CEQUENCE ENERGY ANNOUNCES FIRST QUARTER FINANCIAL AND OPERATING RESULTS

CALGARY, May 11, 2017 – Cequence Energy Ltd. ("Cequence" or the "Company") (TSX: CQE) is pleased to announce its operating and financial results for the three month period ended March 31, 2017. The Company's Consolidated Financial Statements and Management's Discussion and Analysis are available at cequence-energy.com and on SEDAR at www.sedar.com.

First quarter Company highlights include:

- Achieved average quarterly production of 9,101 boe/d, an increase of 6 percent from the fourth quarter 2016;
- Improved cost structure compared to the first quarter of 2016 as demonstrated by 16 percent decrease in operating expenses per boe and 41 percent decrease in G&A expenses per boe;
- Funds flow from operations was $7.3 million or $0.03 per share compared to funds used in operations of $0.3 million in 2016;
- Brought on 2 West Simonette Montney wells with average operating 30 day IP of 843 boe/d per well (36% condensate). Condensate liquid yields began at 150 bbls/mmcf and are currently between 80 and 90 bbl/mmcf; and
- Production from the 2 gross (1 net) Dunvegan oil wells which were brought on production in January averaged 840 boe/d per well (52% liquids) for the month of March.

(000's except per share and per unit amounts)	Three months ended March 31,		
	2017	**2016**	% Change
FINANCIAL			
Total revenue[1]	**19,354**	**15,772**	**23**
Comprehensive income (loss)	**5,251**	**(5,888)**	**189**
Per share – basic and diluted	**0.02**	**(0.03)**	**167**
Funds flow from operations [2][5]	**7,346**	**(314)**	**2,439**
Per share, basic and diluted	**0.03**	**(0.00)**	**-**
Capital expenditures, before acquisitions (dispositions)	**15,046**	**7,362**	**104**
Capital expenditures, including acquisitions (dispositions)	**15,046**	**7,151**	**110**
Net debt [3][6]	**(71,949)**	**(73,674)**	**(2)**
Weighted average shares outstanding – basic and diluted	**245,528**	**211,028**	**16**
OPERATING			
Production volumes			
Natural gas (Mcf/d)	**45,214**	**52,253**	**(13)**
Crude oil (bbls/d)	**481**	**218**	**120**
Natural gas liquids (bbls/d)	**270**	**235**	**15**
Condensate (bbls/d)	**814**	**1,061**	**(23)**
Total (boe/d)	**9,101**	**10,223**	**(11)**
Sales prices			

Natural gas, including realized hedges ($/Mcf)	**2.79**	**2.10**	**33**
Crude oil and condensate, including realized hedges ($/bbl)	**62.50**	**46.69**	**34**
Natural gas liquids ($/bbl)	**29.92**	**16.68**	**79**
Total ($/boe)	**23.63**	**16.95**	**39**
Netback ($/boe)			
Price, including realized hedges	**23.63**	**16.95**	**39**
Royalties	**(1.65)**	**(0.61)**	**170**
Transportation	**(1.60)**	**(1.17)**	**37**
Operating costs	**(8.28)**	**(9.90)**	**(16)**
Operating netback	**12.10**	**5.27**	**130**
General and administrative(5)	**(1.28)**	**(4.03)**	**(68)**
Interest(4)	**(1.95)**	**(1.69)**	**15**
Cash netback	**8.87**	**(0.45)**	**2,071**

(1) Total revenue is presented gross of royalties and includes realized gains (loss) 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 is calculated as working capital (deficiency) less the principal value of senior notes.
(4) Represents finance costs less amortization on transaction costs and accretion expense on senior notes and provisions.
(5) For the three months ended March 31, 2016, general and administrative expenses and funds flow from operations includes $1,730 in restructuring charges (2017 - $nil).
(6) Prior period amounts have been adjusted to confirm to current period presentation.

