CEQUENCE ENERGY ANNOUNCES SECOND QUARTER FINANCIAL RESULTS

CALGARY, August 8, 2019 – Cequence Energy Ltd. ("Cequence" or the "Company") (TSX: CQE) is pleased to announce its operating and financial results for the three and six months ended June 30, 2019. The Company's Management's Discussion and Analysis ("MD&A") and Condensed Consolidated Interim Financial Statements are available at cequence-energy.com and on SEDAR at www.sedar.com.

HIGHLIGHTS

- Optimization projects implemented in the second quarter 2019 increased production to 6,142 boe/d compared to 5,964 boe/d for the first quarter of 2019.
- Completed the repayment of $10.0 million of the $60.0 million Term Loan and amended the Term Loan agreement extending the maturity to October 2023, fixing the interest rate at 5% and cancelling the 1.8 million warrants held by the Term Loan holders.
- Issued 17.2 million common shares at a price of $0.65 per share for gross proceeds of $11.2 million on a Canadian development expense flow-through basis. Issued at a $0.31 per share premium to Cequence's closing price on June 27, 2019.
- Renewed the credit facility agreement on June 14, 2019 extending it to June 16, 2020 and maintaining the $7.0 million borrowing base.

For the six months ended June 30, 2019 funds flow from operations was $7.2 million, $1.7 million higher than the same prior year period. Production was 6,053 boe/d compared to 6,651 boe/d for the same prior year period. The increased funds flow was due to higher crude oil production and realized pricing, higher natural gas pricing and lower finance expenses.

SELECTED INFORMATION

(in thousands of dollars except production volumes, per share and $/boe amounts)	**Three months ended June 30,**		**Six months ended June 30,**	
	2019	2018	**2019**	2018
Financial				
Total revenue[1]	**$12,966**	$14,613	**$29,603**	$29,057
Net loss and comprehensive loss [ii]	**(2,464)**	(2,745)	**(6,278)**	(6,470)
Per share – basic and diluted[i]	**(0.10)**	(0.22)	**(0.25)**	(0.53)
Funds flow from operations[1] [ii]	**1,806**	2,191	**7,170**	5,427
Per share - basic and diluted[i]	**0.07**	0.18	**0.29**	0.44
Capital expenditures, before acquisitions (dispositions)	**1,163**	1,830	**3,347**	9,284
Total assets			**270,645**	272,669
Net debt[1]			**61,236**	73,486
Production volumes				
Natural gas (Mcf/d)	**29,007**	28,628	**27,854**	31,711
Crude oil (bbls/d)	**747**	864	**831**	556
Natural gas liquids (bbls/d)	**186**	240	**184**	257
Condensate (bbls/d)	**374**	459	**396**	553
Total (boe/d)	**6,142**	6,334	**6,053**	6,651
Netback ($/boe)				
Price, including realized hedges	**$23.20**	$25.35	**$27.02**	$24.14
Operating netback[1]	**$7.92**	$8.82	**$10.67**	$9.11

(i) Prior period common shares, stock options, warrants, restricted share units and per share amounts have been restated to reflect the 2018 share consolidation where one post-consolidation common share was equal to 20 pre-consolidation common shares.
(ii) During the three and six months ended June 30, 2019 Cequence incurred $0.5 million of due diligence fees paid to the Term Debt holders.

[1] Refer to "Non-IFRS Measures" section for further information.

OPERATIONS

	Three months ended June 30, 2019		2018	
	($ thousands)	*($/boe)*	*($ thousands)*	*($/boe)*
Sales of natural gas, oil and condensate	**$12,639**	**$22.61**	$15,720	$27.27
Realized gain (loss) on commodity contracts	**327**	**0.59**	(1,107)	(1.92)
Total revenue(1)	**12,966**	**23.20**	14,613	25.35
Royalties expense	**704**	**1.26**	1,043	1.81
	12,262	**21.94**	13,570	23.54
Operating expense	**5,501**	**9.84**	6,758	11.72
Transportation expense	**2,337**	**4.18**	1,728	3.00
Operating netback(1)	**4,424**	**7.92**	5,084	8.82
General and administrative expense (i)	**1,871**	**3.35**	1,487	2.58
Finance expense	**953**	**1.71**	1,881	3.26
Cash netback(1)	**1,600**	**$2.86**	1,716	$2.98
Unrealized gain on commodity contracts	**(691)**		(216)	
Depletion and depreciation expense	**4,739**		6,310	
Share-based payment expense	**92**		75	
Other income	**(76)**		(1,708)	
Net loss and comprehensive loss	**$(2,464)**		$(2,745)	

(i) During the three months ended June 30, 2019 Cequence incurred $0.5 million of due diligence fees paid to the Term Debt holders included in general and administrative expenses.

