



**Notice of Meeting**

**and**

**Proxy Statement and Information Circular**

**in respect of the**

**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**to be held on June 27, 2019**

**May 24, 2019**



## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

### TO THE SHAREHOLDERS OF CEQUENCE ENERGY LTD.:

Notice is hereby given that an annual and special meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares ("**Common Shares**") of Cequence Energy Ltd. (the "**Company**") will be held in the Turner Valley Room at the Fairmont Palliser, 133-9<sup>th</sup> Avenue SW, Calgary, Alberta, at 10:00 am (Calgary time) on June 27, 2019 for the following purposes:

1. to receive the audited financial statements of the Company for the year ended December 31, 2018 and the report of the auditors thereon;
2. to appoint the auditors of the Company for the ensuing year;
3. to elect the directors of the Company for the ensuing year;
4. to consider and, if deemed advisable, pass an ordinary resolution approving unallocated options issuable pursuant to the Company's stock option plan, as more particularly described in the management information circular of the Company dated May 24, 2019 (the "**Information Circular**");
5. to consider and, if deemed advisable, pass an ordinary resolution approving unallocated restricted share units issuable pursuant to the Company's restricted share unit plan, as more particularly described in the Information Circular;
6. to consider and, if deemed advisable, pass an ordinary resolution approving a private placement as more particularly described in the Information Circular; and
7. to transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

Shareholders should refer to the Information Circular for more detailed information with respect to the matters to be considered at the Meeting.

**If you are a registered Shareholder** and are unable to attend the Meeting in person, please date and execute the accompanying form of proxy and return it to Computershare Trust Company of Canada ("**Computershare**"), (i) by mail using the enclosed return envelope or (ii) by hand delivery to Computershare, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone at **1-866-732-VOTE (8683)** (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 or 1-416-263-9524 (if outside North America), or by internet using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com). All instructions are listed in the enclosed form of proxy. Your proxy must be received in each case no later than 10:00 am (Calgary time) on June 25, 2019 or, if the Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) before the beginning of any adjournment of the Meeting. Late proxies may be accepted or rejected by the Chairman of the Meeting at his or her discretion and the Chairman of the Meeting is under no obligation to accept or reject any particular late proxy. The Chairman of the Meeting may waive or extend the proxy cut-off without notice. **If you are unable to attend the Meeting, we encourage you to complete the enclosed form of proxy as soon as possible.**

**If you are not a registered Shareholder** and receive these materials through your broker or through another intermediary, please complete and return the voting instruction form in accordance with the instructions provided to you by your broker or by the other intermediary.

The board of directors of the Company has fixed May 21, 2019 as the record date for the Meeting. Shareholders of record at the close of business on May 21, 2019 are entitled to notice of the Meeting and to vote thereat or at any adjournment(s) thereof on the basis of one vote for each Common Share held, except to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to May 21, 2019; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than 10 days before the Meeting, that his or her name be included on the list of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Common Shares at the Meeting.

DATED at Calgary, Alberta this 24<sup>th</sup> day of May, 2019.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) "Todd Brown"*

Todd Brown  
Chief Executive Officer

## PROXY STATEMENT AND INFORMATION CIRCULAR FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

### PURPOSE OF SOLICITATION

This proxy statement and information circular (“**Information Circular**”) is furnished in connection with the solicitation of proxies by the management of Cequence Energy Ltd. (“**Cequence**” or the “**Company**”) for use at the annual and special meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares (“**Common Shares**”) of Cequence.

The Meeting will be held in the Turner Valley Room at the Fairmont Palliser, 133 – 9<sup>th</sup> Avenue SW Calgary, Alberta, at 10:00 am (Calgary time) on June 27, 2019 and at any adjournments thereof for the purposes set forth in the Notice of Annual Meeting of Shareholders (the “**Notice of Meeting**”) accompanying this Information Circular. Information contained herein is given as of May 24, 2019 unless otherwise specifically stated.

Solicitation of proxies will be primarily by mail but may also be made by telephone, facsimile, electronically or in person by directors, officers and employees of Cequence who will not be additionally compensated. Brokers, nominees or other persons holding Common Shares in their names for others will be reimbursed by the Company for their reasonable charges and expenses in forwarding proxies and proxy material to the beneficial owners of such Common Shares. In addition, Cequence may engage a proxy solicitation agent to solicit proxies for the Meeting. The costs associated with the engagement of a proxy solicitation agent, including any reimbursement of the solicitation agent’s reasonable out-of-pocket expenses, would be borne by Cequence.

### APPOINTMENT AND REVOCATION OF PROXIES

Enclosed herewith is a form of proxy for use at the Meeting. The persons named in the form of proxy are directors and/or officers of Cequence. **A Shareholder submitting a proxy has the right to appoint a nominee (who need not be a Shareholder) to represent such Shareholder at the Meeting other than the persons designated in the enclosed form of proxy by inserting the name of the chosen nominee in the space provided for that purpose on the form of proxy and by striking out the printed names.**

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is signed by the Shareholder or by the Shareholder’s attorney authorized in writing or, if the Shareholder is a corporation, it must be executed by a duly authorized officer or attorney thereof. A proxy will not be valid unless it is deposited with the Company’s transfer agent, Computershare Trust Company of Canada (“**Computershare**”), (i) by mail using the enclosed return envelope or (ii) by hand delivery to Computershare, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 or 1-416-263-9524 (if outside North America), or by internet using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com). All instructions are listed in the enclosed form of proxy. Your proxy or voting instructions must be received in each case no later than 10:00 am (Calgary time) on June 25, 2019 or, if the Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) before the beginning of any adjournment of the Meeting.

A Shareholder who has given a proxy may revoke it prior to its use, in any manner permitted by law, including by instrument in writing executed by the Shareholder or by his or her attorney authorized in writing or, if the Shareholder is a corporation, executed by a duly authorized officer or attorney thereof and deposited at the registered office of the Company at any time up to and including the last day (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of the Meeting on the day of the Meeting or any adjournment thereof.

## ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES

**The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name.** Shareholders who do not hold their Common Shares in their own name (referred to in this Information Circular as **"Beneficial Shareholders"**) should note that only proxies deposited by Shareholders whose names appear on the records of Cequence as the registered Shareholders can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of Cequence. Such Common Shares will more likely be registered under the names of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of "CDS & Co." (the registration name for CDS Depository and Clearing Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Common Shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the voting instruction form supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholders how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form with a Broadridge sticker on it cannot use that proxy to vote shares directly at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for a registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend at the Meeting and indirectly vote their Common Shares as proxyholder for a registered Shareholder should enter their own names in the blank space on the voting instruction form provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

## VOTING OF PROXIES

All Common Shares represented at the Meeting by properly executed proxies will be voted on any matter that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the accompanying form of proxy, the Common Shares represented by the proxy will be voted in accordance with such instructions. **In the absence of any such instruction, the persons whose names appear on the printed form of proxy will vote in favour of all the matters set out thereon. The enclosed form of proxy confers discretionary authority upon the persons named therein. If any other business or amendments or variations to matters identified in the Notice of Meeting properly comes before the Meeting then discretionary authority is conferred upon the person appointed in the proxy to vote in the manner they see fit, in accordance with their best judgment.**

As of the date of this Information Circular, management of Cequence knows of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

### VOTING BY INTERNET

Shareholders (other than Beneficial Shareholders) may use the internet site at [www.investorvote.com](http://www.investorvote.com) to transmit their voting instructions. Shareholders should have the form of proxy in hand when they access the website and will be prompted to enter their control number, which is located on the form of proxy. If Shareholders vote by internet, their vote must be received not later than 10:00 am (Calgary time) on June 25, 2019 or 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time of any adjournment of the Meeting. **The website may be used to appoint a proxyholder to attend and vote on a Shareholder's behalf at the Meeting and to convey a Shareholder's voting instructions. Please note that if a Shareholder appoints a proxyholder and submits his or her voting instructions and subsequently wishes to change his or her appointment, a Shareholder may resubmit his or her proxy and/or voting direction, prior to the deadline noted above. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previous proxies submitted will be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.**

### FORWARD-LOOKING STATEMENTS

Certain statements contained within this Information Circular constitute forward-looking statements or forward-looking information under applicable securities legislation. These statements relate to future events or the Company's future performance and are provided for the purpose of providing information about management's current expectations and plans relating to the future. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "forward", "future", "may", "plan", "predict", "potential", "propose", "schedule", "target", "thereafter", "will", "would" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this Information Circular may include, but are not limited to, statements with respect to: the future allocation and issuance of stock options and restricted share units under the Company's Option Plan and RSU Plan (both as defined herein); the repayment of the Company's debt; the Company's future cash flow and various expenses; details of the Private Placement (as defined herein), including the number and holders of Common Shares outstanding following the Private Placement, and the approval of the Private Placement by the Shareholders and the Toronto Stock Exchange. 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.

Readers are cautioned not to place undue reliance on forward-looking statements or information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. Forward-looking statements or information are based on a number of factors and 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 or information. These assumptions, risks and uncertainties include, among other things: Shareholder approval of the various matters to be dealt with at the Meeting; the timely receipt of any required regulatory approvals; the Company's ability to realize its assets and discharge its liabilities and commitments in the normal course of business; future production volumes; the impact of increasing competition; 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 to replace and expand oil and natural gas reserves through acquisition, development of exploration; forward commodity prices; the timing and costs of pipeline, storage and facility construction; the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; changes in the regulatory framework regarding royalties, taxes and environmental matters; the ability of the Company to successfully market its oil and natural gas products; product supply and demand; the Company's ability to

generate sufficient cash flow from operations to meet its current and future obligations; and other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by Cequence. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used. 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](http://www.sedar.com).

Although Cequence believes that the expectations represented by such forward-looking statements or information are reasonable, there can be no assurance that such expectations will prove to be correct. Furthermore, the forward-looking statements or information contained in this Information Circular are made as of the date of this Information Circular 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 or information, whether as a result of new information, future events or otherwise. The forward-looking statements or information contained in this Information Circular are expressly qualified by this cautionary statement.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The board of directors of Cequence (the "**Board**") has fixed May 21, 2019 as the record date for the meeting (the "**Record Date**"). Shareholders at the close of business the Record Date, are entitled to receive notice of the Meeting and to vote thereat or at any adjournments thereof on the basis of one vote for each Common Share held, except to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to the Record Date, and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than 10 days before the Meeting, that his or her name be included on the list of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Common Shares at the Meeting. The transfer books will not be closed.

As of the date hereof, 24,552,794 Common Shares were issued and outstanding as fully paid and non-assessable shares in the capital of the Company.

As of the date hereof, to the knowledge of the directors and executive officers of Cequence, there are no persons or companies who beneficially own, directly or indirectly, or control or direct Common Shares carrying 10% or more of the voting rights attached to all of the Common Shares.

As at December 31, 2018, the directors and officers of Cequence, as a group, beneficially owned, directly or indirectly, 3,252,247 Common Shares representing approximately 13.2% of the issued and outstanding Common Shares.

### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED ON**

Management of Cequence is not aware of any material interest of any director or executive officer or any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director, proposed director, executive officer, nor any of their respective associates or affiliates, is or has been indebted to the Company or its subsidiaries since the beginning of the Company's most recently completed financial year.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information with respect to the total number of Common Shares authorized for issuance upon the exercise of outstanding options (“Options”) under the Company’s stock option plan (the “Option Plan”) and vesting of outstanding restricted share units (“RSUs”) under the Company’s RSU plan (the “RSU Plan”) as of December 31, 2018. There were 24,552,794 Common Shares issued and outstanding as of December 31, 2018.

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by Shareholders <sup>(1)</sup>			
Option Plan	1,476,334	\$3.61	535,321 <sup>(3)</sup>
RSU Plan	443,624 <sup>(2)</sup>	-	535,321 <sup>(2)(4)</sup>
Equity compensation plans not approved by Shareholders	-	-	-
<b>Total</b>	1,919,958	-	535,321 <sup>(5)</sup>

**Notes:**

- (1) The Option Plan and RSU Plan are the only equity compensation plans approved by Shareholders.
- (2) It is the intention of the Company to settle RSUs in cash payments to the holder thereof on the applicable vesting date of the RSUs. The RSU Plan provides that the Company may, in its sole discretion, settle the RSUs: (i) through the issuance of Common Shares, (ii) by way of a cash payment or (iii) a combination of the issuance of Common Shares and a cash payment.
- (3) The number of Common Shares reserved for issuance pursuant to the exercise of options granted under the Option Plan is equal to 10% of the number of Common Shares then outstanding, less the number of Common Shares issuable pursuant to all other equity compensation plans.
- (4) As at December 31, 2018, the Board’s policy was that the aggregate number of RSUs outstanding from time to time could not exceed 4% of the number of Common Shares outstanding. The Board removed this restriction subsequent to December 31, 2018, and the maximum number of Common Shares reserved for issuance pursuant to RSUs granted under the RSU Plan is now equal to 10% of the number of Common Shares then outstanding, less the number of Common Shares issuable pursuant to all other equity compensation plans. The numbers in this column assume this new maximum was effective as of December 31, 2018.
- (5) Represents the aggregate of the maximum number of Common Shares issuable pursuant to each equity-based compensation arrangement of the Company after accounting for currently outstanding awards.

### Option Plan and RSU Plan Burn Rate for the Last Three Years

Pursuant to TSX rules, the Company is required to calculate and disclose the annual “burn rate” of the Option Plan and the RSU Plan for the three most recently completed financial years. The annual burn rate is equal to the number of securities granted under each equity compensation plan in the applicable year, divided by the weighted average number of securities outstanding in that year, expressed as a percentage.

Year	Number of Options Granted	Number of RSUs Granted	Weighted Average Issued and Outstanding Number of Securities as at December 31	Burn Rate		
				Number of Options Granted	Number of RSUs Granted	Total
2018	980,000	393,000	15,942,495	6.1%	2.5%	8.6%
2017 <sup>(1)</sup>	251,250	35,000	12,276,394	2.0%	0.3%	2.3%
2016 <sup>(1)</sup>	314,750	131,100	10,853,034	2.9%	1.2%	4.1%
Average Three-year Burn Rate:				3.7%	1.3%	5.0%

- (1) In 2018, the Company’s shareholders approved a share consolidation based on one post consolidation common share for every 20 pre-consolidation common shares. The options, RSUs and common shares in the table have been restated to reflect the share consolidation for all comparative periods presented.



## EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

### Compensation Discussion and Analysis

#### *Introduction*

The Company's compensation program is administered by the Compensation Committee. As part of its mandate, the Compensation Committee reviews and recommends to the Board the remuneration of the NEOs (as defined herein). The Compensation Committee is also responsible for reviewing the Company's compensation policies and guidelines generally. For a description of the Compensation Committee and its current members, see the Company's Statement of Corporate Governance Practices set out in Appendix "A" to this Information Circular.

The purpose of this Compensation Discussion and Analysis ("**CD&A**") is to provide information about the Company's philosophy, objectives and processes regarding compensation for: (i) the Chief Executive Officer of the Company (the "**CEO**"); (ii) the Vice President, Finance and Chief Financial Officer of the Company (the "**CFO**"); and (iii) each of the three most highly compensated executive officers of the Company, other than the CEO and the Former CFO, whose total compensation was, individually, more than \$150,000 at the end of December 31, 2018; (each an "**NEO**" and collectively, the "**NEOs**"). The CD&A explains how decisions regarding executive compensation are made and the reasoning behind these decisions.

#### *NEOs and Executive Team*

As of the date of this Information Circular, the Company's executive team consists of five individuals: Todd Brown, CEO; Allan Mowbray, CFO; David Robinson, Vice President, Geology; Christopher Soby, Vice President, Land; and Erin Thorson, Controller.

David Gillis, the former Executive Vice President and Chief Financial Officer of the Company (the "**Former CFO**"), resigned from the Company effective April 9, 2018. Howard Crone, a member of the Company's Board of Directors, was the Executive Vice President and Interim Chief Financial Officer of Cequence from April 9, 2018 until July 1, 2018. Kevin Nielsen joined the Company on July 1, 2018 as Contract Interim Chief Financial Officer until March 15, 2019. Allan Mowbray joined Cequence on March 15, 2019 as the Vice President, Finance and Chief Financial Officer.

For the year ended December 31, 2018, the following six individuals are classified as NEOs available for the purposes of this CD&A:

- Todd Brown: CEO;
- Kevin Nielsen: Contract Interim Chief Financial Officer;
- David Gillis: Former CFO;
- David Robinson: Vice President, Geology;
- Christopher Soby: Vice President, Land; and
- Erin Thorson: Controller.

#### *Compensation Philosophy and Objectives of the Compensation Program*

The Compensation Committee seeks to encourage growth in reserves, production, cash flow and earnings while focusing on achieving attractive returns on capital in order to enhance shareholder value. To achieve these objectives, the Company believes it is critical to create and maintain a compensation program that attracts and retains committed, highly qualified personnel by providing appropriate rewards and incentives.

The Company's compensation program is designed to reward the performance that contributes to the achievement of the Company's business strategy on both a short-term and long-term basis. In addition, the Company strives to reward qualities that it believes help achieve its strategy such as teamwork;

individual performance in light of general economic and industry conditions; integrity and resourcefulness; the ability to manage the Company's existing assets; the ability to identify and pursue new business opportunities; and responsibility and accountability.

### **Compensation Elements**

The Company compensates its NEOs through base salary, cash bonuses and participation in the Company's long-term equity incentive plans (the Option Plan and the RSU Plan), at levels which the Compensation Committee believes are reasonable in light of the performance of the Company under the leadership of the executive team. Total compensation is designed to incorporate both short-term and long-term objectives with an emphasis toward long-term performance. Long-term incentives in the form of Option and RSU grants have played a significant role in the compensation of the NEOs, although the compensation mix will vary from year to year. The following table provides a broad overview of the elements of the Company's compensation program during 2018.

<b>Compensation Element</b>	<b>Award Type per Form 51-102F6</b>	<b>Objective</b>	<b>Key Features</b>
Base Salaries	Salary	Provides a fixed level of regularly paid cash compensation for performing day-to-day responsibilities.	Recognizes each NEO's unique value and historical contribution to the success of the Company in light of salary norms in the industry and the general marketplace.
Cash Bonuses	Non-Equity Annual Incentive	Motivates NEOs to achieve key corporate objectives by rewarding the achievement of these objectives.	Discretionary cash payments recommended to the Board by the Compensation Committee based upon the achievement of corporate objectives as discussed in the section entitled "Short-term Incentives" below.
Option Grants	Option-based Awards	Long-term equity-based incentive compensation that rewards long-term performance by allowing NEOs to participate in the long-term market appreciation of the Common Shares.	Annual and special awards, as recommended to the Board by the Compensation Committee, granted at market price, vesting rateably over three years and having a term of five years.
RSU Grants	Share-based Awards	Long-term equity-based incentive compensation that rewards long-term performance by allowing NEOs to participate in the long-term market appreciation of the Common Shares.	Annual and special awards, as recommended to the Board by the Compensation Committee, vesting one third on each anniversary date of the grant of such RSU and may be settled for cash, Common Shares or a combination thereof.

Sequence does not have a policy governing NEO or director purchases of financial instruments to hedge the market value of equity securities granted as compensation or held by the NEO or director.

### **Assessment of Compensation**

The Compensation Committee recognizes that the success of the Company relies on one of its most important assets: its people (especially its executive team), and strives to foster compensation packages that promote the attraction, retention, development and motivation of quality personnel. Compensation of the NEOs has been generally compared against compensation paid to companies in the Company's peer group (namely Chinook Energy Inc., Delphi Energy Corp., Pine Cliff Energy Ltd., Journey Energy Inc., Yangarra Resources Ltd., Gear Energy Ltd., Leucrotta Exploration Inc., Bonterra Energy Corp. and Storm Resources Ltd.). The Compensation Committee also generally utilizes publicly available compensation information and recommendations made by the CEO in respect of the NEOs (other than the CEO). In reviewing comparative data, the Compensation Committee does not engage in benchmarking for the purposes of establishing compensation levels relative to any predetermined point. In the Compensation Committee's view, external data provides an insight into external competitiveness, but is not an appropriate single basis for establishing compensation levels. This is primarily due to the differences in the size and operations of comparable corporations and the lack of sufficient appropriate matches to provide statistical relevance. The Compensation Committee can and does exercise both positive and negative discretion in relation to the compensation awards and its allocation between cash and non-cash awards.

## **Base Salaries**

Base salaries are intended to compensate each NEO for his or her core competencies, skills, experience and contribution to the Company. Base salaries for the NEOs are reviewed annually and take into account the market value of the role and the executive's demonstration of capability. In reviewing base salaries, the Compensation Committee considers several factors, including: the relationship among base salaries paid within the Company and individual experience and contribution, general market conditions and current rate of inflation and competition for qualified personnel. In addition, the Compensation Committee will periodically review commercially available salary survey data and publicly disclosed information of the Company's peers. The Compensation Committee believes that base salaries should be competitive but total compensation should be weighted toward variable, long-term performance-based components.

The 2018 base salaries of the current NEOs included in the "Summary Compensation Table" were established primarily on this basis.

## **Short-term Incentives**

All regular full-time employees of Cequence, including the NEOs, are eligible for a cash bonus. Cash bonuses to employees are paid at the discretion of the Board on the recommendation of the Compensation Committee, based upon the achievement of individual and corporate performance criteria.

For purposes of calculating the cash bonuses, corporate performance for 2018 was assessed using a combination of financial and operational objectives outlined below:

- reduction in controllable cash costs based on the year-over-year reduction in aggregate controllable cash costs per BOE (operating expense, general and administrative expense, transportation expense and interest expense), excluding from such calculation one-time or extraordinary items;
- production volumes and capital expenditures relative to the Company's budget;
- renegotiation of the Company's senior notes prior to their October 2018 due date; and
- intangible developments, both positive and negative.

In addition to the performance criteria, the Compensation Committee also considered market and economic trends, extraordinary internal and market-driven events, unanticipated developments and other extenuating circumstances. In sum, the Compensation Committee analyzes the total mix of available information on a qualitative and quantitative basis, in making bonus determinations.

Based on the Compensation Committee's assessment of individual and corporate performance relative to the financial and operational objectives outlined cash bonuses were paid to NEOs for the 2018 financial year.

For 2019, corporate performance will be determined by a combination of the same financial and operational objectives applicable to 2018, excluding the renegotiation of the Company's senior notes which was accomplished in 2018.

The bonus pool will be determined at year end. For 2019, bonuses for NEOs are expected to range from 0% to 50% of NEO's base salaries. In the event of exceptional performance whereby targets are exceeded on most key performance measures, the Board, on the recommendation of the Compensation Committee, may increase the size of the bonus pool. In addition, in light of the current challenging commodity pricing environment and the Company's ongoing efforts to improve its financial situation, the Compensation Committee may implement other cash based compensation plans intended to incentivize and/or retain key employees to assist in these efforts and the execution of the Company's business plan.

### ***Long-term Incentives (Option and RSU Grants)***

The allocation of Options and RSUs and the terms of those Options and RSUs are an integral component of the compensation package of the NEOs. The Compensation Committee believes that Option and RSU grants to the NEOs together with meaningful Common Share ownership by such NEOs serves to motivate achievement of the Company's long-term strategic objectives while aligning the interests of management with the Shareholders, the result of which will benefit all Shareholders. Options and RSUs are awarded to employees of the Company (including the NEOs) by the Board based, in part, upon the recommendation of the Compensation Committee, which bases its recommendations, in part, upon recommendations of the CEO relative to the level of responsibility and contribution of the individuals (other than the CEO) toward the Company's goals and objectives. The Compensation Committee exercises its discretion to adjust the number of Options and RSUs awarded based upon its assessment of individual and corporate performance and the anticipated future hiring requirements of the Company.

In determining whether to make any new grants of Options and the size of such grants, the Compensation Committee considers the overall number of Options that are outstanding relative to the number of outstanding Common Shares of the Company and the overall number of Options held by each individual optionee relative to the number of Options that are available under the Option Plan. In addition, when determining whether to make any new grants of RSUs and the size of such grants, the Compensation Committee considers the overall number of RSUs that are outstanding relative to the number of outstanding Common Shares of the Company and the overall number of RSUs held by each individual grantee relative to the number of RSUs that are available under the RSU Plan. The granting of these specific Options and RSUs is reviewed by the Compensation Committee for final recommendation to the Board for approval. The Board will then accept the recommendation (with or without amendments) or reject the recommendation.

### ***All Other Compensation***

All other compensation includes the value of Company paid benefits to NEOs including life insurance, health spending accounts, accidental death and dismemberment coverage, short-term disability coverage, parking and fitness allowances.

### **Termination and Change of Control Benefits**

Each of the NEOs is a party to an executive employment agreement with Cequence pursuant to which Cequence will make a payment to the NEO equal to: (i) the number of months base salary of the NEO specified in such NEO's employment agreement, plus (ii) the bonus paid to the NEO calculated on the basis of the greater of: (A) the bonus approved for payment by the Board to the NEO for the previous fiscal year, and (B) the average bonuses approved for payment by the Board to the NEO for the previous two fiscal years, plus (iii) an amount equal to 20% of the NEO's annual salary, representing compensation for the loss of benefits and perquisites, and in each case less applicable withholdings and deductions (collectively, (i), (ii) and (iii) are referred to herein as the "**Termination Payment**") in the event of termination without "cause" or in the event of a resignation by the NEO within three months of a "change of control", provided the NEO resigns with "good reason". Under the terms of their executive employment agreements, Mr. Brown is entitled to 21 months base salary and Messrs. Robinson and Soby and Ms. Thorson are each entitled to 18 months base salary and Messer. Mowbray is entitled to 12 months beginning March 15, 2019, plus a month for each year of service to a maximum of 18 months pursuant to the above formula.

A "change of control" is triggered upon occurrence of any of the following: (i) any person, any associate or affiliate of such person or any persons acting jointly or collectively as a group, becomes the beneficial owner, directly or indirectly, of securities of the Company carrying more than one-third of the votes entitled to vote generally on the election of directors of the Company; (ii) upon the implementation of an amalgamation, merger, arrangement, business combination or other similar transaction involving the Company as a result of which (a) persons who were members of the Board immediately prior to such transaction represent less than a majority of the members of the Board of the amalgamated, merged, arranged, reorganized, combined or successor Company within three months following the

consummation thereof, or (b) persons who were Executive Officers (as such term is defined in the executive employment agreements) immediately prior to such transaction represent less than a majority of the Executive Officers of the amalgamated, merged, arranged, reorganized, combined or successor Company following the consummation thereof; (iii) the completion of any transaction (including the sale, lease or other transfer of assets of the Company) or the first of a series of transactions which would have the same or similar effect or result as any transaction or series of transactions referred to in (i) and (ii) above; (iv) the liquidation, dissolution or winding-up of the Company; or (v) upon the election of a slate of directors at a meeting of the Shareholders where one-third of the directors so elected are not persons who formed the slate of directors proposed by the management of the Company.

As a condition to receiving a Termination Payment, an NEO is obligated to deliver a release of the Company for all damages, suits, debts, sums of money, indemnity, expenses, interest, costs and claims of any and every kind and nature whatsoever relating to such NEO's employment or the NEO's employment agreement, including other benefits connected with such NEO's employment. In addition, as part of the release, such NEO will be required to agree to keep confidential all confidential information of the Company.

Based on annualized base salaries, bonuses and benefits for the year ended December 31, 2018, the table below sets out an estimated Termination Payment that each NEO would have been entitled to if the event resulting in termination of employment occurred on December 31, 2018.

Name	Termination without "Just Cause" (\$)	Termination upon "Change of Control" (\$)	Termination for "Just Cause" (\$) <sup>(1)</sup>
Todd Brown	753,750	753,750	-
David Gillis <sup>(2)</sup>	-	-	-
Allan Mowbray <sup>(3)</sup>	300,000	300,000	-
Christopher Soby	455,000	455,000	-
David Robinson	455,000	455,000	-
Erin Thorson	482,500	482,500	-

**Notes:**

- (1) In the event of a termination for "just cause", the Company shall have no further obligation to the NEO, other than the payment of annual base salary accrued and unpaid through the date of termination, outstanding expense reimbursements and any statutory vacation pay.
- (2) Mr. Gillis resigned from the Company effective April 9, 2018. No Termination Payment was paid to Mr. Gillis in connection with his resignation.
- (3) Mr. Mowbray joined the Company on March 15, 2019. For illustrative purposes, the Termination Payments for Mr. Mowbray are calculated as if Mr. Mowbray had been an employee of the Company on December 31, 2018.

