Condensed Consolidated Financial Statements of

CEQUENCE ENERGY LTD.

March 31, 2018 and 2017

CEQUENCE ENERGY LTD.

Condensed Consolidated Balance Sheets
(Unaudited)(Expressed in thousands of Canadian dollars)

	March 31, 2018 $	December 31, 2017 $
ASSETS		
CURRENT		
Cash	**7,951**	10,971
Accounts receivable (Note 13)	**11,889**	14,739
Deposits and prepaid expenses	**702**	514
Commodity contracts (Note 13)	**-**	1,274
Assets held for sale (Note 5)	**6,293**	-
	26,835	27,498
Property and equipment (Note 4)	**254,533**	257,230
	281,368	284,728
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**34,202**	33,106
Share-based payment liability (Note 11)	**74**	153
Provisions (Note 10)	**743**	1,466
Commodity contracts (Note 13)	**1,371**	998
Senior notes (Note 7)	**59,548**	59,341
Liabilities associated with assets held for sale (Note 5)	**8,119**	-
	104,057	95,064
Provisions (Note 10)	**28,240**	37,012
	132,297	132,076
GOING CONCERN (Note 2)		
SUBSEQUENT EVENT (Note 5,16)		
SHAREHOLDERS' EQUITY		
Share capital	**633,846**	633,846
Warrants	**1,300**	1,300
Contributed surplus	**31,220**	31,076
Deficit	**(517,295)**	(513,570)
	149,071	152,652
	281,368	284,728

APPROVED BY THE BOARD

"Donald Archibald" Donald Archibald, Director

"Brian Felesky" Brian Felesky, Director

The accompanying notes are an integral part of these condensed consolidated financial statements.

CEQUENCE ENERGY LTD.

Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)(Expressed in thousands of Canadian dollars except per share amounts)

	Three months ended March 31, 2018 $	2017 $
REVENUE		
Production revenue (Note 8)	**12,941**	18,245
Gain (loss) on derivative financial instruments (Note 13)	**(881)**	5,212
	12,060	23,457
EXPENSES		
Operating costs	**6,389**	6,779
Transportation	**1,440**	1,308
Depletion and depreciation (Note 4)	**4,829**	6,931
General and administrative	**1,250**	1,050
Finance costs (Note 9)	**1,896**	2,003
Share-based payment (Note 11)	**65**	275
Other income	**(84)**	(140)
	15,785	18,206
INCOME (LOSS) BEFORE INCOME TAXES	**(3,725)**	5,251
INCOME TAXES	**-**	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(3,725)**	5,251
Income (loss) per share (Note 12)		
Basic and diluted	**($0.02)**	$0.02

The accompanying notes are an integral part of these condensed consolidated financial statements.

CEQUENCE ENERGY LTD.

Condensed Consolidated Statements of Changes in Equity
(Unaudited)(Expressed in thousands of Canadian dollars)

	Three months ended March 31, 2018 $	2017 $
SHARE CAPITAL		
Common Shares		
Balance, beginning of period	**633,846**	633,848
Share issue costs	**-**	(2)
Balance, end of period	**633,846**	633,846
Warrants		
Balance, beginning of period	**1,300**	1,300
Balance, end of period	**1,300**	1,300
CONTRIBUTED SURPLUS		
Balance, beginning of period	**31,076**	30,085
Share-based payment expense (Note 11)	**144**	257
Balance, end of period	**31,220**	30,342
DEFICIT		
Balance, beginning of period	**(513,570)**	(414,208)
Net income (loss)	**(3,725)**	5,251
Balance, end of period	**(517,295)**	(408,957)
TOTAL SHAREHOLDERS'EQUITY	**149,071**	256,531

The accompanying notes are an integral part of these condensed consolidated financial statements.

CEQUENCE ENERGY LTD.

