (2 net) Dunvegan oil wells; and
- On October 22, 2018, the Company's shareholders approved a share consolidation based on one new common share for each 20 pre-consolidation shares.

(000's except per share and per unit amounts)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change	2018	2017	% Change
FINANCIAL						
Total revenue ^{(1), (5)}	17,680	15,087	17	46,737	52,251	(11)
Comprehensive income (loss)	573	(3,076)	119	(5,897)	(92,724)	(94)
Per share – basic and diluted ⁽⁶⁾	0.04	(0.25)	116	(0.45)	(7.55)	(94)
Funds flow from operations ^{(2), (5)}	5,589	3,619	54	11,016	17,746	(38)
Per share, basic and diluted ^{(6), (7)}	0.38	0.29	31	0.84	1.45	(42)
Capital expenditures, before acquisitions (dispositions)	1,119	2,682	(58)	10,403	20,264	(49)
Capital expenditures, including acquisitions (dispositions)	619	2,682	(77)	8,474	20,264	(58)
Net debt ^{(3), (5)}	61,675	68,407	(10)	61,675	68,407	(10)
Weighted average shares outstanding – basic ⁽⁶⁾	14,545	12,277	18	13,041	12,277	6
Weighted average shares outstanding – diluted ⁽⁶⁾	14,632	12,277	19	13,041	12,277	6
Common shares outstanding – end of period	24,553	12,277	100	24,553	12,277	100

OPERATING

Production volumes

Natural gas (Mcf/d)	29,376	40,729	(28)	30,924	42,871	(28)
Crude oil (bbls/d)	1,198	388	209	772	364	112
Natural gas liquids (bbls/d)	259	250	4	257	253	2
Condensate (bbls/d)	382	841	(55)	495	858	(42)
Total (boe/d)	6,734	8,266	(19)	6,679	8,620	(23)

Sales prices

Natural gas, including realized hedges (\$/Mcf)	2.20	2.12	4	2.37	2.59	(8)
Crude oil and condensate, including realized hedges (\$/bbl)	73.57	57.70	28	69.36	60.13	15
Natural gas liquids (\$/bbl)	43.51	27.86	56	39.02	28.04	39
Total (\$/boe)	28.53	19.84	44	25.63	22.20	15

Netback (\$/boe)

Price, including realized hedges	28.53	19.84	44	25.63	22.20	15
Royalties	(2.35)	(0.61)	285	(1.77)	(1.17)	51
Transportation	(3.03)	(2.09)	45	(2.77)	(1.93)	44
Operating costs	(8.87)	(9.21)	(4)	(10.22)	(8.33)	23
Operating netback ⁽⁵⁾	14.28	7.93	80	10.87	10.77	1
General and administrative	(2.24)	(1.33)	68	(2.26)	(1.38)	64
Interest ⁽⁴⁾	(1.58)	(1.97)	(20)	(2.15)	(1.97)	9
Cash netback ⁽⁵⁾	10.46	4.63	126	6.46	7.42	(13)

(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 (excluding commodity contracts) plus the principal value of the senior notes and term loan.

(4) Represents finance costs less refinancing expenses, amortization on transaction costs, accretion expense on senior notes and provisions.

(5) Refer to Non-GAAP Measures.

(6) On October 22, 2018, the Company's shareholders approved a share consolidation based on one new common share for every 20 pre-consolidation shares. This press release and all information relating to issued and common shares, stock options, warrants, restricted share units and per share amounts, have been restated to reflect the share consolidation for all periods presented.

(7) Funds flow per share calculated as if the ending 24,553,000 common shares at September 30, 2018 were outstanding for the entire period would be \$0.23 per share and \$0.45 per share for the three and nine-month periods ended September 30, 2018 respectively.

Financial Highlights

Funds flow from operations for the third quarter was \$5.6 million, which reflects a 54 percent increase from the third quarter of 2017. Realized sales prices (including hedging) was \$28.53 which reflects a 44 percent increase from the comparative period in 2017. Comprehensive income for the quarter ended September 30, 2018 was \$0.6 million compared to a comprehensive loss of \$3.1 million in the third quarter of 2017.

Beginning on April 1, 2018, the Company has been selling 10,850 GJ/d of production in the Dawn market. The Dawn marketing arrangement has provided the Company diversification away from the volatile AECO prices for approximately 1/3 of its gas production. For the three months ended September 30, 2018, Dawn prices averaged approximately \$3.46/mcf compared to AECO pricing of approximately \$1.28/mcf.