**Option Plan**

The Option Plan is intended to provide an incentive, in the form of a proprietary interest in Cequence to officers, directors, consultants and employees of the Company or its subsidiaries (collectively, the "**Participants**") who are in a position to contribute materially to the successful operation of the business of the Company, to increase their interest in the Cequence's welfare and to provide a means through which Cequence can attract and retain service providers of outstanding abilities.

The number of Common Shares with respect to which Options may be granted from time to time pursuant to the Option Plan (and any other security based compensation arrangement) shall not exceed a rolling maximum of 10% of Cequence's outstanding Common Shares. Options may be granted as the Board or a committee of the Board (if authorized by the Board) from time to time may determine (the Board or any committee thereof which may be delegated responsibilities from time to time is referred to as the "**Committee**"). The number of Common Shares, when combined with any other share compensation arrangements, issuable (or reserved for issuance) to "insiders" of Cequence and their associates and affiliates may not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis). The issuance of Common Shares to insiders of Cequence and their associates and affiliates, when combined with any other compensation arrangements, within a one-year period may not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis).

The exercise price of Options shall not be less than the “Market Price” of the Common Shares at the date of granting such Option. Pursuant to the Option Plan, “Market Price” means the volume weighted average trading price of the Common Shares on the TSX, calculated by dividing the total value of the Common Shares traded by the total volume of the Common Shares traded, for the last five trading dates prior to the date on which such Option is granted.

The term and expiry date of the Options granted shall be determined by the Committee at the time of granting of the Options (the “**Fixed Term**”), subject to a Blackout Extension Term (as defined below), but in no event shall an Option be exercisable in whole or in part more than 10 years from the date of grant. In the event that the Fixed Term falls within a period of time imposed by Cequence as a period in which certain designated persons may not trade in securities of Cequence (a “**Blackout Period**”), the expiry date of the Options shall be extended by 10 days (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) from the date any Blackout Period ends (the “**Blackout Extension Term**”), in order to allow the Participant to exercise such Option. The Committee may, in its sole discretion at any time, accelerate or provide for the acceleration of, vesting of Options previously granted.

In the event of the resignation or retirement of a Participant, or the termination of the employment of a Participant, without cause, the Participant may exercise any unexercised vested Option, but only within the period of 90 days immediately succeeding such cessation or such shorter period as may be set forth in the agreement evidencing the particular Option or such longer period as determined by the Committee in its sole discretion, but in no event beyond the original expiration date of such Option. In the event of the death or permanent disability of a Participant, prior to the expiry time of an Option, any unvested Options vest on the day immediately preceding the date of death or permanent disability, and the Participant's legal representative (in the event of death) or the Participant (in the event of permanent disability) may exercise any unexercised Option at any time within a period of one year immediately succeeding the date of death or permanent disability or such shorter period as may be set forth in the agreement evidencing the particular Option or such longer period as determined by the Committee in its sole discretion, but in no event beyond the original expiration date of such Option. In the event of the termination of the employment of a Participant, with cause, prior to the expiry time of an Option, such Option shall cease and terminate immediately upon the date of notice of such termination and thereafter shall be of no further force or effect whatsoever as to the Common Shares in respect of which such Option has not previously been exercised.

Options are not transferable or assignable by a Participant, except for a limited right of assignment to allow the exercise of Options by a Participant's legal representative in the event of death or permanent disability.

The Committee has the ability to amend the Option Plan or any Option without Shareholder approval to conform to any change in applicable laws, regulations or in other respects that are in the best interests of Cequence, with the following exceptions that require approval of Shareholders: (i) any increase in the number of Common Shares reserved for issuance under the Option Plan; (ii) any change to the categories of individuals eligible to be selected for Option grants, where such change may broaden or increase the participation of insiders under the Option Plan; (iii) the provision of financial assistance to a Participant in connection with the exercise of Options; (iv) the addition of a deferred or restricted share unit or other provision which results in a Participant being issued Common Shares while no cash consideration is received by Cequence; (v) any reduction in the expiry price of an Option; (vi) any extension of the expiry date of an Option; and (vii) an amendment that would permit Options to be transferable or assignable other than for normal estate settlement purposes. Any amendment to the Option Plan shall take effect only with respect to Options granted after the effective date of such amendment, provided that it may apply to any outstanding Options with the mutual consent of Cequence and the Participants to whom such Options have been made.

No financial assistance is provided by Cequence to facilitate the purchase of Common Shares under the Option Plan.

As at December 31, 2018, there were 1,476,334 Options outstanding under the Option Plan, representing approximately 6% of the issued and outstanding Common Shares. The maximum number of Common Shares reserved for issuance under all of Cequence's security-based compensation plans is 10% of the number of Common Shares currently outstanding. Accordingly, as at December 31, 2018, there were approximately 535,321 unallocated Options available for issuance under the Option Plan after accounting for the 1,476,334 Options and 443,624 RSUs outstanding at that time. As the prior Shareholder approval of the unallocated Options will expire on June 14, 2019, all unallocated Options outstanding as of such date will expire on such date and the Company will not be permitted to grant further Options under the Option Plan, or re-grant Options which have expired or been terminated, until such time as the required Shareholder approval has been obtained.

## RSU Plan

The RSU Plan is intended to: (i) strengthen the ability of Cequence and its affiliates to attract and retain qualified employees, officers, directors and consultants ("**Services Providers**"); (ii) align the interests of Service Providers with the interests of the Shareholders; and (iii) focus management of Cequence on operating and financial performance and total long-term Shareholder return by providing an increased incentive to contribute to Cequence's growth and profitability.

RSU awards may be granted to such Service Providers in such numbers as the Committee may from time to time determine. The number of Common Shares which may be reserved for issuance under the RSU Plan and all other security based compensation arrangements of the Company and to insiders of the Company and their associates and affiliates under the RSU Plan and all other security based compensation arrangements of Cequence cannot exceed 10% of the issued and outstanding Common Shares. The number of Common Shares which may be issued to insiders of Cequence and their associates and affiliates within any one year period under the RSU Plan and all other security based compensation arrangements of Cequence cannot exceed 10% of the total number of Common Shares issued and outstanding.

An award under the RSU Plan vests as to one-third on each anniversary date following the date such RSU is granted. If an RSU would vest within a Blackout Period, or which vests within five business days after a Blackout Period (other than a Blackout Period imposed due to a cease trade order), the vesting date of the RSUs shall be 10 business days from the date any Blackout Period ends. RSUs are not transferable or assignable by a Service Provider.

An RSU award entitles the grantee thereof to receive, on each applicable vesting date, either: (i) at the election of the Committee (A) the number of Common Shares deliverable on such vesting date pursuant to the terms of the RSU grant or (B) such lesser number of Common Shares as the Committee may determine in partial satisfaction of the number of Common Shares deliverable on such vesting date pursuant to the terms of the RSU grant; and (ii) unless the Committee determines to issue, in full settlement therefor, Common Shares on such vesting date in respect of an RSU award, a cash payment equal to the fair market value (determined on the basis of a five day volume weighted average) of a Common Share on such vesting date multiplied by the number of RSUs that vest in the grantee on such vesting date.

In the event the Company pays a dividend on the Common Shares subsequent to the granting of an RSU award, the number of RSUs relating to such award ("**Original RSUs**") shall be increased by an amount equal to: (a) the product of the aggregate number of Original RSUs held by the grantee on the record date for such dividend multiplied by the per Common Share amount of such dividend (or, in the case of any dividend payable in property other than cash, the per Common Share fair market value of such property, as determined by the Board), divided by (b) the Fair Market Value (as defined below) of a Common Share calculated as of the date on which the dividend is paid. In the event that the Company pays any dividends on the Common Shares in additional Common Shares, the number of Original RSUs shall be increased by a number equal to the product of (x) the aggregate number of Original RSUs held by the grantee on the record date of such dividend, multiplied by (y) the number of Common Shares (including any fraction thereof) payable as a dividend on one Common Share. "**Fair Market Value**" means, with respect to a Common Share on any date, the weighted average price of the Common Shares

on the TSX for the five days on which Common Shares were traded immediately preceding that date; provided that if the Common Shares are not listed for trading on a stock exchange on such date, the Fair Market Value shall be the price per Common Share as the Board, acting in good faith, may determine.

In the event of the retirement of a Service Provider, any RSUs previously granted to such grantee which did not vest on or prior to the Service Provider's date of retirement shall vest on the 90th day following the effective date of such retirement or the original expiry date of such RSUs, whichever occurs first. In the event of the death of a Service Provider, all RSUs shall vest the day immediately preceding the date of death of such Service Provider. Upon the grantee ceasing to be a Service Provider due to termination not for cause or due to disability, all unsettled RSUs held by such grantee shall be terminated on the 90th day following the effective date of such termination or the original expiry date of such RSUs, whichever occurs first. If a Service Provider ceases to be a Service Provider as a result of being terminated other than a termination for cause or due to a disability, any RSUs previously granted to such grantee which did not vest on or prior to the Service Provider's date of retirement shall vest on the 90th day following the effective date of such retirement or the original expiry date of such RSUs, whichever occurs first. In the event of the termination of a Service Provider due to involuntary termination for cause, effective as of the date notice is given to the grantee of such termination, all unsettled RSUs held by such grantee shall be terminated and forfeited. If a Service Provider ceases to be a Service Provider for any other reason, effective as of the last day of any notice period in respect of such voluntary resignation, all unsettled RSUs held by such Service Provider shall be terminated. The Committee has discretion to extend the vesting periods in each of the circumstances described above.

If a change of control (as defined in the RSU Plan) occurs prior to any of the vesting dates respecting an RSU, all of a grantee's RSUs that have not yet settled as of such time shall vest immediately prior to the effective time of the change of control, or such other time as determined advisable by the Committee, provided that such other time is not later than the date that the vesting would have otherwise occurred.

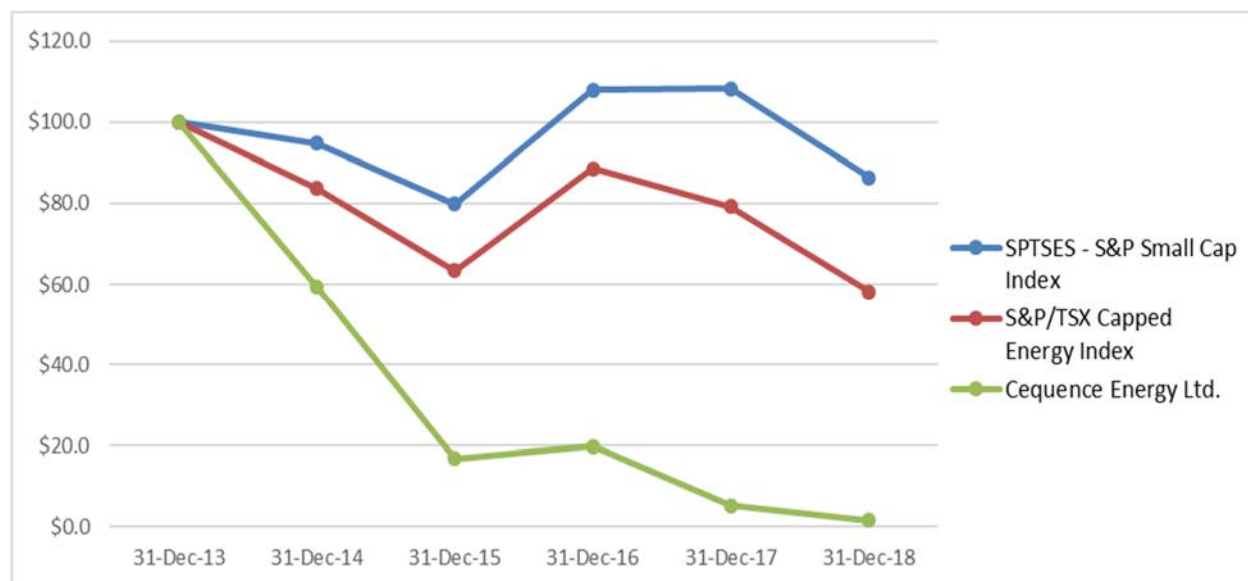
The Committee has the ability to amend the RSU Plan or any RSU award without Shareholder approval to conform to any change in applicable laws, regulations or in other respects that are in the best interests of Cequence, with the following exceptions that require the approval of Shareholders: (i) any increase in the maximum number of Common Shares reserved for issuance under the RSU Plan; (ii) any change to the categories of individuals eligible to be selected for grants of RSU awards, where such change may broaden or increase the participation of insiders of Cequence and such insiders' associates and affiliates under the RSU Plan; (iii) any amendment that would permit RSU awards to be transferable or assignable, other than for normal estate settlement purposes; and (iv) any amendment to section 9 of the RSU Plan (regarding amendments and termination to the RSU Plan).

As at December 31, 2018, there were 443,624 RSUs granted under the RSU Plan, representing approximately 2% of the issued and outstanding Common Shares. Accordingly, as at December 31, 2018, there were approximately 535,321 unallocated RSUs available for issuance under the RSU Plan after accounting for the 1,476,334 Options and 443,624 RSUs outstanding at that time. As the prior Shareholder approval of the unallocated RSUs will expire on June 14, 2019, all unallocated RSUs outstanding as of such date will expire and the Company will not be permitted to grant further RSUs under the RSU Plan, or re-grant RSUs which have expired or been terminated, until such time as the required Shareholder approval has been obtained.



## Performance Graph

The following graph compares the yearly change in the cumulative total Shareholder return of a \$100 investment from December 31, 2013 to December 31, 2018 in the Common Shares with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Capped Energy Index assuming the reinvestment of dividends, where applicable, for the comparable period.



Date	SPTSES – S&P SmallCap Index	S&P/TSX Capped Energy Index	Cequence Energy Ltd.
December 31, 2013	\$100.00	\$100.00	\$100.00
December 31, 2014	\$94.81	\$83.66	\$59.22
December 31, 2015	\$79.80	\$63.47	\$16.76
December 31, 2016	\$107.85	\$88.63	\$19.83
December 31, 2017	\$108.15	\$79.23	\$5.31
December 31, 2018	\$86.41	\$58.18	\$1.65

The trend shown in the above graph does not necessarily correspond to the Company's compensation of the NEOs for the period disclosed above. The Company considers a number of factors in connection with its determination of appropriate levels of compensation including, but not limited to, the demand for and supply of skilled professionals with experience in the oil and gas industry, individual performance, the Company's performance (which is not necessarily tied exclusively to the trading price of the Common Shares on the TSX and other factors discussed under "Compensation Discussion and Analysis" above).