Condensed Consolidated Statements of Cash Flows
(Unaudited)(Expressed in thousands of Canadian dollars)

	Three months ended March 31, 2018 $	2017 $
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net income (loss)	**(3,725)**	5,251
Adjustments for non-cash items:		
Depletion and depreciation expense	**4,829**	6,931
Finance costs related to provisions (Note 9)	**209**	220
Share-based payment expense (Note 11)	**65**	275
Amortization of transaction costs on senior notes (Note 9)	**117**	106
Accretion on senior notes (Note 9)	**90**	81
Unrealized (gain) loss on derivative financial instruments (Note 13)	**1,647**	(5,458)
Loss (gain) on sale of property and equipment	**4**	(60)
Decommissioning liabilities expenditures (Note 10)	**(2,556)**	(224)
Net change in non-cash working capital (Note 14)	**(632)**	310
	48	7,432
INVESTING		
Property and equipment expenditures (Note 4)	**(7,454)**	(15,046)
Proceeds from sale of property and equipment	**(4)**	-
Net change in non-cash working capital (Note 14)	**4,390**	2,064
	(3,068)	(12,982)
FINANCING		
Share issue costs	**-**	(2)
Net change in non-cash working capital (Note 14)	**-**	(3)
	-	(5)
NET DECREASE IN CASH	**(3,020)**	(5,555)
CASH, BEGINNING OF PERIOD	**10,971**	17,778
CASH, END OF PERIOD	**7,951**	12,223

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. NATURE AND DESCRIPTION OF THE COMPANY

Cequence Energy Ltd. (the "Company" or "Cequence") is incorporated under the laws of Alberta with common shares that are widely held and listed on the Toronto Stock Exchange. Cequence is engaged in the acquisition, exploration and production of petroleum and natural gas reserves in Western Canada. The registered office of the Company is located at Suite 1400, 215 – 9th Avenue. SW, Calgary, Alberta, T2P 1K3.

These interim condensed consolidated financial statements ("consolidated financial statements") include all assets, liabilities, revenues and expenses of Cequence and its wholly-owned subsidiary, 1175043 Alberta Ltd.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and authorization

These consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information or footnote disclosure normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been condensed or omitted.

These consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2017.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on May 15, 2018.

Basis of presentation

Except as outlined below, the consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2017. The consolidated financial statements have been presented in Canadian dollars, which is also the Company's functional currency, rounded to the nearest thousand, unless otherwise indicated.

Going concern

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which asserts that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at March 31, 2018, the Company had a working capital deficiency of $77,222, including senior notes outstanding with a carrying value and face value of $59,548 and $60,000, respectively. The Company has a $12 million senior credit facility with a syndicate of chartered banks that is currently undrawn other than letters of credit outstanding of $1,540. The senior credit facility is a demand loan with a maturity date of May 31, 2018.

The senior notes mature on October 3, 2018 and the Company is engaged in ongoing discussions with the lender in a review of potential financing alternatives to modify or replace the senior notes prior to maturity. The Company is also in the process of identifying and pursuing alternative financing arrangements, property acquisitions or divestitures, corporate mergers and acquisitions and other recapitalization opportunities to repay the principal amount of the senior notes as it comes due. The Company is also dependent upon its ability to finance its operations and oil and gas drilling programs through the generation of positive cash flows from operating activities and the utilization of the available senior credit facility and other financing activities, if necessary. Due to the inherent production risk and volatility of commodity prices, there is no certainty that the Company can sustain profitability and positive cash flows from operating activities and there is no assurance that any financing or other arrangement will be available or sufficient to meet these requirements, or if debt or equity financing is available, that it will be on terms acceptable to the Company. While the Company has been successful in obtaining financing in the past, there is no assurance that such financing will continue to be available or be available on favourable terms in the future. The inability to raise additional financing or maintain current financing arrangement with existing creditors may impact the assessment of the Company as a going concern. These circumstances result in a material uncertainty surrounding the Company's ability to continue as a going concern and create significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly the appropriateness of the use of accounting principles applicable to a going concern.

These consolidated financial statements do not reflect the adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if the Company were unable to continue as a going concern.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries, which are the entities over which the Company has control. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intercompany transactions and balances are eliminated on consolidation.

3. CHANGES IN ACCOUNTING POLICIES

IFRS 15 "Revenue from contracts with customers"

Cequence adopted IFRS 15 with a date of initial application of January 1, 2018. IFRS 15 replaces existing revenue recognition guidance and provides a single, principles-based five-step model to be applied to all contracts with customers. Cequence used the modified retrospective approach to adopt the new standard, applying the standard retrospectively only to contracts that were not completed contracts on January 1, 2018. Under the transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to deficit. As a result of applying the requirements of IFRS 15, including the application of certain practical expedients such as the right to invoice method of measuring the Company's progress towards complete satisfaction of its performance obligations, there was no change or adjustments to the Company's consolidated financial statements as a result of the adoption of IFRS 15. Additional disclosure requirements required by IFRS 15 are detailed in Note 8.

