

# Cequence Energy Announces Proposed Plan of Compromise and Arrangement and Meeting of Creditors

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CALGARY, Aug. 24, 2020 - [Cequence Energy Ltd.](#) (the "Company" or "Cequence"; or the "Company"; the "Company") announces a recapitalization transaction (the "Restructuring Transaction"; or "Restructuring Transaction"), to be implemented as a plan of compromise and arrangement (the "Plan"; or "Plan") under the *Companies and Creditors Arrangement Act* (the "CCAA") that will allow Cequence to reduce its debt and interest costs and improve liquidity to fund future operations.

In connection with the Plan, Cequence has entered into a restructuring support agreement (the "Support Agreement") with certain lenders under the Company's second lien senior secured \$50.0 million term loan facility due October 3, 2023 (the "Term Loan"), as plan sponsors (collectively, the "Plan Sponsors"). Pursuant to the Support Agreement, the Plan Sponsors have, among other things, agreed to convert \$17.9 million and the unpaid interest on the Term Loan into unsecured debt, accept shares of Cequence as payment for satisfaction of a certain portion of the principal amount of the Term Loan, modify the interest rate on the remaining outstanding principal amount of the Term Loan and to take other actions to support the Plan.

The implementation of the Plan is conditional upon, among other things, the approval by the required majorities of Secured and Unsecured Creditors (as such terms are defined in the Plan) of Cequence voting at the meeting of those creditors to be called for such purpose. The meeting will be held on September 15, 2020, pursuant to an order of the Court of Queen's Bench of Alberta, as further described below. If the Plan is approved by the Secured and Unsecured Creditors, the Company will seek an order of the Court sanctioning the Plan under the CCAA following the meeting.

Cequence also announces that it has obtained today an order from the Court of Queen's Bench of Alberta (the "Court") that approves the calling and holding of a virtual-only meeting of Secured and Unsecured Creditors (the "Meeting"), which will be held on September 15, 2020 at 9:00 a.m. (Calgary time). The record date for creditors entitled to vote at the Meeting has been set at 5:00 p.m. (Calgary time) on September 14, 2020. Cequence also obtained an order from the Court today extending the stay period under the CCAA up to and including September 30, 2020, and a confidentiality order in respect of a limited number of commercially sensitive terms in the Support Agreement. Copies of these orders are available on the website of Ernst & Young Inc., the court-appointed monitor (the "Monitor"; of Cequence), at [www.ey.com/ca/cequence](http://www.ey.com/ca/cequence).

Additional information with respect to the Plan and the Meeting, including instructions on how to vote at the Meeting, will also be posted on the Monitor's website.

## RESTRUCTURING TRANSACTION

The Plan and the Restructuring Transaction include the following key elements:

- the operations of the Company will continue as normal and without disruption following the implementation of the Plan;
- the lenders under the Term Loan have agreed to disclaim, as a deficiency claim, \$17.9 million and the unpaid interest on the Term Loan, and amend the Term Loan agreement by, among other things, modifying the interest rate payable;
- amendment or disclaimer of certain key long term agreements to improve the future financial viability of the organization;
- articles of amendment will be filed to create a new class of common shares, which the lenders under the Term Loan will accept as satisfaction of a portion of their debt;

- the lender of the Company's debtor-in-possession facility that was made available in connection with the CCAA proceedings under a commitment letter (as amended, the "DIP Facility Commitment Letter") will enter into an agreement to amend and restate the DIP Facility Commitment Letter to provide Cequence with an operating credit facility following the Plan implementation and the completion of the CCAA proceedings;
- Unsecured Creditors with accepted claims less than or equal to \$1,500 ("Convenience Class Creditors"), will be paid in full up to \$1,500; and
- all other Unsecured Creditors will receive the first \$1,500 of their accepted claims, plus their pro rata share of an Unsecured Creditor fund of \$500,000, less amounts paid to Convenience Class Creditors.

All existing common shares, stock options and restricted share units of Cequence (collectively, the "Equity Claims") will be cancelled and extinguished for no consideration and without any return of capital. Holders of Equity Claims will not be entitled to attend or vote at the Meeting.

After implementation of the Plan is complete, the Plan Sponsors will control all of the issued and outstanding common shares in Cequence.

The above description is a summary only and subject to the terms of the Plan and orders of the Court.

## 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](http://www.cequence-energy.com).

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

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### *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 information relating to the implementation of the Plan and the anticipated results thereof.*

*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 the Plan as described herein; 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 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 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](http://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.*

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