



CEQUENCE ENERGY ANNOUNCES CONFIRMATION OF ITS CREDIT FACILITY BORROWING BASE, THE PURCHASE OF ITS \$60 MILLION TERM LOAN AND PROVIDES OPERATIONAL UPDATE

CALGARY, December 17, 2018 – Cequence Energy Ltd. ("Cequence" or the "Company") (TSX: CQE) is pleased to announce that its senior lender has completed a redetermination of the borrowing base under the Company's senior secured credit facility (the "Credit Facility"), and has confirmed the borrowing base remains at \$7 million. Other than outstanding letters of credit totalling approximately \$1.5 million, the Company currently has no amounts drawn under the Credit Facility.

Acquisition of the Company's \$60 million Term Loan

Cequence also wishes to announce that it has been advised that its \$60 million second lien senior secured term loan facility due October 3, 2022 (the "Term Loan"), as well as the 1,841,459 common share purchase warrants (the "Warrants") issued in conjunction with the term loan, have been purchased from CPPIB Credit Investments Inc. ("CPPIB Credit"), a wholly owned subsidiary of the Canada Pension Plan Investment Board. The Term Loan and Warrants were purchased by an individual who, in subsequent transactions, sold interests in the Term Loan and Warrants to a small group of persons, including two of the Company's directors and officers, Don Archibald (Executive Chairman) and Howard Crone (Executive Vice-President) (each, together with the aforementioned original purchasing individual, the "Consortium"). Pursuant to an agreement among the members of the Consortium, Messrs. Archibald and Crone each acquired 9.6% of the outstanding Term Loan and 9.6% of the Warrants. The Warrants have an exercise price of \$2.00 per common share and are exercisable at any time until September 13, 2022. The Term Loan has an outstanding principal balance of \$60 million and a current interest rate of 5% per annum. The terms and conditions of the Term Loan remain unchanged from the loan agreement dated July 26, 2018, which has been assigned to the Consortium. The Term Loan is more fully described in the Company's Management's Discussion and Analysis for the three and nine months ended September 30, 2018 which is available under the Company's profile on SEDAR at www.sedar.com. In connection with the purchase of the Term Loan by the Consortium, the Company has entered into an intercreditor and priority agreement among the Company, the Company's senior secured lender, and the Consortium.

Cequence thanks CPPIB Credit for its support of the Company over the past five years and the contributions it has made to the Company's growth and development as one its financial partners.

Operational Update

Cequence has utilized the full \$8.6 million raised through its recently completed rights offering to fund the successful drilling and completion of 2 gross (2 net) Dunvegan oil wells as eligible Canadian development expense. The 10-4-62-26W5 and 16-02-62-26W5 Dunvegan oil wells have lateral lengths of 2,100 m and 1,450 m, with 50 and 40 completion stages cemented in place respectively. Following their completion, the wells were brought online for clean up during the week of December 3, 2018, and flowed through temporary test equipment for approximately 5 days each. During the last 24 hour flow period the 10-4-62-26W5 well produced approximately 250 bbl/d of oil and 578 bbl/d of water with 11%

of completion water recovered, while the 16-02-62-26W5 well produced 264 bbl/d of oil and 447 bbl/d of water with 7% of completion water recovered. The wells have been shut in awaiting connection to permanent production facilities and for pumping equipment to be installed. The Company is encouraged by the initial flow results and expects the wells should produce at or above the first month internal model of 300 bbl/d of oil. These initial well test results are preliminary only as no pressure transient analysis or well-test impressions have been carried out, and these test results are not necessarily indicative of long-term performance or ultimate recovery.

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.

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 "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 drilling results and future production of the Company's recently completed Dunvegan wells and the Company's production and future performance expectations of same.

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 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; 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; 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 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.