The trading price of the Common Shares on the TSX is subject to fluctuation based on a number of factors, many of which are outside the control of the Company. These include, but are not limited to, fluctuations and volatility in commodity prices for crude oil and natural gas, global economic conditions, changes in government, environmental policies, legislation and royalty regimes, and other factors, some of which are disclosed and discussed under the heading "Risk Factors" in the Annual Information Form of the Company (the "AIF") dated March 28, 2019.

## Summary Compensation Table

The following table provides information concerning compensation of the NEOs for the years ended December 31, 2018, 2017 and 2016.

Name	Year	Salary (\$)	Share-Based Awards (\$) <sup>(1)</sup>	Option-Based Awards (\$) <sup>(2)</sup>	Non-Equity Annual Incentive Plans (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total Compensation (\$)
Todd Brown CEO <sup>(5)</sup>	2018	325,000	45,000	91,216	120,000	9,995	591,211
	2017	325,000	49,500	137,536	-	9,856	521,892
	2016	312,500	141,704	96,000	80,000	17,815	648,019
David Gillis Former CFO <sup>(6)</sup> <sup>(7)</sup>	2018	82,500	-	-	-	12,407	94,907
	2017	300,000	66,000	154,207	-	9,856	530,063
	2016	275,000	125,033	88,000	70,000	15,608	573,641
Christopher Soby Vice President, Land	2018	250,000	30,000	60,011	30,000	9,995	380,006
	2017	250,000	33,000	95,858	-	9,856	388,714
	2016	250,000	83,355	64,000	40,000	16,565	453,920
David Robinson Vice President, Geology	2018	250,000	30,000	60,011	30,000	9,995	380,006
	2017	250,000	33,000	95,858	-	9,856	388,714
	2016	250,000	83,355	64,000	40,000	14,873	452,228
Erin Thorson, Controller	2018	202,083	30,000	60,011	100,000	11,553	403,647
	2017	200,000	33,000	95,858	-	8,856	337,714
	2016	197,250	83,355	64,000	40,000	13,486	398,091

### Notes:

- (1) The Company utilizes a Black-Scholes option pricing model to value RSUs. The RSU fair value reflects an expected life of 3 years, expected volatility of 77%, a 2018 risk free rate of 1.85% and no expected dividends. This methodology was chosen to be consistent with the accounting fair value used by the Company in its financial statements and because Black-Scholes is a commonly used methodology for valuing RSUs which provides an objective and reasonable estimate of fair value.
- (2) The Company utilizes a Black-Scholes option pricing model to value Options. The Option fair value reflects an expected life of 5 years, expected volatility of 77%, a 2018 risk free rate of 2.27% and no expected dividends. This methodology was chosen to be consistent with the accounting fair value used by the Company in its financial statements and because Black-Scholes is a commonly used methodology for valuing Options which provides an objective and reasonable estimate of fair value.
- (3) The amount represents the NEO's bonus under the Company's bonus plan; such amounts are paid in March for performance during the previous financial year. No bonuses were paid to NEOs for the 2017 financial year.
- (4) Includes Company paid contributions to the Employee Share Ownership Plan (**ESOP**), parking, life insurance and a fitness expense reimbursement paid to such person. The ESOP, which encouraged employees to invest in Common Shares through personal contributions and allowed the Company to assist in such investment through additional contributions was terminated effective April 1, 2016. Mr. Gillis received payment for his unused vacation entitlement upon his resignation.
- (5) Mr. Brown does not receive any compensation for acting as a director of the Company.
- (6) Mr. Gillis resigned from the Company effective April 9, 2018.
- (7) Howard Crone, a member of the Company's Board of Directors, was the Executive Vice President and Interim Chief Financial Officer of Cequence from April 9, 2018 until July 1, 2018. Mr. Crone did not receive any compensation for his role as Executive Vice President and Interim Chief Financial Officer during this period, and any compensation he received was in respect of his role as a director of the Company (see "*Director Compensation*"). Kevin Nielsen joined the Company on July 1, 2018 as Contract Interim Chief Financial Officer until March 15, 2019. Mr. Nielsen received \$85,400 in fees in 2018 as Contract Interim Chief Financial Officer. Mr. Allan Mowbray assumed the role of Vice President, Finance and CFO of the Company effective March 15, 2019.

## Outstanding Share-Based and Option-Based Awards

The following table sets forth information with respect to the Options granted under the Option Plan and RSUs granted under the RSU Plan to the NEOs which were outstanding as of December 31, 2018, which includes Options and RSUs granted prior to January 1, 2018.

Name	Option-Based Awards				Share-Based Awards		
	Number of Common Shares Underlying Unexercised Options (#) <sup>(1)</sup>	Option Exercise Price (\$) <sup>(1)</sup>	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(2)</sup>	Number of RSUs that have not settled (#) <sup>(1)</sup>	Market or payout value of RSUs that have not settled (\$) <sup>(3)</sup>	Market or payout value of vested RSUs not paid out or distributed (\$)
Todd Brown	30,000 <sup>(4)</sup>	44.40	August 22, 2019	nil	71,667	42,284	-
	5,000	16.20	June 8, 2020				
	42,500	6.60	July 12, 2021				
	46,250	6.40	January 20, 2022				
	190,000	0.72	November 19, 2023				
Christopher Soby	5,000	16.20	June 8, 2020	nil	46,668	27,534	-
	25,000	6.60	July 12, 2021				
	28,750	6.40	January 20, 2022				
	125,000	0.72	November 19, 2023				
David Robinson	5,000	16.20	June 8, 2020	nil	46,668	27,534	-
	25,000	6.60	July 12, 2021				
	28,750	6.40	January 20, 2022				
	125,000	0.72	November 19, 2023				
Erin Thorson	3,000	16.20	June 8, 2020	nil	46,668	27,534	-
	25,000	6.60	July 12, 2021				
	28,750	6.40	January 20, 2022				
	125,000	0.72	November 19, 2023				

### Notes:

- (1) In 2018, the Company's shareholders approved a share consolidation based on one post consolidation common share for every 20 pre-consolidation common shares. The options and RSUs in the table have been restated to reflect the share consolidation for all comparative periods presented.
- (2) Value is calculated based on the difference between the exercise price of the Options and the closing price of the Common Shares on the TSX on December 31, 2018 of \$0.59.
- (3) Value is calculated based the closing price of the Common Shares on the TSX on December 31, 2018 of \$0.59.
- (4) Mr. Brown received 30,000 Options in connection with his appointment as Chief Operating Officer in August 2014.
- (5) David Gillis, the Former CFO, resigned from the Company effective April 9, 2018 and had no Options or RSUs outstanding as at December 31, 2018.

## Incentive Plan Awards - Value Settled or Earned During the Year

The following table sets forth information with respect to the value of Options granted pursuant to the Option Plan, RSUs granted pursuant to the RSU Plan and cash bonuses awarded pursuant to the bonus plan to the NEOs that vested or settled, as applicable, during the year ended December 31, 2018.

Name	Option-Based Awards Value Vested During Year (\$) <sup>(1)</sup>	Share-Based Awards Value Settled During Year (\$)	Non-Equity Incentive Plan Compensation Value Earned During Year (\$)
Todd Brown	Nil	12,200	120,000
David Gillis <sup>(2)</sup>	Nil	3,000	Nil
Christopher Soby	Nil	7,800	30,000
David Robinson	Nil	7,800	30,000
Erin Thorson	Nil	7,160	100,000

**Notes:**

- (1) Value calculated based on the difference between the exercise price of the Options and the closing price of the Common Shares on the TSX on the vesting date.
- (2) Mr. Gillis resigned from the Company effective April 9, 2018. All of Mr. Gillis's Options and RSUs, other than those reflected in the share-based awards value settled during the year, have expired or were terminated in accordance with the Option Plan or RSU Plan, as applicable.

**Director Compensation**

The following table provides information concerning compensation of the directors for the year ended December 31, 2018.

Name <sup>(1)</sup>	Fees Earned <sup>(2)</sup> (\$)	Share-Based Awards <sup>(3)</sup> (\$)	Option-Based Awards (\$) <sup>(4)</sup>	Total (\$)
Donald Archibald	20,000	11,250	16,803	48,053
Peter Bannister	18,750	9,000	14,403	42,153
Howard Crone	17,500	9,000	14,403	40,903
Brian A. Felesky	18,750	9,000	14,403	42,153
Daryl Gilbert <sup>(5)</sup>	18,750	9,000	14,403	42,153

**Notes:**

- (1) Todd Brown, the Chief Executive Officer and a director of the Company, receives no additional compensation for serving on the Board. See "Summary Compensation Table" above.
- (2) The amount represents the fees earned for retainer, committee service and service as a chair of the Board or a committee, as applicable.
- (3) The Company utilizes a Black-Scholes option pricing model to value RSUs. The RSU fair value reflects an expected life of 3 years, expected volatility of 77%, a 2018 risk free rate of 1.85% and no expected dividends. This methodology was chosen to be consistent with the accounting fair value used by the Company in its financial statements and because Black-Scholes is a commonly used methodology for valuing Options which provides an objective and reasonable estimate of fair value.
- (4) The Company utilizes a Black-Scholes option pricing model to value Options. The Option fair value reflects an expected life of 5 years, expected volatility of 77%, a 2018 risk free rate of 2.27% and no expected dividends. This methodology was chosen to be consistent with the accounting fair value used by the Company in its financial statements and because Black-Scholes is a commonly used methodology for valuing Options which provides an objective and reasonable estimate of fair value.
- (5) Mr. Gilbert resigned from Cequence's Board effective March 12, 2019, and Dan O'Neil was appointed to the Board effective the same day.

## Director Compensation - Share-Based and Option-Based Awards

The following table sets forth information with respect to the Options granted under the Option Plan and RSUs granted under the RSU Plan to the directors which were outstanding as of December 31, 2018, which includes Options and RSUs granted prior to January 1, 2018.

Name <sup>(1)</sup>	Option-Based Awards				Share-Based Awards		
	Number of Common Shares Underlying Unexercised Options (#) <sup>(2)</sup>	Option Exercise Price (\$) <sup>(2)</sup>	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(3)</sup>	Number of RSUs that have not settled (#) <sup>(2)</sup>	Market or payout value of RSUs that have not settled (\$)	Market or payout value of vested RSUs not paid out or distributed (\$)
Donald Archibald	750	16.20	June 8, 2020	nil	16,000	9,440	-
	6,000	6.60	July 12, 2021				
	6,250	6.40	January 20, 2022				
	35,000	0.72	November 19, 2023				
Peter Bannister	750	16.20	June 8, 2020	nil	12,750	7,523	-
	5,000	6.60	July 12, 2021				
	6,250	6.40	January 20, 2022				
	30,000	0.72	November 19, 2023				
Howard Crone	750	16.20	June 8, 2020	nil	12,750	7,523	-
	5,000	6.60	July 12, 2021				
	6,250	6.40	January 20, 2022				
	30,000	0.72	November 19, 2023				
Brian A. Felesky	750	16.20	June 8, 2020	nil	12,750	7,523	-
	5,000	6.60	July 12, 2021				
	6,250	6.40	January 20, 2022				
	30,000	0.72	November 19, 2023				
Daryl Gilbert <sup>(4)</sup>	750	16.20	June 8, 2020	nil	12,750	7,523	-
	5,000	6.60	July 12, 2021				
	6,250	6.40	January 20, 2022				
	30,000	0.72	November 19, 2023				

### Notes:

- (1) Todd Brown, the Chief Executive Officer and a director of the Company, receives no additional compensation for serving on the Board. See "Summary Compensation Table" above.
- (2) In 2018, the Company's shareholders approved a share consolidation based on one post consolidation common share for every 20 pre-consolidation common shares. The options and RSUs in the table have been restated to reflect the share consolidation for all comparative periods presented.
- (3) Value is calculated based on the difference between the exercise price of the Options and the closing price of the Common Shares on the TSX on December 31, 2018 of \$0.59.
- (4) Mr. Gilbert resigned from Cequence's Board effective March 12, 2019, and Dan O'Neil was appointed to the Board effective the same day.

## CORPORATE GOVERNANCE

The Company's Statement of Corporate Governance Practices is set out in Appendix "A" to this Information Circular.

## ANNUAL MEETING MATTERS

### Financial Statements

The audited financial statements of the Company for the year ended December 31, 2018 and the report of the auditors thereon will be received at the Meeting. The audited financial statements of the Company and the report of the auditors were provided to each Shareholder entitled to receive a copy of the Notice of Meeting and this Information Circular.

## Appointment of Auditors

At the Meeting, Shareholders will be asked to pass a resolution appointing Deloitte LLP, Chartered Professional Accountants, as auditors of the Company, to hold office until the next annual meeting of Shareholders and to authorize the Board to fix the remuneration to be paid thereto. Deloitte LLP have been the auditors of Cequence since December 1, 2009.

## Election of Directors

In accordance with the by-laws of the Company, the Board has resolved that six directors shall be elected at the Meeting. The enclosed form of proxy or voting instruction form permits Shareholders to vote “for” or to “withhold” their vote in respect of each director nominee. Except where authority to vote on the election of directors is withheld, the persons designated by the Company in the enclosed form of proxy intend to vote for the election of the six nominees whose names are set forth below. If, due to circumstances not at present foreseen, any of the persons named below should not be available for election, it is intended that the persons named in the accompanying form of proxy will vote for such other person or persons as the Board may recommend.

In accordance with the Company's majority voting policy, if a director nominee has more votes withheld than are voted in favour of him or her, the nominee's position as a Board member will then be subject to review by the Board. The Board may determine, after review and consideration of the circumstances and factors that they reasonably believe underlie and relate to such vote results, that such nominee does not have sufficient support of the Shareholders, even though the nominee will have been duly elected as a matter of corporate law. After the Board's review and consideration of such circumstances and factors and if requested by the Board, the nominee will be expected to forthwith submit his or her resignation to the Board, effective on acceptance by the Board.