Cequence recognizes revenue at a point in time when control of the product has been transferred to the customer and performance obligations have been satisfied. This is generally met when the customer obtains legal title to the product and physical delivery at a delivery point has taken place. Revenue is measured based on the consideration specified in the contracts the Company has with its customers.

Cequence evaluates its arrangements with 3rd parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if it obtains control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If Cequence acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the party from the transaction.

IFRS 9 "Financial Instruments"

On January 1, 2018, Cequence adopted IFRS 9 as issued by the IASB. IFRS 9 includes a new classification and measurement approach for financial assets and liabilities, and a new expected loss impairment model for financial assets including credit losses. The adoption of IFRS 9 did not have a material impact on Cequence's consolidated financial statements. Additional disclosures related to Cequence's financial assets are included in Note 13. Cequence has revised the description of its accounting policy for financial instruments to reflect the new classifications approach as follows:

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the consolidated balance sheet at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument.

The Company has made the following classifications:

- Fair value through profit or loss: Financial instruments under this classification include cash and commodity contract asset and liabilities.
- Amortized cost: Financial instruments under this classification included accounts receivable, deposits, demand credit facilities, senior notes, accounts payable and accrued liabilities.

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model applied under IAS 39. Under this new model, Cequence's accounts receivable are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the accounts receivable.

For accounts receivable, the Company assesses the lifetime ECL applicable to its commodity product sales receivables and joint venture receivables at initial recognition and re-assesses the provision at each reporting date. The majority of the Company's accounts receivable are due from joint venture partners in the oil and gas industry and from marketers of the Company's petroleum and natural gas production. In making an assessment as to whether Cequence's financial assets are credit impaired, the Company considers historical bad debts, the counterparties financial condition, credit rating and total financial exposure. The carrying amounts of receivables are reduced by the amount of the ECL through an allowance account and losses are recognized within general and administrative expense in comprehensive loss.

The Company considers all amounts greater than 90 days past due. These past due accounts are considered to be collectible, except as provided in the allowance for doubtful accounts. When determining whether past due accounts are uncollectible, the Company factors in the past credit history of the counterparties.

(Unaudited)(All figures expressed in thousands except per share amounts unless otherwise noted)

IFRS 16 "Leases"

IFRS 16 'Leases' was issued by the IASB in January 2016. IFRS 16 replaces the existing standard IAS 17 and requires the recognition of most leases on the balance sheet. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low value items. The accounting treatment for lessors remains the same. IFRS 16 is effective January 1, 2019, with earlier application permitted. The Company is in the process of assessing the impact of the adoption of this standard on the Company's consolidated financial statements.

4. PROPERTY AND EQUIPMENT

Cost:	
Balance at December 31, 2016	925,094
Additions	25,857
Decommissioning obligation additions and change in estimates	1,302
Acquisitions	(7)
Disposals	(23,311)
Balance at December 31, 2017	928,935
Additions	**7,454**
Decommissioning obligation additions and change in estimates	**971**
Reclassification to assets held for sale (Note 5)	**(59,377)**
Balance at March 31, 2018	**877,983**
Depletion, depreciation and impairment:	
Balance at December 31, 2016	(569,036)
Depletion and depreciation	(24,606)
Impairment loss	(96,200)
Disposals	18,137
Balance at December 31, 2017	(671,705)
Depletion and depreciation	**(4,829)**
Reclassification to assets held for sale (Note 5)	**53,084**
Balance at March 31, 2018	**(623,450)**
Carrying amounts:	
At December 31, 2017	257,230
At March 31, 2018	**254,533**

Costs subject to depletion include $849,345 of estimated future capital costs (December 31, 2017 – $840,601).

The Company's credit facilities are secured by a demand debenture with a first floating charge over all assets of the Company (see note 6).

(Unaudited)(All figures expressed in thousands except per share amounts unless otherwise noted)

5. ASSETS HELD FOR SALE

	March 31, 2018	December 31, 2017
Assets held for sale		
Property and equipment (Note 4)	**6,293**	-
	6,293	-
Liabilities associated with assets held for sale		
Decommissioning obligations (Note 10)	**8,119**	-
	8,119	-

On April 18, 2018, the Company closed the disposition of all assets and associated liabilities presented as assets held for sale at March 31, 2018 for nominal consideration, prior to closing adjustments. The disposition consisted of all the Company's assets located in north eastern British Columbia.