Production for the three months ended June 30, 2019 averaged 6,142 boe/d compared to production of 6,334 boe/d for the same prior year period. The decrease was due to the natural decline of the 3.0 gross (2.0 net) Dunvegan horizontal oil wells that were completed in the first quarter 2018. Crude oil and liquids production as a percentage of total production decreased to 21 percent in the three months ended June 30, 2019 from 25 percent for the same prior year period.

Operating netback(1) was $7.92 per boe for the three months ended June 30, 2019 compared to $8.82 per boe for the same prior year period. The decrease was due to lower realized prices and crude oil and liquids production. Decreased crude oil and liquids production was due to natural decline rates on the Dunvegan horizontal oil wells completed in 2018.

Operating expenses for the three months ended June 30, 2019 were $9.84 per boe compared to $11.72 per boe for the same prior year period. Lower operating expenses per boe were due to reduced use of rental equipment, lower trucking and water disposal costs at Simonette where a water disposal well was completed in 2018 and costs incurred in 2018 to start up the 3 gross (2 net) Dunvegan horizontal oil wells.

	Six months ended June 30,			
	2019		2018	
	($ thousands)	***($/boe)***	*($ thousands)*	*($/boe)*
Sales of natural gas, oil and condensate	**$28,290**	**$25.82**	$29,398	$24.42
Realized gain (loss) on commodity contracts	**1,313**	**1.20**	(341)	(0.28)
Total revenue(1)	**29,603**	**27.02**	29,057	24.14
Royalties expense	**1,586**	**1.45**	1,780	1.48
	28,017	**25.57**	27,277	22.66
Operating expense	**11,632**	**10.62**	13,147	10.92
Transportation expense	**4,687**	**4.28**	3,168	2.63
Operating netback(1)	**11,698**	**10.67**	10,962	9.11
General and administrative expense (i)	**3,027**	**2.76**	2,737	2.27
Finance expense	**1,935**	**1.77**	3,777	3.14
Cash netback(1)	**6,736**	**$6.14**	4,448	$3.70
Unrealized loss on commodity contracts	**2,099**		1,431	
Depletion and depreciation expense	**10,815**		11,139	
Share-based payment expense	**227**		140	
Other income	**(127)**		(1,792)	
Net loss and comprehensive loss	**$(6,278)**		$(6,470)	

(i) During the six months ended June 30, 2019 Cequence incurred $0.5 million of due diligence fees paid to the Term Debt holders included in general and administrative expenses.

Production for the six months ended June 30, 2019 averaged 6,053 boe/d compared to production of 6,651 boe/d for the same prior year period. Crude oil production partially offset natural declines in natural gas, condensate and natural gas liquids production.

Operating netback(1) was $10.67 per boe for the six months ended June 30, 2019 compared to $9.11 per boe for the same prior year period. The increase was due to higher realized natural gas and crude oil prices and increased oil production. Higher realized natural gas prices were due to AECO prices that were supported by cold weather during the first quarter 2019 and the Company entering into a marketing arrangement for fixed transportation effective April 1, 2018, to sell 10,850 GJ/d of gas in the Dawn, Ontario market. Higher oil production for the six months ended June 30, 2019 was due to completing and tying in 5.0 gross (4.0 net) Dunvegan horizontal oil wells in 2018 and early 2019.

Transportation expense for the six months ended June 30, 2019 increased per boe compared to the same prior year period due to the Company entering into agreements to secure service for natural gas and crude oil transportation that are recognized as transportation expense where this was previously included as part of the realized price on the commodity sale.

Operating expenses for the six months ended June 30, 2019 were $10.62 per boe compared to $10.92 per boe for the same prior year period. Lower water handling costs with the completion of a water disposal well in 2018 and reduced long-term field rentals expenses were partially offset in the first quarter 2019 by workover, swabbing and chemical expenses to optimize and reactivate production.

Finance expenses for the six months ended June 30, 2019 were lower compared to the same prior year period due to restructuring the Senior loan in 2018 and replacing it with the Term Loan which reduced the interest rate on the debt from 9.7% to 5.0%.

CAPITAL EXPENDITURES

	Three months ended June 30,		Six months ended June 30,	
(in thousands of dollars)	**2019**	2018	**2019**	2018
Land	**$291**	$149	**$443**	$347
Geological & geophysical and capitalized overhead	**151**	151	**343**	320
Drilling, completions and workovers	**495**	866	**1,929**	6,693
Equipment, facilities and tie-ins	**221**	664	**624**	1,924
Office furniture & equipment	**5**	-	**8**	-
Capital expenditures	**1,163**	1,830	**3,347**	9,284
Property dispositions [i]	**(39)**	(1,433)	**(38)**	(1,429)
Total capital expenditures	**$1,124**	$397	**$3,309**	$7,855

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

Capital expenditures for the six months ended June 30, 2019 focused on Simonette where the Company completed and tied in the 2.0 gross (2.0 net) Dunvegan horizontal oil wells drilled in the fourth quarter of 2018 and completed in early 2019.

