HIGHLIGHTS

(000's except per share and per unit amounts)	Three months ended March 31,		
	2018	**2017**	% Change
FINANCIAL			
Total revenue[(1)]	**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)]	**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)]	**(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	**9.36**	12.10	**(23)**
General and administrative	**(1.99)**	(1.28)	**55**
Interest[(4)]	**(2.36)**	(1.95)	**21**
Cash netback	**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.

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (“MD&A”) of the financial and operating results of Cequence Energy Ltd. (“Cequence” or the “Company”) should be read in conjunction with the Company’s unaudited condensed consolidated financial statements (the “consolidated financial statements”) and related notes for the three months ended March 31, 2018 as well with the audited consolidated financial statements (the “annual financial statements “) and related notes for the years ended December 31, 2017 and 2016.

The consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which asserts that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business. Further details are provided in note 2 of the consolidated financial statements.

Additional information relating to the Company, including its MD&A for the prior year and the annual information form is available on SEDAR at www.sedar.com.

This MD&A is dated May 15, 2018.

BASIS OF PRESENTATION

The consolidated financial statements and comparative information have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The financial information presented reflects the consolidated financial statements of Cequence.

The reporting and the measurement currency is the Canadian dollar. For the purpose of calculating unit costs, natural gas is converted to a barrel of oil equivalent (“boe”) using six thousand cubic feet of natural gas equal to one barrel of oil unless otherwise stated. The term barrel of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio for gas 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.

For the three months ended March 31, 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 first three months of 2018 WTI average price of $62.60 (US$/Bbl) for crude oil and the first three months of 2018 NYMEX average price of $3.08 (US$/MMbtu) 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.

Unless otherwise stated and other than per unit items, all figures are presented in thousands.

NON-GAAP MEASUREMENTS

Within the MD&A references are made 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.

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.

Non-GAAP financial measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

DESCRIPTION OF THE BUSINESS

Cequence is engaged in the exploration for and the development of oil and natural gas reserves. Cequence's primary focus is the development of its Simonette asset in the Alberta Deep Basin and also has assets in the Peace River Arch of Alberta. The common shares of Cequence trade on the Toronto Stock Exchange under the symbol CQE.

Natural gas prices remained low in both 2016 and 2017 with AECO prices averaging $2.18/mcf and $2.23/mcf, respectively. During this period the Company has lowered capital spending to adjust for lower funds flow from operations and the reduced economics of the Company's natural gas weighted drilling inventory. The Company's 2017 and first quarter 2018 capital expenditure program has focused on wells with higher oil and liquids content.

Financial leverage has improved over the past year as the Company managed total debt levels by reducing capital expenditures. March 31, 2018 net debt is $74,477 (December 31, 2017 - $68,501) or 4.9 times trailing annual funds flow from operations (December 31, 2017 – 3.5 times).The Company's financial condition is described in additional detail in the Liquidity and Capital Resources section of this MD&A.

The Company has undertaken a number of initiatives over the past two years to manage its balance sheet through a prolonged weakness in natural gas prices. Capital expenditures have been restricted to cash flow or funded by equity. The Company continues to be committed to pursuing initiatives to improve its liquidity, long term sustainability and enhance shareholder value. The Company's funds flow for the three months ended March 31, 2018 has decreased by 56 percent from prior year mainly due to a 23% decrease in production volumes.

On April 18, 2018, the Company closed the disposition of all assets and associated liabilities presented as assets held for sale at March 31, 2018 for nominal consideration, prior to closing adjustments. The disposition consisted of all the Company's assets located in north eastern British Columbia.

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.

FINANCIAL AND OPERATING RESULTS

PRODUCTION

	Three months ended March 31,	
	2018	2017
Natural gas (Mcf/d)	**34,828**	45,214
Crude oil (bbls/d)	**245**	481
Natural gas liquids (bbls/d)	**274**	270
Condensate (bbls/d)	**647**	814
Total (boe/d)	**6,970**	9,101
Total production (boe)	**627,335**	819,112

Production for the three months ended March 31, 2018 averaged 6,970 boe/d compared to production of 9,101 boe/d in 2017. Average production declined as the Company's reduced 2017 drilling program was insufficient to offset natural production declines.

Sequentially, first quarter production increased slightly from the fourth quarter of 2017 as the Company experienced less production downtime in the quarter. In addition, the Company added 3.0 gross (2.0 net) new Dunvegan oil wells to production. The wells came on production three weeks later than expected and the Company's average production for the quarter did not see appreciable volume increases from the new wells.

PRODUCTION REVENUE

	Three months ended March 31,	
$(000's)	**2018**	2017
Sales of natural gas, oil and condensate	**13,678**	19,600
Royalties	**(737)**	(1,355)
Production revenue	**12,941**	18,245

Production revenue was $12,941 in the first quarter of 2018 compared to $18,245 in 2017. The decrease in production revenue is attributable to a nine percent decrease in realized sales prices before hedging and a 23 percent decrease in production volumes.

