Chinook Energy Announces Year End 2013 Results

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CALGARY, ALBERTA -- (Marketwired - March 25, 2014) - Chinook Energy Inc. ("our", "we", "us" or "Chinook") (TSX:CKE) is pleased to announce its audited year end financial results as well as certain year end operational results. The audited financial results presented herein are consistent with the unaudited financial results announced in our news release issued on February 26, 2014.

We will file later this evening our audited consolidated financial statements for the years ended December 31, 2013 and 2012 and related management's discussion and analysis ("MD&A") on the SEDAR website (www.sedar.com) and our website (www.chinookenergyinc.com). Operational and financial highlights for the three months and year ended December 31, 2013 are noted below and should be read in conjunction with the audited consolidated financial statements and related MD&A.

FOURTH QUARTER 2013 AND YEAR END 2013 HIGHLIGHTS

	Three months ended December 31 2013	2012	Year ended December 31 2013	2012
OPERATIONS				
Production				
Oil (bbl/d)	3,356	4,035	3,418	3,642
Natural gas liquids (bbl/d)	722	1,003	838	1,117
Natural gas (mcf/d)	33,612	39,585	35,396	44,548
Average daily production (boe/d)	9,680	11,636	10,155	12,
Sales				
Oil (bbl/d)	3,725	4,264	3,398	3,609
Natural gas liquids (bbl/d)	722	1,003	838	1,117
Natural gas (mcf/d)	33,612	39,584	35,396	44,548
Average daily sales (boe/d)	10,049	11,864	10,136	12,151
Sales Prices				
Average oil price ($/bbl)	$ 98.57	$ 97.72	$ 99.29	$ 96.6
Average natural gas liquids price ($/bbl)	$ 63.74	$ 57.71	$ 59.7	
Average natural gas price ($/mcf)	$ 3.99	$ 3.39	$ 3.70	$
Netback (1)				
Average commodity pricing ($/boe)	$ 54.46	$ 51.30	$ 51.16	
Royalties ($/boe)	$ (4.61)	$ (0.64)	$ (4.14)	$ (2.70)
Net production expenses ($/boe) (1)	$ (19.32)	$ (18.98)	$ (18.13)	$ (17.46)
Cash G&A ($/boe) (1)	$ (3.10)	$ (4.48)	$ (2.85)	$ (3.42)
Netback ($/boe) (1)	$ 27.43	$ 27.20	$ 26.04	$ 20.00
Wells Drilled (net)				
Oil	1.65	2.96	10.89	8.09
Gas	-	-	-	1.00
Dry	-	-	0.86	0.96
Total wells drilled (net)	1.65	2.96	11.75	10.05

	Three months ended December 31 2013	2012	Year ended December 31 2013	2012
FINANCIAL ($ thousands, except per share amounts)				
Petroleum & natural gas revenues, net of royalties	$ 46,088	$ 55,303	$ 173,918	$ 18
Cash flow (1)	$ 20,179	$ 28,758	$ 87,022	$ 78,697
Per share - basic and diluted ($/share)	$ 0.09	$ 0.13	$	
Net loss	$ (39,002)	$ (36,708)	$ (26,700)	$ (91,028)
Per share - basic and diluted ($/share)	$ (0.18)	$ (0.17)		
Capital expenditures	$ 14,162	$ 50,456	$ 83,228	$ 109,65
Net debt (1)	$ 61,849	$ 72,383	$ 61,849	$ 72,383
Total assets	$ 555,341	$ 622,476	$ 555,341	$ 622,476
Common Shares (thousands)				
Weighted average during period				
- basic and diluted	214,188	214,188	214,188	214,
Outstanding at period end	214,188	214,188	214,188	214,18

(1) Cash flow, net debt, netback, net production expense and cash G&A are non-IFRS measures. These terms do not have any standardized meanings as prescribed by IFRS and, therefore, may not be comparable with the calculations of similar measures presented by other companies. See headings entitled "Cash Flow", "Net Debt", "Netback", "Net Production Expense" and "Cash G&A" in the Reader Advisory below for further information on such terms.

Fourth Quarter and Fiscal 2013 Highlights

- Improved fourth quarter 2013 netback by 5% over the third quarter of 2013 to $27.43 per boe and fiscal 2013 netback by 30% to $26.04 per boe compared to fiscal 2012.

