



CEQUENCE ENERGY ANNOUNCES FIRST QUARTER FINANCIAL RESULTS

CALGARY, May 14, 2020 – Cequence Energy Ltd. ("Cequence" or the "Company") (TSX: CQE) is pleased to announce its operating and financial results for the three months ended March 31, 2020. The Company's Management's Discussion and Analysis ("MD&A") and Condensed Consolidated Financial Statements are available at cequence-energy.com and on SEDAR at www.sedar.com.

HIGHLIGHTS

- Production was 5,669 boe/d for the three months ended March 31, 2020 compared to 5,964 boe/d for the same period in 2019, 25% which was comprised of crude oil and liquids for both periods.
- The Company entered into a farm-in agreement in December 2019 and equipped and brought onto production two shut-in Simonette Montney horizontal crude oil wells in the three months ended March 31, 2020. The wells produced a combined 532 bbls/d and 417 bbls/d of crude oil on a producing day basis in February and March, respectively. Capital expenditures for the three months ended March 31, 2020 were \$3.3 million primarily to bring these two wells back on production.
- Cost reductions were implemented in response to the collapse in oil prices in March 2020 including shutting in uneconomic production, negotiating price reductions with vendors, rolling back compensation and laying off certain employees and contract staff. The Company has shut in approximately 1,050 boe/d of uneconomic production as at April 30, 2020 and expects to realize approximately \$5.0 million in cost reductions in 2020.

SELECTED INFORMATION

(in thousands of dollars except production volumes, per share and \$/boe amounts)	Three months ended March 31,	
	2020	2019
Financial		
Total revenue ⁽¹⁾	\$11,762	\$16,637
Net loss and comprehensive loss	(111,160)	(3,814)
Per share – basic and diluted	(2.66)	(0.16)
Net loss and comprehensive loss before impairment	(1,290)	(3,814)
Funds flow from operations ⁽¹⁾	997	5,364
Per share - basic and diluted	0.02	0.22
Capital expenditures, before acquisitions (dispositions)	3,264	2,184
Total assets	159,796	277,898
Net debt ⁽¹⁾⁽ⁱ⁾	56,780	62,269
Production volumes		
Natural gas (mcf/d)	25,425	26,689
Crude oil (bbls/d)	663	916
Natural gas liquids (bbls/d)	269	183
Condensate (bbls/d)	500	417
Total (boe/d)	5,669	5,964
Netback (\$/boe)		
Price, including realized hedges	\$22.80	\$31.00
Operating netback ⁽¹⁾	\$5.30	\$13.56

^o Certain accrued liabilities relating to operating expenses for periods prior to January 1, 2018 were overstated by an aggregate \$9.6 million. Net debt for the period ended March 31, 2019 was reduced by \$9.6 million as a result of this restatement. Please see the "Restatement of Previously Issued Financial Statements" section in the Company's December 31, 2019 MD&A and Audited Consolidated Financial Statements.

¹ Refer to "Non-IFRS Measures" in this press release for further information.



Funds flow from operations⁽¹⁾ was \$1.0 million for the three months ended March 31, 2020, \$4.4 million lower than the same prior year period. The decrease in funds flow from operations⁽¹⁾ compared to the prior year period was due primarily to lower realized prices for all products and reduced crude oil volumes, mainly as a result of the effects of the COVID-19 pandemic on the domestic and global economy.

Crude oil prices declined significantly through the three months ended March 31, 2020 driven by excess supply and reduced demand. Significant demand destruction was caused by the COVID-19 pandemic and the resulting global economic shutdown. The supply/demand imbalance has resulted in lower forecast future commodity prices. As a result of lower prices and the related economic value decline of the Company's oil and gas reserves, the Company incurred a non-cash impairment charge of \$109.9 million for the three months ended March 31, 2020. The impairment charge does not impact the Company's funds flow and is reversible in future periods should there be indications of an impairment reversal, including higher forecast commodity prices.

BENCHMARK PRICING

	Three months ended March 31,	
	2020	2019
AECO-C spot gas (CDN\$/mcf)	\$2.03	\$2.62
Ontario Dawn gas (CDN\$/mcf)	2.36	3.87
WTI crude oil (US\$/bbl)	46.17	54.90
Edmonton City Gate oil (CDN\$/bbl)	51.62	66.43
US\$/CDN\$ exchange rate	0.74	0.75

Crude oil prices declined through the first three months of 2020 with West Texas Intermediate ("WTI") averaging US\$57.53 in January and US\$30.45 in March. The significant decline was due to the expiry of the supply agreement between OPEC and Russia at the end of March 2020 compounded by the World Health Organization declaring COVID-19 a pandemic global health risk. Governments around the world responded to the declaration by implementing measures restricting population movement to limit the spread of the disease, in the process shutting down significant pieces of the global economy and resulting in a significant decline in world oil demand. The increased supply with the expiry of the OPEC plus Russia agreement and reduced oil demand put downward pressure on prices.