TOTAL REVENUE AND PRICING

The following tables present total revenue which is a non-GAAP financial measure, with no standardized meaning under the Company's GAAP and therefore may not be comparable to similar measures presented by other issuers:

	Three months ended March 31,				
$(000's)	Natural gas	Crude oil and condensate	Natural gas liquids	**2018 Total**	2017 Total
Sales of natural gas, oil and condensate	7,152	5,582	944	**13,678**	19,600
Realized gain (loss) on commodity contracts	1,324	(559)	-	**765**	(246)
Total revenue (1)	8,476	5,023	944	**14,443**	19,354

(1)Refer to non-GAAP measurements.

Total revenue was $14,443 in the first quarter of 2018 compared to $19,354 in 2017. The decrease in revenue is attributable to a 23 percent decrease in production and a three percent decrease in realized sales prices including hedging.

$(000's)	**Three months ended March 31, 2018**	2017
Average prices		
Natural gas ($/Mcf)	**2.28**	2.86
Realized natural gas hedges ($/Mcf)	**0.42**	(0.07)
Natural gas including hedges ($/Mcf)	**2.70**	2.79
Crude oil and condensate ($/bbl)	**69.55**	62.05
Realized crude oil hedges ($/bbl)	**(6.96)**	0.45
Crude oil and condensate including hedges ($/bbl)	**62.59**	62.50
Natural gas liquids ($/bbl)	**38.30**	29.92
Average sales price before hedges ($/boe)	**21.80**	23.93
Average sales price including hedges ($/boe)	**23.02**	23.63
Benchmark pricing		
AECO-C spot (CDN$/Mcf)	**2.06**	2.69
Dawn Daily (US$/mmbtu)	**3.03**	3.20
WTI crude oil (US$/bbl)	**62.60**	51.70
Edmonton par price (CDN$/bbl)	**72.17**	64.71
US$/CDN$ exchange rate	**0.79**	0.76

For the quarter ended March 31, 2018, benchmark AECO natural gas prices averaged $2.06/mcf a decrease from $2.69/mcf in 2017 and an increase from $1.67/mcf in the fourth quarter of 2017.

The Company realized natural gas prices before hedging for three months ended March 31, 2018 of $2.28/mcf compared to $2.86/mcf in 2017. The Company's average natural gas price realization in the first quarter of 2018 was an 11 percent premium to AECO compared to a premium of six percent in 2017 reflecting an improvement in the cost of the company's marketing and transportation contracts from prior year. In the first quarter substantially all of the Company's natural gas was sold at AECO. The Company expects to receive a premium to AECO pricing based on the heat content of the Company's natural gas production.

Beginning in December 2017, the Company increased its NGTL firm service to 35,000 GJ/d at its Simonette property. The first quarter of 2018 reflects all of the Simonette gas flowing under this direct transportation contract. Gas contracts in prior periods of 2016 and 2017 were primarily obtained through third parties either as a premium to market rates or secured as a commodity price offset.

On April 1, 2018 the Company began shipping 10,850 GJ/d from AECO to the Dawn, Ontario market providing the Company with some pricing diversification from the AECO hub. Based on current forward looking natural gas prices and currency, Dawn prices, net of transportation costs and fuel, represent a premium to AECO prices.

For the first quarter of 2018, benchmark Edmonton par crude oil prices increased 12 percent from 2017 and benchmark condensate prices were at a eight percent premium to Edmonton par. Crude oil and condensate prices before hedges for the first quarter of 2018 were $69.55/bbl up 12 percent from the same period in 2017. Natural gas liquids prices for the three months ended March 31, 2018 were $38.30/bbl up 28 percent from the same time period in 2017.

COMMODITY PRICE MANAGEMENT

	Three months ended March 31,	
$(000's)	**2018**	2017
Realized gain (loss) on commodity contracts	**766**	(246)
Unrealized gain (loss) on commodity contracts	**(1,647)**	5,458
Total	**(881)**	5,212

Cequence has a commodity price risk management program which provides the Company flexibility to enter into derivative and physical commodity contracts to protect future cash flows for planned capital expenditures against an unpredictable commodity price environment.

The fair value of the commodity contracts outstanding at March 31, 2018 was a current liability of $1,371 (December 31, 2017 - current asset of $1,274 and non-current liability of $998). Cequence has the following crude oil hedges as at the date of this MD&A:

Term	**Product**	**Type**	**Average Volume (bbl/d)**	**Average Price (CDN$/bbl)**	**Basis**
April 1, 2018 to June 30, 2018	Oil	Swap	500	$63.35	WTI
July 1, 2018 to December 31, 2018	Oil	Swap	300	$71.72	WTI

OPERATING NETBACK

	Three months ended March 31,	
($/boe)	**2018**	2017
Total revenue[1]	**23.02**	23.63
Royalty expense	**(1.18)**	(1.65)
Transportation expense	**(2.30)**	(1.60)
Operating costs	**(10.18)**	(8.28)
Operating netback [2], $/boe	**9.36**	12.10
Operating netback [2], excluding realized hedges , $/boe	**8.14**	12.40

(1) Total revenue is presented gross of royalties and includes realized gain (loss) on commodity contracts.
(2) See Non-GAAP measures for definition of operating netback

Cequence's operating netback per boe, excluding realized hedging for the three months ended March 31, 2018 was $8.14/boe compared to $12.40/boe in 2017. Including realized hedges, operating netbacks per boe decreased by 23 percent. The decrease in operating netbacks was driven by higher quarterly per boe operating expenses and transportation costs.