- Achieved record annual cash flow of $87.0 million ($0.41 per share) up from $78.7 million ($0.37 per share) in 2012, an increase of 11% while reducing capital expenditures by 24% from $109.7 million in 2012 to $83.2 million in 2013 and net debt by 15% from $72.4 million to $61.8 million year over year.

- Continued a 100% oil focused capital program in both the fourth quarter and fiscal 2013. Fourth quarter capital expenditures of $14.2 million invested $9.9 million in Canada and $4.3 million invested in Tunisia.

- In the fourth quarter of 2013, we participated in five (1.65 net) wells in Canada; four (1.15 net) on the non-operated Karr property and one (0.50 net) on our Albright property and in Tunisia, we spud the TT-15 well on December 21, 2013 and subsequently completed it in the first quarter of 2014. The annual capital program of $83.2 million resulted in $42.6 million being invested in Canada and $40.6 million being invested in Tunisia with 20 (11.75 net) wells being drilled.

- Renewed our Canadian reserve-based revolving credit facility at $115 million.

2013 Financial and Operating Results

2013 highlighted Chinook's transition from a natural gas weighted producer to a more oil focused producer with the development of its Canadian oil properties and continued development on the BBT Concession in Tunisia.

Production in 2013 averaged 10,155 boe/d, down 17% from 2012's annual average production of 12,183 boe/d. A significant component of the decrease was related to the disposition of Canadian non-core properties, which dispositions made in 2012 and 2013 accounted for approximately 2,200 boe/d of the annual decline. Offsetting the decreased production was an increase in our overall realized price, which was 17% higher on a boe basis, due to naturally declining natural gas volumes being replaced by higher priced oil production. Lower production costs and general and administrative costs also contributed to higher cash flow for the year. The increased cash flow and proceeds from the non-core dispositions were used to finance our capital expenditure program and provide for the $11 million debt repayment during the year.

Canada

Canadian production averaged 8,238 boe/d for the year ended December 31, 2013 and averaged 7,943 boe/d for the fourth quarter of 2013. Our focus on shifting capital development to more liquids-based plays has resulted in a measurable shift in our commodity mix with liquids comprising 31% of our production for the year ended December 31, 2013 and 32% of our production for the fourth quarter of 2013, as compared to just over 28% for the same periods in 2012. This shift to increased crude oil production has placed upward pressure on our operating costs within our Canadian business due to higher transportation costs associated with oil production which was offset by the higher netbacks received on oil compared to natural gas in 2013. We plan to participate in the construction of an oil battery on our Karr property in 2014 which is expected to reduce operating costs on our Dunvegan development program.

Subsequent to our last operations update on February 26, 2014, we completed one (0.37 net) well at Karr which has produced at an average gross rate of 315 boe/d (90% oil) during the first 30 days of production and drilled one (0.26 net) well which is currently being completed. At Albright, we completed two (2.0 net) wells with current gross production rates of 260 boe/d (80% oil) in one well and 65 boe/d (79% oil) in the second well, which may require remedial work after spring break up. We also drilled one (1.0 net) well at Albright which encountered mechanical problems prior to completion and is scheduled to be re-entered immediately after break up. Results from our Dunvegan development in the greater Grande Prairie area continue to exceed our budgeted type curve production estimates. In addition, gross costs to drill, complete and equip wells at Karr have been reduced from $6.5 million per well in January 2013 to approximately $4.0 million per well in the latest four well program. At Albright gross costs have been reduced from $3.6 million in February 2013 to a current estimate of $2.9 million per well. We have identified over 80 additional gross Dunvegan locations on our lands in the Grande Prairie area.

We drilled two (1.12 net) separate Montney prospects in the first quarter of 2014 and anticipate that we will have both wells completed prior to the end of the quarter. At Birley/Umbach we drilled a (0.75 net) 2,700 metre well (1,220 metre horizontal leg) and performed an 18 stage (65 tonnes/stage) slick water multi stage fracture operation on the well. Results of the completion are currently being evaluated. At Gold Creek we drilled a (0.37 net) 4,543 metre well (1,950 metre horizontal leg) and performed a 28 stage (50 tonnes /stage) slick water multi stage fracture operation on the well. We have just commenced the initial clean-up of the Gold Creek well to recover the associated frac fluid and production test the well.