The Company's by-laws include a framework for advance notice of nominations of persons for election to the Board (the “**Advance Notice By-Law**”). The Advance Notice By-Law sets deadlines of a prescribed number of days before a shareholders' meeting for a shareholder to notify the Company of its intention to nominate one or more directors, and explains the information that must be included with the notice for it to be valid. In the case of an annual meeting of shareholders (including an annual and special meeting), notice to the Company pursuant to the Advance Notice By-Law must be given not less than 30 nor more than 65 days prior to the date of the annual meeting. As at the date of this Information Circular, the Company had not received any additional director nominations for the meeting.

The following tables set forth, for all persons proposed to be nominated for election as directors, any positions now held by such nominees on any standing committee of the Board, their principal occupations or employment during the preceding five years, the periods during which they have served as directors of the Company, the number of Common Shares and Options beneficially owned, directly or indirectly, by each of them, or over which they exercise control or direction and the value of such Common Shares, their attendance record for meetings held in 2018 while they were directors of the Company and current public board memberships, if any. Each elected director will hold office until the close of the next annual meeting of Shareholders, or until his successor is duly elected or appointed. For the purposes of “Total Amount at Risk” disclosed in the below tables, the value has been calculated in accordance with the closing trading price of the Common Shares on the TSX as at December 31, 2018 of \$0.59.

The options and RSUs in the tables below for comparative periods have been restated to reflect the share consolidation approved by the Company's shareholders in 2018 where one post consolidation Common Share was exchanged for 20 pre-consolidation Common Shares.

<p><b>Donald Archibald</b> Chairman</p> <p>Calgary, Alberta Canada</p> <p>Director since: July 2009</p> <p>Independent</p>	<p>Donald Archibald has been the Chairman of the Company since July 2009. Mr. Archibald was Executive Chairman of Cequence from April 2018 to March 2019. Mr. Archibald has been an independent businessman since March 2008, prior to which from June 2004 to March 2008, Mr. Archibald was the Chairman and Chief Executive Officer of Cyries Energy Inc., a public oil and gas company. Prior thereto, from January 2002 to June 2004, Mr. Archibald was the President and Chief Executive Officer of Cequel Energy Inc., a public oil and gas company, and prior thereto, from April 1996 to March 2001, Mr. Archibald was the President and Chief Executive Officer of Cypress Energy Inc., a public oil and gas company.</p>					
	<b>Board / Standing Committee Membership<sup>(1)</sup></b>		<b>Attendance</b>		<b>Attendance (Total)</b>	
	Board		10 of 10	100%	15 of 15	100%
	Audit Committee		4 of 4	100%		
	Compensation Committee		1 of 1	100%		
	<b>Current Public Board Memberships</b>					
	None.					
	<b>Common Shares Controlled or Directed</b>					
	Year		Common Shares		Total Amount at Risk	
	2018		1,112,075		\$656,124	
	<b>Options Held</b>					
	Grant Date		Expiry Date	Number Granted	Exercise Price	Total Unexercised
	June 8, 2015		June 8, 2020	750	\$16.20	750
	July 12, 2016		July 12, 2021	6,000	\$6.60	6,000
January 20, 2017		January 20, 2022	6,250	\$6.40	6,250	
November 19, 2018		November 19, 2023	35,000	\$0.72	35,000	
<b>RSUs Held</b>						
Grant Date		Number Granted	Total Settled	Total Unsettled		
July 12, 2016		3,000	2,000	1,000		
November 19, 2018		15,000	Nil	15,000		

<p><b>Peter Bannister</b></p> <p>Calgary, Alberta Canada</p> <p>Director since: July 2009</p> <p>Independent</p>	<p>Peter Bannister has been the President of Destiny Energy Inc., a private oil and gas company, since February 2007. Prior thereto, from January 2006 to February 2007, Mr. Bannister was the Vice-President, Exploration of Mission Oil &amp; Gas Inc., a public oil and gas company. Prior thereto, from April 2004 to January 2005, Mr. Bannister was the Vice President, Exploration of StarPoint Energy Ltd., a public oil and gas company. Prior thereto, from January 2001 to April 2004, Mr. Bannister was the President of Impact Energy Inc., a public oil and gas company.</p>					
	<b>Board / Standing Committee Membership<sup>(1)</sup></b>		<b>Attendance</b>		<b>Attendance (Total)</b>	
	Board		10 of 10	100%	12 of 16	75%
	Audit Committee		1 of 4	25%		
	Compensation Committee		0 of 1	0%		
	Reserves and Environment, Health & Safety Committee		1 of 1	100%		
	<b>Current Public Board Memberships</b>					
	None.					
	<b>Common Shares Controlled or Directed</b>					
	Year		Common Shares		Total Amount at Risk	
	2018		71,171		\$41,991	
	<b>Options Held</b>					
	Grant Date		Expiry Date	Number Granted	Exercise Price	Total Unexercised
	June 8, 2015		June 8, 2020	750	\$16.20	750
July 12, 2016		July 12, 2021	5,000	\$6.60	5,000	
January 20, 2017		January 20, 2022	6,250	\$6.40	6,250	
November 19, 2018		November 19, 2023	30,000	\$0.72	30,000	
<b>RSUs Held</b>						
Grant Date		Number Granted	Total Settled	Total Unsettled		
July 12, 2016		2,250	1,500	750		
November 19, 2018		12,000	Nil	12,000		

<p><b>Todd Brown</b> Chief Executive Officer</p> <p>Calgary, Alberta Canada</p> <p>Director since: 2016</p> <p>Non-independent</p>	<p>Todd Brown has been the Chief Executive Officer of the Company since March 2016. Prior thereto, from August 2014 to March 2016, Mr. Brown was the Chief Operating Officer of the Company. Prior thereto, from May 2014 until August 2014, Mr. Brown was the Chief Operating Office of Touchstone Exploration Inc., a public oil and gas company. Prior thereto, from November 2011 until March 2013, Mr. Brown was the Vice-President and Chief Operating Officer of Pace Oil &amp; Gas Ltd., a public oil and gas company.</p>									
	<b>Board / Standing Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>					
	Board		10 of 10	100%	11 of 11	100%				
	Compensation Committee		1 of 1	100%						
	<b>Current Public Board Membership</b>									
	None.									
	<b>Common Shares Controlled or Directed<sup>(1)</sup></b>									
	Year		Common Shares		Total Amount at Risk					
	2018		128,176		\$75,624					
	<b>Options Held</b>									
	Grant Date		Expiry Date		Number Granted		Exercise Price		Total Unexercised	
	August 22, 2014		August 22, 2019		30,000		\$44.40		30,000	
	June 8, 2015		June 8, 2020		5,000		\$16.20		5,000	
July 12, 2016		July 12, 2021		42,500		\$6.60		42,500		
January 20, 2017		January 20, 2022		46,250		\$6.40		46,250		
November 19, 2018		November 19, 2023		190,000		\$0.72		190,000		
<b>RSUs Held</b>										
Grant Date		Number Granted		Total Settled		Total Unsettled				
July 12, 2016		15,000		10,000		5,000				
January 20, 2017		20,000		6,667		13,333				
November 19, 2018		60,000		Nil		60,000				

<p><b>Howard Crone</b></p> <p>Calgary, Alberta Canada</p> <p>Director since: July 2009</p> <p>Non-Independent</p>	<p>Howard Crone was the Executive Vice President and Interim Chief Financial Officer of Cequence from April 2018 to July 2018. Mr. Crone was Executive Vice President to March 2019. Prior thereto Mr. Crone was an independent businessman from August 2014 to April 2018, and from September 2010 to August 2014, Mr. Crone was the Executive Vice President and Chief Operating Officer of the Company. Prior thereto, from July 2009 to September 2010, Mr. Crone was the President and CEO of the Company. Prior thereto, from May 2009 to July 2009, Mr. Crone was the President of a privately held oil and gas company. Prior thereto, from July 2004 to May 2009, Mr. Crone was an independent businessman.</p>									
	<b>Board / Standing Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>					
	Board		10 of 10	100%	12 of 12	100%				
	Compensation Committee		1 of 1	100%						
	Reserves and Environment, Health & Safety Committee		1 of 1	100%						
	<b>Current Public Board Membership</b>									
	Journey Energy Inc.									
	<b>Common Shares Controlled or Directed</b>									
	Year		Common Shares		Total Amount at Risk					
	2018		1,670,296		\$985,475					
	<b>Options Held</b>									
	Grant Date		Expiry Date		Number Granted		Exercise Price		Total Unexercised	
	June 8, 2015		June 8, 2020		750		\$16.20		750	
July 12, 2016		July 12, 2021		5,000		\$6.60		5,000		
January 20, 2017		January 20, 2022		6,250		\$6.40		6,250		
November 19, 2018		November 19, 2023		30,000		\$0.72		30,000		
<b>RSUs Held</b>										
Grant Date		Number Granted		Total Settled		Total Unsettled				
July 12, 2016		2,250		1,500		750				
November 19, 2018		12,000		Nil		12,000				



<b>Brian Felesky Q.C. O.C.</b>  Calgary, Alberta Canada  Director since: September 2010  Independent	Brian Felesky has been an independent businessman since October 2014. Prior thereto, from February 2011 until September 2014, Mr. Felesky was the Vice Chairman, Investment Banking of Credit Suisse Securities (Canada), Inc., an investment banking firm. Prior thereto, from July 2006 to February 2011, Mr. Felesky was Counsel to the law firm of Felesky Flynn LLP. Prior thereto, from April 1978 to July 2006, Mr. Felesky was a Partner of Felesky Flynn LLP.						
	<b>Board / Standing Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>		
	Board		9 of 10	90%	14 of 15	100%	
	Audit Committee		4 of 4	100%			
	Compensation Committee		1 of 1	100%			
	<b>Current Public Board Membership</b>						
	None.						
	<b>Common Shares Controlled or Directed</b>						
	Year		Common Shares		Total Amount at Risk		
	2018		57,521		\$33,937		
	<b>Options Held</b>						
	Grant Date		Expiry Date		Number Granted	Exercise Price	Total Unexercised
	June 8, 2015		June 8, 2020		750	\$16.20	750
July 12, 2016		July 12, 2021		5,000	\$6.60	5,000	
January 20, 2017		January 20, 2022		6,250	\$6.40	6,250	
November 19, 2018		November 19, 2023		30,000	\$0.72	30,000	
<b>RSUs Held</b>							
Grant Date		Number Granted		Total Settled	Total Unsettled		
July 12, 2016		2,250		1,500	750		
November 19, 2018		12,000		Nil	12,000		

<b>Dan O'Neil</b>  Calgary, Alberta Canada  Director since: March 2019  Independent	Mr. O'Neil was the President and Chief Executive Officer of Surge Energy Inc. from April 2010 to May 2013. Mr. O'Neil has been an independent businessman since May 2013. Prior thereto, President and Chief Executive Officer of Breaker Energy Ltd., a publicly traded oil and natural gas company, from its formation in September 2004 until its acquisition by NAL Oil & Gas Trust in December 2009. Mr. O'Neil was also a director of Cathedral Energy Services Ltd. Prior to its sale, Mr. O'Neil was also a director of Hyperion Exploration Corp.						
	<b>Board / Standing Committee Membership</b>		<b>Attendance<sup>(2)</sup></b>		<b>Attendance (Total)<sup>(2)</sup></b>		
	Board		N/A	N/A	N/A	N/A	
	Compensation Committee						
	Reserves and Environment, Health & Safety Committee						
	<b>Current Public Board Membership</b>						
	Surge Energy Inc.						
	<b>Common Shares Controlled or Directed</b>						
	Year		Common Shares		Total Amount at Risk		
	2018		Nil		\$Nil		
	<b>Options Held</b>						
	Grant Date		Expiry Date		Number Granted	Exercise Price	Total Unexercised
	-		-		-	-	-
<b>RSUs Held</b>							
Grant Date		Number Granted		Total Settled	Total Unsettled		
-		-		-	-		

**Notes:**

- (1) There were no Nominating and Corporate Governance Committee meetings in 2018. On November 8, 2018 the Nominating and Corporate Governance Committee was dissolved, with the functions of the Committee being absorbed by the full Board from such date.
- (2) Mr. O'Neil was appointed to the Board on March 12, 2019 and therefore did not attend by Board or committee meetings in 2018.

## SPECIAL BUSINESS

### Approval of Unallocated Options

At the Meeting, Shareholders will be asked to pass an ordinary resolution approving the unallocated Options issuable pursuant to the Company's Option Plan (the "**Unallocated Options Resolution**"). Terms of the Option Plan are fully described in this Information Circular under the heading "*Executive Officer and Director Compensation – Option Plan*". Unless otherwise directed by Shareholders appointing them proxy, the persons named in the enclosed forms of proxy intend to vote the Common Shares represented thereby FOR the Unallocated Options Resolution.

Among other restrictions, the aggregate number of Common Shares that may be reserved for issuance at any time pursuant to Options granted under the Option Plan, together with any Common Shares reserved for issuance under any other equity compensation arrangement, may not exceed 10% of the then outstanding Common Shares (on a non-diluted basis). Options are considered to be "allocated" pursuant to the Option Plan when issued. Options which remain available for grant under the terms of the Option Plan are referred to as "unallocated". As at the date hereof there were 1,625,251 Options issued and outstanding, representing approximately 6.6% of the outstanding Common Shares. As at the date hereof 297,154 Options remained unallocated and available for grant under the Option Plan. See "*Securities Authorized for Issuance Under Equity Compensation Plans*" in this Information Circular for further information concerning the Options outstanding and remaining available for grant as at December 31, 2018.

Since the Option Plan does not fix a specific aggregate maximum number of Common Shares that may be issued pursuant to Options, but instead fixes the maximum number of Common Shares reserved for issuance based on 10% of the outstanding Common Shares from time to time, the rules of the TSX require that all unallocated Options be approved every three years. The Option Plan was initially adopted by the shareholders of Sabretooth Energy Ltd., the predecessor of Cequence, in 2007 and reaffirmed on June 9, 2010, May 28, 2013 and June 14, 2016.