ROYALTY EXPENSE

$(000's)	Three months ended March 31, 2018	2017
Crown	**298**	747
Freehold / Overriding	**439**	608
Total royalties	**737**	1,355
Royalties as a percentage of revenue, before hedging	**5%**	7%
Per unit of production ($/boe)	**1.18**	1.65

Royalties as a percentage of revenue, before hedging for the three months ended March 31, 2018 was lower than prior year at seven percent. The average crown royalty rate as a percentage of revenue decreased due to credits against crown royalties for gas cost allowance despite higher crown royalties. Crown royalties operate on a sliding scale and royalty rates increase when commodity prices increase.

OPERATING COSTS

$(000's)	Three months ended March 31, 2018	2017
Operating costs	**6,389**	6,779
Per unit of production ($/boe)	**10.18**	8.28

Operating costs for the three months ended March 31 2018, were $10.18/boe compared to $8.28/boe for the same period in 2017 and $12.91/boe in the fourth quarter of 2017. In the second half of 2017 the Company executed a water handling project to manage its surface water at its Simonette field resulting in the higher fourth quarter 2017 costs. Operating costs in the first quarter of 2018 has decreased primarily as a result of the reduction in these water costs, but production volumes have decreased when compared to the same period of 2017.

The Company will continue to monitor production in periods of low commodity and may shut in higher cost, uneconomic production. Per unit operating costs are expected to increase in this case as fixed costs will be allocated to a smaller production base.

TRANSPORTATION EXPENSE

$(000's)	Three months ended March 31, 2018	2017
Transportation	**1,440**	1,308
Per unit of production ($/boe)	**2.30**	1.60

Transportation expense for the three months ended March 31, 2018 was $2.30/boe an increase of 44 percent from the comparative period in 2017. The Company's new Simonette NGTL firm service of 35,000 GJ/d was recognized in the first quarter of 2018 as a transportation expense. In the comparable period of 2017, a portion of the gas contracts obtained through third parties would have been secured as a commodity price offset instead of a transportation expense.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

$(000's)	Three months ended March 31, 2018	2017
G&A expenses	**1,426**	1,234
Administrative and capital recovery	**(176)**	(184)
Total G&A expenses	**1,250**	1,050
Per unit of production ($/boe)	**1.99**	1.28

G&A costs have increased in 2018 with the Company incurring legal and advisor fees in the quarter of $209 associated with the evaluation of financial alternatives. Unit costs have also increased as production volumes are lower between the periods.

FINANCE COSTS

	Three months ended March 31, 2018	2017
Interest and standby fees expense on credit facilities	**45**	162
Interest expense and standby fees on senior notes	**1,435**	1,434
Amortization of transaction costs	**117**	106
Accretion expense on senior notes	**90**	81
Accretion expense on provisions	**209**	220
Total finance costs	**1,896**	2,003
Per unit of production ($/boe)	**3.02**	2.44
Interest per unit of production ($/boe)	**2.36**	1.95

Finance costs for the three months ended March 31, 2018 were $1,896 compared to $2,003 in 2017. Interest and standby fees on the facility were lower in 2018 as the facility size was reduced. The Company remains undrawn on its senior credit facility.

OTHER INCOME

$(000's)	Three months ended March 31, 2018	2017
Gain (loss) on sale of property and equipment	**(4)**	60
Interest income	**40**	39
Other	**48**	41
Total other income	**84**	140

DEPLETION AND DEPRECIATION

$(000's)	Three months ended March 31, **2018**	2017
Depletion and depreciation expense	**4,829**	6,931
Per unit of production ($/boe)	**7.70**	8.46

Depletion and depreciation expense for the three months ended March 31, 2018 was $4,829 ($7.70/boe) compared to $6,931 ($8.46/boe). Depletion and depreciation rates for the three months ended March 31, 2018 are lower than prior year due to depletion not being recorded on north eastern British Columbia assets that are held for sale at March 31, 2018 and reductions in net book values resulting from the impairment charge in the second quarter of 2017.

SHARE BASED PAYMENTS

Stock Options

The Company has 13,005 stock options outstanding with an average exercise price of $0.55. The options have a five year life and vest evenly over a three year period on the anniversary date of their grant. For the three months ended March 31, 2018, Cequence recorded $144 (2017 – $257) in share based payment expense related to stock options with a corresponding increase to contributed surplus.

Restricted Share Units

The Company issues RSUs as part of its long term incentive program. The program is designed to offer cash compensation based on the underlying value of the RSU unit. RSUs are granted to directors, officers and employees of the Company and vest annually in equal amounts over a three year period. For the three months ended March 31, 2018, Cequence recognized ($79) (2017 – $18) in share based payment expense related to RSUs with a corresponding increase to share based payment liability.

