CEQUENCE ENERGY ANNOUNCES SECOND QUARTER RESULTS

CALGARY, ALBERTA, August 14, 2012 – Cequence Energy Ltd. ("Cequence" or the "Company") (TSX: CQE) is pleased to announce its operating and financial results for the second quarter ended June 30, 2012. Selected financial and operational information is outlined below and should be read in conjunction with the interim unaudited condensed consolidated financial statements and the related management's discussion and analysis ("MD&A") which have been filed on Sedar at www.sedar.com.

Financial and Operating Highlights

(000's except per share and per unit amounts)	Three months ended June 30			Six months ended June 30		
	2012	2011	**% Change**	**2012**	2011	**% Change**
Financial ($)						
Production revenue [1]	**$ 16,032**	$ 27,293	**(41)**	**$ 35,896**	$ 51,325	**(30)**
Comprehensive loss	**(6,579)**	(701)	**839**	**(14,515)**	(2,676)	**442**
Per share, basic and diluted	**(0.04)**	(0.00)	**N/A**	**(0.09)**	(0.02)	**350**
Funds flow from operations [2]	**4,563**	12,042	**(62)**	**11,318**	21,822	**(48)**
Per share, basic and diluted	**0.03**	0.08	**(63)**	**0.07**	0.16	**(56)**
Production volumes						
Natural gas (Mcf/d)	**45,042**	48,785	**(8)**	**47,483**	45,667	**4**
Crude oil (bbls/d)	**618**	599	**3**	**651**	642	**1**
Natural gas liquids (bbls/d)	**535**	396	**35**	**497**	404	**23**
Total (boe/d)	**8,660**	9,125	**(5)**	**9,062**	8,658	**5**
Sales prices						
Natural gas, including realized hedges ($/Mcf)	**$ 2.11**	$ 4.30	**(51)**	**$ 2.28**	$ 4.26	**(46)**
Crude oil ($/bbl)	**79.92**	97.80	**(18)**	**85.00**	92.80	**(8)**
Natural gas liquids ($/bbl)	**59.54**	80.15	**(26)**	**67.43**	73.02	**(8)**
Total ($/boe)	**$ 20.34**	$ 32.87	**(38)**	**$ 21.77**	$ 32.75	**(34)**
Operating Netbacks ($/boe)						
Price	**$ 20.34**	$ 32.87	**(38)**	**$ 21.77**	$ 32.75	**(34)**
Royalties	**(0.15)**	(4.29)	**(97)**	**(1.39)**	(4.34)	**(68)**
Transportation	**(2.11)**	(2.27)	**(7)**	**(2.09)**	(2.37)	**(12)**
Operating costs	**(8.32)**	(8.96)	**(7)**	**(8.13)**	(9.05)	**(10)**
Operating netback	**$ 9.76**	$ 17.35	**(44)**	**$ 10.16**	$ 16.99	**(40)**
Capital Expenditures ($)						
Capital expenditures	**$ 9,909**	$ 16,470	**(40)**	**$ 50,843**	$ 62,044	**(18)**
Property acquisitions (net)	**(2,980)**	14,134	**(121)**	**(13,922)**	(7,510)	**85**
Total capital expenditures	**$ 6,929**	$ 30,604	**(77)**	**$ 36,921**	$ 54,534	**(32)**
Net debt and working capital (deficiency) ($) [3]	**(43,855)**	(65,147)	**(33)**	**(43,855)**	(65,147)	**(33)**
Weighted average shares outstanding (basic and diluted)	**164,823**	144,314	**14**	**163,339**	137,774	**19**
Undeveloped land (net acres)	**223,200**	280,000	**(20)**	**223,200**	280,000	**(20)**

(1) Production revenue is presented gross of royalties and includes realized gains on commodity contracts.
(2) Funds flow from operations is calculated as cash flow from operating activities before adjustments for decommissioning liabilities expenditures and net changes in non-cash working capital.
(3) Net debt and working capital (deficiency) is calculated as cash and net working capital less commodity contract assets and liabilities and demand credit facilities and excluding other liabilities.