Natural gas prices remained below thresholds where investment in natural gas wells was economically beneficial. AECO prices averaged \$2.03/mcf for the three months ended March 31, 2020 compared to \$2.62/mcf for the same prior year period.



OPERATIONS

	Three months ended March 31,			
	2020		2019	
	(\$ thousands)	(\$/boe)	(\$ thousands)	(\$/boe)
Sales of natural gas, crude oil and condensate	\$11,156	\$21.62	\$15,651	\$29.16
Realized gain on commodity contracts	606	1.18	986	1.84
Total revenue ⁽¹⁾	11,762	22.80	16,637	31.00
Royalties expense	1,133	2.20	882	1.64
	10,629	20.60	15,755	29.36
Operating expense	5,600	10.86	6,131	11.42
Transportation expense	2,290	4.44	2,350	4.38
Operating netback ⁽¹⁾	2,739	5.30	7,274	13.56
General and administrative expense	1,118	2.17	1,156	2.15
Finance expense	830	1.61	982	1.84
Cash netback ⁽¹⁾	791	\$1.52	5,136	\$9.57
Unrealized loss (gain) on derivative financial instruments	(1,412)		2,790	
Depletion and depreciation expense	4,270		6,076	
Impairment	109,870		-	
Share-based payment expense	51		135	
Other income	(828)		(51)	
Net loss and comprehensive loss	\$(111,160)		\$(3,814)	

¹ Refer to "Non-IFRS Measures" in this press release for further information.

Production for the three months ended March 31, 2020 averaged 5,669 boe/d compared to 5,964 boe/d for the same prior year period. Higher 2019 oil production was due to the Company's Dunvegan horizontal oil wells that were completed and tied in, in early 2019. Natural gas production declined for the three months ended March 31, 2020 compared to the same prior year period due to natural declines. Crude oil and liquids production as a percentage of total production was 25 percent in the three months ended March 31, 2020 the same as in the prior year period.

In the three months ended March 31, 2020, the Company brought on to production two shut-in Simonette Montney horizontal crude oil wells under a farm-in agreement entered into in December 2019. In exchange the Company receives a majority interest in the wells until the capital invested is repaid at which time the Company's working interest will be reduced to 50%. The wells produced a combined 532 bbls and 291 bbls of crude oil per calendar day in February and March, respectively. With the significant decline in crude oil prices in March 2020, one well was shut-in in the middle of March and the second one at the end of April.

Operating netback⁽¹⁾ was \$5.30 per boe for the three months ended March 31, 2020 compared to \$13.56 per boe for the same prior year period. The decrease was due to lower realized prices for all products, lower oil and natural gas production and higher royalties expense. These were partially offset by lower operating expenses.

Operating expenses for the three months ended March 31, 2020 were \$5.6 million or \$10.86 per boe compared to \$6.1 million or \$11.42 per boe for the same prior year period. Operating expenses decreased for the three months ended March 31, 2020 compared to the same prior year period due to workover, swabbing and chemical expenses incurred in 2019 to optimize and reactivate production. Three (net) Montney wells were reactivated and production from the Dunvegan oil wells completed in the three months ended March 31, 2019 was improved.

In response to declining cashflows and crude oil prices the Company implemented cost reduction measures in the three months ended March 31, 2020 including shutting in uneconomic production, initiating

negotiations with vendors for cost savings, compensation reductions for all employees including reductions for executives ranging from 10% to 20%, reduction of contract staff and temporary layoffs for certain employees. In addition, bonus plans were suspended, and Board fees were reduced by 50%.

Capital Expenditures

(in thousands of dollars)	Three months ended	
	March 31,	
	2020	2019
Land	\$102	\$153
Geological & geophysical and capitalized overhead	184	191
Drilling, completions and workovers	1,785	1,433
Equipment, facilities and tie-ins	1,191	404
Office furniture & equipment	2	3
Capital expenditures	3,264	2,184
Acquisitions	-	-
Dispositions ⁽ⁱ⁾	-	1
Total capital expenditures	\$3,264	\$2,185

(i) Represent the cash proceeds from the sale of assets.

Capital expenditures for the three months ended March 31, 2020 focused on the Company bringing on to production two shut-in Simonette Montney horizontal crude oil wells per the December 2019 farm-in agreement as described above under "Operations".