A summary of the status of the Company's stock option and RSU plans during the three months ended March 31, 2018 and year ended December 31, 2017 is as follows:

	RSUs		**Stock Options**	
Number (000's)	**2018**	2017	**2018**	2017
Outstanding, beginning of period	**2,666**	3,010	**13,220**	11,003
Granted	**-**	700	**-**	5,025
Cancelled/Forfeited	**(32)**	(29)	**(90)**	(107)
Expired	**-**	-	**(125)**	(2,701)
Settled	**-**	(1,015)	**-**	-
Outstanding, end of period	**2,634**	2,666	**13,005**	13,220

CAPITAL EXPENDITURES

$(000's)	**Three months ended March 31, 2018**	2017
Land	**198**	168
Geological & geophysical and capitalized overhead	**169**	164
Drilling, completions and workovers	**5,827**	12,640
Equipment, facilities and tie-ins	**1,260**	2,074
Office furniture & equipment	**-**	-
Capital expenditures	**7,454**	15,046
Property acquisitions [(1)]	**-**	-
Property dispositions [(1)]	**4**	-
Total capital expenditures	**7,458**	15,046

(1) Represent the cash proceeds from the sale of assets and cash paid for the acquisition of assets, as applicable.

For the three months ended March 31, 2018, capital expenditures were $7,454. Capital expenditures were focused at Simonette where the Company completed and tied in 3.0 gross (2.0 net) horizontal Dunvegan wells and drilled 1.0 gross (1.0 net) vertical Dunvegan well.

INCOME TAXES

As at March 31, 2018, the Company has tax pools and available losses of $623,846 (December 31, 2017 - $616,660). Due to the uncertainty of future realization, a deferred tax asset has not been recognized.

At March 31, 2018, Cequence has the following tax pools:

Classification	Amount $(000's)	Annual Deductibility
Canadian exploration expense	151,078	100%
Non-capital losses	332,989	100%
Undepreciated capital cost	44,535	Primarily 25%, declining balance
Canadian oil and gas property expense	7,736	10%, declining balance
Canadian development expense	60,394	30%, declining balance
Other	27,114	Various
	623,846	

The Company's non-capital losses expire in 2027 and thereafter. Based on the Company's expected cash flow and available tax pools, Cequence does not expect to be taxable for the next three years.

PROVISIONS – DECOMMISSIONING LIABILITIES

Decommissioning liabilities represent the estimated future cost of abandoning and reclaiming the company's oil and natural gas wells and related facilities. Total decommissioning liabilities at March 31, 2018 were $28,983 compared to $38,478 at December 31, 2017. Decommissioning obligations are adjusted periodically for revisions to the future liability costs and the estimated timing of costs to be incurred in future years. The Company estimates that it will incur $743 of decommissioning obligations in the twelve months ended March 31, 2019. The following table summarizes the changes in decommissioning liabilities for the respective periods:

	March 31, 2018	December 31, 2017
Balance, beginning of period	**38,478**	38,161
Property dispositions	**-**	(776)
Accretion expense	**209**	870
Liabilities incurred	**-**	371
Abandonment costs incurred	**(2,556)**	(1,079)
Revisions in estimated cash flows	**1,353**	(185)
Revisions due to change in discount rates	**(382)**	1,116
Reclassification of liabilities associated with assets held for sale	**(8,119)**	-
Balance, end of period	**28,983**	38,478

The total estimated, undiscounted cash flows, inflated at 2 percent, required to settle the obligations are $62,263 (December 31, 2017 - $63,742). These cash flows have been discounted using a risk-free interest rate of 2.25 percent (December 31, 2017 – 2.20 percent) based on Government of Canada long-term benchmark bonds. The Company expects these obligations to be settled in approximately 1 to 50 years (December 31, 2017 – 1 to 50 years).

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital comprises shareholders' equity, demand credit facilities, senior notes and working capital. Cequence manages the capital structure and adjusts considering economic conditions and the risk characteristics of the underlying assets. Historically, the Company has managed its debt levels and working capital through its hedging program, issuing common shares, adjusting capital expenditures, and executing asset dispositions. The Company typically carries a working capital deficiency as cash balances are used to repay short term borrowings.

$(000's)	**As at March 31, 2018**	As at December 31, 2017
Cash	**7,951**	10,971
Demand credit facility	**-**	-
Senior notes – principal	**(60,000)**	(60,000)
Accounts payable and accrued liabilities	**(34,202)**	(33,106)
Share-based payment liability	**(74)**	(153)
Provisions – current	**(743)**	(1,466)
Accounts receivable	**11,889**	14,739
Deposits and prepaid expenses	**702**	514
Net debt (1)	**(74,477)**	(68,501)
Funds flow from operations(1) - trailing twelve months	**15,219**	19,329
Net debt to funds flow from operations trailing twelve months(1)	**4.9:1**	3.5:1

(1) Refer to non-GAAP measurements

At March 31, 2018, the Company's net debt to funds flow from operations of 4.9:1 is higher than the Company's long term target of 2:1. The Company's first quarter capital program was in excess of funds flow resulting in an increase in the ratio of net debt to funds flow from operations trailing twelve months. The Company currently is not expecting any drilling activity in 2018 based on expected commodity prices.