HIGHLIGHTS

The second quarter of 2012 was highlighted by the following:

- Completed equity financings for total gross proceeds of $36.1 million;
- Net debt and working capital deficiency at June 30, 2012 totalled $43.9 million, which does not include gross proceeds of $1.5 million related to the exercise of an over-allotment option on the equity issuances noted above, and the termination fee of $4.6 million which was received as a result of the termination of the proposed business combination transaction with Open Range Energy Corp;
- Average production decreased 5 percent to 8,660 boe/d for the second quarter of 2012 (45.0 MMcf/d of natural gas plus 1,153 bbls/d of oil and NGLs) as compared to the second quarter of 2011 in light of shut ins (1,400 boe/d) due to low natural gas prices and facility constraints and access;
- Disposed of non-core assets for $3 million;
- Began selling gas on the Alliance pipeline under the previously announced Aux Sable arrangement in June, 2012, resulting in an increase to natural gas liquids volumes and a higher netback as a result of reductions to processing fees on the Company's gas; and
- Improved operating costs per boe to $8.32, a reduction of 7 percent from the second quarter of 2011.

OPERATIONS REVIEW

Capital expenditures in the second quarter of 2012 were approximately $6.9 million (net), consisting primarily of: equipment and facilities expenditures related mainly to tie-ins, field gathering, a compressor project and expansion and construction related to the Aux Sable project at Simonette of $5.4 million; drilling and completion expenditures of $3.8 million; and net dispositions of $3 million.

Montney Well Results

Well	On Stream Date	Lateral Length (m)	Number of Frac Stages	Test Rate up Casing (MMcf/d) (1)	IP 30 Rate (MMcf/d)	IP 90 Rate (MMcf/d)	Cumulative Gas Produced (MMcf)(5)	Current Gas Rate (MMcf/d)(5)	Current Free Condensate Rate (bbls/d)(5)
2-22-61-27W5	2/24/2011	1,315	15	6.4	2.8	2.2	636	0.9	34
1-31-61-26W5 (2)	4/19/2011	1,642	16	14.7	6.0	6.0	1,593	1.9	24
4-04-62-26W5	1/14/2012	1,888	16	5.9	4.0	2.8	512	1.5	48
5-35-61-26W5 (3)	3/6/2012	1,922	22	11.0	3.0	N/A	156	2.9	133
10-09-62-26W5	3/9/2012	1,900	16	3.2	1.4	0.9	91	0.3	69
1-11-61-27W5	3/15/2012	1,829	16	8.9	4.9	3.4	387	1.7	19
9-25-61-27W5 (4)	3/25/2012	2,366	24	14.0	9.0	7.9	943	6.5	103
13-22-61-26W5	3/28/2012	1,828	18	12.0	7.3	6.3	571	5.6	133
Average		1,836	18	9.5	4.8	4.2	N/A	2.7	70

(1) Represents test rates up casing, which are not necessarily indicative of long-term well performance or recovery.
(2) Well produced at a restricted rate for first 43 days on production.
(3) Well is producing at restricted rates due to well site facility constraints. Well access is restricted until the winter of 2012.
(4) Well produced at a restricted rate for first 85 days on production.
(5) Based on gross production figures as of August 7, 2012.

Production

Production for the second quarter of 2012 averaged 8,660 boe/d, representing a decrease of 5 percent from the second quarter of 2011, and a decrease of 8 percent from the first quarter of 2012.

In response to low natural gas prices, Cequence shut in approximately 3.6 MMcf/d (600 boe/d) of higher cost natural gas production during the first and second quarters of 2012 and also shut in 4.8 MMcf/d (800 boe/d) of natural gas production due to capacity constraints. Further, the third party gas plant at Simonette had a scheduled plant turnaround resulting in 10 days of downtime in May of 2012, which impacted second quarter average production by approximately 500 boe/d. In total, the above had the effect of decreasing average production for the second quarter of 2012 by 1,680 boe/d. The capacity constraints have largely been resolved and the Company currently has approximately 550 boe/d of shut in production which is expected to be brought on as natural gas prices recover. These latter production curtailments had a minimal impact on cash flows during the second quarter of 2012.