Accordingly, at the Meeting the Shareholders will be asked to consider, and if deemed fit, pass an ordinary resolution approving the unallocated Options under the Option Plan. If approval of the Unallocated Options Resolution is not obtained, Cequence will not be permitted to grant any further Options under the Option Plan following the Meeting, but Options that have already been granted will remain outstanding. If the Unallocated Options Resolution is not approved currently outstanding Options which are subsequently cancelled or terminated will not be available for re-grant. In addition, if approval is obtained, Cequence will continue to be able to grant Options under the Option Plan without further Shareholder approval until June 27, 2022.

As described above under "*Executive Officer and Director Compensation – Option Plan*", the Option Plan is a key component of Cequence's overall compensation structure and is critical to its ability to attract and retain qualified and dedicated personnel. If approval is not obtained at the Meeting, Cequence will not be able to issue further Options pursuant to the Option Plan. In such an event, Cequence may have to incentivize its employees in an alternative manner, such as greatly increased cash bonuses, which may prove to be less effective and more costly to Cequence. In light of this, the Board has unanimously approved, subject to regulatory and Shareholder approval, the unallocated Options under the Option Plan.

The text of the ordinary resolution, which will be submitted to Shareholders at the Meeting or any adjournment thereof, is set forth below. For the reasons and after considering the reasons indicated above, the Board unanimously recommends voting FOR the Option Plan Resolution.

At the Meeting, it is proposed that the Shareholders pass a resolution approving the unallocated Options under the Option Plan substantially in the form set forth below.

**“NOW THEREFORE BE IT RESOLVED BY ORDINARY RESOLUTION THAT:**

1. all unallocated Options under the Option Plan be and are hereby approved;
2. Cequence shall have the ability to continue granting Options under the Option Plan until June 27, 2022, being the date that is three (3) years from the date of the Meeting; and
3. any one director or officer of Cequence be and is hereby authorized to do such things and to sign, execute, deliver and file all documents that such director and officer may, in their discretion, determine to be necessary in order to give full effect to the intent and purpose of this resolution.”

**Approval of Unallocated RSUs**

At the Meeting, Shareholders will be asked to pass an ordinary resolution approving the unallocated RSUs issuable pursuant to the Company's RSU Plan (the “**Unallocated RSU Resolution**”). Terms of the RSU Plan are fully described in this Information Circular under the heading “*Executive Officer and Director Compensation – RSU Plan* “. Unless otherwise directed by Shareholders appointing them proxy, the persons named in the enclosed forms of proxy intend to vote the Common Shares represented thereby FOR the Unallocated RSU Resolution.

As the RSU Plan is considered to be a security based compensation arrangement and the RSU Plan provides that the maximum number of Common Shares reserved for issuance from time to time pursuant to outstanding RSUs is not a fixed number and instead shall not exceed a number of Common Shares equal to a percentage of the issued and outstanding Common Shares from time to time (less the number of Common Shares issuable pursuant to all other security based compensation arrangements), approval will be sought at the Meeting to approve the grant of unallocated RSUs under the RSU Plan. When RSUs have been granted pursuant to the RSU Plan, Common Shares that are reserved for issuance under outstanding RSUs are referred to as “allocated” Common Shares.

As at the date hereof, there were 532,874 RSUs issued and outstanding, representing approximately 2.2% of the issued and outstanding Common Shares. The maximum number of Common Shares issuable under the RSU Plan at any time is 10% of the aggregate number of issued and outstanding Common Shares, provided that the maximum number of Common Shares issuable pursuant to outstanding RSUs and the Option Plan may not exceed 10% of the Common Shares outstanding from time to time. Accordingly, there are approximately 297,154 unallocated RSUs available for issuance under the RSU Plan.

As at the date hereof, the Company had RSUs and Options to acquire an aggregate of 2,158,125 Common Shares outstanding under the RSU Plan and the Option Plan, representing approximately 8.8 % of the issued and outstanding Common Shares as at such date, leaving up to 297,154 Common Shares available for future grants under the RSU Plan and the Option Plan based on the number of Common Shares outstanding as at that date. If any RSUs or Options granted under the RSU Plan or Option Plan, respectively, shall be exercised or shall expire, terminate or be cancelled for any reason without having been exercised in full, additional Common Shares shall be unallocated and be available for the purposes of future grants under the RSU Plan and the Option Plan.

If approval of the grant of unallocated RSUs under the RSU Plan is obtained at the Meeting, the Board will be able to grant RSUs and the Company will not be required to seek further approval for unallocated RSUs under the RSU Plan until June 27, 2022. If approval is not obtained at the Meeting, the RSUs which have not been allocated as of June 27, 2019 and Common Shares which are reserved for issuance pursuant to RSUs which are outstanding as of June 27, 2019 and which are subsequently cancelled, terminated or exercised will not be available for a new grant of RSUs under the RSU Plan. Previously allocated RSUs will continue to be unaffected by the approval or disapproval of the resolution.

The text of the ordinary resolution, which will be submitted to Shareholders at the Meeting or any adjournment thereof, is set forth below. For the reasons and after considering the reasons indicated above, the Board unanimously recommends voting FOR the RSU Resolution.

At the Meeting, it is proposed that the Shareholders pass a resolution approving the unallocated RSUs under the RSU Plan substantially in the form set forth below.

**“NOW THEREFORE BE IT RESOLVED BY ORDINARY RESOLUTION THAT:**

1. all unallocated RSUs under the RSU Plan be and are hereby approved;
2. Cequence shall have the ability to continue granting RSUs under the RSU Plan until June 27, 2022, being the date that is three (3) years from the date of the Meeting; and
3. any one director or officer of Cequence be and is hereby authorized to do such things and to sign, execute, deliver and file all documents that such director and officer may, in their discretion, determine to be necessary in order to give full effect to the intent and purpose of this resolution.”

**Approval of Private Placement**

At the Meeting, Shareholders will be asked to pass an ordinary resolution to approve a private placement of up to 17,230,769 flow-through Common Shares (the “**New Shares**”) at a subscription price of \$0.65 per New Share (the “**Private Placement**”) for gross proceeds up to \$11,200,000. The Company intends to use the proceeds to incur “Canadian development expenses” as defined in the *Income Tax Act* (Canada) (“**CDE**”). The subscribers for the New Shares (the “**Subscribers**”) will be entitled to renunciations from the Company of CDE with an effective date on or prior to December 31, 2020.

Certain of the Subscribers for the New Shares are holders of the Company’s \$60 million second lien senior secured term loan facility due October 3, 2020 (the “**Term Loan**”). Proximate in time to the completion of the Private Placement, the Company intends to make a partial early repayment of the Term Loan in an amount of up to \$10 million (the “**Debt Repayment**”). At approximately the same time, the Company also intends to enter into an amending agreement to amend certain provisions of the Term Loan, including extending the maturity date from October 3, 2022 to October 3, 2023 and fixing 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 million. In connection with these amendments, all of the share purchase warrants currently held by the holders of the Term Loan will be surrendered for cancellation without payment therefor. In consideration for these amendments, the Company has agreed to pay the holders of the Term Loan restructuring fees and certain transaction costs totalling \$1.2 million. None of the holders of the Term Loan are insiders of the Company, as such term is defined in applicable securities laws or the TSX Company Manual (the “**TSX Rules**”).

The Private Placement, Debt Repayment and the amendments to the Term Loan are intended to strengthen the Company’s balance sheet with an improved debt-to-equity ratio and lower the Company’s annual finance costs and improve cash flow by approximately \$0.5 million per year. See “*Forward Looking Statements*” in this Information Circular.

The Common Shares are listed on the TSX and the Company has applied to have the New Shares listed on the TSX. Consequently, the Private Placement is subject to the TSX Rules, certain of which govern the issuance of securities by a listed issuer. These provisions require shareholder approval of any proposed private placement where (i) the maximum number of shares issuable under the private placement is greater than 25% of the total number of shares currently outstanding, if the issue price per share is less than the market price;<sup>1</sup> (ii) the issuance of shares under the private placement will “materially

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<sup>1</sup> Pursuant to section 607(g)(i) of the TSX Rules.

affect control” of the issuer,<sup>2</sup> or (iii) the shares issuable under the private placement are issued at a discount to the current market price that is greater than the discount allowable under the TSX Rules.<sup>3</sup>

As of the close of trading on May 23, 2019, the 5-day volume-weighted average price of the Common Shares was \$0.50, and the Private Placement subscription price of \$0.65 per New Share represents a premium of 30% to this market price. However, the TSX deems all securities issued on a flow-through basis to be issued at a price per security that is less than the current market price, regardless of the actual price at which the shares are being issued.

The maximum number of New Shares issuable under the Private Placement represents 70.2% of the number of Common Shares issued and outstanding as of the date hereof (being 24,552,794), and following the Private Placement the Company expects to have 41,783,563 Common Shares issued and outstanding.

One of the Subscribers, Mr. G.A. Cumming, is subscribing for 9,737,108 New Shares and is expected to exercise control or direction over a total of 10,338,585 Common Shares after the Private Placement (representing 24.7% of the total issued and outstanding Common Shares following the Private Placement), including 601,477 Common Shares currently owned or controlled by Mr. Cumming (representing 2.4% of the Common Shares currently outstanding). Under the TSX Rules, a transaction is considered to “materially affect control” of an issuer if it gives any securityholder or combination of securityholders acting together the ability to influence the outcome of a vote of securityholders, including the ability to block significant transactions. The TSX generally considers a transaction that results in a new holding of more than 20% of the voting securities of an issuer by one securityholder or combination of securityholders acting together to be a transaction that materially affects control of the issuer. Other than Mr. Cumming, no person or entity will hold more than 10% of the outstanding Common Shares upon completion of the Private Placement. See “*Voting Shares and Principal Holders Thereof*” in this Information Circular. Collectively, all of the Subscribers hold 857,134 Common Shares as of the date hereof, representing 3.5% of the Common Shares currently outstanding.

There are no insiders (as such term is defined in the TSX Rules) of the Company participating in the Private Placement, and the Private Placement was negotiated at arm’s length. To the knowledge of the Company as of the date hereof, the Subscribers are not party to any voting trust or similar agreement governing the voting of their Common Shares.

As a result of the foregoing, in order to be completed the Private Placement must be approved by the Shareholders. Under the TSX Rules, the Subscribers (including their associates and affiliates) are not eligible to vote on the resolution to approve the Private Placement, and therefore the required shareholder approval is a simple majority (50% plus one) of the votes cast by Shareholders present in person or represented by proxy at the Meeting, after excluding any votes cast by the Subscribers and their associates and affiliates.

The text of the ordinary resolution, which will be submitted to Shareholders at the Meeting or any adjournment thereof, is set forth below. **The Board unanimously recommends voting FOR the Private Placement Resolution.**

**“NOW THEREFORE BE IT RESOLVED BY ORDINARY RESOLUTION THAT:**

1. the issuance by the Company of up to 17,230,769 flow-through Common Shares, to be issued on a private placement basis at a price of \$0.65 per share, to the Subscribers (the “**Private Placement**”) is hereby authorized and approved;
2. notwithstanding the passing of this ordinary resolution by the Shareholders of the Company, the directors of the Company are hereby authorized and empowered without further notice to or

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<sup>2</sup> Pursuant to section 604(a)(i) of the TSX Rules.

<sup>3</sup> Pursuant to section 607(e) of the TSX Rules.

approval of the shareholders of the Company not to proceed with the Private Placement or to revoke this resolution at any time prior to the Private Placement becoming effective; and

3. any one director or officer of the Company be and is hereby authorized and directed to do all such acts and things and to execute and deliver under the corporate seal or otherwise all such deeds, documents, instruments and assurances as in his or her opinion may be necessary or desirable to give effect to the foregoing resolutions, including, without limitation, to complete all transactions in connection with the Private Placement.”

In addition to approval by the Shareholders as described above, closing of the Private Placement is also subject to certain regulatory approvals and approval by the TSX. The Company has applied to the TSX for approval of the Private Placement and for the listing of the New Shares upon completion of the Private Placement. The listing of the New Shares will be subject to meeting TSX additional listing requirements.

## **REGULATORY MATTERS**

### **Corporate Cease Trade Orders or Bankruptcies**

Except as disclosed herein, to the knowledge of management of Cequence, no director of Cequence is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days; or (ii) was subject to an event that resulted, after the person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days.

To the knowledge of management of Cequence, no director of Cequence is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Archibald was a director of Waldron Energy Corporation (“**Waldron**”) from December 31, 2009 to August 17, 2015. On August 6, 2015, the secured subordinated lender of Waldron demanded repayment in full of all amounts owed to it under its credit facility and gave notice of its intention to enforce its security. This repayment demand created a cross-default between Waldron and its secured bank lender, which subsequently demanded repayment in full of all amounts owed to it under its credit facility and also gave notice of its intention to enforce its security. After various discussions between Waldron and both its lenders, Waldron consented to the appointment of a receiver and manager on August 13, 2015. On August 17, 2015, a receiver and manager was appointed over the assets, undertakings and property of Waldron pursuant to an order of the Court of Queen's Bench of Alberta.

Mr. Crone was a director of Virginia Hills Oil Corp. (“**Virginia**”) from April 2015 until February 24, 2017. On January 31, 2017 Virginia announced that its syndicated credit facility had matured and remained unpaid, which constituted an event of default and entitled the lenders thereunder to enforce their security and appoint a receiver to manage the affairs of Virginia. On February 13, 2017, Virginia received from its lenders a demand notice and notice of intention to enforce security, and a receiver and manager was appointed over the assets, properties and undertakings of Virginia pursuant to an order of the Court of Queen's Bench of Alberta.

### **Personal Bankruptcies**

To the knowledge of management of Cequence, no director of Cequence has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or

insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

### **Penalties or Sanctions**

To the knowledge of management of Cequence, no director of Cequence has: (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, other than penalties for late filing of insider reports; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Shareholder in deciding whether to vote for a proposed director.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as disclosed in this Information Circular, neither the Company nor any director or officer of the Company, nor any proposed nominee for election as a director of the Company, nor any other insider of the Company, nor any associate or affiliate of any one of them has or has had, at any time since the beginning of the year ended December 31, 2018, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Company.

### **OTHER BUSINESS**

Management of Cequence is not aware of any other business to come before the Meeting other than as set forth in the Notice of Meeting. If any other business properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company, including the Company's AIF, is available under the Company's electronic profile on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is contained in the Company's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2018. In addition, a Shareholder may obtain copies of the Company's consolidated financial statements and management's discussion and analysis, by contacting the Company at 1400, 215 – 9<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 1K3.

