

CALGARY, ALBERTA--(Marketwired - Aug 10, 2016) - [Chinook Energy Inc.](#) ("our", "we", "us" or "Chinook") (TSX:CKE) is pleased to announce its second quarter financial and operating results.

Our operational and financial highlights for the three and six months ended June 30, 2016 are noted below and should be read in conjunction with our condensed consolidated financial statements for the three and six months ended June 30, 2016 and 2015 and related management's discussion and analysis which have been posted on the SEDAR website (www.sedar.com) and our website (www.chinookenergyinc.com).

Second Quarter 2016 Financial and Operating Highlights

	Three months ended		Six months ended	
	2016	June 30 2015	2016	June 30 2015
OPERATIONS				
Production Volumes				
Crude oil (bbl/d)	769	1,284	793	1,384
Natural gas liquids (boe/d)	604	604	669	643
Natural gas (mcf/d)	22,776	25,290	23,995	29,128
Average daily production (boe/d)	5,169	6,103	5,461	6,881
Sales Prices				
Average oil price (\$/bbl)	\$ 50.59	\$ 62.90	\$ 42.76	\$ 55.50
Average natural gas liquids price (\$/boe)	\$ 25.78	\$ 41.06	\$ 26.81	\$ 38.64
Average natural gas price (\$/mcf)	\$ 1.35	\$ 2.50	\$ 1.39	\$ 2.59
Netback⁽¹⁾				
Average commodity pricing (\$/boe)	\$ 16.50	\$ 27.67	\$ 15.61	\$ 25.72
Royalties (\$/boe)	\$ (0.44)	\$ (0.78)	\$ (0.73)	\$ (1.49)
Net production expenses (\$/boe) ⁽¹⁾	\$ (14.75)	\$ (18.36)	\$ (14.95)	\$ (17.63)
G&A expense (\$/boe)	\$ (4.40)	\$ (3.70)	\$ (3.98)	\$ (3.87)
Netback (\$/boe) ⁽¹⁾	\$ (3.09)	\$ 4.83	\$ (4.05)	\$ 2.73
Wells Drilled (net)				
Total natural gas wells drilled (net)	-	-	-	2.75
FINANCIAL (\$ thousands, except per share amounts)				
Petroleum & natural gas revenues, net of royalties	\$ 7,550	\$ 14,934	\$ 14,794	\$ 30,174
(Outflow) funds from operations ⁽¹⁾	\$ (1,721)	\$ 2,995	\$ (4,611)	\$ 4,218
Per share - basic and diluted (\$/share)	\$ (0.01)	\$ 0.01	\$ (0.02)	\$ 0.02
Net (loss) income	\$ (12,520)	\$ (5,822)	\$ (25,295)	\$ 2,366
Per share - basic and diluted (\$/share)	\$ (0.06)	\$ (0.03)	\$ (0.12)	\$ 0.01
Capital expenditures	\$ 1,347	\$ 4,921	\$ 4,373	\$ 27,014
Net surplus ⁽¹⁾	\$ (6,207)	\$ (46,705)	\$ (6,207)	\$ (46,705)
Total assets	\$ 366,586	\$ 414,280	\$ 366,586	\$ 414,280
Common Shares(thousands)				
Weighted average during period				
- basic	215,350	215,089	215,350	215,087
- diluted	215,350	215,089	215,350	215,121
Outstanding at period end	215,350	215,236	215,350	215,236

(1) (Outflow) funds from operations, (Outflow) funds from operations per share, net debt (surplus), netback, and net production expense are non-GAAP 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 "Funds (outflow) from Operations", "Net Debt (Surplus)", "Netback" and "Net Production Expense" in the Reader Advisory below for further information on such terms.

Highlights for the three months ended June 30, 2016

- Our recently announced transaction with Tournament Exploration Ltd. ("Tournament") completes our transformation into a well-capitalized pure play Montney liquids rich natural gas story.
- We ended the second quarter of 2016 with a strong balance sheet including a net surplus of \$6.2 million (including cash of \$27.3 million). On an unconsolidated basis [Chinook Energy Inc.](#) had a net surplus of approximately \$20.8 million at June 30, 2016.