6. DEMAND CREDIT FACILITIES

As at March 31, 2018, the Company has an extendible revolving term credit facility ("senior credit facility") of $12,000 (December 31, 2017 - $12,000) with a syndicate of Canadian chartered banks and has drawn $nil (December 31, 2017 - $nil) under the facility. The company has letters of credit outstanding of $1,540 (December 31, 2017 - $1,540). The senior credit facility has a term date of May 31, 2018 and may be extended beyond the initial term, if requested by the Company and accepted by the lenders. If the senior credit facility does not continue to revolve, amounts borrowed under the facility must be repaid on the term date. Prime loans and U.S. Base Rate Loans on the facility bear interest at the bank prime rate or U.S. Base Rate, respectively, plus 1.0 percent to 3.5 percent on a sliding scale, depending on the Company's debt to adjusted EBITDA ratio (ranging from being less than or equal to 1.0:1.0 to greater than 3.5:1.0). Banker's Acceptances, Libor Loans and letters of credit on the facility bear interest at the Banker's Acceptance rate, Libor rate or letter of credit rate, as applicable, plus 2.0 percent to 4.5 percent based on the same sliding scale as above. The credit facility is secured by a general assignment of book debts and a $250,000 demand debenture with a first floating charge over all assets of the Company. The Company is permitted to hedge up to 67 percent of its production under the lending agreement. The Company has a covenant that requires Senior Debt to EBITDA, as defined in the bank agreement, to be less than 3:0 to 1:0. Senior Debt is defined as the sum of Consolidated Debt less the period end balance of the senior notes. Consolidated Debt is defined as the sum of the Company's period end balance of the senior credit facility and senior notes. The Company was in compliance with the lender's covenants at March 31, 2018 and December 31, 2017. The senior credit facility is reviewed on a semi-annual basis with the lender holding the right to request an additional review. The next scheduled review is to take place in May 2018.

7. SENIOR NOTES

	March 31, 2018	December 31, 2017
Senior notes	**56,503**	56,503
Add transaction costs	**3,045**	2,838
Total senior notes	**59,548**	59,341

On October 3, 2013, Cequence issued $60,000 of unsecured five year term notes ("senior notes") at par with a 9% coupon per annum for gross proceeds net of transaction costs of $57,974. The senior notes are unsecured and are subordinate to Cequence's credit facilities. The senior notes were issued pursuant to a trust indenture with a Canadian trust company, which provides for an additional $60,000 of unsecured senior notes at a future date, subject to approval of both the lender and the Company on terms to be confirmed at the time of issuance.

(Unaudited)(All figures expressed in thousands except per share amounts unless otherwise noted)

The senior notes are subject to the same financial covenants as the Company credit facilities as well as other non-financial covenants and restrictive covenants, including restrictions over asset sales, restricted payments and the incurrence of additional indebtedness (see note 15). The Company was in compliance with the senior notes covenants at March 31, 2018 and December 31, 2017.

8. REVENUE

Cequence sells its oil, natural gas, and natural gas liquids production pursuant to variable price contracts. The transaction price for variable priced contracts is based on a benchmark commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula (apart from the benchmark commodity price) can be either fixed or variable, depending on the contract terms. Revenues are typically collected on the 25th day of the month following the prior month's production, with revenue being recorded once the product is delivered to a contractually agreed upon delivery point.

The following table presents Cequence's production disaggregated by revenue source:

	Three months ended March 31,	
	2018	2017
Natural gas	**7,152**	11,639
Crude oil and condensate	**5,582**	7,233
Natural gas liquids	**944**	728
Royalties	**(737)**	(1,355)
Total	**12,941**	18,245

9. FINANCE COSTS

	Three months ended March 31,	
	2018	2017
Interest expense on demand credit facilities	**45**	162
Interest expense on senior notes	**1,435**	1,434
Amortization of transaction costs	**117**	106
Accretion expense on senior notes	**90**	81
Accretion expense on provisions	**209**	220
Total finance costs	**1,896**	2,003

(Unaudited)(All figures expressed in thousands except per share amounts unless otherwise noted)