Gathering and Facilities

Gathering and facilities spending in the second quarter of 2012 focused on completion of the Company's previously disclosed field gathering and expansion and compressor project at Simonette and the construction of the meter station to tie in to the Alliance pipeline at Simonette related to the Aux Sable arrangement.

The Aux Sable arrangement commenced in June, 2012 and the full effects of the arrangement are not expected to be realized until the third quarter of 2012. Capacity at the Alliance / Aux Sable meter station is 120 MMcf/d.

During the quarter, the Company installed a third compressor at Simonette, resulting in current capacity through the Simonette gathering system of 40 MMcf/d.

Other Capital

The Company has continued to rationalize its asset base by disposing of non-core assets and redeploying the capital to lower cost assets in the Deep Basin. In the second quarter of 2012, Cequence closed the disposition of undeveloped land and nominal production in the Deep Basin for proceeds of $3 million.

FINANCIAL

Cequence achieved another successful quarter in terms of improving the Company's cost structure on a per boe basis with reductions in operating costs and transportation expenses of 7 percent each, as compared to the second quarter of 2011. The reduction to operating and transportation costs is a product of the improved quality of the Company's asset base resulting from the disposition of high cost, non-core properties and drilling in the lower cost area of Simonette in 2011 and 2012. Cequence expects a continued improvement of operating costs with the commencement of the Aux Sable arrangement in June, 2012.

Funds flow from operations decreased to $4.6 million or $0.03 per share from $12.0 million or $0.08 per share in the second quarter of 2011 due to a 38 percent decrease to realized sales prices. The Company recorded a comprehensive loss of $6.6 million compared to a comprehensive loss of $0.7 million in the second quarter of 2011.

Net debt and working capital deficiency at the end of the second quarter totalled $43.9 million. Subsequent to June 30, 2012, the Company completed the sale of 1.3 million common shares at a price of $1.20 per share for gross proceeds of $1.5 million related to the exercise of an over-allotment option granted in connection with the equity issuances completed in the second quarter of 2012. Also subsequent to June 30, 2012, the Company received a termination fee of $4.6 million, prior to transaction costs, which was received as a result of the termination of the proposed business combination with Open Range Energy Corp. Neither of the above amounts have been reflected in net debt at June 30, 2012.

GUIDANCE

In light of the prevailing gas price environment, Cequence has revised its capital program for the remainder of 2012. The Company currently expects to drill and complete one horizontal Falher farm-in well and spud one net Montney well in the third quarter of 2012. Cequence's winter drilling program has been delayed until November, 2012. The Company currently plans to spud 3 net Montney horizontal wells and one Dunvegan farm-in well in the fourth quarter of 2012, with completion and tie-in of these fourth quarter wells expected to occur in the first quarter of 2013.

Paul Wanklyn, President and CEO of Cequence said the following: "We will continue to balance caution in the face of continued low gas prices with the growing confidence in our Montney results from the past winter's drilling program. We have utilized the flexibility of our capital program for the second half of 2012 and will be delaying the start of continued Montney drilling until later in the fall. In the past year we have tested a number of different completion techniques, integrated our 3D seismic interpretation of the Montney in choosing well paths, and varied both well length and frac spacing in delineating our sizeable Montney resource play. It is notable that our wells are outperforming our model and that the best well drilled to date was one of the last wells of our program with a 90 day IP rate of 1,400 boe/d. With approximately $56 million of our bank line undrawn at the end of the second quarter, Cequence remains in an excellent position to continue a significant growth strategy when gas price fundamentals improve. I have the utmost confidence in our Deep Basin technical team, many of whom have more than 25 years of experience."