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 a third lien secured loan agreement for a \$60 million term loan facility due October 3, 2022 to refinance the existing Senior Notes which were due on October 3, 2018. At the same time Cequence launched a rights offering for holders of its common shares as of August 9, 2018 to subscribe for 12,276,394 (post consolidation) flow-through common shares of the Company for gross proceeds of up to \$8.6 million. The rights offering was fully subscribed for and closed on September 13, 2018. Finance costs include refinancing expenses of \$0.7 million non-cash warrant expense and legal, advisory and professional fees of \$1.0 million.

The Company has \$61.7 million in net debt as at September 30, 2018, which is comprised of \$60 million in senior notes carrying a four-year term (refinanced and now maturing in October 2022) and a working capital deficiency of \$1.7 million (excluding commodity contracts). The senior credit facility of \$7 million remains undrawn other than letters of credit of \$1.6 million and has a maturity date May 31, 2019.

Operational Update

Average production in the third quarter of 2018 was 6,734 boe/d (27% liquids). The production increase was primarily associated with the Company's recent 3 gross (2 net) Dunvegan oil wells that produced approximately 985 bbls/d of oil and 2.6 mmcf/d of gas (1,427 boe/d) net in the quarter. Due to continued low AECO prices in the quarter, approximately 2,500 mcf/d of gas has remained shut-in until higher pricing is available.

The Company commenced its planned winter drilling program on October 13, 2018 to drill 2.0 gross Dunvegan oil wells (2.0 net) at Simonette to be fund through proceeds from the Rights Offering. It is anticipated the wells will come on at the internal Corporate model of approximately 300 bbl/d per well. Due to the wide light oil differentials forecast for December 2018, these new wells will not be brought on production until the first quarter of 2019. Cequence estimates that there are approximately 26.5 net Dunvegan oil locations on its land.

Operating costs for the third quarter were \$8.87/boe down 4% from the third quarter of 2017 with reduced expenses associated with water handling and associated long term field rentals. Subsequent to the third quarter 2018, Cequence successfully completed a second water disposal well which will continue to reduce trucking and water disposal costs in Simonette.

Outlook

The Company's guidance for the year ended December 31, 2018 includes the results of the third quarter, the existing 3 gross (2.0 net) Dunvegan oil well results, the restructured \$60 million Senior Notes (with its 5% interest rate), \$8.59 million gross proceeds from the rights offering, and an additional planned 2 gross (2 net) Dunvegan oil wells drilled, completed, and tied in the fourth quarter. Production from the new wells will not commence until the first quarter of 2019 when oil differentials are expected to improve. With volatility in the oil price differentials and AECO gas prices, Cequence will not be providing 2019 guidance at this time. As Management

has demonstrated in the past, continued operating cost improvement initiatives and maximizing netbacks in a volatile commodity cycle will be a focus.

(000's, except per share and per unit references)	Guidance year ended December 31, 2018
Average production, BOE/d ⁽¹⁾	6,500
Funds flow from operations (\$) ⁽²⁾	13,700
Funds flow from operations per share ^{(2) (4)}	0.86
Exploration and development expenditures (\$)	20,000
Net wells	4.0
Operating and transportation costs (\$/boe)	14.00
G&A costs (\$/boe)	2.75
Royalties (% revenue)	8
Crude – WTI (US\$/bbl)	66.40
Natural gas – AECO (CDN\$/GJ)	1.55
Period end, net debt (\$) ⁽³⁾	70,950
Weighted average basic shares outstanding	15,942
Common shares outstanding end of period	24,553

⁽¹⁾ Average production estimates on a per BOE basis are comprised of 77% natural gas and 23% oil and natural gas liquids in 2018.

⁽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. See Non-GAAP Measures.

⁽³⁾ Net debt is calculated as working capital deficiency (excluding commodity contracts) plus the aggregate principal amount of the term loan.

⁽⁴⁾ Weighted funds flow per share calculated as if the ending 24,553,000 common shares at September 30, 2018 were outstanding for the entire period would be \$0.56 per share for the year ended December 31, 2018.

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 MEASURES

This press release refers to terms and financial measures 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 (excluding commodity contracts) plus the principal value of term loan (previously senior notes). 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", "estimate", "expect", "forecast", "plan", "intend", "estimate", "plan", "propose", "project", "schedule" 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 relating to the Company's production and future performance expectations of the recently completed Dunvegan wells, the impact of higher oil volumes and lower gas volumes on operating costs, the drilling results and future production of the planned Dunvegan wells, the estimated number of oil locations remaining on the Company's land and the Company's outlook and guidance for 2018.

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 timely completion of the Company's bank review relating of the Credit Facility; 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; the effectiveness of service rig work on well clean-up over time; 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; the success of certain transactions on refinancing the Company's balance sheet; the ability of the Company to effectively identify and successfully pursue alternative financing arrangements and recapitalization opportunities. 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 for the year ended December 31, 2017 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.