### **ADVISORIES**

This Information Circular contains the oil and gas metric "barrels of oil equivalent" or "BOEs", which is a term commonly used in the oil & gas industry. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of gas: one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

## APPENDIX "A"

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

*Capitalized terms used in this Appendix "A" but not otherwise defined herein shall have the meanings ascribed thereto in the Information Circular to which this Appendix "A" is appended.*

The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interest of its Shareholders but that it also promotes effective decision making at the Board level. The Board is of the view that its approach to corporate governance is appropriate and continues to work to align with the recommendations currently in effect and contained in National Policy 58-201 *Corporate Governance Guidelines* ("NP 58-201") which are addressed below. In addition, the Board monitors and considers for implementation by Cequence the corporate governance standards which are proposed by various Canadian regulatory authorities or which are published by various non-regulatory organizations in Canada.

#### **Mandate of the Board**

The Board has responsibility for the stewardship of the Company. The Board has adopted a formal written mandate which is set out as Appendix "B" to this Information Circular. In carrying out this mandate, the Board meets regularly and a broad range of matters are discussed and reviewed for approval. These matters include overall corporate plans and strategies, budgets, internal controls and management information systems, risk management as well as interim and annual financial and operating results. The Board is also responsible for the approval of all major transactions, including equity issuances, acquisitions and dispositions, as well as the Company's debt and borrowing policies. The Board strives to ensure that actions taken by management correspond closely with the objectives of the Board and Shareholders.

#### **Composition of the Board**

##### ***Independence***

The Board currently consists of six directors. Pursuant to the by-laws of the Company, the Board has resolved that six directors will be elected at the Meeting. Additional information for each of the directors standing for election can be found under the heading "*Annual Meeting Matters - Election of Directors*". Four of the current board members (representing 80% of the Board), being Messrs. Archibald, Bannister, Felesky, O'Neil, are independent directors as such term is defined by National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101"). Each of the independent directors has no direct or indirect material relationship with the Company, including any business or other relationship, which could reasonably be expected to interfere with the director's ability to act with a view to the best interest of the Company or which could reasonably be expected to interfere with the exercise of the director's independent judgement.

Within the meaning of NI 58-101, Messrs. Brown and Crone would not be considered independent as Mr. Brown is the Chief Executive Officer of the Company and Mr. Crone was the Executive Vice President and Interim Chief Financial Officer from April 2018 to July 2018 and was the Executive Vice President to March 2019.

##### ***Other Directorships***

Two of the Company's directors, Messrs. Crone and O'Neil, currently serve on the board of directors of other reporting issuers (or equivalent). See "*Annual Meeting Matters - Election of Directors*" in the Information Circular.



## **Board Meetings**

The attendance record for each director for all Board and committee meetings held while such persons were directors and members of specific committees is set forth under the heading “*Annual Meeting Matters - Election of Directors*”.

At all meetings, the Board and its committees conduct *in camera* sessions, at which no members of management or directors who are currently members of management are present. The *in camera* sessions are intended not only to encourage the Board and its committees to fully and independently fulfill their mandates, but also to facilitate the performance of the fiduciary duties and responsibilities of the Board and its committees on behalf of Shareholders.

## **Position Descriptions**

### **Chairman of the Board**

The Board has developed a written position description for the Chairman. The Chairman's scope, duties and responsibilities include, but are not limited to, the following:

- be satisfied that the Board is alert to its obligations to the Company and to Shareholders;
- determine the dates and locations of the meetings of the Board and the Shareholders;
- require the Board to meet at least four times annually and as many additional times as necessary for the Board to carry out its duties and responsibilities effectively;
- approve agendas for Board meetings after being satisfied such agenda enables the Board to successfully carry out its duties;
- ensure that all business that is required to be brought before a meeting of Shareholders is brought before a meeting of Shareholders;
- maintain a liaison and communication with all members of the Board and the committee chairs to co-ordinate input from all members of the Board, and optimize the effectiveness of the Board and its committees;
- endeavour to attend all meetings of the Board and the Shareholders;
- be satisfied that the Board receives adequate and regular updates from the management on all issues important to the welfare and future of the Company;
- be satisfied that information requested by members of the Board or its committees of the Board is provided and meets their needs;
- review conflict of interest issues with respect to members of the Board as they arise;
- provide leadership to enable the Board to act as a team in carrying out its duties and responsibilities;
- chair *in camera* meetings of the Board, without management present, at every Board meeting; and
- provide advice, counsel and mentorship to the fellow members of the Board.

### **Committee Chairs**

The Board has not developed separate written position descriptions for the chair of each Board committee. Instead, the Board has adopted written mandates for each of the Audit Committee, Reserves Committee, Compensation Committee and Environment, Health & Safety Committee. Each of the written

mandates provides that the chair will preside as chairman at each committee meeting and will lead the committee discussion on meeting agenda items.

### **Chief Executive Officer**

The Board has developed a written position description for the CEO. The CEO's scope, duties and responsibilities include, but are not limited to, the following:

- maintaining a high level of integrity and assisting in creating a culture of integrity throughout the Company;
- working with the Board to determine the strategic direction of the Company;
- leading and assisting the Board in developing short-term and long-term plans and objectives to achieve the strategies of the Company;
- from time to time, determining with the Board, the budgets of the Company and the Board's expectations of the CEO;
- undertaking the day-to-day management and operation of the Company and providing leadership designed to achieve the objectives of the Company;
- steward the Company's expenditures within approved budgets;
- developing senior management succession and development plans and reporting to the Board at least annually on such plans including recommending candidates for appointment as officers and senior management of the Company to the Board;
- ensuring appropriate policies and procedures of the Company are developed, maintained and disclosed;
- providing appropriate certifications regarding the Company and its activities, as may be required from time to time;
- ensuring that procedures are in place for appropriate communication to all stakeholders regarding the Company's activities and objectives; and
- complying with all stock exchange, regulatory and statutory requirements.

### **Orientation and Continuing Education**

The Board is mandated to oversee an orientation and education program for new directors and to provide ongoing educational opportunities for all directors. The objectives of such programs are to ensure that new directors fully understand: (i) the role of the Board and its committees; (ii) the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the Company expects from its directors); and (iii) the nature and operation of the Company's affairs.

Continuing education opportunities are directed at enabling individual directors to maintain or enhance their skills and abilities as directors, as well as ensuring that their knowledge and understanding of the Company's affairs remains current.

All new directors will be provided with a baseline of knowledge about the Company and its subsidiaries as deemed appropriate.

### **Ethical Business Conduct**

The Company has adopted a Code of Business Conduct and Ethics (the "**Code**"), which applies to all directors, officers, employees, contractors and partners of the Company. A complete copy of the Code is available under the Company's electronic profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Company expects

that its directors, officers, employees, contractors and partners will adhere to the highest ethical standards in all of the Company's business activities. The Company's directors, officers, employees and consultants are expected to deal fairly with securityholders, customers, suppliers and competitors.

The Board and management of Cequence monitor compliance with the Code. All directors, officers, employees, contractors and partners are encouraged to report violations of the Code in accordance with the procedures set forth in the Company's Whistleblower Policy (the "**Whistleblower Policy**"), which provides for the prompt reporting of any violations to an employee's supervisor, or alternatively, to any senior officer or director or to the Chairman. The Whistleblower Policy also promotes, among other things, the disclosure and reporting of any questionable accounting or auditing matters, fraudulent or misleading financial information.

No material change reports have been filed since the beginning of the Company's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.

Each director must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such director has a conflict of interest. In addition, the director must excuse himself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest. Pursuant to the Company's Corporate Disclosure Policy (the "**Disclosure Policy**"), the directors and officers of the Company are required to publicly disclose their aggregate ownership interest in any entity which the Company enters into a transaction with.

The Board has reviewed and approved the Disclosure Policy, in order to promote consistent disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information to the market, in accordance with applicable securities legislation.

### **Nomination of Directors**

The process for identifying and recommending the nomination of new Board candidates has been set forth in the written mandate of the Nominating and Corporate Governance Committee. On November 8, 2018 the Nominating and Corporate Governance Committee was dissolved, and the Board assumed the functions and responsibilities of the Committee from and after that date. In assuming the role of the Nominating and Corporate Governance Committee, the Board has adopted and incorporated the written mandate of the Nominating and Corporate Governance Committee.

The Board determines the competencies and skills it considers necessary for the Board as a whole to possess, as well as the skills the Board considers each existing director possesses. The Board then identifies potential new Board members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity, which assessment will include a consideration of diversity, age, skills, competencies and experience in the context of the needs of the Board.

Following a decision by the Board to appoint a new director, the Board and management of the Company will approach nominees to ascertain their willingness to serve as a member of the Board. If a candidate agrees to join the Board, the Company will nominate such person for the election at the next annual meeting of Shareholders or the Board will appoint such person to fill any vacancies between annual meetings of the Shareholders.

### **Director Term Limits**

The Board believes that issues relating to board effectiveness, board renewal and board succession planning are best addressed by a strong chair and independent-thinking board members. The Board is concerned that imposing arbitrary and inflexible director term limits may result in Cequence losing valued directors at a time when Cequence most needs their skills, qualities and contributions, as well as their knowledge of the history and culture of the Company. Mandatory retirement ages pose the same risk, and the Board does not want to risk the loss of key directors to retirement policies that seem unnecessarily arbitrary and inflexible when such policies may require a high performing director to retire from the Board.

As a result, the Board does not feel that it would be appropriate to set term limits for its directors but rather relies on the experience of its members to determine when changes to the Board's composition are appropriate.

### **Representation of Women on the Board and in Executive Officer Positions**

The Board has not adopted any written policy relating to the identification and nomination of women directors and does not specifically consider the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board. The Board evaluates potential nominees to the Board by reviewing the individual qualifications of prospective board members by considering such person's diversity, age, skills, competencies and experience, and then, based on that review determines if the candidate's qualifications are relevant taking into consideration the current Board composition and the anticipated skills required to round out the capabilities of the Board.

Cequence has not adopted a specific target regarding women on its Board. When identifying potential nominees to the Board, the Board focuses on the current Board composition and the anticipated skills required to round out the capabilities of the Board. As at the date hereof, none of the members of the Board are women.

The Board does not consider the level of representation of women in executive officer positions when making executive officer appointments and has not adopted a specific target regarding women in executive officer positions; however, Cequence is an equal opportunity employer committed to treating people fairly, with respect and dignity, and to offering equal employment opportunities based upon an individual's qualifications and performance. Candidates for employment are selected based on the primary considerations of experience, skill and ability. As at the date hereof, one out of five (20%) of the executive officers of the Company are women.

### **Board Committees and their Mandates**

The Board has three standing committees, being the Audit Committee, the Compensation Committee and the Reserves and Environment, Health & Safety Committee. The following is a description of the committees and their current membership.

#### ***Audit Committee***

**Chair:** Brian Felesky

**Members:** Donald Archibald and Peter Bannister

*(Note: Daryl Gilbert was previously a member of the Audit Committee and resigned from the Board and the Audit Committee on March 12, 2019.)*

The Audit Committee is constituted with three independent directors. The Board has determined that all of the members of the Audit Committee are "financially literate" as defined in National Instrument 52-110 *Audit Committees*. An individual is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements. The primary functions of the Audit Committee include:

- consider and make a recommendation to the Board as to the nomination or re-appointment of the external auditor for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services, ensuring that such auditor is a participant in good standing pursuant to applicable laws;
- consider and make a recommendation to the Board as to the compensation of the external auditor which is to be paid by the Company;
- oversee the work of the external auditor in performing their audit, review or attest services and oversee the resolution of any disagreements between management of the Company and the external auditor;

- review and discuss with the external auditor all significant relationships that the external auditor and its affiliates have with the Company and its affiliates in order to determine the external auditor's independence;
- as may be required by applicable securities laws, rules and guidelines, either:
  - pre-approve all non-audit services to be provided by the external auditor to the Company (and its subsidiaries, if any); or
  - adopt specific policies and procedures for the engagement of the external auditor for the purposes of the provision of non-audit services;
- review and approve the hiring policies of the Company regarding partners and employees and former partners and employees of the present and former external auditor of the Company;
- review with management and the external auditor, and recommend to the Board for approval, the annual and interim financial statements of the Company and related annual and interim financial reporting, including management's discussion and analysis and earnings press releases;
- upon completion of each audit, review with the external auditor the results of such audit;
- review with management and recommend to the Board for approval, any financial statements of the Company (excluding pro forma financial statements, unless such review is requested by the Board) which have not previously been approved by the Board and which are to be included in a prospectus or other public disclosure document of the Company;
- consider and be satisfied that adequate policies and procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, and periodically assess the adequacy of such procedures;
- review accounting, tax, legal and financial aspects of the operations of the Company as the Audit Committee considers appropriate;
- review with management and the external auditor, the adequacy and effectiveness of the internal control and management information systems and procedures of the Company (with particular attention given to accounting, financial statements and financial reporting matters) and determine whether the Company is in compliance with applicable legal and regulatory requirements and with the Company's policies;
- read the external auditor's recommendations regarding any matters, including internal control and management information systems and procedures, and management's responses thereto;
- establish procedures for the receipt, retention and treatment of complaints, submissions and concerns regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- if requested by the Board, review the appropriateness and effectiveness of the Company's policies and business practices which impact on the financial integrity of the Company, including those relating to accounting and management reporting. The Audit Committee may, if requested by the Board, also review the financial risks arising from the Company's exposure to such things as commodity prices, interest rates, foreign currency exchange rates and credit, the activities of the Company's marketing group, the Company's insurance program and tax or government audits and report the results of such reviews to the Board for the purpose of assisting the Board in identifying the principal business risks associated with the business of the Company.

The Audit Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors.

The Chair of the Audit Committee holds *in camera* meetings, without management present, at every regularly scheduled meeting of the Audit Committee. The Audit Committee meets at least four times annually.

Further information relating to the Audit Committee can be found under the heading “*Audit Committee*” in the AIF.