Cequence's 2019 capital budget is approximately $13.0 million comprised of expenditures to enhance and optimize existing well performance using artificial lift solutions and costs to drill 2.0 gross (2.0 net) Dunvegan horizontal oil wells in 2019. The capital budget will be funded from funds flow from operations[1] and proceeds from the private placement completed on June 27, 2019.

TERM LOAN AND PRIVATE PLACEMENT

On June 27, 2019, the Company completed the repayment of $10.0 million of its $60.0 million term loan facility and certain amendments to the Loan Agreement governing the Term Loan, including extending the maturity date from October 3, 2022 to October 3, 2023, fixing the interest rate at 5%, removing the interest rate escalation to 10% when funds flow from operations[1] is equal to or greater than $40.0 million, and canceling the warrants held by the Term Loan holders. In consideration for the amendments, the Company agreed to pay the holders of the Term Loan fees in the amount of $1.2 million, which included a modification fee and the prepayment of due diligence costs payable in accordance with the Term Loan agreement, eliminating a future obligation of the Company under the agreement.

On June 27, 2019, the Company also completed a private placement (the "Private Placement") of 17.2 million common shares of the Company at a price of $0.65 per share for aggregate gross proceeds of $11.2 million. The shares were issued on a Canadian development expense "flow-through" basis at a premium of $0.31 per share compared to the closing price on that date. Upon completion of the private placement the Company had 41.8 million common shares outstanding.

OUTLOOK

Cequence continues to monitor commodity price volatility and plans to spend within funds flow from operations(1) in executing its 2019 capital program and meeting its debt maintenance requirements. The Company plans to drill 2.0 gross (2.0 net) Dunvegan horizontal oil wells in 2019 and bring them on to production in early 2020. Key guidance metrics for 2019 are as follows:

	Guidance year ended December 31, 2019	Year ended December 31, 2018
Average production, boe/d(i)	**5,800**	6,507
Funds flow from operations(1) (ii) ($ thousands)	**13,000**	13,087
Development expenditures ($ thousands)	**13,000**	23,800
Net wells	**2.0**	4.0
Operating and transportation expenses ($/boe)	**15.00**	13.15
Royalties (% revenue)	**7**	7
Crude – WTI (US$/bbl)	**56.85**	65.20
Natural gas – AECO (CDN$/GJ)	**1.56**	1.44

(i) Average production estimates on a per BOE basis are comprised of approximately 75% natural gas and 25% oil, condensate and natural gas liquids in 2019.

(ii) Cequence incurred $0.5 million of due diligence fees paid to the Term Debt holders included in general and administrative expenses.

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 or information with respect to: the Company's guidance and forecasts for the year ended December 31, 2019 and its expectations regarding market access for the Company's natural gas production; future drilling and capital expenditure expectations; expected netbacks to be derived from hedging activities and expected operating costs. Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this press release, assumptions have been made regarding, among other things: the impact of increasing competition; the timely receipt of any required regulatory approvals; 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 of the Company to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters; and the ability of the Company to successfully market its oil and *natural gas products. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.*

Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements or information. These risks and uncertainties may cause actual results to differ materially from the forward-looking statements or information. The material risk factors affecting the Company and its business are contained in the Company's Annual Information Form 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 loss and comprehensive loss and net loss and comprehensive 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 loss and comprehensive loss and net loss and comprehensive 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 reconciles cash netback to the IFRS measure net loss and comprehensive 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 loss and comprehensive loss per share.

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

	Three months ended June 30,		**Six months ended June 30,**	
(thousands of dollars)	**2019**	2018	**2019**	2018
Cash flow from operating activities	**$2,649**	$4,379	**$2,892**	$4,427
Decommissioning costs incurred	**211**	301	**2,689**	2,857
Net change in non-cash working capital	**(1,054)**	(2,489)	**1,589**	(1,857)
Funds flow from operations	**$1,806**	$2,191	**$7,170**	$5,427

Net debt is a measure that provides Cequence's total indebtedness. It is calculated as working capital deficiency (excluding commodity contracts and lease liability) plus amounts outstanding in the Company's

Credit Facility plus the principal value of the Term Loan (previously Senior Notes). Cequence uses net debt as an estimate of the Company's assets and obligations expected to be settled in cash. The "Liquidity and Capital Resources" table 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 reconciles operating netback to the IFRS measure net loss and comprehensive 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 reconciles total revenue to the IFRS measure net loss and comprehensive loss.

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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