OUTLOOK

Sequence is closely monitoring the situation surrounding COVID-19 and taking proactive steps to ensure the safety of its employees, customers and the continuity of its operations. Due to the decrease in crude oil prices, continuing price volatility, the economic effects of COVID-19 and concerns of a global economic slowdown, the Company is not providing an outlook for 2020 at this time.

Forward-looking Statements or Information

Certain statements included in this press release constitute forward-looking statements or forward-looking information under applicable securities legislation. Such forward-looking statements or information are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Forward-looking statements or information typically contain statements with words such as "believe", "expect", "plan", "estimate", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this press release may include, but are not limited to, statements with respect to: projections with respect to the Company's production, including the effects of well optimization and enhancements on production; future performance expectations of the farm-in to two shut-in Montney oil wells and their impact on funds flow from operations⁽¹⁾ and working capital; the projection of future royalty, operating, transportation and G&A expenses; the expectation of operating and G&A savings due to cost reduction measures; projections relating to the volatility of crude oil and natural gas prices in 2020 and beyond; the potential to reverse the non-cash impairment charge incurred by the Company as a result of lower commodity prices and related economic decline of the Company's reserves; the COVID-19 pandemic and its continuing impact on the global economy, the Company's operating and financial results, and the Company's updated budget and outlook for 2020 and beyond. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.

Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from

those anticipated by the Company and described in the forward-looking statements or information. These risks and uncertainties may cause actual results to differ materially from the forward-looking statements or information. The material risk factors affecting the Company and its business are contained in the Company's Annual Information Form which is available on SEDAR at www.sedar.com.

The forward-looking statements or information contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise unless required by applicable securities laws. The forward-looking statements or information contained in this press release are expressly qualified by this cautionary statement.

Additional Advisories

(1) Non-IFRS Measures

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

Cash netback is a measure used in the oil and gas industry to analyze profitability after general and administrative ("G&A") and finance expenses. Cash netback equals operating netback less G&A and finance expenses. Management utilizes this measure to analyze the Company's profitability for future capital investment or repayment of debt after considering costs not specifically attributable to its assets or operating areas. The "Operations" table in this press release reconciles cash netback to the IFRS measure net income (loss) and comprehensive income (loss).

Funds flow from operations is calculated as cash flow from operating activities before adjustments for decommissioning costs incurred and net change in non-cash working capital. The Company uses this measure to analyze operating performance and leverage and considers it a key measure as it demonstrates the Company's ability to generate the cash flow necessary to fund future growth through capital investment and to repay debt. Funds flow from operations per share is calculated using the same weighted average number of shares outstanding used in the calculation of net income (loss) and comprehensive income (loss) per share.

The following table reconciles funds flow from operations, to the IFRS measure, cash flow from operating activities:

(thousands of dollars)	Three months ended	
	2020	2019
Cash flow from operating activities	\$2,827	\$243
Decommissioning costs incurred	277	2,478
Net change in non-cash working capital	(2,107)	2,643
Funds flow from operations	\$997	\$5,364

Net debt is a measure that provides Cequence's total indebtedness. It is calculated as working capital deficiency (excluding commodity contracts, flow through share liability and lease liability) plus amounts outstanding in the Company's Credit Facility plus the principal value of the Company's subordinated Term Loan. Cequence uses net debt as an estimate of the Company's assets and obligations expected to be

settled in cash. The table under “Liquidity, Capital Resources and Going Concern” in the Company’s MD&A reconciles net debt.

Operating netback is a measure used in the oil and gas industry to analyze margin and cash flow. Operating netback equals revenue less royalties, operating and transportation expenses. Management utilizes this measure to analyze operating performance of its assets and operating areas, compare results to peers and to evaluate drilling prospects. The “Operations” table in this press release reconciles operating netback to the IFRS measure net income (loss) and comprehensive income (loss).

Total revenue equals production revenue gross of royalties and includes realized gains (losses) on commodity contracts. Management utilizes this measure to analyze revenue and commodity pricing and its impact on operating performance. The “Operations” table in this press release reconciles total revenue to the IFRS measure net income (loss) and comprehensive income (loss).

Oil and Gas Metrics

“boe” means barrels of oil equivalent. Boe’s are presented on the basis of one boe for six Mcf of natural gas. Disclosure provided herein in respect of boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

“boe/d” means barrel of oil equivalent per day.

“bbl” means barrels and “bbls” means barrels.

Further definitions and explanations of certain oil and gas metrics can be found in the Company’s Annual Information Form, available under the Company’s issuer profile on SEDAR (www.sedar.com).

OVERVIEW OF CEQUENCE

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

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

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