### ***Reserves and Environment, Health & Safety Committee***

**Chair:** Dan O’Neil

**Members:** Peter Bannister and Howard Crone

*(Note: Daryl Gilbert was previously a member of the Reserves, Environment, Health & Safety Committee and resigned from the Board and the Reserves, Environment, Health & Safety Committee on March 12, 2019.)*

The Reserves and Environment, Health & Safety Committee is composed of three directors, two of whom are independent (as such term is defined in accordance with National Instrument 51-101 *Standards of Disclosure For Oil and Gas Activities* (“**NI 51-101**”)) Mr. Crone is not independent because he served as the Executive Vice President and Interim Chief Financial Officer of the Company within the past 12 months. The primary functions of the Reserves and Environment, Health & Safety Committee include:

#### Reserves Functions

- review at least annually, the Company's procedures relating to disclosure of information with respect to the oil and gas activities of the Company, including its procedures for complying with the disclosure requirements and restrictions of NI 51-101;
- review annually the qualifications and independence of the qualified reserves evaluator(s) to be appointed or re-appointed by the Board and in the case of any proposed change in the reserves evaluator(s), determine the reasons for the proposed change and whether there have been any disputes between the appointed reserves evaluator(s) and management of the Company;
- review at least annually the Company's procedures for providing information to the reserves evaluator(s) for the purposes of its report on reserves data of the Company under NI 51-101;
- before recommending that the Board approve the filing of the statement of reserves data and other oil and gas information of the Company, the report of management and directors on oil and gas disclosure and the report of the reserves evaluator(s) on reserves data with the applicable regulatory authorities, to meet with management and each of the reserves evaluator(s) to:
  - determine whether any restrictions affect the ability of the reserves evaluator(s) to report on the reserves data of the Company without reservation; and
  - review the statement of reserves data and other oil and gas information and the report of the reserves evaluator(s) on reserves data;
- review the content and filing of: (i) the statement of reserves data and other oil and gas information; (ii) the report of reserves evaluator(s) on reserves data; and (iii) the report of management and directors on oil and gas disclosure as contemplated by NI 51-101 and to make a recommendation to the Board as to whether to approve the content and filing of such documents;
- review any public disclosure or regulatory filings with respect to any reserves or resources evaluations and oil and gas activities, including any material change reports containing such information, and the compliance thereof with applicable regulatory requirements, and, if appropriate, make recommendations to the Board as to their approval for the release or filing thereof;
- co-ordinate meetings with the Audit Committee, the Company's senior reserve personnel, the reserves evaluator(s) and the external auditor as may be determined advisable by the Reserves and Environment, Health & Safety Committee to address matters of mutual interest or concern in respect of the Company's evaluation of oil and natural gas reserves and resources;

- perform any other activities consistent with this mandate and, generally, governing laws as the Reserves and Environment, Health & Safety Committee or the Board deems necessary or appropriate;

#### Environmental, Health & Safety Functions

- report to the Board on matters coming before the Reserves and Environment, Health & Safety Committee relating to environmental, health and safety policies and activities of the Company for consideration;
- review and monitor the environmental policies and activities of the Company on behalf of the Board to ensure that the Company is in compliance with environmental laws and legislation and that the Company conforms with industry standards;
- review and monitor the health and safety policies and activities of the Company on behalf of the Board to ensure compliance with applicable laws, legislation and policies as they relate to the health and safety of the Company's employees in the workplace;
- review environmental, health and safety compliance issues and incidents of non-compliance to determine, on behalf of the Board, that the Company is taking all necessary action in respect of those matters and that the Company has been duly diligent in carrying out its responsibilities and activities in that regard;
- review significant external or internal audit or consultants' reports relating to environmental, health or safety matters;
- review significant legislative and regulatory changes including policy proposals and modifications that could materially impact the Company;
- review and report to the Board on the sufficiency of resources available for carrying out the actions and activities recommended; and
- report on a timely basis and at least annually to the Board on environmental, health and safety issues and on the state of compliance with applicable laws and legislation and adherence to the policies of the Company.

The Reserves and Environment, Health & Safety Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors.

The Chair of the Reserves and Environment, Health & Safety Committee holds *in camera* meetings, without management present, at every regularly scheduled meeting of the and Environmental, Health & Safety Committee. The Reserves and Environment, Health & Safety Committee meets at least once annually.

#### **Compensation Committee**

**Chair:** Don Archibald

**Members:** Brian Felesky, Dan O'Neil, Peter Bannister, Todd Brown and Howard Crone

The Compensation Committee is constituted with four independent directors and two non-independent members. Mr. Brown is not independent within the meaning of NI 58-101 because he is the Chief Executive Officer of the Company, and Mr. Crone is not independent within the meaning of NI 58-101 because he served as the Executive Vice President and Interim Chief Financial Officer of the Company within the past three years. The Chair of the Compensation Committee is independent. The primary functions of the Compensation Committee include:

- review and recommend for approval by the Board, the Company's key human resources policies;
- review and recommend for approval by the Board, the executive compensation philosophy and remuneration policy for the Company;

- evaluate annually the performance of the President and CEO and recommend to the Board his annual compensation package and performance objectives;
- review annually and recommend to the Board the annual compensation package and performance objectives of the other executive officers;
- annually determine and recommend to the Board any bonuses to be paid and if requested by the Board, determine and recommend any special bonuses to be paid;
- review and recommend to the Board any significant changes to the overall compensation program;
- review the adequacy and form of the compensation of directors periodically to determine if the compensation realistically reflects the responsibilities and risks involved in being an effective director, and report and make recommendations to the Board accordingly;
- report annually to the Shareholders on executive compensation;
- review the grants of securities under the Option Plan, RSU Plan or any other incentive compensation plan or equity-based plan, at the request of the Board; and
- perform any other activities consistent with this mandate, the Company's by-laws and governing laws as the Compensation Committee or the Board deems necessary or appropriate.

The Compensation Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors.

The directors of the Compensation Committee hold *in camera* meetings without management present and, if required, without the non-independent director present, at regularly scheduled meetings of the Compensation Committee. The Compensation Committee meets at least one time annually.

Members of the Compensation Committee have experience with compensation matters, having served on the boards of other reporting issuers and, in the case of Mr. Archibald, having been responsible for the administration of compensation programs of issuers for which he served as Chief Executive Officer. In addition, Messrs. Crone and Gilbert have each served on the compensation committees of other reporting issuers.

### **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee was dissolved in 2018 and its functions are now being performed by the Board. The primary functions performed by the Board related to governance include:

#### Corporate Governance Functions of the Board

- consider the corporate governance practices of the Company, monitor developments in corporate governance and satisfy itself that the Company follows appropriate and proper corporate governance practices;
- assess the functioning and effectiveness of the Board and its individual members on an annual basis;
- assess, from time to time, the need for, and the performance and suitability of, the committees of the Board and their individual members (including matters such as the appointment, removal or replacement of committee members and committee chairs);
- develop and review on an annual basis the mandates for the Board, the committees of the Board and the position descriptions for the Chairman and CEO;
- review the Code for directors, officers and employees of the Company and its procedures;
- monitor compliance with the Code, including the status of complaints received from investigations conducted, as well as on employee training;



- assess the effectiveness of the working relationship and communications between the Board and management of the Company and satisfy itself that any issues relating to governance which are identified by the Board are raised with management;
- review, at the request of the Board, all significant proposed related party transactions and situations involving a potential conflict of interest;
- review Board structures and procedures to be satisfied that the Board functions independently of management;
- assess the availability, relevance and timeliness of information required by the Board;
- review the annual corporate governance disclosure of the Company in its annual information form, information circular and/or annual report;

#### Nomination Functions

- determine the competencies and skills the Board considers necessary for the Board, as a whole, to possess;
- determine the competencies and skills the Board considers each existing director to possess;
- identify potential Board members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity, such assessment will include a consideration of diversity, age, skills, competencies and experience in the context of the needs of the Board;
- nominate nominees for election at the next annual meeting of Shareholders or to be appointed to fill vacancies between annual meetings of the Shareholders;
- approach nominees to ascertain their willingness to serve as a member of the Board;
- consider, when suggesting new nominees, whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board, including a review of other boards of which the nominee is a member;
- appoint directors to each Board committee, including filling any vacancies on such committees;
- ensure there is a succession plan for the position of Chairman and the Company's Chief Executive Officer and for the appointment, training and monitoring of senior management; and
- ensure the comprehensive orientation of new directors and providing continuing education opportunities for all directors so they may maintain or enhance their skills and abilities as directors as well as to ensure their knowledge and understanding of the Company's business remains current.

#### **Assessments**

The Board is responsible for ensuring that there is a process in place for annually evaluating the effectiveness and contribution of the Board, the committees of the Board and the individual directors based on their applicable terms of reference or position description.

The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. In addition to any other matters the Board deems relevant, the assessments will consider in the case of the Board or a committee, the applicable terms of reference, the applicable position descriptions, as well as the competencies and skills each individual director is expected to bring to the Board.

## **APPENDIX “B”**

### **BOARD OF DIRECTORS TERMS OF REFERENCE**

The Board of Directors (the “Board”) of Cequence Energy Ltd. (the “Corporation”) shall have the oversight responsibility, authority and specific duties as described below.

#### **Composition**

##### Directors and Chairman

The Board shall appoint a chairman (the “Chairman”) from amongst the directors which comprise the Board. The majority of the directors and the Chairman must to the extent possible be independent, as defined under applicable securities laws, rules or guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules.

To ensure efficient, independent functioning of the Board, the Chairman shall be the effective leader of the Board. As such, the Chairman is responsible for ensuring that the Board's agenda enables the Board to successfully carry out its duties.

##### Committees

In addition to any other committees (including special committees) which the Board may in its discretion constitute from time to time, the Board shall have the following standing committees:

- Audit Committee;
- Reserves and Environment, Health and Safety Committee; and
- Compensation Committee.

Certain of the responsibilities of the Board may be delegated to these or other committees of the Board. The composition and responsibilities of these standing committees and any other standing committees of the Board will be as set forth in their terms of reference, as amended from time to time, and approved by the Board.

Committee members shall be appointed by the Board. The chair of each committee may be designated by the Board or, failing that, by the members of the particular committee. At each meeting of the Board, the chair of each committee (or such committee member as the chair may designate) shall report the results of meetings and any associated recommendations.

#### **Board Membership Nomination and Evaluation**

The Board shall, among other things, be responsible for identifying and nominating director candidates. As well, the Board will ensure an orientation program is provided to new directors.

In addition, the Board is responsible for annually evaluating the effectiveness and contribution of the Board, the committees of the Board and the individual directors of the Board.

#### **Communication**

To ensure that the Corporation has in place policies and programs that enable the Corporation to communicate effectively and in a timely manner with its shareholders, other stakeholders, analysts and the public generally the Board has adopted a corporate disclosure policy.

## **Meetings and Record Keeping**

The Board shall meet regularly and at least quarterly at such times and at such locations as the Chairman or a majority of the directors shall determine. Further:

1. Notice of meetings shall be given to each director not less than 48 hours before the time of the meeting (unless such notice period is waived). Meetings of the Board may be held without formal notice if all of the directors are present and do not object to notice not having been given, or if those absent waive notice in any manner before or after the meeting. The notice of the meeting may be delivered personally, given by mail, facsimile or other electronic means of communication.
2. Each member of the Board is expected to attend Board meetings and meetings of committees on which he or she is a member and to be familiar with deliberations and decisions as soon as possible after any missed meetings. Members of the Board are expected to prepare for meetings by reviewing the meeting materials distributed to members of the Board prior to such meetings.
3. The independent directors of the Board shall regularly hold *in camera* sessions of the Board, with only independent directors present and at such times as the independent directors or Chairman determine advisable.
4. A quorum for meetings shall be a majority of the members of the Board, present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to hear each other.
5. If the Chairman is not present at any meeting, one of the other directors who is present at the meeting shall be chosen by the Board to preside at the meeting.
6. The Chairman shall, in consultation with management, establish agendas for the meetings that enable the Board to successfully carry out its duties and instruct management to circulate appropriate agenda materials to the Board with sufficient time for study prior to the meeting.
7. Every question at a Board meeting shall be decided by a majority of the votes cast.
8. Management shall receive notice of meetings and may attend meetings of the Board at the invitation of the Chairman.
9. The Corporate Secretary of the Corporation, or any other person selected by the Board, shall act as secretary for the purpose of recording the minutes of each meeting.
10. The minutes of the meeting of the Board shall be placed in the Corporation's minute book.

## **Duties and Responsibilities**

In accordance with applicable laws, the Board is required to always act honestly and in good faith with a view to the best interests of the Corporation.

The Board is responsible for the stewardship of the Corporation and overseeing the management of the business of the Corporation. The responsibilities of the Board include:

1. to the extent feasible, satisfying itself as to the integrity of the executive officers and that the executive officers create a culture of integrity throughout the Corporation;
2. satisfy itself that the executive officers are complying with the Corporation's policies and Code of Business Conduct;
3. adopting a strategic planning process and approving, at least on an annual basis, a strategic plan/budget for the Corporation which takes into account, among other things, the opportunities and risks of the business;
4. identifying the principal risks of the Corporation's business, and ensuring appropriate systems are implemented to manage these risks;

5. reviewing on an annual basis the Corporation's compliance with the Disclosure Policy and ensuring that the Disclosure Committee is effectively implementing the disclosure policy;
6. ensuring that the Corporation has appropriate processes in place to effectively communicate with its employees, government authorities, other stakeholders and the public;
7. ensuring the necessary internal controls and management systems are in place that effectively monitor the Corporation's operations and ensure compliance with applicable laws, regulations and policies, including reviewing on an annual basis the controls and procedures established for the certification of financial and other disclosure made by the Corporation;
8. satisfying itself that the Corporation is taking appropriate actions with regards to health and safety matters;
9. developing clear position descriptions for the Chairman and Chief Executive Officer;
10. reviewing and approving, as appropriate, the recommendations of any committees of the Board;
11. developing or approving the corporate goals and objectives that the Chief Executive Officer is responsible for meeting; and
12. establishing, if required, an appropriate system of corporate governance principles and guidelines applicable to the Corporation.

### **Stakeholder Communication**

Any stakeholder may contact the Board by e-mail or in writing at Donald Archibald, Attention: Chairman of Board of Directors, 1400, 215 – 9<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 1K3, Telephone: (403) 660-8906, Email: d.archibald@cequence-energy.com. Matters relating to the Corporation's accounting, internal accounting control or audit matters will be referred to the Audit Committee. Other matters will be referred to the Chairman.

### **Review of Terms of Reference**

The Board shall review and assess these Terms of Reference and any governance principles and guidelines established by the Board at least annually.