- We continued to implement cost saving initiatives as a result of the decrease in commodity prices. Net production expenses were \$14.75 per boe in the second quarter, a decrease of almost 20% from the same quarter of 2015.
- Subsequent to the end of the second quarter and as announced on August 2, 2016, we have initiated a review of strategic alternatives. This review of strategic alternatives may include, but is not limited to, a review of acquisition opportunities in either the Montney or a new core area of operations, merger, sale, joint venture or other opportunities that will result in a well-capitalized entity that can best develop our emerging Montney assets.
- Subsequent to the end of the second quarter, we executed a gas handling agreement impacting the majority of our British Columbia natural gas production. It will significantly improve go-forward drilling economics, bring base production back online and provide gas handling capacity for growth volumes as well as reduce operating costs by approximately \$2.70/boe on Chinook properties not held by Tournament.

Strategic Transaction

As previously announced, on June 10, 2016, we completed the divestiture of the majority of our Alberta oil and natural gas assets and the associated decommissioning obligations to Tournament, a private Calgary-based petroleum and natural gas production company, for 70% of the issued and outstanding common shares of Tournament pursuant to an asset purchase and sale agreement dated and effective May 1, 2016 (the "PSA"). In connection with the PSA, we also made a payment of \$0.9 million to Tournament (collectively, the "Subject Assets"). Chinook's Alberta assets not divested to Tournament are primarily prospective for Montney and focused in the Gold Creek and Knopcik areas near Grande Prairie.

All of the common shares of Tournament we received are expected to be distributed to our shareholders and we anticipate holding a shareholder meeting before the end of 2016, to approve the proposed share distribution. The date for determining the shareholders of record who will be entitled to the distribution will be confirmed at a later date. The share distribution will be subject to, among other things, shareholder approval at the meeting. Until the share distribution is approved and completed, our consolidated financial statements will include the accounts of Tournament since June 10, 2016.

Our management and Board of Directors continuously reviews options available to maximize shareholder value. As part of this review, we determined that consolidating the Subject Assets within Tournament would allow two companies to focus on a concentrated grouping of properties and would result in us being well positioned for a review of strategic alternatives. After the distribution of the Tournament shares to our shareholders, Chinook can focus on the emerging Montney assets at Birley/Umbach, British Columbia and at Gold Creek and Knopcik, Alberta. Through the proposed share distribution, our shareholders are expected to benefit from the direct ownership of Tournament shares and the continued participation in the growth and future value creation of our existing Chinook shares. Based on these and other factors, our Board of Directors unanimously approved the Tournament transaction and commencement of a formal review of strategic alternatives.

Second Quarter 2016 Financial Results

Once again this quarter, the overall driver of our financial results was the impact of falling commodity prices. These lower prices drove decreases in our production volumes through the voluntary shut-in of wells and impacted our decreased revenues during the second quarter of 2016.

Production in the second quarter of 2016 averaged 5,169 boe/d, down 15% from the same period in 2015. The decrease from the second quarter of 2015 is attributed to natural declines, property dispositions, voluntary shut-ins and a third party plant restriction; however, this was partially offset by the completion of our Birley compressor expansion during the first quarter of 2016, resulting in increased production during the second quarter compared to the fourth quarter of 2015. In addition, since June 10, 2016, Tournament's properties, excluding the Subject Assets, added an additional 2,000 boe/d of production. However, as a result of continued depressed pricing, by the end of the second quarter, we had temporarily shut-in approximately 2,550 boe/d of production volumes that were not tied to firm processing or transportation commitments, which are price dependent to come back on-stream.