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. During this time period, the Company has lowered capital spending, issued flow through shares and reduced its G&A to manage its leverage and to limit borrowing on its senior credit facility.

Refer to going concern discussions in note 2 of the consolidated financial statements.

Senior Credit Facility

As at March 31, 2018, Cequence had a $12,000 (December 31, 2017 - $12,000) term credit facility available from a syndicate of Canadian chartered banks and has drawn $nil (December 31, 2017 - $nil) under the facility. The company has letters of credit outstanding of $1,540 (December 31, 2017 - $1,540).

The senior credit facility has a term date of May 31, 2018 and is secured by a first floating charge debenture, general assignment of book debts and Cequence's oil and natural gas properties and equipment. The senior credit facility may be extended beyond the initial term, if requested by the Company and accepted by the lenders. If the credit facility does not continue to revolve, amounts borrowed under the facility must be repaid on the term date. The senior credit facility is reviewed on a semi-annual basis with the lender holding the right to request an additional review. The next scheduled review is expected to be completed May 2018 and there is no assurance that credit facility will extend beyond that date.

The senior credit facility has a covenant that requires Senior Debt to twelve month trailing 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 to be less than 3:0 to 1:0, respectively. Senior Debt is defined as the sum of Consolidated Debt less the period end balance of the senior notes. Consolidated Debt is defined as the sum of the Company's period end balance of the credit facility and senior notes. The Company was in compliance with the lender's covenant at March 31, 2018 with a ratio of 0.1 times (December 31, 2017 – 0.1 times).

Senior Notes

In October 2013, Cequence closed an investment with CPPIB Credit Investments Inc., ("CII"), a wholly-owned subsidiary of Canada Pension Plan Investment Board ("CPPIB"), for an initial investment by CII of $60,000 in unsecured five year senior notes with a further $60,000 of notes available at a future date, subject to the approval of both CII and Cequence on terms to be confirmed at the time of issuance. In addition, Cequence granted CII 3.0 million warrants to purchase common shares. The initial investment of $60,000 of senior notes were issued at par and carry a 9% coupon rate per annum. A standby charge of 0.7% is applied to the further $60,000 of notes available at a future date.

The senior notes mature in October 2018 and Cequence is engaged in a review of potential financing alternatives to modify or replace the senior notes or otherwise improve the long term sustainability of the Company. If Cequence does not find a financing alternative for the Notes, it appears unlikely that Cequence will be able to repay the principal amount of the Notes on or before October 2018 as Cequence's current and anticipated earnings and available liquidity are not likely to provide enough cash to do so. 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.

Senior Note Covenants

The senior notes contain incurrence covenants that use a Debt to Cashflow test of 2.5 times to limit the incurrence of certain indebtedness and restricted payments without debtholder approval. The incurrence covenants do not contain provisions that make the notes callable. For this purpose, Debt is defined as the Company's period end balance of the credit facility and senior notes. Cashflow is equivalent to the Company's calculation of funds flow from operations for the trailing twelve months. At March 31, 2018, the Company's Debt to Cashflow ratio was more than 2.5 times. If current commodity prices persist, the Company expects that its Debt to Cashflow ratio will remain in excess of 2.5 times.

The incurrence covenants limit the incurrence of additional debt, unless permitted by the debtholder, as follows:

- Senior secured debt is restricted to the maximum of $125,000; the current borrowing base; 30 percent of Adjusted Consolidated Net Tangible Assets ("ACTNA") and 75 percent of the NPV 10% of the Company's PDP reserves as determined by GLJ Petroleum;
- Capital lease obligations exceeding $6,250 or 1.25% of ACTNA;
- Non-recourse debt exceeding $10,000;
- Other indebtedness exceeding $12,500;
- Debt subordinated to the senior notes; and
- Certain liens in connection with indebtedness.

The Company's ACTNA is defined as the value of the Company's total proved reserves before taxes, plus the value of tangible assets less working capital. At March 31, 2018 ACTNA is $218,073. The Company does not currently expect the incurrence covenants in the senior note indenture to restrict its planned activities.

Generally, the incurrence covenants also restrict payments as follows:

- dividends and other distributions;
- stock repurchases;
- subordinated debt prepayment; and
- certain investments outside of the oil and gas business.

Certain restricted payments are excluded from the general restrictions or are permitted, including a general lifetime exclusion of $12,500. A full detail of the Trust Indenture dated October 3, 2013 is filed at sedar.com. The Company does not currently anticipate initiating a payment that would be restricted by the trust indenture.

Commitments

Cequence has assumed various commitments in the normal course of operations and financing activities.

	2018	2019	2020	2021	2022+	Total
Office leases	276	261	-	-	-	537
Pipeline transportation	4,598	6,117	6,117	6,117	32,136	55,085
Gas processing	3,130	4,154	4,166	4,154	34,625	50,229
Total	8,004	10,532	10,283	10,271	66,761	105,851

Cequence has a take or pay agreement for gas processing with the operator of the Simonette gas plant. The minimum commitment under the take or pay of 42 mmcf/d or approximately $4,154 per year concluding April 30, 2030.