Management provides the following updated guidance for the 2012 fiscal year, which was approved by the Cequence board of directors on August 14, 2012:

	2012
Average 2012 production, BOE/d (1)	8,700
Exit 2012 production, BOE/d (1)	8,400
Capital expenditures 2012, net ($) (2)	$69 million
Operating costs ($ per boe)	$7.50
Royalties (% revenue)(5)	8
Crude – WTI (US$/bbl) (3)	$89.85
Natural gas – AECO (Cdn$/GJ) (4)	$2.60
Funds flow from operations ($) (5)	$30 million
December 31, 2012 Net debt and working capital deficiency ($) (5)	$55 million
Basic shares outstanding, Dec 31 2012	191.8 million

Notes:

(1) Production figures are presented after giving effect to production curtailments which are expected to impact 2012 average production by 600 boe/d.
(2) Includes $13.9 million in net dispositions of non-core assets and undeveloped land completed in the first six months of 2012.
(3) Based on a WTI crude oil price of $89.85 US$/bbl for the six months ended December 31, 2012.
(4) Based on an AECO natural gas price of $2.60 Cdn$/GJ for the six months ended December 31, 2012.
(5) Based on the commodity price assumptions in notes 3 and 4.

The Company's financial statements and MD&A for the three and six months ended June 30, 2012 are available on SEDAR at www.sedar.com.

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Forward looking Statements or Information

Certain statements contained within this press release constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", *"predict", "potential", "targeting", "intend", "could", "might", "should", "believe", and similar expressions. Forward-looking statements in this press release include, but are not limited to, statements with respect to: projections with respect to anticipated Company production; the projected impact of land access and regulatory issues; projections relating to crude oil and natural gas prices in 2012 and beyond and reasons therefor; the Company's projected capital investment levels for 2012 and the source of funding therefor; the effect of the Company's risk management program, including the impact of derivative financial instruments; expected costs, royalty rates and net debt levels; the impact of Western Canada pipeline constraints; and the expected impact on the Company's results of the Aux Sable arrangement. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.*

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

The forward looking statements contained herein concerning production, sales prices, and capital spending are based on Cequence's 2012 capital program. The material assumptions supporting the 2012 capital program are: i) 2012 annual production of approximately 8,700 boe/d; ii) a $2.60 Cdn$/gj AECO gas price for the last six months of 2012; iii) net capital spending of approximately $69 million.

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

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.

Although Cequence believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this press release are made as of the date of this press release and, except as required by law, Cequence does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

Additional Advisories

This press release contains references to terms commonly used in the oil and gas industry. Netback is not defined by IFRS in Canada and is referred to as a non-GAAP measure. Netbacks equal total revenue less royalties, operating costs and transportation costs. Management utilizes this measure to analyze operating performance.

Funds flow from operations is a non-GAAP term that represents cash flow from operating activities before adjustments for decommissioning liabilities expenditures and changes in non-cash working capital. The Company evaluates its performance based on earnings and funds flow from operations. The Company considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash flow necessary to fund future growth through capital investment and to repay debt. The Company's calculation of funds flow from operations may not be comparable to that reported by other companies. Funds flow from operations per share is calculated using the same weighted average number of shares outstanding used in the calculation of income (loss) per share.

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

Boes are presented on the basis of one boe for six Mcf of natural gas. Disclosure provided herein in respect of boes 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.

For the first six months of 2012, the ratio between the average price of West Texas Intermediate ("WTI") crude oil at Cushing and NYMEX natural gas was approximately 40:1 ("Value Ratio"). The Value Ratio is obtained using the first six months 2012 WTI average price of $93.30 (US$/Bbl) for crude oil and the NYMEX average price of $2.35 (US$/Mcf) for natural gas. This Value Ratio is significantly different from the energy equivalency ratio of 6:1 and using a 6:1 ratio would be misleading as an indication of value.

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