Financial

Funds flow used in operations for the first quarter was $7.3 million which reflects the improved crude oil and natural gas prices in the first quarter of 2017 and the benefit of the Company's lower cost structure. Realized sales prices (including hedging) increased 39 percent from the comparative period in 2016. Comprehensive income for the quarter ended March 31, 2017 was $5.3 million compared to a loss of $5.9 million in 2016. The Company recorded an unrealized hedging gain in the quarter of $5.5 million as forward natural gas prices declined from December 31, 2016.

Capital expenditures, net of dispositions, were $15.0 million in the first quarter and relate primarily to the completion of the Company's winter drilling program of 4.0 gross (3.0 net) wells at Simonette.

The Company has $71.9 million in net debt at March 31, 2017 which is comprised of $60 million in senior notes carrying a five year term (October 2018) and a working capital deficiency of $11.9 million. The Company's senior credit facility of $20 million was undrawn at March 31, 2017. The Company's scheduled bank review is scheduled to be completed by the end of May 2017. Cequence has hedged approximately 50 percent of 2017 production net of royalties and will continue to actively hedge production to protect future cash flows and balance sheet.

Operational Update

Average production in the first quarter of 2017 of 9,101 boe/d was up 6 percent from the fourth quarter of 2016 while oil production increased by 341 bbl/d over the same period. The production increase was primarily associated with the previously announced two gross (50% WI) Dunvegan oil wells which were brought on stream in January of 2017. These wells continue their strong performance with March oil production rates of 296 bbls/d and 574 bbls/d gross with corresponding solution gas rates of 2.2 and 2.7 MMcf/d respectively. The solution gas is collected and routed into the 50% owned Cequence gas gathering and processing system. As break up road conditions set in, these wells were shut-in around the middle of April. Cequence is working on longer term tie-in scenarios to reduce truck out restrictions for the Dunvegan wells.

A total of 24 potential net Dunvegan oil locations have been identified on Cequence lands. (1)

Operating costs for the quarter were $8.28/boe down 16% from the same period of 2016 while the operating netback improved by $10.32/boe to $12.40/boe. Although fluid hauling costs increased with the Dunvegan oil production, the sustainable cost reduction initiatives established through 2016 continue to be realized.

Montney Operations Update

The Company's recent West Simonette Montney wells at 8-36-61-1W6 and 16-25-61-1W6 have encountered a higher liquids rich section of the Simonette area then the historical Cequence programs. The production rates for the first 30 operating days averaged 892 boe/d (36% condensate) and 804 boe/d (35% condensate), respectively, compared to historical Cequence Montney wells of 12-20% condensate. Early in flow back, condensate to gas ratio was 150 bbls/MMcf and have since stabilized to between 80 and 90 bbls/MMcf. These wells were drilled at an average lateral length of approximately 2,850 meters and utilized an average of 82 frac stages and 1.2 tonnes proppant per meter of lateral. The higher liquids ratio observed during the first 30 days of production is estimated to double the operating netback of the new wells compared to historical average Cequence Montney wells under the same commodity price.

Spring break up conditions initially hampered the start and clean up of the wells but both wells have been producing continuously since early April.

Outlook

The Company provided guidance for the first half of 2017 in November 2016 which has been revised to include the results of the first quarter and of the winter drilling program that consisted of two Montney wells and one net Dunvegan well at Simonette. The revised guidance is within the expectations set out in the November guidance, including for production, funds flow and net debt. Capital expenditures are $2 million higher due to some additional minor projects in the quarter and some operations that were completed in break up conditions.

The annual capital expenditure program of $29 million has been planned to approximate expected annual funds flow. Two net Dunvegan wells are expected to be drilled in early winter with production coming on late 2017. While spending within cash flow, 2017 production volumes are expected to increase approximately 4 percent from 2016 to average between 9,000 to 9,200 boe/d. The Company may adjust its capital expenditure program should commodity prices increase or decrease significantly.