10. PROVISIONS

Decommissioning liabilities

The following table summarizes the changes in decommissioning liabilities for the three months ended March 31, 2018 and year ended December 31, 2017:

	2018	2017
Balance, beginning of period	**38,478**	38,161
Property dispositions	**-**	(776)
Accretion expense	**209**	870
Liabilities incurred	**-**	371
Abandonment costs incurred	**(2,556)**	(1,079)
Revisions in estimated cash flows	**1,353**	(185)
Revisions due to change in discount rates	**(382)**	1,116
Reclassification of liabilities associated with assets held for sale	**(8,119)**	-
Balance, end of period	**28,983**	38,478
Current	**743**	1,466
Non-current	**28,240**	37,012
	28,983	38,478

The Company's decommissioning liabilities result from its ownership in oil and natural gas assets including well sites, facilities and gathering systems. The total estimated, undiscounted cash flows, inflated at 2 percent, required to settle the obligations are $62,263 (December 31, 2017 - $63,742). These cash flows have been discounted using a risk-free interest rate of 2.25 percent (December 31, 2017 – 2.20 percent) based on Government of Canada long-term benchmark bonds. The Company expects these obligations to be settled in approximately 1 to 50 years (December 31, 2017 – 1 to 50 years). As at March 31, 2018 and December 31, 2017, no funds have been set aside to settle these liabilities.

11. SHARE-BASED PAYMENT PLANS

The Company has a stock option and RSU plan for directors, officers, employees and consultants of the Company and its subsidiaries. For the three months ended March 31, 2018, Cequence recognized share-based payment expense on equity-settled stock options of $144 (2017 - $257) and RSUs of ($79) (2017 - $18).

A summary of the status of the Company's stock option and RSU plans during the three months ended March 31, 2018 and year ended December 31, 2017 is as follows:

Number of Options (000's)	**2018**	2017
Outstanding, beginning of period	**13,220**	11,003
Granted	**-**	5,025
Cancelled/Forfeited	**(90)**	(107)
Expired	**(125)**	(2,701)
Outstanding, end of period	**13,005**	13,220

(Unaudited)(All figures expressed in thousands except per share amounts unless otherwise noted)

Number of RSUs (000's)	**2018**	2017
Outstanding, beginning of period	**2,666**	3,010
Granted	**-**	700
Settled	**-**	(1,015)
Cancelled/Forfeited	**(32)**	(29)
Outstanding, end of period	**2,634**	2,666

12. INCOME (LOSS) PER SHARE

Income (loss) per share has been calculated based on the weighted average number of common shares outstanding during the period. For the three months ended March 31, 2018, the Company excluded all dilutive instruments as their inclusion would be anti-dilutive (2017 – 15,771 stock options and 3,000 warrants). The following table reconciles the denominators used for the basic and diluted income (loss) per share calculations:

	Three months ended March 31,	
	2018	2017
Basic weighted average shares	**245,528**	245,528
Effect of dilutive instruments	**-**	3,361
Diluted weighted average shares	**245,528**	248,889

13. RISK MANAGEMENT

There have been no changes to the Company's exposure to risks, or the objectives, policies and processes to manage these risks from December 31, 2017.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's comprehensive loss to the extent the Company has outstanding financial instruments. The objective of the Company is to mitigate market risk exposures within acceptable limits, while maximizing returns.

Commodity price risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Management continuously monitors commodity prices and initiates instruments to manage exposure to these risks when it deems appropriate. As a means of managing commodity price volatility, the Company enters into various derivative financial instrument agreements and physical contracts. The fair values of the derivative financial instruments are based on mark-to-market assessments and estimates of fair value and are recorded on the consolidated balance sheet as either an asset or liability with the change in fair value recognized in comprehensive loss.

The following table presents all outstanding positions for commodity derivative financial instruments at March 31, 2018:

Term	**Product**	**Type**	**Volume**	**Price**	**Basis**
April 1, 2018 to June 30, 2018	Oil	Swap	500 bbl/day	$63.35	WTI
July 1, 2018 to December 31, 2018	Oil	Swap	300 bbl/day	$71.72	WTI

(Unaudited)(All figures expressed in thousands except per share amounts unless otherwise noted)

For the three months ended March 31, 2018, realized gain from commodity derivative contracts recognized in comprehensive loss were $766 (2017 - $246 loss).