Our second quarter petroleum and natural gas revenues were down approximately 50% from the same period of 2015 as a result of lower realized weighted average commodity prices and lower volumes. Crude oil prices continued to decrease throughout 2015 as a result of an oversupply in the crude oil market. An increase in natural gas supply, ongoing pipeline service restrictions and reduced system capacity in northeastern British Columbia and the May wildfires which affected oil sands production in Fort McMurray contributed to volatile natural gas price fluctuations. However, pricing began to recover by the end of the second quarter.

Our second quarter net production expense (operating costs) decreased by approximately 32% to \$6.9 million from \$10.2 million in the second quarter of 2015. In addition to our on-going review of our cost structure, production costs have decreased as a result of our 2015 property dispositions, the voluntary shut-in of relatively higher operating costs/lower netback wells and the impact of the temporary and voluntary shut-in of natural gas production due to lower commodity prices in British Columbia. Since June 10, 2016, operating costs for the consolidated Tournament volumes were estimated at \$16.84/boe. On a go forward basis, we expect Chinook operating costs, excluding the consolidated volumes from Tournament, to average \$12.50/boe to

\$13.50/boe.

We have continued to focus on improving our G&A cost structure and implement cost cutting initiatives. Although our G&A expense of \$2.1 million was consistent with the second quarter of 2015, the current quarter's G&A included \$0.2 million of Tournament's G&A expense since June 10, 2016. Expensed transaction costs incurred on the Tournament transaction are estimated at \$1.6 million and include legal and other professional fees in addition to severance costs. We anticipate that our salary costs will decrease upon completion of the distribution of the Tournament shares to our shareholders.

Our netback for the second quarter decreased significantly compared to the same quarter of 2015. This decrease was caused by lower commodity benchmark prices, despite a decrease in our overall and per boe royalties and net production expense.

We reported a funds outflow from operations of \$1.7 million during the second quarter of 2016, a decrease compared to funds from operations of \$3.0 million in the same quarter of 2015; however, an improvement from the funds outflow of \$2.9 million in the first quarter of 2016. The second quarter outflow mostly resulted from lower petroleum and natural gas revenues which were approximately one-half compared to the same quarter of 2015 due to significantly lower realized commodity prices and to a lesser extent sales volumes.

At June 30, 2016, we had provisions of \$112.2 million primarily related to the future abandonment and reclamation of our properties. The provision associated with assets owned by Tournament, including those transferred to it as part of the transaction with Tournament was \$80.0 million.

Second Quarter 2016 Operational Results

Amid continued depressed commodity prices, we remain focused on cost savings and strategic management. During the second quarter of 2016, our capital expenditures mostly related to a non-operated facility turnaround. We have continued to focus on reducing our costs including the ongoing review and re-bid of third party contracts and agreements, the shut-in of wells and the optimization of field staff.

Board of Director Change

After serving Chinook and our predecessor companies' shareholders for almost ten years, Mr. Robert C. Cook resigned from our Board of Directors effective August 10, 2016. As a result of the departure of Mr. Cook, our Board has reconstituted our Audit Committee and our Reserves, Safety and Environmental Committee with the addition of Robert J. Iverach and Jill T. Angevine, respectively. On behalf of Chinook and our shareholders, we would like to thank Mr. Cook for his insightful input and diligence in serving as a Director.

Outlook

As previously announced on August 2, 2016, we have initiated a review of strategic alternatives, which may include, among other things, a review of acquisition opportunities to expand our core Montney asset base, or establish a new core area of operations. We will also entertain merger, sale, joint venture or other opportunities that will result in a well-capitalized entity that can best develop our emerging Montney assets at Birley/Umbach, British Columbia and at Gold Creek and Knopcik, Alberta.

About Chinook Energy Inc.

Chinook is a Calgary-based public oil and natural gas exploration and development company with multi-zone conventional production and resource plays in western Canada. The common shares of Chinook are listed for trading on the TSX under the symbol: "CKE".

