

Cequence Energy Announces That it is Undertaking a Strategic Process and has Entered a Court Supervised Restructuring Proceeding

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CALGARY, May 29, 2020 - [Cequence Energy Ltd.](#) ("Cequence" or the "Company") (TSX: CQE) announces that it has commenced a strategic process to identify and pursue potential strategic options and alternatives to maximize the value for its stakeholders, which will be carried out under the *Companies and Creditors Arrangement Act* (CCAA).

The strategic process will explore a broad range of options and alternatives that may be available to the Company to address its liquidity challenges brought on by the significant deterioration in commodity prices, driven largely by the economic impact of the COVID-19 pandemic. These options may include the sale of all or a portion of the business and assets or shares of the Company, renegotiation of certain onerous contracts, refinancing, recapitalization or other restructuring alternatives. Cequence has determined that in the current circumstances it is in the best interests of the Company and its stakeholders to implement such strategic process through a court-supervised restructuring proceeding, and has obtained today an initial order (the Initial Order) from the Court of Queen's Bench of Alberta (the Court) commencing proceedings under the CCAA. Pursuant to the Initial Order, among other things, a 10-day stay of proceedings has been granted in respect of the Company to allow the business to continue to operate without disruption while Cequence pursues potential strategic and restructuring alternatives under Court supervision for the benefit of its stakeholders. The Company anticipates seeking one or more further orders from the Court extending the initial stay of proceedings.

The decision to commence CCAA proceedings was made following careful consideration by Cequence's Board of Directors and management. The Company's senior secured credit facility is up for renewal on June 16, 2020 and the Company has been advised that, under the current suppressed commodity prices and with the onerous third party processing and transportation arrangements, the credit facility would not be renewed by the lender, nor could the Company qualify for the previously announced Canadian Federal Government Oil & Gas Sector Support Program. The CCAA process will provide an opportunity to prepare and file a plan of arrangement or compromise for consideration by its creditors and other stakeholders, while preserving the Company's existing operations and value under the protection of the stay of proceedings. Under the Initial Order, Cequence will continue carrying on business in a manner consistent with the commercially reasonable preservation of their businesses and assets.

In connection with the CCAA proceedings, Cequence has obtained an interim financing facility (the Interim Financing) subject to certain terms contained in a Debtor In Possession financing term sheet (the DIP Term Sheet) between the Company and the lenders of the Interim Financing, which was approved by the Court pursuant to the Initial Order. The Interim Financing, which will be advanced to the Company in multiple tranches to an aggregate maximum amount of \$7.0 million, provides the Company with additional funding to support its ongoing operations without disruption while pursuing its strategic process. The Interim Financing was conditional upon the granting of the Initial Order and is being provided on the basis that the Court grant a super-priority charge in favour of the lenders of the Interim Financing over all of the Company's current and future assets, property and undertakings.

Cequence will continue to pay its employees for services rendered during the CCAA proceedings and pay essential suppliers for goods and services provided to the Company following the commencement of the CCAA proceedings. Ernst & Young Inc. has been appointed as monitor (the Monitor) in the CCAA proceedings. Materials publicly filed in the CCAA proceedings, including copies of the Initial Order, will be made available on the Monitor's website at <http://www.ey.com/ca/cequence>. During the CCAA proceedings, management of the Company will remain responsible for managing day-to-day operations

under the general oversight of the Monitor.

In light of industry challenges facing the Western Canadian oil and natural gas sector, Cequence believes that the commencement of the CCAA proceedings at this time will provide the Company with the time and stability required to continue operating its business while it works to implement the strategic process alternatives and achieve an outcome that is in the best interests of its stakeholders. However, there can be no assurance that the strategic process will result in a successful outcome, and given the level of secured debt obligations of the Company, there can be no assurance with respect to quantum of recovery that may be available to satisfy claims made by the Company's secured or unsecured creditors. Additional information will be made available by the Company in due course as determined to be necessary or appropriate by the Company, the Monitor, and the Court.

Prior to Cequence obtaining the Initial Order, Dan O'Neil tendered his resignation as director of Cequence. Cequence wishes to thank Mr. O'Neil for his commitment and service to the Company.

In accordance with the policies of the Toronto Stock Exchange (the "TSX"), in connection with the CCAA proceedings, the TSX will be reviewing the continued listing of the common shares of the Company. The common shares of the Company have been suspended from trading at this time.

Norton Rose Fulbright Canada LLP is acting as legal counsel to Cequence in connection with the CCAA proceedings.

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.

Forward-looking Statements or Information

Certain information contained in this press release may contain forward looking statements within the meaning of applicable securities laws. The use of any of the words "continue", "plan", "intend", "explore", "propose", "would", "will", "believe", "expect", "position", "anticipate", "improve", "enhance" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this press release contains forward-looking statements concerning: the commencement of the strategic process and its potential impact and outcomes; the ability to identify and implement any sale or other restructuring alternatives in connection with the strategic process and the CCAA proceedings; the Company's intended actions during the CCAA proceedings; the effect of the Company's strategic process and CCAA proceedings on the Company and its stakeholders; and the additional information to be disseminated by the Company over the course of the strategic process and CCAA proceedings.

Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. The above-mentioned forward-looking statements necessarily involve risks, including, without limitation, risks associated with: the ability of the Company to implement alternatives identified through the strategic process; the ability of the Company to find suitable buyers or investors or to obtain all necessary approvals in order to complete any sale or other restructuring transaction identified in connection with the strategic process and the CCAA proceedings; the ability of the Company to operate in the ordinary course during the CCAA proceedings, including with respect to satisfying obligations to service providers, suppliers, contractors and employees; the ability of the Company to continue as a going concern; the Company's future liquidity position, including its ability to generate sufficient cash flow from operations and access additional capital, to fund ongoing operations and obligations; the ability of the Company to stabilize its business and financial condition; the ability of the Company to continue meet the conditions contained in the DIP Term Sheet; the ability of the Company to comply with its contractual obligations, including, without limitation, its obligations

under debt arrangements; the general regulatory environment in which the Company operates; the general economic, financial, market and political conditions impacting the industry and markets in which the Company operates; the impact of competition; the ability of the Company to obtain and retain qualified staff, equipment and services in a timely and efficient manner (including in light of the Company's restructuring efforts); and the ability of the Company to retain members of the management team, including but not limited to, the officers of the Company.

Events or circumstances may cause actual results to differ materially from those anticipated, as a result of the risk factors set out and other known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. In addition, 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 and which have been used to develop such statements and information in order to provide stakeholders with a more complete perspective on the Company's future operations. Such information may prove to be incorrect and readers are cautioned that the information may not be appropriate for other purposes. 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 herein, assumptions have been made regarding, among other things: the impact of competition; the general stability of the economic environment in which the Company operates; and the timely receipt of any required regulatory approvals.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports, including under the heading "Business Risks" in the Company's management's discussion and analysis for the year ended December 31, 2019 that is on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) under the Company's profile.

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

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

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