The Company expects recent improvement to operating and general and administrative costs to continue throughout 2017. Based on forecasted commodity prices of US$ 50/bbl WTI and CDN$ 2.75/GJ natural gas, Cequence expects funds flow from operations of $28 to 29 million.

(000's, except per share and per unit references)	Revised Six Months Ended June 30, 2017	Year ended December 31, 2017
Average production, BOE/d (1)	9,000	9,000-9,200
Funds flow from operations ($)(2) (4)	13,000	28,000-29,000
Funds flow from operations per share(2)	0.05	0.12
Capital expenditures, ($)	17,500	29,000
Operating and transportation costs ($/boe)	10.20	10.00
G&A costs ($)	1.72	1.65
Royalties (% revenue)	8	8
Crude – WTI (US$/bbl)	51.00	50.00
Natural gas – AECO (CDN$/GJ)	2.65	2.75
Period end, net debt ($) (3)	68,500	64,000-65,000
Weighted average basic shares outstanding	245,500	245,500

(1) Average production estimates on a per BOE basis are comprised of 85% natural gas and 15% oil and natural gas liquids.
(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 is calculated as working capital (deficiency) less the aggregate principal amount of the senior notes.

About Cequence

Cequence is a publicly traded Canadian energy company involved in the acquisition, exploitation, exploration, development and production of natural gas and crude oil in western Canada. Further information about Cequence may be found in its continuous disclosure documents filed with Canadian securities regulators at www.sedar.com.

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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 "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "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 its guidance and outlook business strategy *and objectives; the Company's 2017 capital program; future production levels and liquids rates and productive capacity; expected cost savings; future drilling locations and plans; bank review timing; funds flows; debt levels; and expected future oil and gas prices including marketing arrangements. 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) The Company’s third party engineer has recognized 3 gross (1.5 net) proved undeveloped locations and 2 gross (1 net) probable locations for Dunvegan tight oil at Simonette. An additional 19 unbooked tight oil locations represent internal estimates based on the Company’s prospective acreage. Unbooked locations do not have attributed reserves and there is no certainty that if drilled these locations would result in additional oil and gas reserves or production.

"BOEs" or “barrels of oil equivalent”, a term commonly used in the oil & gas industry, may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of gas: one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Within the MD&A references are made to terms commonly used in the oil and gas industry, including operating netback, cash netback, net debt, funds flow from(used in) operations and total revenue.

Operating netback is not defined by IFRS in Canada and is referred to as a non-GAAP measure. Operating netback equals per boe revenue less royalties, operating costs and transportation costs. Management utilizes this measure to analyze operating performance of its assets and operating areas, compare results to peers and to evaluate drilling prospects.

Cash netback is not defined by IFRS in Canada and is referred to as a non-GAAP measure. Cash netback equals operating netback less per boe general and administrative expenses and interest expense. Management utilizes this measure to analyze the Company’s per boe profitability for future capital investment or repayment of debt after considering cash costs not specifically attributable to its assets or operating areas.

Net debt is a non-GAAP measure that is calculated as working capital (deficiency) less the principal value of senior notes. For this calculation, Cequence uses the principal value of the senior notes rather than the carrying value on the statement of financial position as it reflects the amount that will be repaid upon maturity. Cequence uses net debt as it provides an estimate of the Company's assets and obligations expected to be settled in cash.

Funds flow from (used in) operations is a non-GAAP term that represents cash flow from operating activities before adjustments for decommissioning liabilities expenditures and net changes in non-cash working capital. The Company evaluates its performance based on earnings and funds flow from (used in) operations. The Company considers funds flow from (used in) operations 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 (used in) operations may not be comparable to that reported by other companies. Funds flow from (used in) operations per share is calculated using the same weighted average number of shares outstanding used in the calculation of comprehensive income (loss) per share.

Total revenue equals production revenue gross of royalties and including realized gain (loss) on commodity contracts. Management utilizes this measure to analyze revenue and commodity pricing and its impact on operating performance.

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