In the third quarter of 2017, the Company advanced the start date of approximately 26 mmcf/d of natural gas transportation to December 17, 2017 from April 2018. The contract reduces the Company's reliance on short term and interruptible transportation contracts and is expected to improve netbacks by lowering the cost of transportation or improving sales prices. Beginning December 17, 2017, the Company obtained firm transportation to AECO on the NGLT pipeline system for approximately 35 mmcf/d with a term until March 2026.

In September 2017 the National Energy Board approved TransCanada Pipelines application for new transportation service from Empress, Alberta to Dawn, Ontario. 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 for approximately 33 percent of its current natural gas production. Historically, pricing at the Dawn hub has been at a premium to AECO. As part of this commitment, the Company entered into a five year contract to transport AECO gas to Empress at an annual cost of approximately $750.

OUTSTANDING SHARE DATA

	May 15, 2018	**March 31, 2018**	December 31, 2017
Common shares	**245,528**	**245,528**	245,528
Stock options	**11,867**	**13,005**	13,220
Restricted share units	**2,321**	**2,634**	2,666
Warrants	**3,000**	**3,000**	3,000

Cequence has an unlimited number of common voting shares and common non-voting shares with no par value.
Warrants have an exercise price of $2.03 to purchase common shares.

SELECTED FINANCIAL INFORMATION

A reconciliation of cash flow from operating activities to funds flow from operations and other selected financial information is as follows:

	Three months ended March 31,		
$(000's)	**2018**	2017	2016
Cash flow from operating activities	**48**	7,432	4,893
Decommissioning liabilities expenditures	**2,556**	224	1,024
Net change in non-cash working capital	**632**	(310)	(6,231)
Funds flow from operations	**3,236**	7,346	(314)
Per share – basic and diluted ($)	**0.01**	0.03	0.00
Total revenue	**14,443**	19,354	15,772
Comprehensive income (loss)	**(3,725)**	5,251	(5,888)
Per share – basic and diluted ($)	**(0.02)**	0.02	(0.03)
Total assets	**281,368**	390,089	399,729
Demand credit facilities	**-**	-	-
Senior notes – principal	**60,000**	60,000	60,000

Funds flow from operations was $3,236 for the three months ended March 31, 2018 compared to $7,346 in 2017. The decrease in funds flow from operations is mainly due to decreased production volumes in 2018 partially offset by increased realized gains from commodity contracts.

Cequence recorded a comprehensive loss of $3,725 for the three months ended March 31, 2018 compared to comprehensive income of $5,251 in 2017. The decrease is mainly due to the impact of decreased production volumes year over year.

QUARTERLY INFORMATION

FINANCIAL

($ thousands except per share data)	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2
Total revenue[(1)]	**14,443**	13,585	15,087	17,810	19,354	17,253	14,707	11,343
Royalties expense	**737**	391	465	927	1,355	467	636	(125)
Transportation expense	**1,440**	1,023	1,590	1,650	1,308	1,151	1,001	774
Operating costs	**6,389**	7,972	7,004	5,829	6,779	6,184	6,228	5,812
Comprehensive income (loss)	**(3,725)**	(6,638)	(3,076)	(94,899)	5,251	(9,077)	(880)	(12,212)
Per share – basic & diluted	**(0.02)**	(0.03)	(0.01)	(0.39)	0.02	(0.04)	(0.00)	(0.06)
Funds flow from (used in) operations [(2)]	**3,236**	1,583	3,619	6,781	7,346	6,625	3,385	1,554
Per share – basic & diluted	**0.01**	0.01	0.01	0.03	0.03	0.03	0.02	0.01
Capital expenditures, net	**7,454**	5,593	2,682	2,536	15,046	11,460	2,810	958
Net acquisitions (dispositions) [(3)]	**4**	(4,277)	-	-	-	(54)	(5,167)	138
Total capital expenditures	**7,458**	1,316	2,682	2,536	15,046	11,406	(2,357)	1,096

(1) Total revenue is presented gross of royalties and includes realized gains (loss) on commodity contracts.
(2) Funds flow from (used in) operations is calculated as cash flow from operating activities before adjustments for decommissioning liabilities expenditures and net changes in non-cash working capital.
(3) Represents the cash proceeds from the sale of assets and cash paid for the acquisition of assets, as applicable.