Reader Advisory

Forward-Looking Statements

In the interest of providing our shareholders and readers with information regarding our company, including management's assessment of our future plans and operations, 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: our intention to distribute all of the Tournament shares to our shareholders and the method of completing the same; the anticipated benefits to us from completing the transaction with Tournament and the distribution of the Tournament

shares to our shareholders; post Tournament transaction strategy, plans and operations including our intention to concentrate on our Montney assets subsequent to the transaction with Tournament; that we will implement future cost savings initiatives, that our salary costs will decrease once the Tournament shares have been distributed to our shareholders; our intention to carry out a strategic review and the assessment of future plans regarding the strategic review; expectations regarding future reductions in operating and G&A costs, future Chinook operating costs, excluding consolidated volumes from Tournament, future exploration and development activities and the timing thereof and how we intend to manage our company during 2016, that we expect to remain focused on cost reductions, prudent capital management and continued rationalization of our non-core assets during the balance of 2016.

With respect to the forward-looking statements contained in this news release, we have made assumptions regarding, among other things: the distribution of the Tournament shares to our shareholders will be completed on the terms disclosed herein; opportunities that may result from the strategic review; that we will continue to conduct our operations in a manner consistent with that expressed herein, future capital expenditure levels, future oil and natural gas prices, future oil and natural gas production levels, future currency, exchange and interest rates, our ability to obtain equipment in a timely manner to carry out exploration and development activities, the ability of the operator of the projects in which we have an interest in to operate in the field in a safe, efficient and effective manner, the impact of increasing competition, field production rates and decline rates, anticipated production volumes, our ability to replace and expand production and reserves through exploration and development activities, certain cost assumptions, the results of negotiations and the plans of our partners in certain of our areas; that the budgeted 2016 capital, which is subject to the discretion of our Board of Directors, will not be amended in the future, and the continued availability of adequate debt and cash flow to fund our planned expenditures. Although we believe 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 our 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, that the distribution of the Tournament shares to our shareholders will be completed on the terms disclosed herein; the strategic review may not be completed in the manner currently contemplated (or at all) or that such review may or result in any opportunities for our company; risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices and currency fluctuations, our Board of Directors may amend the 2016 capital program based on its discretion; environmental risks, competition from other producers, inability to retain drilling rigs and other services, unanticipated increases in or unforeseen 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 inability 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 affect our 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 our 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 we do 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.

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 G&A expense as divided by the period's sales volumes. Management uses this measure to assist them in understanding our 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. Our 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. Our method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

Funds (Outflow) from Operations

The reader is cautioned that this news release contains the term funds (outflow) from operations, which is not a recognized

measure under IFRS and is calculated as cash flow from continuing operations adjusted for changes in non-cash working capital, exploration and evaluation expenses, transaction costs and decommissioning obligation expenditures. Management believes that funds (outflow) from operations is a key measure to assess our ability 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. Our 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 (Surplus)

The reader is cautioned that this news release contains the term net debt (surplus), which is not a recognized measure under IFRS and is calculated as bank debt adjusted for working capital excluding mark-to-market derivative contracts, current portion of decommissioning obligation and assets and liabilities held for sale. Working capital excluding mark-to-market derivative contracts, current portion of decommissioning obligation and assets and liabilities held for sale is calculated as current assets less current liabilities both of which exclude derivative contracts and assets and liabilities held for sale and current liabilities excludes any current portion of debt and decommissioning obligation. Management uses net debt (surplus) to assist them in understanding our liquidity at specific points in time. Mark-to-market derivative contracts are excluded from working capital, in addition to net debt (surplus), 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 may contain Future Oriented Financial Information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by our management to provide an outlook of our 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 our operations and the resulting financial results may vary from the amounts set forth herein, and such variations may be material. Our management believes that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.

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.

Contact

[Chinook Energy Inc.](#)

Walter Vratarić
President and Chief Executive Officer
(403) 261-6883
www.chinookenergyinc.com

[Chinook Energy Inc.](#)

Jason Dranchuk
Vice President, Finance and Chief Financial Officer
(403) 261-6883