Tunisia

Tunisian production averaged 1,917 boe/d for the year ended December 31, 2013 and averaged 1,737 boe/d for the fourth quarter of 2013. We continued our development of the BBT Concession during 2013 bringing our total number of producing wells on this concession to 13 (11.18 net). Our planned capital program was slightly hindered in the latter part of the year with the introduction of a new application and approval process, which resulted in part of the budgeted capital program being deferred to early 2014. We had minimal capital expenditure and growth on both of our non-operated Adam and BEK properties with one well (0.05 net) drilled on the Adam property. The strengthening of the US dollar relative to the Canadian dollar has had a positive impact on our reported revenues from our Tunisian segment. We continue to receive a premium to the Brent benchmark price on our sales volumes, which has financed the capital program for the Tunisian business.

We have drilled four (3.44 net) of our six (5.16 net) well program on the BBT Concession, which is on schedule to be completed by June 2014. All six wells are vertical wells with estimated drill and complete costs of $4 million per well. In addition to the drilling program, we have finalized plans for the construction of a central gathering facility and oil battery on the concession which is projected to commence late in the first half of 2014 and is expected to reduce operating and transportation costs at BBT.

Outlook

We are maintaining the guidance for 2014 that was initially announced in the news release of December 19, 2013, with only an improvement to our year end net debt.

($ millions, except boe/d)	Consolidated	International	Canada
Production (boe/d)	9,500 - 10,250	1,850 - 2,130	7,650 - 8,120
Cash flow	$ 82 - $ 90	$ 42 - $ 46	$ 40 - $ 44
Capital expenditures	$ 85	$ 36	$ 49
Net debt	$ 60	$ 60	
Maximum avilable credit	$ 138.8	US $23.8	$ 115

For 2014 we are focused on the continued development of our properties at Karr, Albright and BBT Concession while pursuing new resource opportunities over a large undeveloped Western Canadian land base that would provide meaningful and economic scale to our shareholders that would be supported by a fully financed cash flow based budget and further supported by a healthy balance sheet.

Also in 2014 we are continuing with our 2013 initiative reviewing potential alternative strategies for our international business in an attempt to better understand the respective valuation of our domestic and international assets and to identify potential alternatives that may improve the market valuation of Chinook as a hybrid company relative to our domestic peers. We caution that there are no assurances or guarantees that such process will result in a transaction or, if a transaction is undertaken, the terms or timing of such a transaction.

2014 will be an exciting and pivotal year at Chinook and we would like to thank our employees and Board of Directors for their ongoing commitment and our shareholders for their continued support. We look forward to providing you with updates of our success throughout 2014.

About Chinook Energy Inc.

Chinook is a Calgary-based public oil and gas exploration and development company that combines multi-zone conventional production with resource plays in western Canada with an exciting high growth oil business onshore and offshore Tunisia in North Africa.

Reader Advisory

Forward-Looking Statements

In the interest of providing shareholders and potential investors with information regarding Chinook, including management's assessment of the future plans and operations of Chinook, certain statements contained in this news release constitute forward-looking statements or information (collectively "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In particular, this news release contains, without limitation, forward-looking statements pertaining to: budgeted amounts in fiscal 2014 and the expectation that such amounts will be spent in the manner and locations set forth herein; Chinook's plans for the completion of certain infrastructure projects in both Tunisia and Canada; matters relating Chinook's fiscal 2014 production volumes; the timing and location of certain planned operational activities; the matters referred to under the *heading "Outlook" and Chinook's expectations on improving operating costs and netbacks as a result of certain infrastructure investments.*