OPERATIONAL

	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2
Production volumes								
Natural gas (Mcf/d)	**34,828**	33,331	40,729	42,719	45,214	45,005	44,320	40,127
Oil (bbls/d)	**245**	283	388	224	481	140	175	178
NGLs (bbls/d)	**274**	257	250	239	270	209	261	244
Condensate (bbls/d)	**647**	617	841	919	814	760	798	748
Total (boe/d)	**6,970**	6,713	8,266	8,502	9,101	8,609	8,621	7,857
Average selling price, including realized hedges								
Natural gas ($/Mcf)	**2.70**	2.33	2.12	2.83	2.79	2.92	2.28	1.73
Crude oil and condensate ($/bbl)	**62.59**	66.73	57.70	60.11	62.50	56.27	53.78	54.01
NGLs ($/bbl)	**38.30**	38.55	27.86	26.11	29.92	25.61	24.09	21.50
Total ($/boe)	**23.02**	22.00	19.84	23.02	23.63	21.78	18.54	15.86
Operating netback, including realized hedges ($/boe)								
Price	**23.02**	22.00	19.84	23.02	23.63	21.78	18.54	15.86
Royalties	**(1.18)**	(0.63)	(0.61)	(1.20)	(1.65)	(0.59)	(0.80)	0.17
Transportation	**(2.30)**	(1.66)	(2.09)	(2.13)	(1.60)	(1.45)	(1.26)	(1.08)
Operating costs	**(10.18)**	(12.91)	(9.21)	(7.53)	(8.28)	(7.81)	(7.85)	(8.13)
Operating netback	**9.36**	6.80	7.93	12.16	12.10	11.93	8.63	6.82

The company's funds flow from operations and comprehensive incomes (loss) has been negatively impacted by low commodity prices, in particular natural gas prices. AECO natural gas prices averaged $2.18/mcf in 2016 and $2.23/mcf in 2017, significantly lower than previous years. The Company has reduced capital expenditures on new wells during this time period due to lower funds flow from operations and restricted access to cost effective capital.

The Company's quarterly net comprehensive income (loss) is affected by fluctuations in non-cash charges, in particular, depletion, depreciation and impairment expense, accretion of decommissioning obligations, gains/losses on derivative financial instruments, share-based payments and other expense (income). During the three months ended June 30, 2017, the Company recorded impairment expense of $96,200. During 2015, the Company recorded impairment expense of $230,400, including $144,000 in the fourth quarter. Impairments recognized were mainly the result of the impact of declining benchmark natural gas prices on the estimated future value of the Company's oil and gas reserves. These impairments cause significant reductions and increased volatility in the Company's net comprehensive income (loss).

Please refer to the results of operations and other sections of this MD&A and the Company's previously issued MD&A for detailed discussions on variances between reporting periods and changes in prior periods.

OUTLOOK INFORMATION

(000's, except per share and per unit references)	**Six months ending June 30, 2018**
Average production, BOE/d [1]	6,300
Funds flow from operations ($)[2]	5,200
Funds flow from operations per share[2]	0.02
Capital expenditures, ($)	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]	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 and excluding assets held for sale and liabilities associated with assets held for sale.

The Company guidance for the first six months of 2018 include the results of the first quarter, the $1.5 million of divestitures completed, and results of the 3.0 gross (2.0 net) horizontal Dunvegan oil wells 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, 145 boe/d of Gordondale assets, while bringing on oil volumes at Simonette. As a result the liquids weighting of the Company's production increases from approximately 17% to 27% for an estimated average of 21% for the first six months of 2018.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and Executive Vice President and Interim Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's CEO and CFO have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

The Committee of Sponsoring Organizations ("COSO") framework provides the basis for management's design of internal controls over financial reporting. Management and the Board work to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and it should not be expected that the disclosure and internal control procedures will prevent all errors or fraud.

As at March 31, 2018, CEO and CFO have concluded, based on their evaluation of the design and operating effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting ("ICFR") that disclosure controls and procedures and ICFR are effective.

CHANGES IN ACCOUNTING POLICIES

IFRS 15 "Revenue from contracts with customers"

Cequence adopted IFRS 15 with a date of initial application of January 1, 2018. IFRS 15 replaces existing revenue recognition guidance and provides a single, principles-based five-step model to be applied to all contracts with customers. Cequence used the modified retrospective approach to adopt the new standard, applying the standard retrospectively only to contracts that were not completed contracts on January 1, 2018. Under the transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to deficit. As a result of applying the requirements of IFRS 15, including the application of certain practical expedients such as the right to invoice method of measuring the Company's progress towards complete satisfaction of its performance obligations, there was no change or adjustments to the Company's consolidated financial statements as a result of the adoption of IFRS 15. Additional disclosure requirements required by IFRS 15 are detailed in Note 8 of the consolidated financial statements.

Cequence recognizes revenue at a point in time when control of the product has been transferred to the customer and performance obligations have been satisfied. This is generally met when the customer obtains legal title to the product and physical delivery at a delivery point has taken place. Revenue is measured based on the consideration specified in the contracts the Company has with its customers.

Cequence evaluates its arrangements with 3rd parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if it obtains control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If Cequence acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the party from the transaction.

IFRS 9 “Financial Instruments”

On January 1, 2018, Cequence adopted IFRS 9 as issued by the IASB. IFRS 9 includes a new classification and measurement approach for financial assets and liabilities, and a new expected loss impairment model for financial assets including credit losses. The adoption of IFRS 9 did not have a material impact on Cequence’s consolidated financial statements. Additional disclosures related to Cequence’s financial assets are included in Note 13 of the consolidated financial statements. Cequence has revised the description of its accounting policy for financial instruments to reflect the new classifications approach as follows:

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the consolidated balance sheet at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument.