The fair value of the commodity contracts outstanding at March 31, 2018 was a current liability of $1,371 (December 31, 2017 – current asset of $1,274 and current liability of $998).

For the three months ended March 31, 2018, the Company recorded an unrealized loss of $1,647 from derivative commodity contracts (2017 - $5,458 unrealized gain).

As at March 31, 2018, a change in gas price of $0.50/gj and oil price of $1.00/bbl results in a change in the fair value of the commodity contracts of $nil ($nil after tax) and $101 ($74 after tax) (December 31, 2017 - $563 ($411 after tax) and $109 ($80 after tax)) respectively and a commensurate increase to comprehensive loss.

CREDIT RISK

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk with respect to its cash, accounts receivable and commodity contract assets.

The Company's cash is held with a large established financial institution. The majority of the Company's accounts receivable are due from marketers of the Company's petroleum and natural gas production which are typically collected on the 25th day of the month following the prior month's production and from joint venture partners in the oil and gas industry. The Company mitigates its credit risk by entering into contracts with established counterparties that have strong credit ratings and reviewing its exposure to individual counterparties on a regular basis.

As at March 31, 2018, the accounts receivable balance was $11,889 (December 31, 2017 - $14,739) of which $752 (December 31, 2017 - $956) was past due. The Company considers all amounts greater than 90 days past due. These past due accounts are considered to be collectible, except as provided in the allowance for doubtful accounts. When determining whether past due accounts are uncollectible, the Company factors in the past credit history of the counterparties. The following table provides an aging analysis of the Company's accounts receivables:

Current	30-60 days	60-90 days	90+days	Total
10,217	**417**	**503**	**752**	**11,889**

At March 31, 2018, the Company has an allowance for doubtful accounts of $702 (December 31, 2017 – $659).

(Unaudited)(All figures expressed in thousands except per share amounts unless otherwise noted)

14. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended March 31, 2018	2017
Accounts receivable	**2,850**	2,838
Deposits and prepaid expenses	**(188)**	(81)
Accounts payable and accrued liabilities	**1,096**	(386)
Net change in non-cash working capital	**3,758**	2,371
Allocated to:		
Operating activities	**(632)**	310
Investing activities	**4,390**	2,064
Financing activities	**-**	(3)
	3,758	2,371

15. CAPITAL MANAGEMENT

Cequence's objectives are to maintain a flexible capital structure in order to meet its financial obligations and to execute on strategic opportunities throughout the business cycle. The Company's capital comprises shareholders' equity, demand credit facilities, senior notes and working capital. Cequence manages the capital structure and makes adjustments in light of economic conditions and the risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, Cequence may issue new common shares, issue new debt or replace existing debt, adjust capital expenditures and acquire or dispose of assets. The Company evaluates its capital structure based on net debt to cash flow from operating activities and the current credit available to Cequence compared to its budgeted capital expenditures. Refer to going concern discussions in note 2.

At March 31, 2018, Cequence has $60,000 in senior notes due in 2018 and a $12,000 senior credit facility which the Company had drawn $nil. The Company's senior credit facility is based on the lenders' review of the Company's oil and natural gas reserves with the next scheduled review expected to be completed in May 2018.

The senior credit facility has a covenant that requires Senior Debt to twelve month trailing EBITDA, as defined in the bank agreement, to be less than 3:0 to 1:0. The Company was in compliance with the lender's covenant at March 31, 2018 with a ratio of 0.1 times (December 31, 2017 – 0.1 times).

The senior notes contain incurrence covenants that use a Debt to Cashflow test that is in excess of 2.5 times for the preceding four quarters to limit the incurrence of additional debt, the creation of liens in connection with indebtedness, dividends and other distributions, asset sales and other matters, and customary events of default. At March 31, 2018, the Company's Debt to Cashflow ratio was 2.9 times (December 31, 2017 – 2.4 times). The Company does not currently anticipate initiating an action that would be restricted by the incurrence covenants.

The Company continues to review its options to improve its financial leverage including the sale of assets, further adjustments to the capital program, hedging or the issuance of equity.

16. SUBSEQUENT EVENT

On May 1, 2018, the Company disposed of certain assets and associated decommissioning liabilities at Gordondale for proceeds of $1.5 million prior to closing adjustments.