With respect to the forward-looking statements contained in this news release, Chinook has made assumptions regarding, among other things: that Chinook will continue to conduct its operations in a manner consistent with past operations, the ability of Chinook to continue to operate in Tunisia with limited logistical security and operational issues, future capital expenditure levels, future oil and natural gas prices, future oil and natural gas production levels, Chinook's ability to obtain equipment in a timely manner to carry out exploration and development activities, the ability of Chinook to add production and reserves through development and exploitation activities, that the budgeted amounts and expenditures set forth herein, which are subject to the board's discretion, will not be amended in the future, that market and other conditions will provide Chinook opportunities in respect of its review of its international operations and the continued availability of adequate debt and equity financing and cash flow to fund its planned expenditures. Although Chinook believes that the expectations reflected in the forward-looking statements contained in this news release, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this news release, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that predictions, forecasts, projections and other forward-looking statements will not occur, which may cause Chinook's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, without limitation, political and security risks associated with Chinook's Tunisian operations, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve and resource estimates, the continued impact of shut-in production, environmental risks, competition from other producers, inability to retain drilling rigs and other services, capital expenditure costs, including drilling, completion and facilities costs, unexpected decline rates in wells, delays in projects and/or operations resulting from surface conditions, wells not performing as expected, delays resulting from or inability to obtain the required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the forgoing list of factors is not exhaustive. Additional information on these and other factors that could effect Chinook's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) and at Chinook's website (www.chinookenergyinc.com). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and Chinook does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Barrels of Oil Equivalent

Barrels of oil equivalent (boe) is calculated using the conversion factor of 6 mcf (thousand cubic feet) of natural gas being equivalent to one barrel of oil. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl (barrel) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Netback

The reader is cautioned that this news release contains the term netback, which is not a recognized measure under IFRS and is calculated as a period's sales of petroleum and natural gas, net of royalties less net production and operating expenses and cash G&A as divided by the period's sales volumes. Management uses this measure to assist them in understanding Chinook's profitability relative to current commodity prices and it provides an analysis tool to benchmark changes in operational performance against prior periods and to peers on a comparable basis. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms such as net income determined in accordance with IFRS as a measure of performance. Chinook's method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

Operating Netback

The reader is cautioned that this news release contains the term operating netback, which is not a recognized measure under IFRS and is calculated as a period's sales of petroleum and natural gas, net of *royalties less net production and operating expenses as divided by the period's sales volumes. Management uses this measure to assist them in understanding Chinook's profitability relative to current commodity prices and provides an analysis tool to benchmark changes in operational performance against prior periods and to peers on a comparable basis. Chinook's method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.*

Net Production Expense

The reader is cautioned that this news release contains the term net production expense, which is not a recognized measure under IFRS and is calculated as production and operating expense less processing and gathering income. Management uses net production expense to determine the current periods' cash cost of operating expenses. Chinook's method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

Cash G&A

The reader is cautioned that this news release contains the term cash G&A, which is not a recognized measure under IFRS and is calculated as G&A less stock-based compensation and the amortization of the deferred lease liability.

Cash Flow

The reader is cautioned that this news release contains the term cash flow, which is not a recognized measure under IFRS and is calculated from cash flow from continuing operations adjusted for changes in non-cash working capital. Management believes that cash flow is a key measure to assess the ability of Chinook to finance capital expenditures and debt repayments. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms such as cash flow from operating activities, net income or other measures of financial performance calculated in accordance with IFRS. Chinook's method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

Net Debt

The reader is also cautioned that this news release contains the term net debt, which is not a recognized measure under IFRS and is calculated as bank debt adjusted for working capital excluding mark-to-market derivative contracts. Working capital excluding mark-to-market derivative contracts is calculated as current assets less current liabilities both of which exclude derivative contracts and current liabilities excludes any current portion of debt. Management uses net debt to assist them in understanding Chinook's liquidity at specific points in time. Mark-to-market derivative contracts are excluded from working capital, in addition to net debt, as management intends to hold each contract through to maturity of the contract's term as opposed to liquidating each contract's fair value or less.

Future Oriented Financial Information

This news release, in particular the information in respect of anticipated cash flows, may contain Future Oriented Financial Information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management of Chinook to provide an outlook of Chinook's activities and results and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward-Looking Statements" and assumptions with respect to production rates and commodity prices. The actual results of operations of Chinook and the resulting financial results may vary from the amounts set forth herein, and such variation may be material. Chinook and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.

Initial Production Levels

Any references in this news release to initial, early and/or test production/performance rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for Chinook. The initial production rate may be estimated based on other third party estimates or limited data available at this time. The initial production is generally estimated using boes. In all cases in this news release initial production or test rates are not necessarily indicative of long-term performance of the relevant well or fields or of ultimate recovery of hydrocarbons.

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