The Company has made the following classifications:

- Fair value through profit or loss: Financial instruments under this classification include cash and commodity contract asset and liabilities.
- Amortized cost: Financial instruments under this classification included accounts receivable, deposits, demand credit facilities, senior notes, accounts payable and accrued liabilities.

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model applied under IAS 39. Under this new model, Cequence’s accounts receivable are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss (“ECL”) is measured at the date of initial recognition of the accounts receivable.

For accounts receivable, the Company assesses the lifetime ECL applicable to its commodity product sales receivables and joint venture receivables at initial recognition and re-assesses the provision at each reporting date. The majority of the Company's accounts receivable are due from joint venture partners in the oil and gas industry and from marketers of the Company's petroleum and natural gas production. In making an assessment as to whether Cequence’s financial assets are credit impaired, the Company considers historical bad debts, the counterparties financial condition, credit rating and total financial exposure. The carrying amounts of receivables are reduced by the amount of the ECL through an allowance account and losses are recognized within general and administrative expense in comprehensive loss.

The Company considers all amounts greater than 90 days past due. These past due accounts are considered to be collectible, except as provided in the allowance for doubtful accounts. When determining whether past due accounts are uncollectible, the Company factors in the past credit history of the counterparties.

FUTURE ACCOUNTING POLICIES

In January 2017, the IASB issued IFRS 16 “Leases”. For lessees applying IFRS 16, a single recognition and measurements model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 “Revenue from Contracts with Customers”. The Company is currently evaluating the impact of adoption of this standard and the effect on Cequence's consolidated financial statements has not yet been determined.

RISK ASSESSMENT

The acquisition, exploration and development of oil and natural gas properties and the production, transportation and marketing of oil and natural gas involves many risks, which may influence the ultimate success of the Company.

While the management of Cequence realizes these risks cannot be eliminated, they are committed to monitoring and mitigating these risks. These risk include, but are not limited to:

- Volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto;
- Variance of the Company's actual capital costs, operating costs and economic returns from those anticipated;
- The ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms;
- Risks related to the exploration, development and production of oil and natural gas reserves and resources;
- Negative public perception of oil sands development, oil and natural gas development and transportation, hydraulic fracturing and fossil fuels;
- Actions by governmental authorities, including changes in government regulation, royalties, taxation, and wildlife management including the Caribou Action and Range Planning that may impact the Company's Simonette area;
- Actions by governmental authorities, including changes in government regulation, royalties and taxation;
- The availability, cost or shortage of service equipment, raw materials, supplies or qualified personnel;
- Dependence upon oil and gas infrastructure, certain of which the Company does not control;
- The ability to satisfy obligations under the Company's firm commitment transportation and gas processing arrangements;
- The possibility that the Company's drilling activities may encounter sour gas;
- The concentration of the Company's assets in the Simonette area;
- First Nations claims;
- Limited intellectual property protection for operating practices and dependence on employees and contractors;
- Environmental, health and safety requirements;
- Extensive competition in the Company's industry;
- Third party credit risk including dependence on limited customers and counterparties;
- Variations in foreign exchange rates and interest rates;
- Litigation.

For additional information regarding the risks that the Company is exposed to, see the disclosure provided under the heading "Risk Factors" in the AIF, which is available on the SEDAR website at www.sedar.com

Forward-looking Statements

Certain statements contained within this MD&A constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", and similar expressions. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: projections with respect to natural gas production; the projection of future royalty, operating, transportation and G&A expenses; the projected impact of land access and regulatory issues; projections relating to the volatility of crude oil and natural gas prices in 2018 and beyond ; the Company's projected capital investment levels for 2018 and the source of funding therefore; the effect of the Company's risk management program, including the impact of derivative financial instruments; the impact of the climate change initiatives on operating costs; the impact of Western Canada pipeline constraints. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.

By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These assumptions, risks and uncertainties include, among other things: volatility of and assumptions regarding oil and natural gas prices; assumptions based upon Cequence's current guidance; fluctuations in currency and interest rates; product supply and demand; market competition; risks inherent in the Company's marketing operations, including credit risks; imprecision of reserves estimates and estimates of recoverable quantities of oil, natural gas and liquids from resource plays and other sources not currently classified as proved; the Company's ability to replace and expand oil and gas reserves; the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; the Company's ability to access external sources of debt and equity capital; the timing and cost of well and pipeline constructions; the Company's ability to secure adequate product transportation; changes in royalty, tax, environmental and other laws or regulations or the interpretations of such laws or regulations; risks associated with existing and potential future lawsuits and regulatory actions made against the Company; and other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by Cequence. 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 resources and reserves described can be profitably produced in the future.

The forward looking statements contained herein concerning production, sales prices, operating expenses and capital spending are based on Cequence's 2018 capital program. The material assumptions supporting the 2018 capital program are provided in the table above under the heading "Outlook Information".

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. The purpose of such financial outlook is to enrich this MD&A. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Although Cequence believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and, except as required by law, Cequence does not undertake any obligation 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 MD&A are expressly qualified by this cautionary statement.